



June 26, 2023

The Honorable Sandra L. Thompson
Federal Housing Finance Agency
400 7th Street SW
Washington, DC 20219

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

Dear Director Thompson:

On behalf of NeighborWorks America, I want to thank the Federal Housing Finance Agency (FHFA) for the opportunity to provide comments in response to the Notice of Proposed Rulemaking: Fair Lending, Fair Housing, and Equitable Housing Finance Plans published in the Federal Register on April 26, 2023. We are pleased that FHFA is taking a deliberative and intentional approach to ensuring that Fannie Mae and Freddie Mac (collectively, the “Enterprises”) work to address historic inequities in the housing finance marketplace, and that a clear and measurable framework exists to guide these efforts and create public transparency around their progress. NeighborWorks is grateful for FHFA’s ongoing efforts to invite stakeholder participation in the development of the regulations and their implementation, including the Listening Session held on June 15.

Please note that these comments have not been submitted to or approved by NeighborWorks America’s board. These comments reflect the view of NeighborWorks America management and do not necessarily represent the views of its board members, either collectively or as individuals. These comments were developed in consultation with members of NeighborWorks America’s network of nearly 250 affiliated local and regional nonprofit organizations.

Our mission at NeighborWorks America is to create opportunities for people to live in affordable homes, improve their lives and strengthen their communities. In FY 2022, NeighborWorks organizations assisted 415,800 families with their housing needs, including creating 18,800 new homeowners, owning and managing 204,900 units of affordable rental housing, and providing counseling and education to 105,300 families buying and/or preserving a home. The NeighborWorks network also provides an extensive array of other services in their communities through resident engagement, economic development, workforce development, education, and health care programs and partnerships.

Equitable Housing Finance Plans

The key to the Enterprises’ great power is their size and influence over the market. As federally regulated banks continue to pull back from the home mortgage lending business, other players fill the gap. Whereas the Community Reinvestment Act significantly influences the

terms under which mortgage capital is made available by federally chartered banks, it is the Enterprises that can create, shape, and move markets for these newer sources of mortgage capital. They can drive change in all stages of the mortgage process, from marketing to underwriting, consumer counseling to loan servicing, underscoring the importance of the EHF process to addressing challenges, obstacles, and barriers in the housing market.

Since NeighborWorks responded to FHFA's RFI on Equitable Housing Finance in 2021, little progress has been made to address the racial wealth and homeownership gaps. At that time, NeighborWorks encouraged FHFA to ensure that the EHF process required the GSEs to consider fundamental changes to the way business is done, not just make marginal increases in loan purchases. If truly successful, the EHF process would include outcome measurements tailored not just to count loan purchases but to demonstrate the ways in which the GSEs are approaching removal and mitigation of barriers to equitable housing opportunities. FHFA and stakeholders at large need to be able to see that obstacles to minority homeownership are being systematically cleared.

NeighborWorks shares FHFA's view that "codifying the Enterprises' plan requirements with additions in a regulation would make the Enterprises' obligations more explicit and transparent to the public and would also establish greater accountability mechanisms through FHFA's statutory enforcement and compliance authorities." It has long been said that "that which gets measured gets done," and NeighborWorks strongly believes that framing EHF requirements as part of the Enterprises' public mission, with clear standards for compliance and success, is essential to ensuring that sincere efforts to address the racial wealth gap do not get subjugated by pressure to increase capital reserves. FHFA should lean heavily on its experience and success with Duty to Serve as it moves to finalize the EHF regulations.

As our colleagues in the Underserved Mortgage Markets Coalition have identified, there are five critical elements missing from the proposed rule's EHF framework:

- 1) **Guidelines:** *Define the required plan elements.* While the Enterprises should be given flexibility in the contents of their plans, there should be clear expectations that the plans will include ambitious goals to meaningfully advance equity. Additionally, FHFA should consider creating a uniform format and structure for the plans and progress reports, which would assist stakeholders in not only comparing the plans to one another but also tracking efforts longitudinally.
- 2) **Oversight:** *Retain explicit authority to reject plans that are insufficient or do not meet a minimum standard.* This element creates an enforcement mechanism around intention, ensuring that the plans, if executed, are sufficient to meet their purpose. If the plans do not set the bar sufficiently high, even their achievement will not address the fundamental purpose of this process.
- 3) **Metrics:** *Clearly articulate grades or measurements that will be used to determine success or failure.* By defining performance metrics and setting clear expectations of how they will be implemented, FHFA can provide certainty and predictability for the Enterprises as well as outside stakeholders.

- 4) **Evaluation:** *Establish a clear process for assessing performance.* Shared understanding of how the evaluation process will be conducted will allow stakeholders to interpret FHFA's assessments and continue their participation in the process.
- 5) **Transparency:** *Commit to public reporting of performance at the goal level to create meaningful accountability.* The importance of this element cannot be understated. Only by providing the public with a window into the granular performance of the Enterprises can true accountability be achieved. Partnership will be key to the success of the EHF process, and partners and other stakeholders must be able to assess the outcomes of their work to guide future action.

The proposed rule notes that “numerous commenters during the public input phases of the initiative suggested establishing or expanding requirements for housing and community development lending plans for the [Federal Home Loan] Banks.” NeighborWorks supports careful consideration of this suggestion in conjunction with FHFA's larger review of the FHLB system. The Banks play an important role in adding liquidity to the home mortgage market, and should rightfully serve public interests. However, NeighborWorks encourages FHFA to take a thoughtful approach to developing appropriate mechanisms and structures for these institutions.

Required Enterprise Data Collection and Reporting

NeighborWorks applauds FHFA's [longstanding work](#) in advancing opportunities to engage better with non-English speaking applicants by improving language access in mortgage lending and mortgage servicing. NeighborWorks supports the proposal to require the Enterprises to collect, maintain and report data on language preference, homeownership education and housing counseling for applicants and borrowers in the Supplemental Consumer Information Form.

NeighborWorks and its network provide a full range of homeownership preservation services. Through its industry-leading training, NeighborWorks supports the field by offering comprehensive professional training on the provision of housing and financial counseling. Network organizations provide direct assistance to struggling homeowners through post-purchase education, foreclosure mitigation counseling, assistance with refinancing, rehab loan financing, and reverse mortgage financing. Additionally, in the wake of the Great Recession and the foreclosure crisis, Congress charged NeighborWorks with creating and administering ten rounds of the National Foreclosure Mitigation Counseling Program (NFMC), which served over 2.1 million borrowers before concluding in 2018. In 2021, Congress again called on NeighborWorks to administer a \$100 million grant program to support families with homeownership and rental counseling to prevent foreclosure and eviction due to the COVID-19 pandemic. Through June 2023, HSCP has served 35,000 renters and 33,600 homeowners, the majority of whom are low-income or people of color.

Research and practice supported by NeighborWorks has shown the efficacy of counseling and the importance of addressing barriers for limited English proficiency (LEP) borrowers to both bridge the homeownership gap and to facilitate effective foreclosure prevention for borrowers

experiencing payment difficulties. By requiring Freddie Mac and Fannie Mae to collect, maintain and report data on language preference, homeownership education, and housing counseling for applicants and borrowers, the counseling industry and the entire mortgage market will be able to better recognize and serve LEP borrowers with sustainable homeownership products and services.

For example, a deeper understanding of the scale and scope of LEP borrowers will assist NeighborWorks in our efforts to target and enhance our services. NeighborWorks is expanding course instruction and training materials to languages other than English, utilizing data and survey responses to determine demand. An array of professional development and certification training courses for nonprofit community development staff are currently available in Spanish. NeighborWorks also promotes the *Realizing the American Dream* and *Keeping the American Dream* publications/curricula, which are available in English, Spanish, Cantonese, Mandarin, Vietnamese and French in both hard copy and e-versions which can be used by the industry to serve LEP borrowers in pre-purchase and post purchase homeownership and financial capability education.

Conclusion

On behalf of our network of nonprofit organizations, NeighborWorks is grateful for the opportunity to continue to work with FHFA to promote fair and equitable housing opportunities across the country. We look forward to continuing our engagement with the implementation of the Equitable Housing Finance plans and stand ready to assist FHFA and the GSEs in this work.

Sincerely,



Marietta Rodriguez
President & CEO