Consumer Federation of America

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Marcea Barringer
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Federal Housing Finance Agency
Eighth Floor, 400 Seventh Street, S.W.
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Re: Input on Fannie Mae and Freddie Mac 2025-2027 Duty to Serve Plans

Dear Marcea Barringer,

The Consumer Federation of America thanks you for the opportunity to comment on the proposed 2025-2027 Duty to Serve plans.

The Consumer Federation of America (CFA) is an association of non-profit consumer organizations established in 1968 to advance the consumer interest through research, advocacy, and education.[1] Today, nearly 250 of these groups participate in the federation and govern it through their representatives on the organization's Board of Directors. Our national advocacy work on housing has focused on the GSEs, affordable homeownership, and equitable and fair housing finance. CFA is also a member of the Underserved Mortgage Market Coalition (UMMC). The written comment submitted here reflects the testimony that our Director of Housing, Sharon Cornelissen, gave during the public listening session on affordable housing preservation on July 17, 2024.

Our comments focus on what CFA sees as key risks and opportunities in the single-family housing and mortgage markets. We applaud the Enterprises for their thoughtful work in assembling these plans, including through the ongoing dialogue with UMMC and its members, and we recognize the ways that these plans are highly attuned to evolving

[1] Consumer Federation of America. "About CFA." 2024. https://consumerfed.org/.

opportunities and identified trends, such as through timely work on better supporting heirs' property through financing products and homeowner support as well as ongoing commitment to helping scale shared equity mortgage financing. At the same time, we offer proposals here to help make the 2025-2027 Duty to Serve plans more ambitious, impactful, and attuned to market conditions.

Today we are facing a shortage of affordable homes in communities across the nation. New-built homes rarely fall within the price range of lower to moderate-income homebuyers. The affordable housing stock that does exist is quickly aging. Climate change is also introducing new challenges to sustainable homeownership – including through sharply increased homeowners' insurance costs and rising costs of utilities. These shifts make investing in housing resiliency and energy efficiency even more important: climate disasters do not only pose risks to individual homes, but also to the mortgages *and* the secondary market that underwrites them. As a result, we particularly applaud the Duty to Serve investments and priorities that Fannie and Freddie have set that align with climate resiliency. We believe that these DTS investments will not only support greater homeownership sustainability but also help the Enterprises reduce broader climate risks to housing finance.

Our feedback to the Enterprises and FHFA is threefold.

First, while we recognize the Enterprises for their hard work in putting together these proposed plans, **many of their proposed benchmarks for the next 3 years are disappointingly low.**

For example, Freddie Mac averaged around 7,100 units in Residential Economic Diversity loan purchases over the last three years. But citing economic headwinds, this Enterprise only set a goal of reaching up to 5,800 units in 2027.[2] Fannie Mae similarly lowered its expectations for

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[2] Freddie Mac, "Freddie Mac Duty to Serve Underserved Markets Plan: For 2025-2027" (Washington DC, June 11, 2024), 132, https://www.fhfa.gov/sites/default/files/2024-06/Attachment-B-Freddie-Mac-Proposed-2025-2027-DTS-Plan_0.pdf

this activity.[3] How much should we count this as a Duty to Serve "Activity" if the aspired goal by 2027 is lower than last cycle's average?

By taking last year's struggling housing market as an updated benchmark – a trend that we have no reason to believe will persist until 2027, in part due to expected changes in the interest rate environment – we believe that both Enterprises have articulated Duty to Serve goals that are too conservative and too easy to reach.

The goal of Duty of Serve is not just to follow an expanding or contracting housing market, but *to help drive opportunities in underserved markets,* where there otherwise would be few or none. To truly serve underserved markets, the Enterprises need to take some calculated risks and set more ambitious goalposts for themselves. Similarly, we do not find it acceptable for the Enterprises to stay in pilot mode for two full Duty to Serve cycles. For example, Freddie Mac set the goal of supporting a mere 165 shared equity loans in 2027, up from an average of 138 loans over the last three years.[4] If the pilot can only expand so slowly, it is a sign that more investments, staffing time, and other program innovations need to be devoted in order to scale up a pilot into a full-fledged Duty to Serve product.

CFA strongly encourages the Enterprises to be more ambitious in their DTS goal setting and to truly take their place as leaders in the mortgage industry by driving change, rather than setting exceedingly low benchmarks in what is framed as a dried-up marketplace for underserved markets. After all, the Enterprises have enormously impacted and helped set the standards for the mortgage market that we have today: we would like to see a similar ambition and impact in DTS.

Second, **we encourage the Enterprises to further expand their securitization access for small lenders and for more unusual mortgage products**. All the products they offer today are only available to large

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[3] Fannie Mae, "Underserved Markets Plan: 2025-2027 Duty to Serve" (Washington DC, June 11, 2024), 93, https://www.fhfa.gov/document/fannie-mae-proposed-2025-2027-duty-to-serve-underserved-markets-plan

[4] Freddie Mac, "Freddie Mac Duty to Serve Underserved Markets Plan: For 2025-2027," 114–15.

lenders that already have access to Fannie/Freddie securitization. Duty to Serve obligations, as a result, can only be fulfilled through these existing relationships and the access that these lenders provide to underserved markets.

To truly expand Duty-to-Serve loan activity, Fannie and Freddie need to expand meaningful secondary market access to smaller lender institutions, MDIs, and CDFIs. Only Freddie Mac currently includes this in the proposed plans, when they write about developing new securitization products for lenders serving multifamily and rural housing.[5] But we think it is key that Fannie and Freddie further expand securitization access for small institutions, which will help them truly expand their Duty to Serve presence.

Third, **we would like to see more Targeted Equity Investments as part of DTS.** FHFA can help by clearly authorizing and encouraging these types of investments under Duty to Serve. These investments can be important ancillary tools to support broader Duty to Serve goals. For example, an Equity Investment may include a credit enhancement tool that helps the Enterprises lower risk and securitize affordable mortgage products originated by MDIs and CDFIs. Such an investment tool would allow them to securitize products with a broader credit box for instance, or unusual products such as small-dollar mortgages. Such Targeted Equity investments will help them better serve the affordable mortgage market.

In conjunction, we believe that these three commitments can help DTS become more ambitious, impactful, and attuned to opportunities amidst ever-changing market conditions. Thank you for your consideration. For further questions, please reach out to Sharon Cornelissen (scornelissen@consumerfed.org).

[5] Freddie Mac, 136.