September 5, 2017

Alfred M. Pollard
Office of General Counsel
Attention: Comments/RIN 2590–AA65
Federal Housing Finance Agency
Eighth Floor, 400 Seventh Street SW
Washington, DC 20024

Re: Comment on Enterprise housing goals, RIN 2590-AA81

Mr. Pollard,

Thank you for taking public comments the past 60 days on the important matter of the Federal Housing Finance Agency's proposed 2018-2020 Enterprise Housing Goals. I am a mortgage loan originator at a major U.S. bank living and working in Dallas, Texas, and from the look of things I am one of the only bankers out of the 400,000+ licensed through NMLS across the nation seeking to offer my input on this key rulemaking process by the FHFA. I hope to offer a slightly different perspective than perhaps has been delivered thus far, and I thank you for your time.

As you may have heard, my community in Texas where I live and work was recently devastated by the damage of Hurricane Harvey, with property losses estimated by the National Centers for Environmental Information between $70 and $108 billion, mirroring analytics by Moody's. Consideration of the ripple-through effect of the disaster into the rest of the economy of Texas, and the nation, places total losses possibly as high as $190 billion. Unlike prior disasters, in the case of Harvey, it is estimated that flood insurance coverage was only in place for 2 out of 10 impacted households, thus shifting the financial costs of the disaster onto household balance sheets, wiping out billions in net worth. Since many Houston residents were not located in Special Flood Hazard Zones, and thus not required by law to have flood coverage on a federally-backed mortgage loan, sadly many families have lost it all. The Census Bureau estimates that home equity makes up roughly 70% of the total net worth of homeowners 65 and older. Home equity takes decades to build. Many lost a lifetime of work – in one night of wind and water. Although federal disaster relief benefits are available, as you know it comes in the form of loans and this debt will have to be repaid. There is simply no way to undo what Mother Nature has done. I trust that as in the case of Sandy and Katrina, when the federal insurance program paid out $8.4 and $16 billion, respectively, our federal government will again step in and help those in need. It's what governments do: help those who have put them in power.

Which brings us to the subject of this public comment period: serving low-income households in finding fair, affordable housing. The U.S. Congress in 1992 passed the Federal Housing Enterprises Financial Safety and Soundness Act which requires that annual housing goals be set for mortgages purchased by the Government-Sponsored Enterprises, now under the regulatory conservatorship of FHFA (Fannie Mae and Freddie Mac). Upon the creation of the FHFA in 2008, this requirement falls now to your organization. By publically setting goals for low- and very low-income households borrowing for single- and multi-family housing units, the American people as a society pledge our commitment to stand in solidarity with "the least of these." We stand united in our belief in the ethical and moral claim that all people, regardless of ability to pay, deserve the human dignity which comes from fair and affordable housing. Regardless of whether a new born baby by chance finds him or herself in the arms of wealthy parents, or of low income, that child deserves housing that is safe, secure, and affordable. This is a noble commitment to make indeed. Our compassion and our concern for others welfare is what makes us human. It is what makes us noble and honorable. The real question, then, is not what we want to do, for we have already decided upon that, but what remains to be decided is how will we make it happen.

Following the historic redlining practice of many banks to discriminate against borrowers based on race, as our nation reeled from the institutional racism which lingered post Jim Crow and into the Civil Rights era, and then the equally horrific practice of reverse redlining, whereby historically marginalized communities were targeted for predatory loans, our society owes nothing less than a strategic, federal plan to improve home ownership rates and housing availability for historically disenfranchised communities. Low income minority borrowers were especially and disproportionately harmed by the 2008 crash as home values plummeted, and the accumulated equity vanished. This was no accident, as federal investigations have revealed that unsophisticated minority borrowers were targeted for inappropriate financial products, and suffered as a result. So I applaud your efforts to achieve the goal of making sure we meet the housing needs of our low- and very-low income brothers and sisters, despite what differences we may have in regards to policy objectives that intend to accomplish this desired outcome.

The poor will always be with us, as a famous revolutionary once said. "You shall freely open your hand to your brother, to your needy and poor in your land," is what Judeo-Christian people believe and seek to live out, at least those in the progressive wing of the faith. Towards that end, I commend the public support from all sectors of the economy in pledging assistance. From Uber offering free rides for volunteers serving in shelters for refugees such as the one the Dallas mayor has opened in our city, to friends taking time off work to drive to Houston and serve in person, to the big banks with their deep pockets contributing their millions. Doing good is not the sole domain of Mother Theresas and Gandhis. Uber, with its allegations of sexual harassment and Wells Fargo, with its lingering PR nightmare of fraudulently opened accounts, can still do great things. And so can we all. We are all, as people and as groups of people in firms, organizations, agencies, seeking to do what is best, and although we are imperfect, we all have an important role to play in serving the needs of others. It is the foundation of what business is, merely facilitating the trade of resources to the benefit of all involved. We must daily choose to be good, and I am grateful to see so many others making this choice as of late in helping those who are in need. As a user of the industry you regulate, I appreciate the work you do, which allows the good actors to flourish and differentiate themselves from those who are not so ethical.

We demonstrate what it means to be American in times of crisis, and so far, we as a people have continued to re-affirm our commitment to one another. Let us not forget in the good times, too, what it means to love your neighbor as yourself. Many employers are opening their wallets to the compassion of their workers. The FHFA should be raising awareness among the working class across the nation that many employers will match their charitable gifts. The voluntary nature of giving is therapeutic and perhaps it will teach us all in finance that serving others and the emotional reward of practicing altruism far outweighs the benefits of self-interested materialism.

In setting the 2018 – 2020 benchmarks for extending mortgage lending to low- and very-low income households, I was disappointed by your agency's failure to raise the goals above the ones set previously. However, I admit that the analysis provided does a satisfactory job of explaining the cause of this hesitation. As was explained, "Low-income and very low-income households are facing, and will continue to face, difficulties in achieving homeownership or in refinancing an existing mortgage. These factors, such as rising property values and stagnant household incomes, also impact the Enterprises' [of Fannie and Freddie] ability to meet their mission and facilitate affordable homeownership for low-income and very low-income households."

As my time serving under Senator Tom Harkin of the Senate HELP Committee taught me while a Bill Archer Fellow, federal policy objectives are a collaboration among agencies and policymakers. It took the Senator decades of work to pass his Americans with Disabilities Act and offer workplace and public accommodation protections to those who, for no fault of their own, were born into challenging circumstances. But he did it. And so can we. Do not forsake the power of the bully pulpit. As a federal regulator, you have significant soft power in influencing the public perception and driving grass roots support for elected officials who do have the authority to give you the tools you need to seek the goals you desire.

As you correctly said in your report, the future does not look good for the poor. Housing affordability as measured by Moody's analysis of the National Association of Realtor's Housing Affordability Index is projected to decline from 162.2 last year to around 152.5 in 2020. Stagnant wages and limited income growth you correctly identify as contributing factors to the decline or plateau of area median incomes (AMIs) across census tracts as published by the Department of Housing and Urban Development, a key indicator in the ability of households to afford homes for sale in their neighborhoods. The stagnation of American low and middle class wages ever since, and even before, the 2008 recession proves a formidable challenge to your organization's aspirations of meeting the housing needs for all Americans. This key variable will require extensive collaboration across many federal and state agencies to meet the need of American workers to get a pay raise, so they can afford the homes that your organization says it wants them to be able to not only live in but also own.

This trend is hardly new. As shown empirically by research conducted by the French economist Thomas Piketty (and also by Emmanuel Saez and their team), and published in his seminal work, *Capital in the Twenty-First Century*, the divergence of income growth between those at the bottom and top of the income hierarchy is not new – not in America, not in Europe, not anywhere in our global economy. What is new is that we are rapidly reaching levels of wealth and income inequality not seen since the Gilded Age. As Paul Krugman, the 2008 recipient of the Nobel Prize in Economics, wrote in his review of Piketty's work, "Before World War I the one percent [of top income earners] received around a fifth of total income [20% of GDP] in both Britain and the United States. By 1950 that share had been cut by more than half. But since 1980 the one percent has seen its income share surge again—and in the United States it's back to what it was a century ago." As reported in Business Insider, Emmauel Saez' analysis suggests that 95% of the new income since 2009 has gone to the top 1% earners, up from the historical average of around 58%.

Why is this relevant to our discussion today? Because without purchasing power, the majority of American households simply cannot afford to purchase the incredibly advanced products that the firms that employ them are creating. There exists a gap in “effective demand,” as the British economist Alfred Keynes so aptly put. Without earning wages, how will the American consumer buy the houses we want them to live in? The boom and bust business cycle must be tempered by government intervention in the free market to restore harmony and stability for ordinary, everyday people who require immediate aid and cannot wait for the long-run normalization of the macroeconomy. Most Americans have but a few thousand in savings. Even a slight recession puts hundreds of thousands on edge. This must be avoided at all costs.

So the truly important question before us now is: how do we assist low income home borrowers? What does it truly take to get a poor family into a home they can call their own? We can raise the debt-to-income threshold all we want, but it won’t print money. We can reduce the FICO credit score requirements even lower, but that won’t erase the risk. What we need, what my people in the neighborhoods of Tyler and Dallas, Texas need, is more funding for financial literacy so that we can protect FICO scores before they deteriorate and also to repair if damaged and also we need more funding for human capital development. Your agency’s rules, and quotas, and compliance requirements are one of many types of tools in our toolkit. And yes, they are effective. But we also need to place real cash and knowledge in the hands of the poor. Then the capitalist banks will line up in a row to find a way to assist, and your job of ensuring home ownership for all will be much easier!

How do we create widespread, shared economic prosperity? We need look no further than the New Deal programs of our former leader Franklin Roosevelt, programs which injected billions in federal commitments into the working class economy. Social investments like public education were made, with tremendous returns on the investment for economic growth for all. Veterans from World War II were trained through the GI Bill to meet the new needs of the American economy. Low income retirees were cared for with the Social Security Trust Funds, which endure to this day, despite attacks from certain politicians that seek to end or curtail them despite the millions of older people saved from poverty and homelessness as a result. In addition, there are several other things that we need. I will list the most pressing six that I can think of, in no particular order:

1. We need more, not less, Trade Adjustment Assistance (TAA) to compensate those hurt by the wildly enormous success of globalization in opening borders and allowing free flow of capital and goods, to the net benefit of us all. Trade is good, but unemployed workers who are now obsolete is not. Returning workers to productive industry puts cash into their wallets, allowing banks to close more mortgage loans, especially in rural areas where manufacturing is still a key sector of the local economy.

2. We need more funding for K-12 and higher learning to remain competitive among other OECD leader nations, especially in STEM fields which are the jobs of the future. Texas teachers are paid on average $8000 less than the national average, which itself is below international standards for pay. This is shocking, especially compounded upon the fact that districts do not have funds for school supplies, which teachers often fund out of their own pockets out of their empathy for low income students. How will the future home owners, now in middle school, learn basic budgeting skills and financial planning essential once they hit their late 20s or early 30s and buy their first home?

Financial literacy across the nation could use a few billion in funding to boost responsible consumption which would fuel the mortgage industry.

3. We need to support workers in organizing for better work conditions and fairness in pay, not continue to pass so-called “right-to-work” legislation which should be called “right-to-free-ride,” allowing non-dues paying members of a union to benefit from the financial contributions of those who do pay their fair share. The Economic Policy Institute estimates that wages paid to workers in states across the nation with right-to-work laws on the books are 3.2% lower than those states without such laws, after controlling for other considerations. The role of unions in supporting the working class is certainly one in flux, as the economy shifts away from traditionally unionized sectors like manufacturing, but this American institution still has an important role to play.

4. We also need to focus on the new sector of home buyers, the Millennials. Student debt for over 44 million Americans now stands, on average, at over $35,000 – nearly a trillion and a half in total. A study by Fitch estimates that a student loan borrower, paying the average of $203 per month, reduces the amount he or she can borrow for a mortgage by about $45,000. This student loan debt, good debt, for mortgage lending purposes is weighted just as risky as other, bad debts – like credit cards – and thus the responsible college graduate is penalized for investing in his or her education and future earning potential. That makes no sense from a risk perspective and should be re-considered. A home buyer with $203 monthly payment towards a credit card should not be on the same level as a college graduate with $203 towards education debt, especially since the credit card can be utilized in the future while student loans are installment debts and thus not available for future re-borrowing as is the case with revolving lines like credit cards.

5. We need harsher, not softer, penalties on the mortgage industry when fraud is committed against innocent borrowers. A recent case a few years back by the CFPB fined a loan officer caught in a RESPA kickback scheme conducted over multiple years only $30,000 and barred his employment in the industry for two years. As of January of this year, this person is free to re-enter the industry and prey upon innocent, first time, young, non-English speaking borrowers, again. And if he gets caught a second time, what will he pay? Another $30,000 and take a two year vacation? Why is a teenager caught with a few ounces of marijuana subject to jail time and an adult with full knowledge of his malice when caught only fined a small portion of the ill-gotten gains and not even barred from the industry for life? Gary Becker of the University of Chicago became famous for his economics of criminality. He claimed that white collar crime needs to be punished just as other crimes: with swiftness, severity, and certainty. When the probability of being caught is low, or the penalty for unethical behavior is insufficient to deter, criminality will persist. Such is what we see, to this day, with banks acting with impunity in the face of the representatives of the American people, the regulators. I need not name names for us all to know of which banks I am speaking. Good, ethical loan officers need to know that the American people, and the regulators, stand behind us, and that you want good behavior in the marketplace. We need a way of differentiating ourselves from the bad actors. As the Maryland Attorney General who brought the case with the CFPB said, it is unfair for those of us who do the right thing for those who do bad to be merely slapped on the wrist. You know that the world is not at peace when the real money to be made is not in doing what is right, but in paying the necessary fines which are merely the cost of goods sold, in order to do what is wrong. We must make fraud not only illegal but too expensive to engage in. And this requires a strong backbone

on the part of regulators, who stand as I and many other loan officers do for the ethical treatment of the American borrower.

6. To offset the cost of repairing credit for those impacted by the fraud and abuse of bad actors in the finance industry, a victims fund specifically designated for credit repair must be established, and soon. Just think of how many low-income borrowers out there simply don’t qualify for FHFA mortgages or even FHA for that matter, not for any fault of their own, but based on the past malfeasance of others? The U.S. Department of Justice should establish a dedicated fund to subsidize the repair of credit for those who can demonstrate credit history damage as a result of fraud. Then we can collect fines from bad actors, to pay for their victims. I can’t think of a more just response to the injustice of identity theft.

To bring my remarks to a close, I realize that much of what I express to you today is beyond the control or jurisdiction of a single regulator. I admit this readily. The FHFA has an important role to play in the industry and many of these ideas are merely tangential to its purpose as mandated by the U.S. Congress. But like I said earlier, your toolkit is quite a big larger than merely setting quotas, regulations, and more broadly keeping an eye on the industry as a whole. Don’t underestimate the impact of a few key voices sounding the alarm and educating, informing, and mentoring the American voter to select leaders who will choose policies in our collective best interests. You have a bully pulpit. Speak up on behalf of low income people who need raises in wages and also benefits like health care and 401k plans. Speak up for those who need protection from unethical market participants. Speak up for those who need more federal and state funding to give them the human capital to afford the homes we want them to have.

Housing policy is no less complex than health care, foreign affairs, or even the disability work of Senator Tom Harkin. It will take many, many helpers out there to get our nation where we want it to be. But as the famous TV personality Fred Rogers once said, “When I was a boy and I would see scary things in the news, my mother would say to me, ‘Look for the helpers. You will always find people who are helping.’ ” As with those donating of their time and limited money to their brothers and sisters in Houston, Texas, may we all use our limited spheres of influence and the gifts we have been given to become helpers to those too powerless to help themselves. This includes low-income home buyers. I applaud the work of the agency, and I look forward to the next two years of working in the industry to meet this noble goal of fair, affordable housing for all.

Thank you for all that you do,

Benjamin Strube