Comments of

Center for Responsible Lending,

Consumer Federation of America, and

Empire Justice Center

on

2012-2014 Enterprise Housing Goals, 12 CFR Part 1282

Federal Housing Finance Agency, Proposed Rule, RIN 2590-AA49

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Revised July 27, 2012

Thank you for the opportunity to submit comments on the Federal Housing Finance Agency's (FHFA) proposed rule for the 2012-2014 Enterprise Housing Goals. These comments are submitted by the Center for Responsible Lending,[1] Consumer Federation of America,[2] and Empire Justice Center.[3] Our organizations share a common mission to ensure that families have the ability to build wealth through access to responsible, affordable and transparent financial products.

In the lead-up to the foreclosure crisis, predatory and abusive lending infected the housing market and targeted lower-income borrowers as well as communities of color with mortgages that were designed to fail. As a result of this harmful lending, millions of families have lost their homes through foreclosure. CRL analysis shows that over 10.9 million homes have at least

[1] **The Center for Responsible Lending (CRL)** is a not-for-profit, non-partisan research and policy organization dedicated to protecting homeownership and family wealth by working to eliminate abusive financial practices. CRL is an affiliate of Self-Help, one of the nation's largest nonprofit community development financial institutions.
[2] **Consumer Federation of America (CFA)** is a non-profit association of some 300 national, state and local pro-consumer organizations created in 1968 to represent the consumer interest through research, advocacy, and education.
[3] **Empire Justice Center** is a public interest law firm that works to protect and strengthen the legal rights of people in New York State who are poor, disabled or disenfranchised through: systems change advocacy, training and support to other advocates and organizations, and high quality direct civil legal representation.

started the foreclosure process from the beginning of 2007 through the end of 2011.[4] Additionally, the foreclosure crisis has been particularly devastating for African-American and Latino communities. For example, the Pew Research Center has found that the median wealth of Latino households fell by 66% from 2005 to 2009, just as the median wealth of African-American households dropped by 53% and that of white households reduced by 16% during this same time period.[5] CRL research also shows that in every income range, African-American and Latino borrowers have experienced a disproportionate number of foreclosures and delinquencies when compared to white borrowers.[6]

As families and the country as a whole continue to grapple with the aftermath of the 2008 financial crisis and the ongoing foreclosure crisis, it is critical that FHFA continue to focus on its responsibility of ensuring that the Enterprises serve the entire housing market. This can and should be done in a manner that is consistent with FHFA's responsibility to make sure that the Enterprises take action to "foster liquid, efficient, competitive, and resilient national housing finance markets (including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities."[7]

In the near term, FHFA's obligation to see that the Enterprises serve the entire housing market is particularly notable at this moment of unprecedented homeownership affordability. Currently, mortgage interest rates are at historic lows. Additionally, the Housing Affordability Index compiled by the National Association of Realtors shows housing has reached an affordability peak as of the first quarter of 2012.[8] Millions of families may have lost wealth during the foreclosure crisis, but this housing affordability is an opportunity for many households to build wealth moving forward.

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[4] CRL calculation based on MBA National Delinquency Survey from 2007q1 through 2011q4, scaled to reflect market coverage. As per MBA's claims, we assume 85% market coverage for 2007a1-2010q2 and 88% coverage for 2010q3 and after.

[5] *See* Paul Taylor, Rakesh Kochhar, Richard Fry, Gabriel Velasco, and Seth Motel, *Wealth Gaps Rise to Record Highs Between Whites, Blacks and Hispanics*, Pew Research Center at 1 (July 26, 2011) (available at http://www.pewsocialtrends.org/files/2011/07/SDT-Wealth-Report_7-26-11_FINAL.pdf).

[6] *See* Debbie Gruenstein Bocian, Wei Li, and Roberto G. Quercia, *Lost Ground, 2011: Disparities in Mortgage Lending and Foreclosures*, (November 2011) (available at http://www.responsiblelending.org/mortgage-lending/research-analysis/Lost-Ground-2011.pdf).

[7] 12 U.S.C § 4513(a)(1)(B)(ii).

[8] National Association of Realtors, *News Releases*, (May 15, 2012) (available at http://www.realtor.org/news-releases/2012/05/housing-affordability-indices-reach-records-in-first-quarter).

Before this affordability moment passes, FHFA should ensure that creditworthy borrowers have access to affordable mortgage financing. Since 2008, many creditworthy families remain locked out of the mortgage market and are unable to purchase homes during this period of increased affordability. As acknowledged by FHFA in the proposed rule[9], lenders and the Enterprises have used restricted underwriting standards that have reduced access to credit. Tightened credit standards across the market – including for those mortgages purchased by the Enterprises – threaten to recreate a dual housing market where creditworthy low-income borrowers and creditworthy borrowers of color have limited access to affordable credit.

FHFA, having authority over the Enterprises, should work with them to find ways to enhance access to mortgage credit for these creditworthy families. The Housing and Economic Recovery Act (HERA) prescribes the target-setting method adopted in this proposed rulemaking, and initiating this rulemaking process is a good step forward for FHFA to take. However, we also encourage FHFA to work with the Enterprises so that more creditworthy borrowers can access affordable mortgage financing instead of facing barriers due to overly restricted underwriting standards. This change would assist creditworthy lower-income borrowers in obtaining mortgages, which would also permit increases in the proposed housing goal targets since these borrowers are likely disproportionately impacted by constricted underwriting standards.

Again, we support FHFA's attention to this rulemaking and to the obligation the Enterprises have to responsibly serve the entire housing market. Thank you again for the opportunity to submit these comments.

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[9] Federal Register, Vol. 77, No. 112, p. 34265 (Monday, June 11, 2012) (stating that "[c]ontinuing rigorous credit underwriting standards in the mortgage market have resulted in fewer goal-qualifying loans and a lower percentage of goal-qualifying loans in the market. Underwriting standards in the mortgage market generally, and at Fannie Mae and Freddie Mac in particular, have tightened considerably since 2008 in response to declining market conditions and early payment defaults, among other factors. Such standards can be expected to remain in place.").