



**National Association
of Real Estate Brokers, Inc.**

9831 Greenbelt Road, Suite 309,
Lanham, MD 20706

March 19, 2019

**The Honorable Joseph M. Otting
Acting Director**

Federal Housing Finance Agency
400 7th Street, S.W.
Washington, D.C. 20219

Re: Validation and Approval of Credit Score Models (RIN 2590-AA98)

Dear Acting Director Otting:

The National Association of Real Estate Brokers, Inc. (NAREB), is the country's oldest professional Black real estate trade association. Founded in 1947, NAREB's purpose includes some of the following key points: 1) To enhance the economic improvement of its members, the community at large, and the minority community which it serves; 2) To unite those engaged in the recognized branches of the real estate industry including brokerage, management, mortgage financing, appraising, land development, home building, and allied fields for the purpose of exerting influence on real estate interests; 3) To enable its members to transact their business in a more professional manner, through the adoption of such rules and regulations as they may deem proper. Further, the NAREB Motto is Democracy In Housing.

Annually, NAREB publishes the State of Housing In Black America Report (SHIBA Report). **The 2018 SHIBA Report examines the need for more favorable federal policies to bolster the rate of Black American homeownership in the U.S. which lags a whopping 30% behind that of White Americans.** Jim Carr, senior writer of the 2018 SHIBA Report writes, "Federal housing regulators have aggressively pursued lending practices that make access to homeownership more challenging than necessary for lower- and moderate-income and Black households." It is against this backdrop that NAREB writes to the Federal Housing Finance Agency to update its credit models and increase competition, which will have a positive impact on the rate of Black homeownership in the U.S.

The homeownership rate for Black Americans is lower Today than before the passage of the Fair Housing Act of 1968 (42% Black vs. 71% White). The reason for this "dismal reality," as stated in NAREB's most recent report, The State of Housing in Black America (SHIBA), is "that Blacks have never



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enjoyed equal and equitable access to mainstream mortgage credit. Rather, Black families attempting to become homeowners have largely been trapped in a vicious cycle of predatory mortgage schemes or by an absolute denial of access to home loans.”

Access to mortgage credit is the largest gatekeeper to the American Dream of homeownership. Since the Great Depression or for the last 80 plus years, the U.S. government and its quasi-government agencies and enterprises have created winners and losers for those that want to become homeowners. For Black people, the path to homeownership is often filled with racial and discriminatory barriers, both individual and institutional.

In the 2018 SHIBA Report, Jim Carr states, “The Federal Housing Finance Agency (FHFA) continues to support Fannie Mae's and Freddie Mac's reliance on an outdated credit-scoring model and their practice of charging fees that far exceed reasonable prospective losses resulting from loans insured by the agencies.” Carr also notes that based on the current credit models used by Fannie Mae and Freddie Mac based on 2017 Home Mortgage Disclosure Act data, Black applicants, overall denial rates for home-purchase loans (18 percent) were more than double those of non-Hispanic White applicants (9 percent).

NAREB continues to make access to affordable and sustainable home loans a high priority on our advocacy agenda. In fact, the last three NAREB State of Housing in Black America Reports, highlighted the promise of newer credit scoring models to expand mortgage-credit access to borrowers who are potentially shut out by the outdated credit models used by FHFA, Fannie Mae and Freddie Mac. When Congress passed legislation to increase competition for scores, it represented a positive and bold step forward for the mortgage and real estate industries, and potential Black homeowners.

Credit scores are among the most important variables used by the GSEs and can, alone, cause a borrower's application to fail. NAREB has consistently focused on both the unfairness of outdated credit scores' impact in prohibiting Blacks access to homeownership and the overcharging, through excessive G-fees, of Black borrowers who are approved for mortgages. Jim Carr, eloquently writes in the 2018 SHIBA Report, “The importance of credit scores to what borrowers pay can be seen in Exhibit 19, in which Fannie Mae's LLPA varies by 3 percentage points for all LTVs above 80 percent across the spectrum of credit score bands. This means that someone with a credit score of less than 620 will pay 3 percentage points more than someone with a credit score greater than or equal to 740 for a mortgage with LTV of 80 percent or higher. “



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In short, it is imperative that FHFA adhere to the directive of the U.S. President, House of Representatives, and the Senate and fully and expeditiously implement Sec. 310. If you have any questions, please do not hesitate to call the NAREB National Office at (301) 552-9340.

Sincerely,

A handwritten signature in blue ink, appearing to read "A. M. Thompson", with a long, sweeping flourish extending to the right.

Antoine M. Thompson
Executive Director

Cc: Jeffrey Hicks, NAREB National President