

October 13, 2020

Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
Eighth Floor, 400 7th Street, SW
Washington, DC 20219

Re: 2021 Enterprise Housing Goals, RIN-2590-AB04

Dear Mr. Pollard:

On behalf of UnidosUS (formerly National Council of La Raza), I appreciate the opportunity to comment on the Federal Housing Finance Agency's (FHFA) Proposed Rule for the 2021 Enterprise Housing Goals. UnidosUS is the largest Hispanic¹ civil rights organization in the United States, working to advance opportunities for low- and moderate-income (LMI) Latino families so that they can achieve economic security and build wealth. UnidosUS urges FHFA to set and enforce a strong set of housing goals for Fannie Mae and Freddie Mac (together, the Enterprises) to ensure that all eligible borrowers, especially LMI borrowers and borrowers of color, continue to have access to an affordable home loan.

According to the Safety and Soundness Act of 1992, FHFA is required to establish annual housing goals for mortgages purchased by the Enterprises. UnidosUS believes that the goals continue to serve as an important mechanism to incentivize the Enterprises to meet their "affirmative obligation to facilitate the financing of affordable housing for low- and moderate-income families...while maintaining a strong financial condition and a reasonable economic return." Through this obligation, the Enterprises continue to promote access to affordable mortgage credit for low- and moderate-income households, including Latinos and other historically underserved communities.

UnidosUS Engagement and Expertise

UnidosUS has a long history in housing and community development on which we base these comments. Since the 1980s, UnidosUS has testified before Congress on Hispanic housing conditions, advocated for more flexible underwriting guidelines and affordable housing products, and managed housing and community development programs in the field.

- **Written testimony and research**

¹ The terms "Hispanic" and "Latino" are used interchangeably by the U.S. Census Bureau and throughout this document to refer to persons of Mexican, Puerto Rican, Cuban, Central and South American, Dominican, Spanish, and other Hispanic descent; they may be of any race. This document may also refer to this population as "Latinx" to represent the diversity of gender identities and expressions that are present in the community.

- *Statement of the National Council of La Raza, UnidosUS Testimony* submitted to the Senate Committee on Banking, Housing and Urban Affairs, presented at the hearing, “Principles of Housing Finance Reform” (July 6, 2017)
- *The State of, and Barriers to, Latino Homeownership*, UnidosUS Testimony submitted to the House Committee on Financial Services, Subcommittee on Housing, Community Development, and Insurance, presented at the hearing, “A Review of the State of and Barriers to Minority Homeownership” (May 16, 2019)
- *Latino Homeownership 2007–2017: A Decade of Decline for Latinos*, published by UnidosUS (July 1, 2019)
- *Why Latinos will Lose under the OCC and FDIC’S Proposal to Modernize the Community Reinvestment Act*, UnidosUS Testimony submitted to the House Committee on Financial Services, Subcommittee on Consumer Protections and Financial Institutions, presented at the hearing, “The Community Reinvestment Act: Reviewing Who Wins and Who Loses with Comptroller Otting’s Proposal” (January 6, 2020)
- **Housing and community development programs**
 - **Wealth and Housing Alliance.** The UnidosUS Wealth and Housing Alliance, a network of nearly 50 community-based housing counseling organizations, is in its 23rd year of providing homeownership counseling services to 40,000 very low-, low-, and moderate-income families annually and averages more than 2,000 closings a year.
 - **The Raza Development Fund.** The Raza Development Fund (RDF), UnidosUS’s wholly owned Community Development Financial Institution, provides capital to UnidosUS Affiliates for community facilities, including charter schools, daycare, primary health care, and affordable housing development.
 - **Hogar Hispano, Inc.** UnidosUS formed Hogar Hispano, Inc. (HHI) to repurpose real estate owned (REO) properties nationally. Since 2013, HHI has acquired and repurposed over 2,000 properties through donation and purchase. It has created a foreclosure prevention program that purchases distressed mortgages and has a higher modification rate than that of private purchasers because of comprehensive programming—all families served by HHI receive housing counseling from the UnidosUS Wealth and Housing Alliance.

Drawing on our experience, we submit the following comments on the proposed benchmarks for the single-family housing goals. Specifically, we describe the state of home lending for Latinos, disparities in the Enterprises’ loan purchases as they relate to the Latino market, and our recommendation to strengthen the goals.

The Enterprises’ Need to Do More to Close the Latino Homeownership Gap

In the decade before the COVID-19 pandemic, Latinos made gains in homeownership. Between 2015 and 2019, the Latino homeownership rate increased by nearly two percentage points, from 45.6% to 47.5%.¹ Latinos were the only demographic group to increase their rate of homeownership for the last five consecutive years.² Among the gains include a notable increase in access to conventional loans, including mortgages purchased by the Enterprises. For example, in 2019, nearly 60%³ of home loans made to Latinos were conventional, compared to 57% in 2018⁴ and less than half (48%) in 2017.⁵

Conventional mortgage products include features that make mortgage payments more manageable and affordable over time, with options that include lower interest rates, lower fees, and mortgage insurance costs that can be cancelled.⁶ Nonconventional loans, like those insured by the Federal Housing Administration (FHA), can be more affordable for cash-strapped first-time homebuyers who can take advantage of features such as lower down payment requirements. Yet, the costs of an upfront mortgage insurance fee along with insurance premiums that last for the life of the loan can add up to a more expensive mortgage payment and require a borrower to wait longer to see an increase in their home equity.⁷

Despite progress, Latinos and other borrowers of color remain underserved by the Enterprises. In 2018, well below 5% of the loans that the Enterprises backed went to Black borrowers and less than 11% went to Latino borrowers, while 77% went to White borrowers.⁸

These disparities have contributed to a gap in Latino and White homeownership rates, which has persisted since the Great Recession of 2007–2009. In 2018, the gap in homeownership rates was more than 25 percentage points—three percentage points higher than in 2017 and in 2007 at the beginning of the Great Recession.⁹ Contributing to this gap is the growing absence of affordable lending to low- and moderate-income communities and eligible Latino borrowers' limited access to affordable loan products. Since the end of the Great Recession, leading lenders with national footprints shied away from the home purchase market, leaving many new Latino customers on the sidelines, just as they were becoming upwardly mobile.

This dynamic makes the role of the Enterprises all the more important, and the establishment of robust housing goals by FHFA all the more necessary. The Enterprises' affordability goals and the conventional market have played a historic and critical role in Latinos' access to affordable homeownership. For example, between 1997 and 2002, the government-sponsored enterprises' affordability goals helped expand mortgage credit to communities of color and low-income borrowers by standardizing eligibility criteria and underwriting factors, which enabled more households to obtain loans. During this same period, rates of Hispanic homeownership increased from 43.3% to 48.2%.¹⁰ In addition, the Enterprises have demonstrated they can meet higher goals under a variety of different housing market conditions.¹¹ Yet, since 2015, the Enterprises' single-family housing goals have remained artificially low. The economic turbulence ushered in by the COVID-19 pandemic increases the need for proactive efforts by the federal government to stabilize the housing market and help homeowners protect the equity in their homes and, through the Enterprises, to ensure that LMI working families who are in a financial position to do so can access a home mortgage on

affordable terms. Such efforts should be part of the federal government's efforts to ensure a strong, swift recovery from the COVID-19 economic recession.

FHFA Should Set Strong Housing Goals for 2021

UnidosUS disagrees with FHFA's proposal to set the benchmarks for the Enterprise Housing Goals for the year 2021 at the same level as they were for 2018–2020. Instead, we urge FHFA to set goals for 2021 that are stronger, to ensure that the Enterprises are affirmatively fulfilling their statutory obligations to facilitate the financing of affordable housing for LMI families and also to help rebuild a path to household wealth creation. More specifically, we recommend that FHFA increase the low-income purchase goal from 24% to 27%.

In recent years, access to affordable financing and growth in Latino homeownership placed many Latino families on a path to rebuilding the wealth lost during the Great Recession. Due to the interconnectedness of Latino communities, rising homeownership rates not only benefit homeowners and their families, they also have notable effects on the surrounding neighborhood and community. For example, research from the Federal Reserve Bank of Boston found that as home values increase, the earnings of homeowners' children as adults rise.¹² The impact on the surrounding community can also be exemplified by the effects of home foreclosures in majority-Latino neighborhoods during the Great Recession. In 2008, more than three in five (62%) Latino homeowners saw foreclosures in their neighborhoods.¹³ As homeowners were pushed out, neighborhoods and surrounding communities rapidly deteriorated. Since 2009, growth in Latino homeownership has accounted for 50% of total homeownership growth in the United States.¹⁴ Relaxing efforts to promote homeownership with affordable mortgage programs at this time will undermine the growth of homeownership throughout the nation.

In its proposal, FHFA states that economic uncertainty related to the COVID-19 national pandemic necessitates setting the 2018–2020 housing goal benchmarks for the year 2021. However, in the notice of proposed rulemaking, FHFA does not provide data or a market analysis that would illuminate the impact of such uncertainty on the housing market. In previous years, FHFA provided a market analysis,¹⁵ which included several variables that validated the accuracy of the agency's forecasting model.

- **FHFA should conduct a study of the housing market.** UnidosUS recommends that the study should include an evaluation of the impact of the pandemic-induced economic recession on the mortgage market, as well as the Enterprises' housing market activities—including their progress toward meeting their 2020 benchmarks. UnidosUS agrees with the Center for Responsible Lending's comment letter urging FHFA to explain why it could not conduct the study estimating the size of the affordable mortgage market, describe what data is missing or uncertain, and how this explanation would be helpful in determining how the study will be treated in future goal setting, particularly for 2022 and 2023.

- **FHFA should publish its analysis for policymakers and the public.** UnidosUS recommends that FHFA publishes its analysis on its website, along with the notice of proposed rulemaking, as the agency had done with its 2018 market analysis provided for the 2018-2020 Enterprise single-family housing goals.¹⁶

In addition, there are indicators that suggest FHFA’s approach is overly cautious and unwarranted. The following are indicators that mitigate economic uncertainty in the housing market:

- **Interest rates are at historic lows.** Federal Reserve Chairman Jerome Powell has asserted that they will stay that way into 2021 and beyond to support the economic recovery.¹⁷ This means that the cost of borrowing will continue to be more affordable for more eligible households who are in a financial position to buy a home.
- **The housing market remains healthy, yet uneven, during the current economic downturn.** The sales of new homes in July 2020 reached 901,000, an increase of 36.3% over the same month in 2019.¹⁸ The sales of existing homes also grew in July 2020 to a seasonally adjusted annual rate of 5.86 million, an increase of 8.7% from a year ago.¹⁹ Yet, these home lending trends may be leaving Latinos on the sidelines. UnidosUS agrees with NCRC’s comment letter that describes how indicators of tightening underwriting in home lending, including additional down payment and loan-to-value restrictions, point to barriers to affordable credit opportunities for lower-income and minority home buyers.
- **The Enterprises’ performance toward meeting previously proposed benchmarks provides reason for confidence in their ability to meet higher benchmark levels in 2021.** Both Enterprises were successful in exceeding the benchmark levels for the Low-Income and Very Low-Income Purchase Goals and the Low-Income Areas Purchase Subgoals in previous years, including in 2018²⁰ and 2019.²¹
- **The Enterprises continue to have a duty to serve, especially in a time of crisis.** As the country experienced during the Great Recession and in the current COVID-19 crisis, private markets tend to retract during times of stress, serving only borrowers with the most pristine credit profiles. In a time of crisis, the Enterprises have even more of a duty to serve the entire market, including meeting and surpassing the affordable housing goals. If FHFA declines to raise the low-income purchase goal to 27% for 2021, at a minimum FHFA should plan to raise the low-income purchase goal in 2022 and 2023.

Based on these factors, UnidosUS recommends that the proposed rule be revised to increase the benchmark levels in the 2021 housing goals as follows:

Enterprise Housing Goals Benchmark	Benchmark for 2018–2020	Proposed Rule Benchmark for 2021	UnidosUS Recommended Benchmark for 2021
Low-Income Home Purchase	24%	24%	27%

<p>Goal <i>Home purchase mortgages on single-family, owner-occupied properties with borrowers with incomes no greater than 80% of area median income</i></p>			
---	--	--	--

FHFA Should Continue to Monitor the Low-Income Areas Home Purchase Subgoal

UnidosUS encourages FHFA to monitor the Enterprises’ activities in the low-income areas home purchase subgoal, to ensure that they continue to achieve policy goals. In the proposed rule on the 2018-2020 goals, FHFA noted its own analysis that the mortgage market in both low-income areas and in high-racial minority census tracts had been moving towards borrowers with higher incomes in recent years. In its analysis of HMDA data, FHFA notes that “both the low-income areas and the high-minority areas have increasing shares of borrowers with incomes at or above 100 percent of AMI, although loans to borrowers with incomes over 100 percent of AMI do not qualify for the minority areas component of the goal.”²² UnidosUS is concerned that such a trend would displace lower-income Latino households in these areas, or that low income Latino borrowers may not be able to access the credit they need to buy homes in these areas. We also concur with the Center for Responsible Lending comment letter which describes the need for FHFA to create greater transparency to help assess this trend, specifically, by identifying the income of the borrower in loans qualifying for the low-income area purchase goal.

FHFA Should Implement New Measurements to Track Progress of Minority Borrowers

The COVID-19 pandemic’s disproportionate impact on minority communities, including Latinos, has also highlighted deep, long-standing inequities in the housing market. In addition to increasing existing housing goals, FHFA should require the Enterprises to collect and publish data that enables the Enterprises, policymakers, and the public to better understand how the housing goals impact minority borrowers. To this end, UnidosUS recommends the following:

- Measure the total number of minority borrowers served by Fannie Mae and Freddie Mac’s low down payment mortgage program.²³ Designed to help lenders serve creditworthy, very low- to moderate-income borrowers with expanded eligibility for financing homes in designated low-income communities, borrowers can obtain affordable, conventional home financing with cancellable mortgage insurance, and an educational component is supplied to assist in making homeownership sustainable.
- Measure the total number of minority borrowers served by the Enterprises’ affordable lending programs, in partnership with State Housing Finance Agencies (HFAs).²⁴ Designed to limit mortgage insurance costs and without loan-level price adjustments, these products are often paired with HFA down payment or closing cost programs, making mortgages more affordable for LMI borrowers.

- Measure the total small-dollar mortgages (\$70,000–\$150,000) that the Enterprises purchase on an annual basis. Research by the Urban Institute and the Federal Reserve Bank of Chicago suggests that financing the purchase of lower-cost properties can support increased homeownership opportunities for first-time homebuyers, LMI families, and minority borrowers who rely on low-cost properties to move from renting to owning a home.²⁵

UnidosUS also agrees with NCRC’s comment letter that urges the agency to provide real-time and more frequent information to the public about the Enterprises activities in the goal-targeted markets, as well as the affirmative steps the Enterprises are taking, including products, pricing, outreach, partnerships, initiatives to address gaps in access and affordability that may be developing in these markets as a result of the COVID-19 pandemic.

Conclusion

The Enterprises’ affordable housing goals remain fundamental to ensuring that affordable homeownership opportunities remain available and accessible to qualified homebuyers, especially communities of color and historically underserved communities. Despite turbulence in the economy, the Enterprises have an affirmative obligation to ensure broad access to affordable mortgage credit to a range of borrowers and markets throughout the country. FHFA should conduct a study similar to the 2018 market analysis provided for the 2018-2020 Enterprise single-family housing goals for the year 2020, consider strengthening the Enterprise Housing Goals for the year 2021, and continue to effectively enforce the housing goals to support the Enterprises in fulfilling this obligation. If you would like to discuss our comments in greater detail, please feel free to contact **Agatha So, Senior Policy Analyst, Economic Policy, at aso@unidosus.org**.

Sincerely,



Orson Aguilar
Principal, Policy and Advocacy
UnidosUS

¹ National Association for Hispanic Real Estate Professionals, “2019 State of Hispanic Homeownership Report,” <https://nahrep.org/downloads/2019-state-of-hispanic-homeownership-report.pdf> (accessed September 21, 2020).

² Ibid.

³ Consumer Financial Protection Bureau, “An Updated Review of the New and Revised Data Points in HMDA,” August 2020, https://files.consumerfinance.gov/f/documents/cfpb_data-points_updated-review-hmda_report.pdf (accessed September 21, 2020).

⁴ UnidosUS, “Observations from the 2018 Home Mortgage Disclosure Act,” November 6, 2019, <http://publications.unidosus.org/handle/123456789/1995> (accessed September 21, 2020).

-
- ⁵ UnidosUS, “Latino Homeownership 2007–2017: A Decade of Decline for Latinos,” July 1, 2019, <http://publications.unidosus.org/handle/123456789/1963> (accessed September 21, 2020).
- ⁶ Experian, “What Is a Conventional Loan?” *Ask Experian* blog, September 9, 2019, <https://www.experian.com/blogs/ask-experian/what-is-a-conventional-loan/> (accessed September 21, 2020).
- ⁷ Ibid.
- ⁸ Federal Housing Finance Agency, “Annual Housing Report, January 1, 2018–December 31, 2018,” October 30, 2019, <https://www.fhfa.gov/AboutUs/Reports/ReportDocuments/Annual-Housing-Report-2019.pdf> (accessed September 21, 2020).
- ⁹ UnidosUS, “Latino Homeownership 2007–2017.”
- ¹⁰ Janet Murguía, “Updating Our Housing Finance System to Reflect a Changing America,” Urban Institute Housing Finance Policy Center, June 9, 2016, <https://www.urban.org/policy-centers/housing-finance-policy-center/projects/housing-finance-reform-incubator/janet-murguia-updating-our-housing-finance-system-reflect-changing-america> (accessed September 21, 2020).
- ¹¹ Federal Housing Finance Agency, “Single-Family Housing Goals Performance 2010-2018,” available at <https://www.fhfa.gov/PolicyProgramsResearch/Programs/AffordableHousing/Pages/Fannie-Mae-and-Freddie-Mac-Housing-Goals-Performance.aspx>; See Table 6 for 2006-2013 data available at https://www.fhfa.gov/SupervisionRegulation/Rules/RuleDocuments/Enterprise_Goals_Proposed_Rule_8-29-2014.pdf and Table 1 for 2014-2016 data available at <https://www.fhfa.gov/SupervisionRegulation/Rules/Pages/2018-2020-Enterprise-Housing-Goals-Proposed-Rule.aspx>. (accessed October 9, 2020).
- ¹² Daniel Cooper and María José Luengo-Prado, “House Price Growth When Children are Teenagers: A Path to Higher Earnings?” December 23, 2014, <https://files.eric.ed.gov/fulltext/ED558178.pdf> (accessed September 21, 2020).
- ¹³ Michael Powell and Janet Roberts, “Minorities Affected Most as New York Foreclosures Rise,” *The New York Times*, May 15, 2009, <http://www.nytimes.com/2009/05/16/nyregion/16foreclose.html?hp> (accessed May 16, 2009).
- ¹⁴ National Association for Hispanic Real Estate Professionals, “2019 State of Hispanic Homeownership Report.”
- ¹⁵ Federal Housing Finance Agency, “The Size of the Affordable Mortgage Market: 2018–2020 Enterprise Single-Family Housing Goals,” January 25, 2018, https://www.fhfa.gov/PolicyProgramsResearch/Research/PaperDocuments/Market-Estimates_2018-2020.pdf (accessed September 23, 2020).
- ¹⁶ Federal Housing Finance Agency, “2018-2020 Enterprise Housing Goals Proposed Rule-Corrected,” June 29, 2017, <https://www.fhfa.gov/SupervisionRegulation/Rules/Pages/2018-2020-Enterprise-Housing-Goals-Proposed-Rule.aspx> (accessed October 1, 2020).
- ¹⁷ Irina Ivanova, “Federal Reserve expects interest rates to stay near zero through 2023,” *CBSNews.com*, September 16, 2020, <https://www.cbsnews.com/news/federal-reserve-interest-rate-flat-decision-today-2020-09-16/> (accessed September 23, 2020).
- ¹⁸ U.S. Census Bureau and the Department of Housing and Urban Development, “Monthly New Residential Home Sales,” August 25, 2020, <https://www.census.gov/construction/nrs/pdf/newressales.pdf#:~:text=New%20Home%20Sales%20Sales%20of%20new%20single-family%20houses,and%20the%20Department%20of%20Housing%20and%20Urban%20Development> (accessed September 22, 2020).
- ¹⁹ Ibid.
- ²⁰ Freddie Mac, “Annual Housing Activities Report 2018,” March 14, 2019, http://www.freddiemac.com/about/pdf/2018_Freddie_Mac_AHAR.pdf (accessed September 23, 2020).

²¹ Fannie Mae, “Annual Housing Activities Report: Annual Mortgage Report 2019,” <https://www.fanniemae.com/sites/g/files/kqgyhd191/files/migrated-files/resources/file/aboutus/pdf/2019ahar.pdf> (accessed September 23, 2020).

²² Federal Housing Finance Agency. “2018-2020 Enterprise Housing Goals.”

²³ Fannie Mae, “Annual Housing Activities Report: 2019.”

²⁴ Ibid.

²⁵ Alanna McCargo et al., “Small-Dollar Mortgages for Single-Family Residential Properties,” April 2018, https://www.urban.org/sites/default/files/publication/98261/small_dollar_mortgages_for_single_family_residential_properties_2.pdf (accessed September 23, 2020).