June 7, 2024
Federal Housing Finance Agency
Attn: Leda Bloomfield, Chief for Policy and Equity, Office of Fair Lending Oversight
400 7th Street SW
Washington, DC 20219

Re: 2024 Equitable Housing Finance Plans

Dear Ms. Bloomfield,

The undersigned organizations appreciate the opportunity to respond to your request for input (RFI) on Fannie Mae and Freddie Mac's (the Enterprises) 2024 Equitable Housing Finance Plans.

All co-signing organizations are members of the Underserved Mortgage Markets Coalition (UMMC), but this letter is only on behalf of the undersigned organizations and has not been endorsed by all members of the UMMC.

The UMMC works with FHFA and the Enterprises to adjust their underwriting practices to better reach underserved markets in a safe, sustainable manner. The UMMC works primarily through FHFA's two mission-driven strategic planning requirements, the Duty to Serve (DTS) and Equitable Housing Finance (EHF) planning processes.

Fair Lending Rule

We commend FHFA for finalizing a rule on fair housing, fair lending, and equitable housing finance (EHF). This rule is a major step forward in addressing issues of equity in the housing finance system, particularly for people of color and others chronically underserved by the mortgage market.

The coalition urges FHFA to take additional steps to further strengthen the program and build on the new rule by increasing transparency and accountability. As we commented in the RFI on the proposed new rule, Fannie Mae and Freddie Mac are under extreme pressure to increase their capital reserves, so it is unrealistic to expect the Enterprises to prioritize addressing racial equity unless FHFA sets a clear, public, and well-measured process that results in addressing racial equity in the housing sector.

Improvements to the rule and its implementing guidance should include plan development guidelines that address measurable components of success. The EHF plans should also publicly disclose the evaluation system with actual ratings and require the Enterprises to report performance on each objective to allow stakeholders to properly measure the successes of the Enterprises.

While publishing a brief narrative on overall plan performance is better than an entirely opaque system, it is crucial that the public have more granular insight on plan performance and outcomes. A strategic planning model cannot succeed to its full potential without having benchmarks to track success. Disclosing the EHF plan's successes and failures at a goal (most specific) level is essential to the development of a test-and-learn system with meaningful public input. We understand hesitancy to publish the shortcomings of the EHF plans components, but the public needs to know the program's strengths and weaknesses to comment meaningfully on how improvements could be made in the weak areas and how to best leverage the areas where programs are succeeding.

Climate Resilience

The cosigners of this comment continue to advocate for the Enterprises emphasizing their commitment to leveraging industry leadership positions, to promote climate resiliency property improvements by identifying and developing resiliency criteria. Given evidence of the racial disparities that exist related to physical climate risks, we recommend that Fannie Mae and Freddie Mac create financial tools that empower nonprofits and mission-driven developers to increase renovation and redevelopment activity in historically Black and Latino communities while centering affordability for renters and homeowners.

Likewise, we recommend that both Enterprises should work closely with industry and advocate experts to identify and define their climate resiliency standards in relation to climate-related threats faced on a regional level. All affordable housing units should require minimum code standards, and units should be built and rehabilitated to reduce and withstand climate-induced threats.

Additionally, we recommend that the Enterprises develop improved financial tools to support Native communities needing to relocate due to climate change; these tools should be accessible both on- and off-trust land, with special attention paid to usability in Alaska Native villages and localities.

Improving Language Access

We recognize Freddie Mac's *CreditSmart* financial literacy curriculum, and Fannie Mae's homeownership education offering, *HomeView*, as promising first steps to expanding language access in the homebuying process. We also celebrate FHFA's fair lending oversight rule, which establishes its supervision authority for unfair or deceptive acts or practices and formalizes its requirement for lenders to collect, maintain, and report borrower language preference. As the Enterprises continue to improve language access, we encourage both GSEs to collect language preference as part of the mortgage servicing process, not just when loans are first made, and for FHFA to work with the CFPB, FHA and others to mandate access to translated documents and oral interpretation through the life of the mortgage loan.

Cost Reduction

We are encouraged by Freddie Mac's addition of the *DPA One* goal as recognition of the importance of Downpayment Assistance (DPA) in helping to remove the barrier of a lack of sufficient funds for closing. We urge both Enterprises to further underscore their commitment by piloting a grant funding program that is open to Native-led nonprofits, Tribally Designated Housing Entities (tribal governments), and Native CDFIs in support of down payment assistance (DPA) programs. The pilot should be paired with other downpayment assistance and could be used with any mortgage product, by any lender, for existing and new construction (the latter to address housing shortages in native communities). This tool would allow for an expansion of lower-income and affordable housing purchasing in native communities and by native buyers.

First Generation Homebuyers

In order to ensure that first-generation homebuyers are supported in the secondary mortgage market, we recommend the following clarifications be included in the Enterprises' definitions.

1. **Geographic Specificity**: Ensure the final definition of first-generation homebuyers includes only those who, along with their parents, have not owned homes in the U.S**.** in the last three years. A domestic focus would avoid the complexities of international property rights and reduce the administrative burden. From a homebuyer perspective, a narrower definition would also be more inclusive of the distinct homebuying challenges that immigrant homebuyers face when adjusting to the United States, its mortgage process, and credit scoring system.

2. **Focus on Implementation Strategies and Education**: Implementation strategies should incorporate robust educational components that address the unique challenges faced by first-generation homebuyers. These individuals often lack access to generational wealth to cover down payment and closing costs and may need to engage in credit repair or seek guidance to improve creditworthiness and secure lower mortgage rates. Additionally, they may lack familial experience in navigating the housing market.

3. **Support for Simple Attestation Verification Process:** There should be a simple attestation verification process for defining first-generation homebuyers. A streamlined, attestation-based approach would likely enhance the successful execution and take-up of programs intended for these buyers by minimizing the documentation burden.

4. **Improving Outreach to Financial Institutions:** The Enterprises must enhance their outreach to lenders and banks to mainstream the use of the definition. Effective application of the first-generation homebuyer definition requires these institutions to be well-informed. The Enterprises should provide clear and practical guidance on how financial institutions can implement this definition and better serve first-generation homebuyers.

Expanding Native American Access

American Indian/Alaska Native Americans (AIAN) face extensive housing-related challenges, including inadequate plumbing and overcrowding. In urban areas, 10% of AI/ANA households face overcrowding, and 16% of these households in rural areas face the same issue. Due to overwhelming challenges with affordability of housing both on- and off-trust land, the following solutions are proposed to reduce housing costs for Tribal citizens in urban, rural, and reservation areas. The Enterprises should recognize that while many tribal citizens live outside of trust land, tribal citizens who live on, or who wish to live on, trust land are structurally excluded from many mortgage products. The GSEs should establish a "dual track" of location-neutral (Point 1 below) and trust land-specific (point 2 below) AIAN programs. The United States also has a unique trust relationship with and responsibility to protect, consult, and support Tribal Nations. Absent such consultation, we offer perspectives as housing practitioners.

1) **Location-neutral AIAN programs**. The Enterprises should establish AIAN programs more holistically for Native American citizens of federally recognized Tribes regardless of location. Tribal governments, Native non-profit organizations (using the definition from Native Ways Federation), Tribally Designated Housing Entities, Native CDFIs, and Tribally owned financial institutions should be allowed to determine their own Tribal area for providing targeted AIAN program services. Citizens of federally recognized Tribes should also be able to access services, regardless of residence.
2) **Trust Land-Focused AIAN Programs:** Without addressing the effective redlining of tribal land, a goal of true location neutrality is impossible to meet. The Enterprises must create the structures and systems necessary for equitable lending on trust land, including an understanding of the use of leases and mortgage codes, whether through MOUs or otherwise, to ensure that conventional mortgages between the GSEs and the Tribes are possible.
3) **Down Payment Assistance Grant Support:** Fannie Mae and Freddie Mac could pilot a grant funding program that is open to Tribal governments, Native non-profit organizations (using the definition from Native Ways Federation), Tribally Designated Housing Entities, Native CDFIs, and Tribally owned financial institutions, in support of down payment assistance (DPA) programs. This DPA program should be agnostic to home-buying location.
4) **Capital Pool that Allows for Deep Subsidies**: Fannie Mae and Freddie Mac should work with Tribal governments, Native non-profit organizations (using the definition from Native Ways Federation), Tribally Designated Housing Entities, Native CDFIs, and Tribally owned financial institutions to facilitate asset development, home improvements, and other hard housing costs for tribal citizens of federally recognized Tribes by supporting the creation of loan capital pools that allow for deep subsidies.
5) **Improved Financing Tools for New Infrastructure:** Fannie Mae and Freddie Mac can introduce a variety of grants, loans, and other financing opportunities that provide Tribal governments, Native non-profit organizations (using the definition from Native Ways Federation), Tribally Designated Housing Entities, Native CDFIs, and Tribally owned financial institutions to subsidize housing costs for individual households by undertaking the costs of relevant infrastructure development. Tribal governments, Native non-profit organizations (using the definition from Native Ways Federation), Tribally Designated Housing Entities, Native CDFIs, and Tribally owned financial institutions, can use these tools in Tribal areas that they determine and should be allowed to define terms of the program including eligible infrastructure, radius from construction sites, and total number of households served through investment. This solution will also lead to an increase in housing stock by enhancing affordability for both development agencies and households.
6) **Improving Capacity for Native CDFIs:** The Enterprises should also provide funding for Native CDFIs and Native mortgage lenders specifically, to assist in building and expanding their capacity and expertise to provide residential loan products (including secondary market loan products) to the Native communities that they are serving. Increasing capacity will help front line entities increase homeownership in Indian Country. Native CDFIs should also be able to serve citizens of federally recognized Tribes, regardless of their area of residence.
7) **Supplement Development Costs with Financing Tools for Developers**: Fannie Mae and Freddie Mac can increase and enhance both hard and soft debt opportunities, as well

as capacity-building opportunities for budding for-profit Native developers and organizations seeking to develop housing for their communities, including Tribal governments, Native non-profit organizations (using the definition from Native Ways Federation), Tribally Designated Housing Entities, Native CDFIs, and Tribally owned financial institutions that serve urban, rural, and Tribal areas. This solution will also lead to an increase in housing stock by enhancing affordability for both development agencies and households.

Heirs' Property

Addressing heirs' property and tangled titles is a critical step to addressing the wealth gap. The Urban Institute estimates that $28 billion in wealth is held in limbo in the American South. This issue is not exclusive to Southern and rural areas, but cities like Baltimore, Detroit, and others also grapple with blighted properties that result from tangled titles, the expense of probate and the high level of minority households without wills. While often seen as an issue among Black Americans, the U.S. Forest Service highlights the problem of heirs' property is also high among Native Americans, Whites in Appalachia and Hispanics in Colonias. The National Consumer Law Center (NCLC) states that over 77% of Black households do not have a will. Consumer Reports cites that 82% of Hispanic people do not have a will. Heirs' property implications limit the ability of owners to access resources to address foreclosure prevention, disaster relief assistance and other supports that ensure long-term stability both for households and communities.

While the UMMC applauds the Enterprises' shift to understand the scope and effect of heirs' property, there is an urgent need to do more to address the problem. The UMMC recommends that the Enterprises include in their plans:

1) A pilot to include estate planning education curriculum to be included in their homeownership education programs; and
2) A pilot for estate planning education following post-purchase homeownership counseling in collaboration with counseling and legal services. The pilot should include 3-5 markets with high rates of heirs' property, preferably a mix of rural and urban communities.

Equitable Access to Rental Housing

Identifying and addressing barriers to sustainable housing opportunities for underserved communities requires considering the needs of renters as renters and not only as future homebuyers. Differences in renter housing cost burdens by race and ethnicity have long persisted. The post-pandemic rates of severe cost burden remain noticeably elevated compared to non-Hispanic White renters, with non-Hispanic Black renters outpacing the increase among non-Hispanic White renters (and from a much higher pre-pandemic baseline). The same analysis of Census data found that among the top ten states with the largest increases in share of severely cost-burdened renters between 2017 and 2022, all but two had a median monthly rent in 2022 below the national median of $1250.

Planned activities to support renters, therefore, should include actions designed to make it easier for renters to access rental homes, remain stably housed, and strengthen their financial wellbeing. The Enterprises' current plan activities related to voucher acceptance, tenant protections, rent reporting and financial coaching, and security deposit alternatives all qualify. However, the dearth of affordable supply continues to be a significant problem, and the Enterprises must play a more expansive role in delivering liquidity to emerging developers of color and in the production and preservation of affordable rental housing that serves underserved communities. Several initiatives that address supply in the current plans saw goals scaled back or limited to ongoing research. We recommend that the next round of plans should address the barriers to adoption and scalability (or propose new approaches if current activities were deemed unworkable) and commit to bringing products to market based on the research findings.

It is essential for all activities to have timely public reporting of goal performance and ongoing stakeholder engagement to allow for real-time adjustments to products and policies.

Thank you for considering our comments. If you have questions about our comments, please contact Daniel Janzow at the Lincoln Institute of Land Policy.

Respectfully,

America Council for an Energy Efficient Economy (ACEEE)

cdcb

Consumer Federation of America

Enterprise Community Partners

Housing Assistance Council

Lincoln Institute of Land Policy

Local Initiatives Support Corporation

National Community Stabilization Trust (NCST)

National Consumer Law Center, on behalf of its low-income clients

NeighborWorks America

New America

New Hampshire Community Loan Fund

Next Step Network

Oklahoma Native Assets Coalition, Inc.

Urban Strategies, Inc. (USI)