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Washington, D.C. 20219
Attention: Comments/ RIN 2590-AB29

Guided by a vision of a nation where persistent poverty no longer exists, six regional Community Development Financial Institutions (CDFIs) located in and serving regions with a high prevalence of persistent poverty came together. The CDFIs—Come Dream | Come Build (cdcb) of Brownsville, Communities Unlimited, Fahe, First Nations Oweesta Corporation, HOPE Credit Union and Enterprise Corporation, and Rural Community Assistance Corporation—formed a coalition, currently called the Partners for Rural Transformation (PRT). With a shared ethos of investing in both people and places and informed by the voices of local people, we seek to unify around opportunities in diverse communities at a time of great division in our nation. A closer look at persistent poverty America reveals how structural exclusion by place and race continues to paint a picture that is steadfastly rural and marred by racial, capital and data inequity. These challenges are exacerbated by a history of disinvestment and data extraction.

Rural America faces systematic, avoidable, and unjust economic, health, and racial disparities. Legacies of forced geographic and cultural displacement, enslavement, financial discrimination, residential segregation, and transitioning economies have left an indelible mark. Despite evidence of persisting rural inequities, there is no coordinated effort to build a comprehensive evidence base to support deep systems change – that is, to generate research that informs the shifts in policies, practices, resources, power, trust, and attitudes necessary to advance equity.

Rural America, especially in areas of persistent poverty, have been largely disinvested over the past decades. We are seeing the impacts of this disinvestment across federal and state agencies in almost every sector of life. Of the 395 persistent poverty counties, eight out of ten are nonmetro (rural). The majority (60%) of people living in persistent poverty counties are people of color. In fact, 4 out of 10 (42%) persistent poverty counties are majority people of color.

The FHFA's oversight has been essential in upholding accountability of the Enterprises' mandates to serve underserved markets. This has included the FHFA's scorecard they release annually, ensuring that Fannie and Freddie have reached their minimum thresholds of promoting affordability, fair lending, and equity within the underserved markets they are mandated to address.

FHFA's New Proposed Rule that codifies the oversight of the regulated entities is a step forward in ensuring historically underserved and unserved markets receive equitable investments. Many of the underserved communities overlap with PRT Partner service areas, regions of higher concentrations of persistent poverty counties, of which, majority are communities of color. There is no dispute that there is a racial wealth gap and racial homeownership gap, in large part due to barriers established by policies and programs over past decades. With the codifying of FHFA's oversight of the regulated entities, there will be increased accountability to serve these areas, as well as increased transparency to the public of where improvements still need to be made.

PRT fully supports the FHFA oversight of the regulated entities, as this will create formal standards, definitions, reporting guidelines and protocols for non-compliance that are necessary to ensure rural America receives equitable access to homeownership and investment in their communities. PRT Partners who serve not only as CDFIs in these communities, but as a multitude of community resources, are positioned to share expert insights into what their communities, states and region needs to consider in the design of the oversight standards to ensure all rural, native, and persistently poor communities are not further marginalized by program design and implementation.

Please see our recommendations and suggestions below to ensure this oversight maximizes the potential of the Enterprises to serve the underserved markets they are intended to target and transform areas of persistent poverty to persistent prosperity. PRT also supports the individual comments of our Partner cdcb, and the Underserved Mortgage Markets Coalition.

Questions

1: Should the Rule Define Equity? If so, how?

Equity is an important term, and there are benefits and limitations to having a set and strict definition. With a definition, it is easier to create measures to evaluate "equity," but, it can also limit the FHFA and Enterprises as society and the markets evolve over time, making the definition either moot or harmful. Equity to PRT is a dynamic term that entails an induvial and community having the same starting point, and the same access to opportunities and resources, regardless of race or place. This allows room for context to ebb and flow with the needs of our society, but still ensures that there is fundamental equality and opportunity for all.

2: How can FHFA improve fair lending compliance oversight of the regulated entities?

The FHFA should strongly consider adding their ability to reject plans that are presented by the Enterprises that do not meet minimum requirements. The FHFA is charged with the more formal codified oversight of these entities to ensure that historically disinvested and underserved markets are targeted equitably. To ensure this, there needs to be minimum standards, and secondly, there needs to be a protocol for when a plan does not meet those minimum standards. The FHFA should hold the right to reject any plan proposed that does not meet the minimum requirements. There should be a protocol that is transparent and timely to alert the public to a plan rejection, and a clear indication of when a new proposed plan can be expected. The public should be made aware of the rejection, what standards were not met, details of how the new plan will meet the minimum requirements, and all of this should take place in a timely manner, ideally before the new plan is acquired to give adequate time for the public to respond. Conversely, a protocol should also be made clear and transparent to the public for when plans meet or exceed the requirements.

With the FHFA having explicit authority to reject plans as part of the proposed rule, the FHFA can ensure that the entities are developing their plans with impact in mind, maximizing the reach and depth of their important work in underserved communities and markets. Currently, the rule only states that FHFA can remove content and substitute "feedback for consideration," but without the explicit ability to reject plans, this feedback could be considered moot, and the plans are not maximizing their potential impact.

For the FHFA to hold the right to grade and evaluate plans, there needs to be clear goals and objectives for the Enterprises to meet. These guidelines need to be put in place to ensure that evaluation is consistent, objective, and fair. Without the guidelines, the pass or fail of a plan could be highly contested and could ultimately lead to rural, native, and persistently poor communities of color facing the consequences at an exponential rate.

Just as Duty to Serve has mechanisms for accountability, so should the Equitable Housing Finance Plans. These would include grades and metrics that make success measurable. These, coupled with transparency in the FHFA's evaluation methods would make conversations between practitioners and the GSE's particularly fruitful as we would all be on a more equal footing for a deep engagement on best practices for implementation in our unique communities.

4. Are there any benefits or other issues FHFA should be aware of in considering adding unfair or deceptive acts or practices to its compliance and enforcement for regulated entities?

PRT commends the FHFA's decision to codify the oversight of unfair or deceptive acts or practices. This will enhance the FHFA's work to support their mission of improving equity in underserved markets for conventional mortgage credit and supporting overall regulated entity safety and soundness and serve the public interest.

The Duty To Serve (DTS) program serves as a good example of where the importance of collecting borrower language data is critical to evaluating whether practices are fair or deceptive. DTS is designated to serve Colonia-designated census tracts, which are primarily communities of color or who identify as Hispanic or Latino, whose first language is not English. Colonias are also located in a region with higher concentrations of persistent poverty. With the industry norm of loan officers and servicers speaking English exclusively, even the FHFA and the Enterprises efforts to develop various resources for those who speak other languages are not meeting the needs of the communities DTS is intended to target. Collecting information at the transaction level will allow FHFA to ensure each borrower had the information needed to access the mortgage market. Having this data combined with an evaluation will increase the accountability of all entities in ensuring that the communities they are targeted are able to be served and served equitably. Again, this is data that should be made public to increase Enterprise and FHFA transparency. Combining this transaction level language data and data on how the entities are reaching their minimum thresholds will be critical in assessing how the Enterprises are addressing the racial wealth gap.

8. Should FHFA issue an evaluation of the Enterprises? Should the rule include required evaluation metrics for the progress reports?

Clear plan development guidelines are needed to hold the Enterprises accountable to having genuinely fair and impactful lending compliance goals and objectives. It is important to set guidelines to the Enterprises and to the public for FHFA to have the ability to deem whether an Equitable Housing Finance plan truly serves the underserved markets to the extent and in the manner of which they are required to (at the very least). Without these guidelines, it will be impossible for the FHFA to assess and track an Equitable Housing Finance plan in a consistent and equitable manner. These guidelines should be made public so when requests for comments on the plans are open, the public is able to score the plans in an organized and succinct way.

The Partners for Rural Transformation applauds the FHFA's recent adoption of the updated definition of Colonia census tract. This allows for more targeted lending to take place in the areas the Enterprises are mandated to serve, but it also allows for more accurate data collection and evaluation of the lending in the Colonia census tracts. The FHFA should promote this definition and model to other federal agencies, so that the FHFA's inclusive and equitable definition can be upheld in several sectors to help uplift these communities. With this more tangible definition, more direct lending can take place, and there is more accountability on the part of the Enterprises to serve these areas, and there is accountability on the FHFA to ensure the evaluations of the lending compliance are exceeding thresholds and are made public on a regular basis.

10. From year to year, what should be the scope of updates to the Equitable Housing Finance Plans?

Annually, a report should be released to the public in the same format of the final report, and have the data updated as much as possible on where the Entities are in terms of meeting their goals at the end of the three-year plan period. These reports should show predictions of where the Entities numbers are projected to reach by the end of the plan period, and if these projections are lower than the minimum requirement or in the boundaries of being graded as a "fail," a detailed plan on how the Enterprises plans to address this projected shortcoming should be given. This will increase transparency and accountability of the Enterprises and allow more opportunities for the public to comment on the plans progress and updated to enhance results, as well as provide practitioner or consumer-level insights to the external dynamics at play that may be impacting the data.

11. Should the focus of an Equitable Housing Finance Plan be limited to one underserved community at a time?

PRT does not recommend this framework. Rural and persistently poor regions are historically disinvested, and the consequences can be seen in all aspects of life. Giving rural, native, and persistently poor communities investment, focus, time and resources for one year every few years is more harmful than beneficial. These communities need consistent, flexible funding in order to address their needs, especially to build capacity in order to be able to successfully maximize the impact of investment. Projects such as community facilities, small businesses, infrastructure, and typically larger dollar projects in rural areas typically involve complex capital stacking, meaning that multiple sources of capital have to be stacked and balanced to push a project over the finish line and for a community to benefit from the project. Understanding these dynamic capital stacks takes time, resources and expertise, which also requires funding. Sporadic attention from the FHFA and Entities would further elongate the completion of essential projects in rural regions, especially in rural areas of persistent poverty.

12. Does the rule provide for sufficient public engagement?

While the FHFA does work diligently to ensure adequate public engagement, there is always room for more transparency and communication between borrowers, experts in the field, and organizations that work to achieve similar goals in overlapping footprints. It is critical for FHFA to include in the proposed rule that the public is aware of EHF plans proposed by the entities, any acceptances or rejections of these plans, amendments made to the plans, yearly evaluation, and tracking (see question 10) reports and projections, as well as all evaluations, ratings and scoring done on plans and impact of the plans. The public needs to be involved at every step of the process to ensure equitable and fair plans are implemented in a way that keeps underserved rural communities in mind.

While there are obvious hesitations to disclose any failures or missed goals and objectives, this information is critical to understanding where gaps are in services & equity and are the first step to understanding where improvements are needed for the FHFA to achieve it's core mission. Without this data made publicly available, program and policy design and implementation take place that could be a waste of resources and time, as opposed to being able to clearly understand the problem and having a program or policy directly address it.

14. Are the minimum requirements for performance reports sufficient or should performance reports contain any additional information not included in the rule?

The FHFA should consider defining metrics similar to the DTS program with the highest rating listed as "Exceeds" and the lowest rating listed as "fails". This rating system would help institutionalize the program with the existing extensive reporting on the success of Enterprise activities. It would also facilitate comparing the success of EHF initiatives with DTS initiatives.

Further, we recommend the FHFA make public its EHF evaluation rating process in its final rulemaking. By failing to disclose the FHFA's evaluation process, it is nearly impossible for external stakeholders to participate in or assess the adequacy of FHFA's evaluation.

Disclosing the EHF plan successes and failures at a goal (lowest) level is essential to the development of a test and learn system with meaningful public input. Unfortunately, DTS also does not yet include disclosing granular successes and failures. We recommend that the FHFA publish data and evaluation determinations beyond the market level, at the goal level, for EHF now and eventually for DTS as well. We understand hesitancy to publish the shortcomings of the specific components of EHF plans, but the public needs to know where the EHF program's strengths and weaknesses are to be able to comment on how improvement could be made in the weak areas and how to best leverage the areas where EHF programs are succeeding. We regard all of these recommended changes as essential to creating a credible and robust EHF plan process.

Additional Points

In addition to the questions offered by FHFA, PRT would like to offer additional insight regarding FHFA and the Enterprise's pilot programs, a point articulated well by our Partner, cdcb, who is located and serves the Colonias along the U.S./Mexico border. The accurate identification of the broad-stroke obstacles achieved by Fannie and Freddie in their corresponding research to the Equitable housing Finance Plans opens new and exciting possibilities to expand the GSE's impact safely and soundly for populations barred from access to equitable housing outcomes. Among the most exciting of the vehicles for enacting this change are the proposed Special Purpose Credit Programs, especially those that are coupled with Down-payment Assistance. cdcb and PRT know from experience that down payment assistance is far and away the most effective tool for making a material impact on the difficult math faced by low-income families of color when looking to make the jump to home ownership. While we acknowledge the importance of initially piloting these programs to test their viability and sustainability, we believe the GSE's can begin the next step of broadening the reach and scope of their pilot programs.

While there is an acknowledgment in the plans that there is no monolithic journey to homeownership, much of the SPCP design is urban focused, with initial rollout of programs paired with downpayment assistance taking place exclusively in major urban areas. We invite both Fannie and Freddie to engage with us and others to begin to design a new round of pilot SPCP's for rural areas of different types including colonias.

For the FHFA, the impact of this sort of engagement between the GSE's and on the ground practitioners could be leveraged far more productively with increased guidance from FHFA regarding the Equitable Housing Finance Plans. This would include specific plan guidelines that establish what success looks like for the GSEs. In addition, FHFA should make explicit its ability to reject plans that are poorly conceived or lacking in vision.

Conclusion

The Partners for Rural Transformation is grateful for the opportunity to comment and applauds the efforts the FHFA is making to codify the oversight of the regulated entities. We look forward to seeing the results of the new proposed rule and seeing the maximized benefits for rural, persistently poor, and native communities.

In partnership,

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