



June 26, 2023
Federal Housing Finance Agency
Attn: Clinton Jones, General Counsel
400 7th Street SW
Washington, DC 20219

Re: Fair Lending, Fair Housing and Equitable Housing Finance Plans, (RIN) 2590-AB29

Dear Mr. Jones,

Prosperity Now and the undersigned organizations are pleased to respond to the Federal Housing Finance Agency's (FHFA) proposed rule on Fair Lending, Fair Housing and Equitable Housing Finance Plans. We appreciated the opportunity to respond to a rule that would codify fair lending practices.

Prosperity Now is a national, nonpartisan, nonprofit organization, based in Washington, DC, that works to build an economy that is just, fair and free from structural racism—one where every person, family and community has the power to build sustainable wealth and prosperity. We advance racial and ethnic economic justice by investing in bold innovative ideas, and we work deeply at both the grassroots and national levels to impact the entire ecosystem. By setting goals for our economy and following through with targeted approaches based on need, we are equipped to drive forward and cement big structural solutions.

Our housing portfolio aims to ensure renters and homeowners, especially low-income and Black, Indigenous and People of Color (BIPOC) families, have safe and stable housing and equitable opportunities to build wealth. Additionally, eliminating racial disparities in housing opportunities and homeownership are some of the most powerful ways to narrow the racial wealth divide. The racial wealth divide has not only long existed but will continue to impact the lives of people of color for centuries to come if we do not take critical actions to address this injustice. A 2019 report co-authored by Prosperity Now staff, found that if average Black family wealth continues to grow at the same pace it has for the past 30 years, it would take Black families more than 225 years to amass the same amount of wealth White families have today. Additionally, the average Latino family would need 84 years to match White wealth.ⁱ We applaud that the FHFA recognizes that the persistent disparities and challenges of the housing market continue to limit housing opportunities for underserved communities and families.ⁱⁱ

We are hopeful that this rule, in partnership with other ongoing efforts, will take critical steps to remedy the flaws in the existing systems. On behalf of our Network members, including our Affordable Housing Network, the following comments express our support, along with requests for clarifications in some

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areas, for the proposed rule. Our Network brings together and empowers economic justice organizations, direct service providers, individuals and other historically marginalized stakeholders through community building, sharing information and advocating for critical policies. The Prosperity Now Network educates, connects and mobilizes to create and improve programs and policies that get us closer to racial economic justice.

Congress established the Office of Federal Housing Enterprise Oversight at HUD and the Federal Housing Finance Board, the predecessor agencies to the FHFA, to ensure that the purpose of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Safety and Soundness Act) would be properly fulfilled. With this legislation, Congress recognized that the regulated entities have important public purposes and that they need to be managed with care so that they continue to accomplish their public missions. This proposed rule would codify in regulation many of the FHFA's existing fair lending oversight functions, which were assumed from the previous regulators, with respect to the regulated entities, including conducting supervisory examinations, issuing examination findings, requiring reporting and data, and enforcement.

The proposed oversight is similar to the FHFA's current oversight functions but would establish the agency's jurisdiction over potentially unfair or deceptive practices by the regulated entities and would require the regulated entities to file certifications of compliance with fair lending housing laws. The proposed rule's incorporation of protections for consumers and defining underserved communities for the purposes of Equitable Housing Finance Plans will help ensure that the FHFA and the regulated entities focus on and dutifully support underserved communities throughout the United States.

Prosperity Now Provides Feedback and Responds to Key Questions

The rule currently does not define equity. FHFA seeks comments on whether the rule should define equity. If the rule should define equity, what would be an appropriate definition?

- We support a definition of “equity” being included in the rule. As the rule includes oversight of Equitable Housing Finance Plans, defining the term equity aids in achieving the desired outcome of a more fair, just and equitable housing and financial ecosystem. A definition could look something like the sample below:
 - Equity evokes fairness and justice, with an inherent focus on achieving fair outcomes by recognizing the root cause of a group's distinct challenges, needs and histories and addressing them in solutions.ⁱⁱⁱ Furthermore, it is the absence of solvable differences in outcomes amongst groups of people, regardless of if these groups

are defined, socially, economically, racially, ethnically, geographically or by other demographics.^{iv}

- An important distinction is that equity is not the same as equality. Equality refers to “same treatment,” which doesn’t take differing needs or disparate outcomes into account which is in sharp contrast from the above definition of equity.^v An example of a specific kind of inequity is racial inequity which means two or more racial groups are not seeing the same outcomes. Specifically, when looking at cost-burdened homeowners in the United States by race we see inequities. While 20.7% of White homeowners are cost-burdened, 28.7% of Hispanic/Latinx homeowners and 30.4% of Black homeowners are cost-burdened^{vi} Equitable policymaking needs to eliminate these disparities by focusing on targeted solutions for Black and Latinx communities.

Is the three-year timeline for the plans adopted by the Enterprises appropriate? Are the minimum requirements for performance reports sufficient or should performance reports contain any additional information not included in the rule?

- Yes, a three-year timeline for the Enterprises to adopt their Equitable Housing Finance plans is appropriate. A three-year timeline balances short-term implementation and long-term goals. It also provides the Enterprises adequate time to make substantive progress.
- The minimum requirements are robust, critically including measurable goals and outcome-based measures. They also include assessment of outcomes by race and ethnicity, assessment of underwriting, and will be publicly available increasing transparency for the public. Prosperity Now has advocated for all of these requirements in the past, and we applaud these necessary steps to building an equitable housing finance system.^{vii}

Should FHFA issue an evaluation of the Enterprises? Should the rule include required evaluation metrics for the progress reports? Should FHFA adopt any special purpose credit programs under 12 CFR 1002.8(a)(1) and, if so, what type of program(s) should be adopted?

- We are supportive of an evaluation of the Enterprises. The evaluation metrics could be modeled, with modifications, on those for the Enterprises' Duty to Serve plans. The metrics should measure how the Enterprises meet their approved goals, engage stakeholders, and evaluate the results.
- We also request that FHFA authorize the GSEs to develop new products to support their customers' mortgage programs identified in § 1002.8.

Should the Banks be required to comply with a framework similar to that of the Equitable Housing Finance Plans by regulation?

- We support the proposal that the Federal Home Loan Banks (Banks) comply with a similar framework. The Banks are tasked with providing support for affordable housing and community development for their communities. Just as the FHFA provides necessary oversight and guidance to the Enterprises, they provide the same to the Banks. The Banks provide critical public purposes, including long-term advances to members to support residential housing finances, community support requirements, establishment of a community investment program and an affordable housing program, compliance with housing goals, and more.^{viii} The aim of the Equitable Housing Finance Plans and the Prudential Standard Framework is to provide consistent oversight of fair housing and lending, increase public participation and accountability, and redress systemic harm of an inequitable system.^{ix} The Banks are a central part of that system and should integrate a similar framework to further advance these goals.

In conclusion, we appreciate the opportunity to discuss the FHFA's fair lending and fair housing proposed rule. Our network members and the FHFA are both familiar with the ways our current housing and financial systems fail low-income families and communities of color. Oversight of Fannie Mae, Freddie Mac and the Federal Home Loan Banks is an essential role of the FHFA, and we are strongly supportive of the efforts to ensure these entities comply with fair standards. Furthering the FHFA's oversight ability to promote an equitable housing ecosystem is needed to create a system that finally works for low-income, communities of color.

Sincerely,

Prosperity Now

National Organizations

Americans for Financial Reform Education Fund
Church World Service
The Leadership Conference on Civil and Human Rights
Lincoln Institute of Land Policy
Sojourners

State and Local Organizations

Abrazar, Inc.
Bridgehampton Child Care & Rec Center
DevNW
Empire Justice Center
Family Within Us, Inc.

Florida Alliance for Community Solutions, Inc.
HerbnHood
Housing Development Consortium of Seattle-King County
Imagine Pacific
Integrated Community Solutions, Inc .
Legal Integrity Docs PLLC
Lutheran Social Services - Steps 2 Success
Metropolitan Interfaith Council on Affordable Housing
Mountain State Justice, Inc.
Our Spring Lake Store, LLC
Rainier Beach Action Coalition
Shift the Prism
The One Less Foundation
The Women's Center/Compass Center
United Way of Kenosha County
United Way Suncoast
Washington Mortgage Bankers Association

ⁱ Chuck Collins, Dedrick Asante-Muhammad, Josh Hoxie and Emanuel Nieves, “The Ever-Growing Gap: Failing to Address the Status Quo Will Drive the Racial Wealth Divide for Centuries to Come,” Institute for Policy Studies, [Report: Ever-Growing Gap](#)

ⁱⁱ “Disparities in Homeownership Rates and Wealth,” Federal Register, [Fair Lending Rule](#)

ⁱⁱⁱ Roberto Arjona, Dedrick Asante-Muhammad, Cat Goughnour, Myrto Karaflos, Jessika Lopez, Sean Luechtefeld, Madelaine Santana, Lillian Singh, Lauren Treadwell and Ebony White, Prosperity Now, “Communicating on Race and Racial Economic Equity,” [Communicating Race Final.pdf](#)

^{iv} “Health Equity,” World Health Organization, [Health Equity -- Global \(who.int\)](#)

^v “Race Reporting Guide,” Race Forward, [Race Reporting Guide by Race Forward.pdf](#)

^{vi} “Homeownership & Housing,” Prosperity Now Scorecard, [Homeownership and Housing Scorecard](#)

^{vii} “Request for Input regarding the Enterprises’ Equitable Housing Finance Plans,” National Fair Housing Alliance, [NFHA Comment Letter](#)

^{viii} “FHFA, the Regulated Entities, and Their Public Purposes,” Federal Register, [Fair Lending Rule](#)

^{ix} “Policy Purposes for and Benefits of the Proposed Rule,” Federal Register, [Fair Lending Rule](#)