CHANDRA BROADNAX: Good afternoon. I would like to thank everyone for participating in today's FHFA listening session on Enterprise Equitable Housing Finance Plans.

I'm Chandra Broadnax, an Examination Specialist in the Division of Housing Mission and Goals, Office of Fair Lending Oversight. I'll be introducing today's discussion with several great speakers.

I thank all of you for participating in the session. We know your feedback, attention, and time are invaluable. We appreciate the efforts our presenters have made, and the investment and time that our listeners have also committed.

This is a long session, but there is a lot of valuable information to be shared today. We really look forward to your insightful comments, but before we get started I want to note that this session is being recorded, and will be available and posted on the FHFA website.

And now, it is my sincerest pleasure to introduce our first speaker, FHFA's Acting Director Sandra Thompson. Director Thompson?

SANDRA THOMPSON: Thank you, Chandra, for that introduction.

One of FHFA's top priorities is ensuring that all Americans, especially those in underserved communities, have access to a fair and sustainable housing finance system that supports safe, decent, and affordable home ownership and rental housing opportunities. Unfortunately, our housing finance system has not always served everyone equally. This was especially true in the first decades of federally supported home mortgages when public programs denied entire communities access to mortgage credit on the basis of race or other characteristics. This unfair treatment deprived people of color, in particular, of an equal opportunity to build generational wealth through home ownership. Today there continues to be significant gaps in home ownership, and, despite lots of policy attention, some have even worsened.

FHFA recently published new information that highlights the need to take a new approach to closing the equity gaps in housing. This data showed that loans serving Black families, for instance, only account for 5 percent of the Enterprises' acquisitions, despite 14 percent of the U.S. population being Black.

Likewise, the Enterprises' mortgage purchases were only roughly 12 percent Hispanic despite almost 19 percent of the U.S. population being Hispanic. And Freddie Mac recently published a paper finding that people of color are more likely to receive home appraisals below the contract sales price.

At FHFA we think it is important to focus on the diverse needs of underserved families who are lagging compared to others, and to design solutions that are targeted to those needs. FHFA's regulated entities have obligations to promote sustainable access to mortgage credit across the nation, and we must ensure it reaches everyone on fair and equitable terms.

This is why FHFA is now requiring Fannie Mae and Freddie Mac to prepare and implement three-year plans to advance equity and sustainability in housing finance. Under our oversight each Enterprise will identify barriers to sustainable housing opportunities, they'll set goals, and take meaningful actions to address to barriers and report on its progress.

The equitable housing finance plans will serve as a supplement to existing FHFA and Enterprise requirements and programs. They will ensure a focus on housing equity that is aligned with other critical objectives, including safety and soundness, and mission activities. The first set of plans will focus on reducing the ratio, or ethnic home ownership gap, and reducing underinvestment or undervaluation in formerly redlined areas that continue to be underserved.

Today's listening session will give FHFA and the Enterprises important feedback to consider and use while designing, evaluating, and implementing their equitable housing finance plans. I want to thank all of our participants for taking the time to share your expertise and thoughts and ideas with us.

I will now turn things over to Karen Heidel of the Office of the General Counsel. Thank you again.

KAREN HEIDEL: Thank you, Director.

As she mentioned, I am an attorney for FHFA. I just have a few housekeeping pointers before we begin.

We've invited you to meet with us today to obtain your input and information on the Enterprises' equitable housing finance plans. All feedback offered in today's session should be directed to FHFA without reference to the remarks of any other participant.

At this time we will not discuss the status or timing of any FHFA plans with respect to policy making on these issues. The listening session is not an advisory group, but we may summarize the feedback gathered at today's meeting in any rulemaking document that might be issued in the future if we determine that summarization is necessary to provide a complete statement of the basis for a rulemaking.

Nothing said in this meeting should be construed as binding on or a final decision by the FHFA director or FHFA staff. Any questions we may have are focused on understanding your views, and we do not indicate a position of FHFA staff or the agency.

Now I'd like to pass it on to Leda Bloomfield, who will proceed through the agenda.

LEDA BLOOMFIELD: Thank you, Karen.

Hello, my name is Leda Bloomfield, and I'm with the Office of Fair Lending Oversight at FHFA. Today we are eager to listen and receive important input from our stakeholders on what the Enterprises should consider when creating their plans, and how FHFA should evaluate and oversee limitations.

Today we hear comments from 19 speakers. Each speaker will have six minutes to speak. We will try our best to stay on schedule and ask that everyone speaking helps us do so as well. I will provide a one-minute warning prior to the close of time. If someone goes overtime, I will have to interrupt in order to keep us on schedule. So, please, forgive any interruption?

Let's get started. The first speakers are Pamela Perry and Alexis Sofyanos from Freddie Mac. Pam and Alexis, please, unmute your mic and begin?

PAMELA PERRY: Thank you, Leda. And thank you to Acting Director Thompson for convening this session today.

I'm privileged and honored, again, to have the opportunity to speak with this group of industry stakeholders, and, equally as important, listening to the recommendations from my colleagues across the industry. During my previous opportunity to address this group I laid out my key areas of focus in terms of Freddie Mac's focus to addressing equity in its single-family mortgage business.

I've been digging through causes of racial inequity in housing in preparation for proposing innovative solutions that advance home ownership and wealth in underserved communities. We're tackling our work through four initial areas of focus, barriers to loan qualification, community outreach and financial capability, appraisal gaps -- and I hope that many of you had occasion to see our research that we published recently in this arena -- and a need to address greater access to housing supply.

FHFA's request that we submit a three-year equitable housing plan aligned with 14 specifically enumerated objections is a welcome opportunity for Freddie Mac to take bold steps to eliminate housing disparities. Whether that means finding solutions to down payment assistance challenges, finding community resources for financial readiness, or living in resilient homes in communities.

We're tackling our work through the four areas I initially addressed, but we are focused on addressing each and every one of the objectives in the challenge that FHFA has laid out to the industry. We must move the needle to wealth creation and investment into historically underserved communities. We are committed to providing minority communities with the opportunities they need and deserve to access credit and secure housing stability.

Overhauling inequitable systems takes new ways of thinking. That isn't something that Freddie Mac can do on its own. That is something we need to do in partnership with our clients and industry partners. We as an industry cannot afford to fail at this, or to miss this moment.

And to do that it's time to think differently and intentionally to effectively address racial wealth and home ownership gaps. Traditional programs and policies may not always be an answer to bring things to scale. We'd like to use this opportunity today to suggest that there's a real opportunity for success by reconsidering the ways in which we underwrite borrowers.

We know that many of you have been creating your own special purpose credit programs to address this issue. I want to be very clear that Freddie Mac is open for business and very interested in purchasing loans originated under these programs.

At the same time, we are also working on standing up our own product offerings and guidance consistent with ECOA's SPCP requirements. We look forward to working with all lenders and housing intermediaries in moving this and catalyzing change forward. We're hear to listen and hear how we can best move forward together to better serve underserved communities.

Thank you, and with that, I'll pass it to my colleague Alexis Sofyanos.

ALEXIS SOFYANOS: Thank you, Pam, and hi, everyone. Alexis Sofyanos; I lead the Multifamily Equitable Housing team here at Multifamily, and echoing many of Pam's sentiments, grateful to be here and emboldened by this equity directive.

In the Multifamily space we at Freddie Mac have three pillars of focus in our equity, borrower advancement, tenant advancement, and affordability advancement. And so for borrower advancement we aim to improve access to capital for diverse minority borrowers, particularly those that are emerging to help them grow in scale, and ultimately make our borrower base as diverse as our renter base. For tenant advancement, finding unique ways to better the lives of renters. And, lastly, affordability advancement; how can we scale unique and sustainable ways to both create and preserve affordable housing?

We have several exciting efforts underway, or, in the lab, or through our thinking, within each of these, but know that we know that we can do better and we should be doing more. We are committed to expanding these efforts and finding additional ways to create a more equitable housing industry together.

And so we are here in active listening mode. We are all ears and look forward to your thoughts and feedback, but, more importantly, look forward to partnering with you going forward in this important work. So thanks, Leda; I'll go back over to you.

LEDA BLOOMFIELD: Thank you. Our next speaker today is Katrina Jones from Fannie Mae. Katrina, to you.

KATRINA JONES: Hi. Thank you for having me here this afternoon. My name is Katrina Jones. I lead our Racial Equity and Strategy and Impact team for Fannie Mae.

I want to thank Director Thompson and the FHFA team for seeking input from such a wide group of stakeholders on this important issue. Director Thompson's leadership on the issue of racial equity is a clear call to action for the housing finance industry, and Fannie Mae is eager and ready to respond.

Like all of us here today, we at Fannie Mae know that progress has been too slow for too long, and more needs to be done by our industry -- and, yes, by Fannie Mae. As our CEO Hugh Frater has said, reversing the legacy of discriminatory housing policies and practices, it's one of our greatest challenges of our time.

So, we look forward to hearing from the many stakeholders on today's call and elsewhere as we build out our plan and our actions for making the housing market both stronger and fairer. So, with that, I'll give back the balance of my time, because I'm looking forward to listening to today's presentation and assessing where and how we can lean in and partner together. Thank you, Leda.

LEDA BLOOMFIELD: Thank you, Katrina.

Now I'm delighted to welcome Maureen Yap from the National Fair Housing Alliance.

MAUREEN YAP: Thank you, Leda. Let me just get the technology right here. Okay. Great.

All right. Thanks again, Leda, and thanks to FHFA for the opportunity to comment. My name is Maureen Yap, and I'm a senior counsel with the National Fair Housing Alliance. We would like to discuss a few barriers to home ownership, particularly for borrowers of color.

The first barrier is LTV, or DTI. Many potential borrowers of color struggle to meet the standard LTV or DTI ratios, which can be due to the unaffordable cost of the loan, or the lack of down payment funds. So the first recommendation is that the GSEs should support eliminating loan level price adjustments. The LLPAs were put place in the wake of the Great Recession, have an unfair and unnecessary disparate impact on borrowers of color.

For example, as Black and Brown borrowers tend to have less wealth to apply to a down payment, the LLPAs drive up the cost based on a higher LTV, which may price the potential borrower right out of the mortgage market. So now that the GSEs have fully repaid the government from the 2008 bailout, the GSEs should support eliminating the LLPAs.

The second recommendation is that the GSEs should support innovative programs to increase access for Black and Brown borrowers. For decades federally sanctioned discrimination largely denied borrowers of color access to home ownership and other wealth building opportunities. Moreover, the GSEs have a very disappointing record of purchasing mortgages from borrowers of color.

As a result, Black and Latino families have less intergenerational wealth to use for down payment funds for themselves or their children. The GSEs should support targeting loans and down payment assistance to first generation home buyers. Further, the GSEs should ensure liquidity for these loans. Also, the GSEs should support technical solutions that can debias the automated underwriting systems.

The next barrier is insufficient credit. The GSEs' current reliance on classic FICO embeds the nation's history of discrimination in financial services. For example, a borrower of color's credit score may be driven down for accessing non-traditional credit, such as payday loans, because of living in communities that are credit deserts.

So the first recommendation is that the GSEs should adopt credit score models that are less discriminatory than classic FICO. Civil rights and consumer advocates have repeatedly sounded the alarm that the classic FICO model is antiquated and has a disparate impact. Despite these urgent concerns, the GSEs validated and approved classic FICO. The GSEs should ensure that the process for approving other less discriminatory models moves as quickly as possible.

The GSEs should also support pilot mortgage programs that allow the use of non-traditional credit criteria such as rental payment history, but this should not lead to increased pricing through LLPAs.

The second recommendation is the the GSEs should create purchase programs for special purpose credit program mortgages. Unfortunately, the Black/White home ownership gap is as large as it was in 1968, before passage of the Fair Housing Act. It seems that race-neutral remedies have failed to close that gap. ECOA and Regulation B have long provided a path for race-conscious remedies, but lenders have been reluctant to adopt them for various reasons, including concerns about liquidity. The GSEs should move quickly to develop purchase programs that ensure liquidity for these mortgages.

Another barrier is the collateral itself, which can raise various issues. Sometimes there is appraisal bias, where a home for a borrower of color or in a community of color is undervalued and may not support the contract price.

At other times the home values in communities of color are low, which may result in smaller mortgages that lenders may not want to originate.

Finally, sometimes there is discrimination in REO maintenance and marketing, which may lead to under valuations and disinvestment in communities of color. To overcome these collateral barriers the GSEs should, number one, ensure that appraisal guidelines do not perpetuate bias. Number two, create programs that provide liquidity for small dollar mortgages. And, number three, ensure that policies for the maintenance and marketing of REO properties are nondiscriminatory.

The last barrier we discussed today is discrimination, which continues to plague and distort the market. For this reason the GSEs should support strong oversight. More specifically, number one, the GSEs should support elevating the Office of Fair Lending Oversight to a fully staffed division on par with the Division of Enterprise Regulation. And finally, the GSEs should support increased transparency regarding the fair lending exam findings, including providing specific granular information in the annual report.

Thank you again for the opportunity to comment.

LEDA BLOOMFIELD: Thank you. Next speaking is Susan Stewart from SWBC Mortgage on behalf of the Mortgage Bankers

Association.

SUSAN STEWART: I apologize for the delay; it's resisting me. Thank you for inviting us to speak today. We're delighted, and I'm delighted to represent the MBA and happy to speak with all of you today.

Let me start by echoing recent comments made by MBA's President Bob Broeksmit in regard to the plans about ECOA housing, and to thank FHFA Acting Director Thompson for engaging the GSEs in the development of comprehensive plans to advance equity in housing finance. I think it's fair to say that this announcement represents a milestone in our nation's path for equity in housing finance and to have a more inclusive housing market.

Rather than simply avoiding policies that would lead to inequities in housing finance, the GSEs will now use their formidable resources to actively break down barriers to sustainable housing opportunities. I'm excited to think about the prospect for this to move the needle on the large and stubbornly persistent racial home ownership gap, as well as to make decent, affordable rental housing available on a more equitable basis.

With respect to home ownership, MBA just last week announced a new initiate on building generational wealth through home ownership. The goal of this initiative is simple, to reduce the racial home ownership gap and provide

African American and Hispanic families with opportunities to benefit from the wealth building potential of sustainable home ownership. And while the goal may sound simple with me simply stating it, achieving it is far from it. As acting Director Thompson mentioned, it is a 90-year problem and it's time for us to find a resolution.

This initiate is relevant not just because of the linkage with the GSEs efforts to focus on equitable housing finance, but also because many of the MBA's policy recommendations are specific to GSE policies and programs. These GSE specific policy recommendations include increase the income thresholds on the GSE's affordable housing products, particularly in high cost areas; removing unnecessary LLPAs on rate term refinances; reverse credit score related LLPAs on low down payment products in targeted metropolitan areas; and expanding secondary market pooling options for loans to minority consumers.

Together these policies should facilitate better opportunities for minority households to obtain access to affordable housing; and for those who are seeking home ownership and are mortgage ready, opportunities to obtain access to affordable credit. These policies, therefore, should be included in the plans developed by the GSEs.

Additionally, the GSE plan should include ways in which the GSEs will partner with outside stakeholders to advance equity in housing finance. A natural example is the MBA Convergence Initiative, which serves as a forum to drive collective action on housing affordability challenges. The GSEs could, for example, commit to continuing their strong engagement in Convergence's placed based efforts currently in effect in Columbus, Ohio, and Memphis, Tennessee, to contribute their expertise and their resources in developing mechanisms to increase sustainable housing opportunities.

And while the first plans have not yet been issued by the GSEs, we should keep our eye on the future as well. We believe it is appropriate for FHFA to use its conservatorship authorities to establish the requirement for these plans, but it's important, also, that FHFA begin thinking about how it can ensure the GSEs continue this work post conservatorship. We do not want the end of conservatorship to mean the end of a formalized effort by the GSEs to advance equity in housing finance.

Similarly, we do not want this ongoing work to serve as a reason to keep the GSEs in conservatorship longer than is necessary. In the near term, FHFA, therefore, should explore rulemaking or other options to make these efforts more durable regardless of how long the GSEs remain in conservatorship.

In closing, let me thank again FHFA and the GSEs for their work on this critically important issue. I'd also like to thank FHFA and the GSEs for several recent actions that should serve as tailwinds for efforts to promote equity in housing finance. These include the suspension of certain provisions of the PSPAs, the elimination of the adverse market refinance fee, the development of new refinance options for low-income borrowers, the development of capacity to consider borrowers' rental payment history, and a reconsideration of certain elements of the GSE capital framework.

Thank you. We at the MBA appreciate the ongoing partnership and look forward to assisting the GSEs in achieving the goals laid out in your forthcoming equitable housing finance plans. Thank you.

LEDA BLOOMFIELD: Thank you. Our next guest speaker is Edward Pinto for the American Enterprise Institute.

EDWARD PINTO: Thank you, Leda, and thank you, Acting Director Thompson for the opportunity to participate today. Next slide, please?

I'm going to talk about the actions that the FHFA itself is responsible for that constitute a violation of Fair Housing Act. The FHFA is subject, as an executive agency to the Fair Housing Act requirements, to the obligations to affirmatively further fair housing, and Executive Order 12892 from 1994. And the FHFA, as I have outlined on this -- next slide, please -- on this first slide, outline specific items that constitute those violations.

Namely that they have promoted higher risk loans during periods of booming home prices that make housing less affordable, resulting in the need for ever higher risk lending, higher default rates as I'll talk about in a moment, and these actions all have a discriminatory effect on a prohibited basis and are not justified by regulatory necessity. They do not affirmatively further the Fair Housing Act and, in fact, violate the act.

Are you having trouble moving the slides? Can you get to the next slide?

This has created a systemic barrier that many you are talking about today -- to sustainable home ownership and wealth creation -- by subjecting protected class households to risky lending, unsustainable price boosts and speculation in land, and home price volatility. The FHFA, as regulator and conservator, is responsible for the lending policies of Fannie and Freddie. Neither FHFA's regulation of the GSEs, nor its exercise of its powers as conservator, have ensured responsible access to credit, as the credit that's provided is highly procyclical and disproportionately harms minorities.

We've analyzed loan delinquencies, which recently spiked due to the stress that resulted from COVID-19 pandemic and found that FHFA's requirement that the GSEs undertake risky loans to meet their requirements and guidance have had a disproportionate impact on protected classes compared to individuals not part of a protected class. This indicates a pattern, a practice of discrimination by FHFA and is a violation of its obligations under affirmatively to further fair housing.

Since the slides aren't showing up, I'll just continue. More specifically, just in the month of June, Fannie and Freddie, using cross-subsidy policies required by FHFA, has subsidized high risk layered loans. In June they acquired 22,000 thirty-year fixed-rate loans with combined LTVs greater than 95 percent, 96 percent of which went to first-time buyers. The average stress mortgage default rate on those loans was 16 percent. This is a prima facie violation of the Fair Housing Act as MBRs above 14 percent are high risk due to layering.

This, again, creates the systemic barrier. Just last week -- next slide, please -- the five senators introduced the wealth building home loan LIFT home bills. There's a House bill and a Senate bill. The five senators introduced it in the Senate with the lead senator being Senator Warner, and they all had the same theme. Senator Warner said, the number one way that middle class Americans build wealth is through home ownership, an opportunity that due to racism and structural inequality has been denied to too many families of color.

Today Black families in this country have an average net worth just one tenth the size of White counterparts. The LIFT Act would help close the racial wealth gap by allowing qualified home buyers to build equity and wealth at twice the rate of a conventional thirty-year mortgage. How is that possible? It's possible with a 20-year loan where a subsidy is provided to buy down the interest rate to make the monthly payment the same on a 20-year as a 30, yet the home equity buildup is twice as fast.

Senator Van Hollen went on to talk about that home ownership is key for Americans to grow their wealth and build economic stability, but for far too many people, especially people of color, this goal remains of reach. Senator Warnock said, for too long too many of our neighbors have been excluded from our nation's housing market, unable to build equity and security after buying and moving into their first home. The others went on with similar comments.

We now have a path. The path is a 20-year loan for these programs that, in the past, were to make housing more affordable. In effect, all they have done is subsidize higher risk.

And my last slide, actions that FHFA should take to cure their violations of the Fair Housing Act. First, they should implement a stressed mortgage default rate limit of 14 percent. Second of all they should direct cross subsidies that currently violate the Fair Housing Act to low income first-time home buyer LIFT home program based on 20-year wealth building home loan. Third, they should recognize the superior performance of the 20-year loan and implement a rate and term refinance program that will substantially build generational wealth for current low-income FHA borrowers who are unable to refinance.

In effect, we've determined that the GSEs could offer this financing program to about a million and a half FHA borrowers that are currently largely locked into higher interest rate loans that they can't refinance because of their credit scores. But by going into a 20-year loan the default risk on those loans would be much, much lower, and would meet, we think, Fannie and Freddie's requirements.

Last, study the benefits from increased density in walkable-oriented development areas might provide a logical focus for FHFA and its effort to examine zoning constraints on supply. For example, the GSEs Home Ready and Home Possible programs might be expanded to include certain walkable-oriented development areas. And I would add, perhaps, most importantly, whatever action FHFA takes, they must not lead to the same types of unintended consequences that have plagued past efforts to make housing more affordable, and to address ownership gaps.

What is happened instead is housing has gotten less affordable, and the gaps haven't gone away. So I would just implore FHFA to make sure the unintended consequences are considered along with what they think might be the intended consequences. Thank you very much.

LEDA BLOOMFIELD: Thank you, Ed, and I apologize for the technical difficulties. I just want to remind everyone that all the materials that the presenters have presented during this session will be available for public viewing on FHFA's external website following the event.

Out next speaker is David Sanchez from the National Community Stabilization Trust.

DAVID SANCHEZ: Great. Good afternoon and thank you for the opportunity to speak today.

My name is David Sanchez, and I'm the Director of Research and Development at the National Community Stabilization Trust, or NCST, a national nonprofit that supports families and communities by restoring distressed single-family homes, strengthening neighborhoods, and increasing sustainable, affordable home ownership.

NCST is strongly supportive of requiring the Enterprises to develop and implement equitable housing finance plans. However, the programs that FHFA and the Enterprises create as a result of these plans will only be as effective as the follow through from FHFA.

We strongly believe that to make the equitable housing finance program a success, leaders of FHFA must systematically empower staff that is committed to this program and that understand the Enterprises mission. We've seen examples of FHFA succeeding along these lines before, particularly with FHFA's Office of Fair Lending Oversight, which has been empowered to establish strong fair lending systems, metrics, and oversight processes. We're hopeful that recent fair lending data and research actions mean that FHFA is investing in the division of research and statistics focus on equitable housing finance issues.

FHFA should also build upon its existing Office of Housing and Community Investment by giving the office more resources and greater jurisdiction over mission-related activities and programs.

Before I comment on the questions raised in the RFI, I'll note that FHFA has erected a number of policy barriers that make it harder for the Enterprises to meet the goals of these plans. We and others identified some of these barriers during the Duty to Serve listening sessions, including policies regarding capital, equity investments, and pilots.

We are happy to hear that FHFA is revisiting its Enterprise capital standard, but some have already suggested that the Enterprises will be required to hold more capital than is reasonable to insulate tax payers from their risk. This will be a significant barrier to achieving FHFA's desired equity goals. Next slide, please?

Next I will respond to the questions asked in the request for input, which accurately focuses the Enterprises' attention on a number of today's more critical fair housing issues.

First, reducing the Enterprises AUS accept rate gaps is a critical and direct way that the Enterprises can improve racial and ethnic home ownership gaps. We also encourage the Enterprises to examine arbitrary cutoffs such as credit score floors. Moreover, it is imperative that FHFA tests the Enterprises' significant activities for fair lending violations, and that the Enterprises also self test in this regard.

Second, when focusing on racial and ethnic disparities in the Enterprises' market share, FHFA should remember that this is directly tied to pricing. We believe the Enterprises have pursued excessive risk-based pricing in recent years and urge this to be reconsidered.

Third, mortgage servicing is an area where we are extremely likely to see disparate impacts, given the disproportionate impact of the pandemic on communities of color. We are now in the critical period when many borrowers are exiting forbearance and figuring out what they will do next, and it's critical that FHFA and the Enterprises monitor these trends in real time.

Fourth, as COVID's impacts on foreclosures become more clear, the Enterprises should continue to reevaluate their distressed property sales practices. For example, if the Enterprises are going to sell notes, we believe in a strong purchase opportunity for nonprofits and government entities. But even more important than the identity of the purchaser is whether these purchasers and these programs achieve outcomes that support the Enterprises' other goals, namely in this context supporting equity and reducing the home ownership gap.

Fifth, regarding sustainable housing opportunities for renters, we applaud Freddie Mac's recent announcement that it will only (indiscernible)** 0:36:11 manufactured housing communities that meet FHFA's tenant (indiscernible)** 0:36:15 protections, and we encourage Fannie Mae to do the same. Further, FHFA should study the feasibility of strengthening (indiscernible)** 0:36:23 protections, including restrictions on rent increases and tenant right to purchase requirements.

Sixth, focusing directly on Enterprise actions in formerly redlined areas and high opportunity areas is critical; however, FHFA should be mindful of the arguably modest impact that the Enterprises have had in this area through Duty to Serve, and improve its data and methods of success in this area.

Finally, we also believe that the Enterprises should focus on language access in these plans. We encourage FHFA to add a preferred language question to the URLA and require the industry to check language preference. FHFA and the GSEs should also analyze barriers to industry use of the already translated forms and takes steps to encourage their use. The CFPB appears to be a willing partner in this work. Next slide, please?

LEDA BLOOMFIELD: When you begin, one minute.

DAVID SANCHEZ: Oh, one minute? I'll do the next slide quickly.

In addition, I believe that there are a number of important lessons from the Duty to Serve program for FHFA's implementation of the Equitable Housing Plans. A great overview of early lessons from the early years of Duty to Serve was released earlier this year by the Lincoln Institute of Land Policy. A few particular lessons to highlight from Duty to Serve.

First, FHFA should provide ratings and public assessments of the Enterprises' performances. This is an extremely promising element of Duty to Serve, the use of expert program staff and outside contractors to make judgment about the impact of the Enterprises' activities. Unfortunately, this promise has not been realized in the three and a half years since Duty to Serve launched.

Second, transparency is critical. One way that FHFA should go further than Duty to Serve is by spelling out the key metrics that it believes indicates success in the Enterprises' equitable housing finance plans.

Third, we believe public reporting is also critical, but the Duty to Serve is too voluminous and complex.

Fourth, we are grateful for these public listening session and we appreciate the steps that FHFA has taken to structure them productively and we continue to urge FHFA to look for other ways to engage productively with the public.

In that vein, FHFA and the Enterprises should consider new ways of working with outside stakeholders. For example, the Lincoln Institute of Land Policy has convened an underserved markets coalition to monitor and advocate on the Enterprises' duty to serve on equitable housing finance activities. We believe FHFA and the GSEs should work closely with this coalition. Thank you for the opportunity to speak today.

LEDA BLOOMFIELD: Thank you. Our next speaker is Stockton Williams from the National Council of State Housing Agencies.

STOCKTON WILLIAMS: Good afternoon. My pleasure to be here, and I want to thank FHFA for convening this stakeholder discussion. I'm Stockton Williams from the National Council of State Housing Agencies and the first thing I would like to observe is that we see this important RFI and listening session as, on the one hand, groundbreaking, but also of a piece with the leadership and direction that Acting Director Thompson has shown already in her tenure.

We have seen a revision and expansion of the affordable housing goals, an increase in Fannie Mae and Freddie Mac's capacity to invest in low-income housing tax credits, and an alignment of fair lending enforcement between FHFA and HUD, a really important and, maybe, somewhat overlooked step already taken by FHFA under the Acting Director's leadership. And all of this work, we believe, including the requirement for the GSEs to produce equity plans, is pointing in the same direction, towards insisting that we have a more equitable and accessible housing finance system. So we're excited about this opportunity.

I do also want to acknowledge that, while we, I think, all agree that the GSEs have not done enough, and need to do more, we at NCSHA are encouraged by the comments from Fannie and Freddie, some of which we heard more of today. We believe that both companies are taking this new directive and this new direction seriously, and we look forward to working with them.

Our perspective is that in the state housing finance agencies, HFAs serve the renters and the homeowners who are really most disadvantaged in the current conventional housing system. Increasingly over the last 20 years that has involved very robust partnerships with Fannie Mae and Freddie Mac. They have produced results, which I'll speak to, but, more broadly, the housing finance agencies really exist to serve borrowers who don't get access as easily through the conventional market. Thirty to thirty five percent of HFA borrowers every year are households of color, and that, obviously, includes an even greater share in the HFAs' rental housing financing and subsidy programs.

So the work is central to that of state housing finance agencies. In addition, housing finance agencies are serving especially lower income borrowers -- average income of roughly $56,000 in for sale housing -- purchasing homes of $160,000 to $165,000 on average, well below even the typical cost of FHA-insured homes in many markets.

So one of the things that we think is most important to underscore about the request for interest and the requirement that Fannie and Freddie produce equity plans is that the document calls for meaningful actions, and it specifically directs the GSEs to submit their first plans in a matter of months. To us that suggests two things.

Number one, it suggests that there's already a tremendous amount of data and evidence of the problems in an inequitable housing system that has not provided fair access to households and communities of color. Groups -- book 'em today and we'll speak later -- the GSEs themselves, and FHFA have reams of data and evidence that outline the scope and the dynamics behind the core problem that the equity plans and the meaningful actions to address equity are intended to address.

So let's not over study the issue. To be sure, there's room for more research, always, better explication of some key issues that remain not fully understood; but we know enough, Fannie and Freddie know enough, to do more starting right now. And I get to the second principle, which is FHFA ought to look to what has already worked, where Fannie and Freddie have made progress, have shown they can do more in serving people in places of color.

Two examples, one the so called preferred products, the more favorably priced lending options offered by each GSE through state housing finance agencies. These long-running programs have been highly touted by the agencies. They continue to operate in the market, but in a curtailed fashion. What's the principal value that they bring? Well, it's really two fold.

Number one, HFA Preferred and HFA Advantage each have much lower loan level price adjustments. We just heard earlier about the disproportionate impact that LLPAs have on borrowers of color.

Number two, HFA Preferred, HFA Advantage loans, more often than not, come with down payment assistance from housing finance agencies. We all know from the research that DPA is particularly critical for families of color who meet every other criteria to become a homeowner, but just don't have the savings required to make a down payment. By restoring HFA Preferred and HFA Advantage to levels of income and flexibility that existed just a few years ago, Fannie and Freddie could immediately expand market share and address the goals of their equity plans.

Second, I want to talk about supply. It's encouraging to see --

LEDA BLOOMFIELD: One minute.

STOCKTON WILLIAMS: -- FHFA and the GSEs talking about supply. Let's actually put some specific GSE action behind it. Fannie and Freddie recently were directed by FHFA to increase their investment in low-income housing tax credit. There's much more headroom for them to play a greater role in that market, and, on the for sale side, work with housing finance agencies to really look at acquisition, development, and construction lending product. Land availability and land financing is, according to an analysis by the Urban

Institute and Moody's, more important than materials, costs, or labor shortages in terms of driving outrageous home construction and development costs.

Thanks very much; we look forward to working with you.

LEDA BLOOMFIELD: Thank you. Our next speaker is Belinda Everette from the NAACP of Houston.

BELINDA EVERETTE: Good afternoon. Thank you for allowing me to speak with you this morning.

I'm the housing chair for the NAACP Houston branch, and I've spent the bulk of my career in residential lending, real estate, and (indiscernible)** 0:45:59 secondary marketing. So my perspective and the perspective of the work that we're doing with the NAACP comes from that vantage point.

And while we understand the challenges, as the previous speaker has very, very successfully illuminated, we know the problems. Disparities in home ownership in the United States is a complex, multi-tiered problem rooted in years of unfair policies and practices, discrimination in lending, private and public infrastructure development that results in displacement, community blight and erasure, as well as perpetual, systemic disenfranchisement of communities of color.

So addressing the home ownership disparity requires an innovate and sustainable solution that requires a shift in paradigm, and the recognition that minority communities are not monolithic, but composed of different income and credit streams and credit profiles that include low-income, middle, upper middle, and affluent households. Historical programs and policy built on providing a pathway for low-income communities have overlooked or omitted the engagement of the minority middle class, thereby minimizing the opportunity for full participation of the pursuit of home ownership.

The key points that we must consider when addressing home ownership in the United States must include an approach to addressing the abundance of aging housing stock, and we're defining that as housing stock that was built prior to 1990. That creates a competitive entry point for home ownership for minority communities. If we increase and improve housing supply by renovating and, or, replacing aging housing stock, we expand the home ownership opportunity.

And we cannot overlook the impact of climate change and the resulting natural disasters that have impeded the ability of minority communities, particularly unserved, and persistently poverty driven communities, to maintain decent states and sanitary housing. But because this is a multi-tiered problem, a multi-tiered approach is warranted.

So we must look at targeting the complete community, kind of a circle-the-wagons approach. Unlike the top-down theories or the grass roots bottom up, we must consider a complete community strategy to reach and engage untapped middle markets, but also all consumers, to give them a complete community within major, middle, and suburban markets in the country to expand the housing opportunity, along with a simultaneous outreach for affordable housing for 30, 50, and 80, as well as up to 160 percent AMI communities.

Targeting markets that have an abundance of housing that's built before 1990 creates markets that are specific to renovation and relocation that will include increasing decent states and sanitary housing, with energy efficiency and climate resiliency. Creating a resilient housing inventory will expand the opportunity for minority communities through preservation, renovation, and relocation, and the identification and designation of legacy minority communities should be established to increase sustainability.

If we address equity in housing, we must require an alignment with key stakeholders. That includes funding partners, public and private program dollars that will support housing supply and redevelopment. If we implement a wrap-around services model to address housing and community development, we will include tying home ownership to community building by providing medical, educational, and social services access within the community. Blending housing market expansion with job creation will create a workforce. Infrastructure and land --

LEDA BLOOMFIELD: One minute.

BELINDA EVERETTE: Infrastructure and land development create job opportunities for skilled labor and subject matter experts. Our circle-the-wagons strategy will develop and create complete communities, which will create housing market access for millions. Thank you.

LEDA BLOOMFIELD: Thank you. We will now have a break. We will return at 2:05 p.m. Eastern Standard Time. Thank you.

BREAK

LEDA BLOOMFIELD: Welcome back to FHFA's Enterprise Equitable Housing Finance Plan listening session. Our next guest speaker is Vickee Jordan Adams from Finsbury Glover Hering.

VICKEE JORDAN ADAMS: Hello, can you hear me okay?

LEDA BLOOMFIELD: Yes, we can hear you. Thank you.

VICKEE JORDAN ADAMS: All right. Thanks for the brief instruction. Just to share who I am and why I'm here to speak.

I am a partner with Finsbury Glover Hering, a strategic communications firm across the U.S. and globally. I have spent about the past 25 years either in the financial services sector or serving clients in the financial services sector as a communicator and the opportunity to participate in this listening session is a high honor for me, simply because I have become a real student and interested party in housing and housing policy, and there are just a couple of comments that I wanted to be able to share with this group.

First and foremost, I think it's wonderful that you are conducting these listening sessions to get input on the objectives and goals for FHFA going forward with its efforts in housing and housing equality and housing equity. I think that, unfortunately, many communities are not aware of the opportunities they have to increase their social mobility through home ownership and creating equity in their homes. And I would like to suggest that two things are critically important as this group moves forward.

The first one I think that is very important is understanding zoning and making changes to zoning so that residents are more familiar with what that zoning does to the value of their property. I think when we start to look at low- to moderate-income tracts, or even minority tracts, census data is woefully behind in our ability to actually understand who is living in those communities, and it's much easier for people who are more sophisticated financially to understand how to access funds to purchase homes in low- to moderate-income census tracts, and often it leads to a great deal of gentrification because of general awareness of the ability to qualify for loans that have been designated for those LMI tracts.

So I really think we need to find a way to assure that real estate developers, cities, municipalities, states understand how to get the information out to current residents in transitional neighborhoods so that they can understand how they can apply to own their homes, maintain their equity in their homes, remodel their homes, so that we're not finding a predominance of vacation homes or second homes or rental properties in LMI neighborhoods that make those properties inaccessible for the legacy residents.

So my second point builds on that, in that I think it would be critically important for this group to consider how the minority depository institutions, as well as the community development financial institutions -- the CDFIs and the MDAs -- they need funding for marketing and communications services. By that I mean they're building their portfolios, they're growing their investment, and they're serving communities that are underserved, but what they don't necessarily have the funds or resources or experience with is marketing and educating their residents in their immediate regions about the opportunities available to them for home financing. And I think if this body, as the conservator of the agencies and as an information resource to the CDFIs and the MDAs, if there can be a way to consider providing funds for marketing communication services, particularly for the CDFI organizations, and even for the minority depository institutions, so that they can better reach the people that they are meant to serve, those underserved borrowers, those borrowers who are not as sophisticated about some of the opportunities available to them as they are residents in low- to moderate-income or minority census tracts.

And with that, again, I thank you for allowing me to participate and to offer comments, and I look forward to the remaining discussion. Thank you.

LEDA BLOOMFIELD: Thank you. Our next speaker is Lesli Gooch from the Manufactured Housing Institute.

LESLI GOOCH: Thank you very much. I hope you can hear me.

LEDA BLOOMFIELD: Yes, we can hear you.

LESLI GOOCH: Okay. Very good. Thank you to the teams from FHFA, Fannie Mae, and Freddie Mac, and everyone joining the call today. I really appreciate the opportunity to share MHI's views about the Enterprises' equitable housing finance plans.

My name is Lesli Gooch. I'm the CEO of the Manufactured Housing Institute. And I know you might be wondering why I'm here today, but we think that manufactured housing is a critical source of affordable home ownership in America, and so we think that we are an integral part of this conversation.

MHI is the only national trade association that represents all segments of the factory-built housing industry. Our members include all those who serve the industry, including the home builders, the suppliers, the retail sellers, the lenders, the installers, community owners and operators, and others.

In 2020 we shipped almost 95,000 HUD Code homes, which is 9 percent of all new single-family home starts in the country. Our members at MHI are responsible for 85 percent of the manufactured homes that are produced every year.

Manufactured housing offers value to consumers because of technological advancements and costs savings better associated with the factory-built process, and because of the efficiencies that come through the federal building code. Manufactured housing today provides an affordable form of home ownership that more than 22 million people nationwide today are enjoying.

FHFA has stated that one of their goals with respect to the equitable housing finance plans is the identification and summary of barriers to sustainable housing opportunity, either directly related to the Enterprises' actions, or barriers in the housing market that can reasonably be influenced by Enterprises' actions. Addressing systemic barriers to minority home ownership is imperative, and increasing the supply of quality affordable home ownership must be an integral part of that effort.

This is where manufactured housing comes in. Unlike other affordable home ownership options, which are often aging housing stock in need of extensive improvements and rehabilitation, a family can attain home ownership in a brand new home that has the latest innovations, energy efficient features, and modern floor plans and amenities. Yet manufactured housing is often zoned out by local land use regulations, and it is imperative that the FHFA, Fannie Mae, and Freddie Mac examine these barriers and work to help us overcome them.

FHFA states that the equitable housing finance plans will serve as a supplement to existing FHFA and Enterprise requirements, programs, and plans, and that they're designed to ensure a continued focus on equity. I would like to point out that the Enterprises already have an existing requirement with respect to manufactured housing that could be helpful in this conversation, and that is their statutory duty to serve manufactured housing. We have been advocating for years, since the Duty to Serve was passed by Congress in 2008, that Fannie and Freddie must meet their duty to serve manufactured housing.

The 2022-2024 plans that are the Duty to Serve plans, unfortunately do not include any objectives to purchase chattel loans. Neither Fannie nor Freddie have done that, and we're very concerned about that, since the majority of manufactured homes are financed as personal property chattel loans. And this is where the mortgage is only on the home and not on the underlying land.

The Enterprises cannot simply ignore this and claim to meet their Duty to Serve obligations without addressing this. The volume of activity in the land home financing is also inadequate, and we strongly encourage FHFA to continue pushing to increase that volume. As it stands, the intent of Congress from 2008 for meeting the affordable home ownership needs of America through manufactured housing have not been met. Fannie and Freddie need to reaffirm their commitment and we urge FHFA to support it as well.

As part of the Duty to Serve, the Enterprises have introduced new programs that produce conventional financing for manufactured homes that are titled as real estate and have certain site-built features, and that is the MH Advantage program and the Choice Home program, and so we are excited for the support of the industry's new CrossMod homes, which have the higher roof pitches, permanent and lower profile foundations, energy efficiency, garages and car ports and porches. They're virtually indistinguishable from site-built homes, and are at a fraction of the cost due to the efficiencies of offsite home construction. CrossMod homes are a point of entry for home buyers who are priced out of home ownership through site-built housing. Our homes are produced at below $200,000, and CrossMod homes will serve the gap in the market that is so critical.

As we work to deliver --

LEDA BLOOMFIELD: One minute.

LESLI GOOCH: -- CrossMod homes to more consumers, we believe the GSEs need to help ensure that appraisers are aware of these new financing programs at Fannie Mae and Freddie Mac, and how they are different from traditional manufactured housing appraisals. We need the GSEs to ensure appraisers follow their new appraisal guidelines for homes that qualify for MH Advantage and Choice Home. Under both of these programs, appraisers are permitted to use site-built homes as comparables when evaluating the homes, but since both programs are still relatively new, we think more GSE outreach to the appraisal professionals about the appraisal logistics is critical.

So in conclusion, FHFA and the GSEs have a great opportunity to advance their racial equity agenda, and we look forward to working with you. We urge FHFA and the GSEs to work to help support this growth of manufactured housing to increase home ownership for all Americans. Thank you very much.

LEDA BLOOMFIELD: Thank you. Our next speaker is Sarah Mancini from the National Consumer Law Center.

SARAH MANCINI: Thank you so much. My name is Sarah Mancini. I'm a staff attorney with the National Consumer Law Center, and I'm grateful for having the opportunity to speak today, and we thank FHFA for convening this listening session and for generally making this proposal for equitable housing finance plans.

A lot has already been said about origination policies that play a role here, so I will only briefly touch on some of those issues. First of all, we applaud Fannie Mae and Freddie Mac for their recent move towards allowing the voluntary and positive only use of rental history data. We would also suggest that the Enterprises should consider the use of other promising alternative data, such as cash flow, so long as it's voluntary with consumers.

Another point I wanted to make about loan origination is the critical role that Fannie Mae, Freddie Mac, and FHFA play in increasing language access at origination. Already a lot of great work has been done in this area under the Multi-Year Language Access Plan, but more is needed. FHFA should require the Enterprises to add the language preference question back to the uniform residential loan application, the URLA, so that loan originators will be asking applicants about their preferred language, and so that that information will be gathered.

And then, also, it will enable loan originators to provide translated documents for informational purposes when they're available. And, of course, many of these documents have already been translated in the clearing house that FHFA and Fannie Mae and Freddie Mac have worked together to create. So we would like to see the Enterprises look closely at how to increase the uptake and use of those translated documents, and part of that is asking about language preference in the URLA form.

I want to turn now to focus on mortgage servicing, which we at NCLC believe is extremely important to equitable housing finance policy. The question in the RFI about reducing racial and ethnic disparities in loan modifications and loss mitigation is extremely important, especially right now during the COVID-19 pandemic.

As we know, this is a pandemic that has disproportionately impacted communities of color and people of color, and so having strong loss mitigation policies and reviewing loss mitigation outcomes in a way that is disaggregated by race and ethnicity is critical. The Enterprises should publicly release detailed data about loan performance and servicing outcomes disaggregated by race and geography, and they should analyze that data themselves and ensure that servicers are implementing their servicing rules in a way that does not cause a disparate impact on borrowers of color.

We are extremely grateful to FHFA, Fannie Mae, and Freddie Mac for one major change that has been made during the pandemic, which is allowing the market interest rate to be used in the flex modification, even for borrowers who are below 80 percent loan-to-value ratio. That is extremely important, and we commend the Enterprises for that change, and FHFA.

The next step is to make sure that servicers are carrying out the Fannie and Freddie loss mitigation policies properly, which should include a review of servicers post forbearance scripts. At the outset of the pandemic, Fannie and Freddie were very proactive about creating scripts for servicers to use in talking with borrowers who needed a forbearance, but not much has been done about this point where borrowers are exiting forbearances. We've heard very troubling reports from consumers around the country and their advocates who are telling that people are being pushed into deferrals, even when they really need a flex modification.

So it's very important that Fannie Mae and Freddie Mac actively keep an eye on servicers policies here and make sure that people are getting accurate information about their options so that they are not led to believe that if they don't take a deferral there's not going to be any other good options. They need clear information about the fact that if they need a reduced payment, a flex modification may be available and here's how to be reviewed for that -- and to ensure that people can be reviewed for a flex modification before they exit their forbearance as well. And the other important piece is to require that there be a escrow analysis done before someone's offered either a deferral or a flex modification, and allow those escrow shortages to be included in the deferred amounts.

The other really important piece here is language access in mortgage servicing. Not just at origination, but in the servicing market, the Enterprises have a crucial role to play in requiring their servicers to ask about language preference, to track and transfer that information in the servicing, and to make translated documents available that are relevant to servicing. This can include sending out the Spanish early intervention notice that the CFPB has translated, other documents that are in the clearing house, and also requiring servicers to put a link on their hardship or loss mitigation website to translated materials that have been put out there by the CFPB and the Enterprises.

LEDA BLOOMFIELD: One minute.

SARAH MANCINI: Finally, Fannie and Freddie have an important role to play in putting in place equitable disposition policies. We have big concerns about the note sale program that many borrowers have had their loans sold through a pool without exhausting the Fannie and Freddie loss mitigation options, and those purchasers are not being required to comply with the COVID-19 options like the deferral and the flex mod. So that is very important.

And also with the sale of REO properties, we need to ensure that those properties can be sold to nonprofits that will advance equitable housing, as opposed to investors only out for profit. Thank you very much.

LEDA BLOOMFIELD: Thank you. Our next speaker is Bruce Dorpalen from the National Housing Resource Center.

BRUCE DORPALEN: Excellent. Well thank you very much.

I'm Bruce Dorpalen from the National Housing Resource Center. We work with housing counseling groups all across the country, and, of course, these groups have worked with a broad population of lots of low- and moderate-income people, but also, especially, people of color. It's not unusual for most years to have 60 to 70 percent of our clients be people of color.

In 2020, Fannie Mae, 3.06 percent of their loans purchased were for Black borrowers, and 8.03 percent were Hispanic borrowers. Compare that to 65 percent -- 65.6 percent -- of the loans went to White borrowers. For

Freddie Mac, they're kind of similar numbers. In 2020 3.28 percent of loans purchased were to Black borrowers; 6.7 percent were to Hispanic borrowers. Compare that to 64.6 percent to White borrowers.

And the average score in a Fannie Mae portfolio is 751. For Freddie Mac it's 759. Compare that to the average credit score of a Black household in the United States, which is 677, and for Hispanic households of 701. People coming from low wealth communities have lower credit scores, because credit scores are a large averaging tool, which captures broad groups of people and lumps 'em together, some of whom are maybe having trouble paying their bills, and some of whom are paying their bills on time, but don't know how to game the system. The trick of obtaining and maintaining excess credit and unused credit capacity is an important part of the factor, people with thinner credit files where a very minor ding has an outsized impact of the score. All those things accumulate and disadvantage borrowers, and, really, especially Black and Hispanic borrowers in the scoring system.

And the problem is compounded by the automated underwriting systems that consider low down payment and slightly lower credit scores as layered risk. Add to that student loans and, you know, Black borrowers especially have higher levels, are more often requiring and need to have student loans. And then other debts; those add to this idea that there's layered risk here. And this disadvantages the populations that we're most concerned about talking today.

So while there are many solutions, and a number of them have been put out today, part of the solution has got to be, really, looking at how credit is approached and the credit score concept, and how that can be addressed more effectively. And so one part of it is that the automated underwriting systems, Fannie Mae and Freddie Mac, need to go lower on credit scores for low down payment borrowers. We're not going to be able to change this until they have a more, you know, positive attitude and view of borrowers that don't have quite as high a credit score, but, in fact, are coming from communities that are badly underserved.

Fannie Mae's program revealing rent payments in bank accounts is very promising; like the voluntary part of it. But, plenty of low- to moderate-income people live in a cash economy. Some landlords only accept cash. And we also don't want to disadvantage people who are living with their parents, which is very common, and has gotten to be even more common now under COVID-19, and where the rules are that a rent reference is not viewed as an at-arm's-length reference.

So another tool to think about is that housing counselors can do a much deeper dive on the actual credit position of a borrower, rather than having an overreliance on this averaging and generalized nature of credit scoring programs in the automated underwriting system. So counselors can work with a complete credit report. They can do alternative credit; so, find things that don't normally show up on the credit report. So just documenting rent payments, such as furniture stores, child care; there's a range of things that we can do that will fill out the credit file. And then documenting these to create a much more robust credit profile of somebody.

And the program could be that Fannie and Freddie should work with housing counseling agencies to create a greater tolerance for lower credit scores for lower down payment borrowers who have successfully completed really high quality counseling programs by HUD-approved housing counseling agencies. Fannie Mae and Freddie Mac should have a program also to address income volatility for first-time homebuyers.

So, the reality is that some people do end up being unemployed, and it's not always -- it's not their fault, and if we can protect those people we can prevent both foreclosures or have the expensive process of trying to remodify a loan.

LEDA BLOOMFIELD: One minute.

BRUCE DORPALEN: Without increasing the cost to the borrower, Fannie and Freddie, and Ginnie Mae, could provide protections for people who are temporarily unemployed. There's a similar program that Massachusetts Housing Finance Agency, Mass. Housing has, which has been quite successful. Programs like this can reduce risk for Fannie and Freddie.

One last point is add housing counseling data fields into the new Uniform Residential Loan Application. We had an agreement on this before. It would be important to restore it. It helps streamline housing counseling into the mortgage origination, but also the mortgage servicing process, so people, when they run into trouble, can be referred back to the agency that they worked with, and that has a lot of value.

But, also, really want to underscore that the provision around language preference is really important for providing access for people who are not original English speakers, and helping solve that problem during the foreclosure crisis. We had terrible problems where people were given offers in English and had no idea, because they were Korean, or Spanish, or whatever. And, you know, the servicers will always say, we have no idea what language they'd like to speak in, and this solves that problem. And with that note I would like to say thank you all.

LEDA BLOOMFIELD: Thank you. Our next speaker is Shannon Snow from the Omaha Municipal Land Bank.

SHANNON SNOW: Hi, everyone. I am Shannon. I am the Executive Director here at the Omaha Municipal Land Bank, and I am not a finance professional. So I'm just going to apologize in advance that I don't have a bunch of financial acronyms for you.

But I am here to provide some perspective from the ground and from the clients we serve. The Omaha Municipal Land Bank has been the beneficiary of Freddie Mac (indiscernible)** 1:31:06. This assistance provided us with tools to evaluate barriers in home ownership in our organization and really created some transformational change for us in the area of equity. We're incredibly grateful to them for the support.

As a land bank, we are charged with returning properties that have been rejected by the free market back to the community. Many of these properties are in historically redlined communities and in communities where property from new housing is scarce. Returning these properties to productive reuse offers many benefits, including improved safety, while it can obviously increase affordable housing opportunities.

By the time a land bank receives a property it has long been abandoned. It is rare that we get a property with a structure. Our work is focused on property preparation, making properties available for purchase and future housing.

We are successful in this mission, but frequently we sell these development ready lots to investors.

Why? Well often times it's financing. (Indiscernible)** 1:32;15 from perspective buyers that the financing process is complicated and challenging to understand. Many of these interested parties are low income and people of color. If they can qualify for a construction loan, they don't have the down payment after paying for a lot.

While we have many local partners that are assisting with these challenges, the availability of renting products that consider new construction as an affordable housing option, especially for first-time homeowners, should be considered. Many products lack funding for both the lot and the construction, so increasing the availability of loans that cover lot purchase, construction, and then convert to a mortgage, would make a difference in home ownership as land banks continue to bring properties back to life.

Additionally, flexibility should be considered within the financing structure to allow for the use of small minority contractors, groups that are sometimes left out when financial institutions evaluate qualified builders.

The second point I'd like to address as an immigrant community, we have gotten a strong amount of interest from this community, many of whom are un-bankable under current financial practices. Frequently these are permanent residents with children, and their kids are often citizens. When I think about equity, I think about their future where everyone is treated fairly and has opportunities for success. I would encourage lending that considers the ability to build generational wealth within the immigrant community as well, a community that is often willing to go into our more challenging areas and make them a home.

Outside of lending, Fannie Mae and Freddie Mac have an immense amount of resources and information. Continuing to share this information and build partnerships with organizations like ours that are able to leverage these resources and ensure the information with our clients will be key to success in creating an equitable lending strategy in the future.

Finally, I would like to encourage FHFA to reach out to the National Land Bank Network housed within the Center for Community Progress. We believe much of the information that they have collected around the challenges to returning abandoned properties to the community would be informative for your efforts. Thank you for this opportunity.

LEDA BLOOMFIELD: Thank you. Our next speaker is Jessie Grogan from the Lincoln Institute of Land Policy.

JESSIE GROGAN: Good afternoon, and thank you for the opportunity to share my views and those of the Lincoln

Institute with you today.

As Leda mentioned, my name is Jessie Grogan, and I am the Associate Director of Reduced Poverty and Spatial Inequality at the Lincoln Institute. The Institute seeks to improve quality of life and address economic, social, and environmental challenges through the effective use, taxation, and stewardship of lands. As my title might indicate, reducing poverty and inventing racial equity are fundamental goals of the institute.

We are very supportive of the decision to commence an expedited racial equity strategic planning process roughly based on the Duty to Serve planning model. As we documented in detail in a Lincoln Institute working paper that I'll share in the chat after my comments, the Duty to Serve strategic planning framework is sound; however, strategic planning processes are only as good as the plans developed and implemented by the Enterprises, and FHFA's evaluation and enforcement.

Based on what we've seen over the last two years from FHFA and the Enterprises, we're skeptical that this will be a credible process resulting in real change. Before any planning process is put into place, therefore, there are several changes that need to be made in advance to increase the plan's likelihood of success.

Now that FHFA is run by Director Thompson, (indiscernible)** 1:35:57 it is entirely within your discretion to make the changes that will result in a planning process that could eliminate the racial disparities in loan purchasing. Because so much policy needs to be changed by FHFA before the Enterprises would be empowered to write plans that could achieve meaningful change, I'll focus the rest of my comments on the five urgent actions that FHFA must undertake to signal to the Enterprises that it intends for there to be more loans purchased that were originated to families of color, and that this is not a hollow exercise.

First, please keep it simple, with your eyes on the prize of a higher proportion of Enterprise loan purchases originated to families of color. For example, leveraging existing DTS definitions are high opportunity areas, and areas of concentrated poverty, and resisting Enterprise attempts to use process lengths or complexity to up the scape. Your decision to word the RFI to invite stakeholders to propose objectives rather than giving the Enterprises first crack is a great first step that we recommend in our working paper.

Second, release more information. We applaud FHFA's release of additional data on September 8th; however, the Enterprises continue to hold as proprietary a great deal of information that would help root out appraisal bias. By sharing the enormous amount of GSA property data from the uniform appraisal of data set. Releasing UAD and other data generated through uniform mortgage data program could shed light on appraisal policies that may contribute to discrimination against borrowers of color. Also, immediately releasing the market level and objective level ratings from 2018 and 2019 would be invaluable to the Enterprises and to stakeholders in crafting racial equity strategic plans.

Third, follow through and change the capital requirements so that the Enterprises are not inappropriately discouraged from purchasing loans to underserved markets. FHFA's proposed rule shifting the focus back to risk-based capital, rather than a simple leverage ratio, is a good start, but the total capital required would remain too high under the proposal. Enterprise capital requirements can ensure safety and soundness, and remain consistent with the Enterprises' public purpose mission, to lead in reaching underserved markets.

Fourth, substitute a new approach that encourages the Enterprises to engage in pilots that reach underserved markets, rather than the approach in the pending rulemaking that would essentially eliminate pilots. Without FHFA encouragement to engage in pilots, it's unrealistic to expect for the Enterprises to substantially alter their current loan purchase mix, which has not resulted in purchasing loans originated to people of color.

Fifth and finally, reject the tortured, implausible interpretation of the Enterprises' authority to make targeted equity investments that has held sway for too long. The plain of statute refutes the FHFA's general counsel interpretation and should be overruled. This targeted equity investment authority should be extended not only to Duty to Serve markets, but also to racial equity strategic planning efforts.

If FHFA follows through to make these five changes, the Enterprises could be expected to develop credible strategic plans that would move forward racial equity. Without laying the groundwork described above though, any strategic planning process will fail to have sufficient impact in advancing racial equity. Thank you for considering our views.

LEDA BLOOMFIELD: Thank you. Our next speaker is Alan Worden from the Community Data Platforms.

ALAN WORDEN: Good afternoon. My name is Alan Worden. I'm the cofounder and CEO of Community Data Platforms, and our mission is to help leaders in housing, philanthropy, economic development organizations, and the government better understand and better serve communities across the U.S. through the power of data analytics, and we pursue this impactful work in partnership with policy makers. Our job is to use granular data and reliable analytics to understand communities, and policy makers have the job of leveraging this evidence to serve communities through smart policies and effective programs.

And we've had the opportunity to discuss this RFI with several passionate members of the Freddie Mac teams, and we are, honestly, inspired and encouraged, and we want to share some thoughts and potential approaches. And while the problems being discussed are clearly national in scope, the most effective housing solutions absolutely need to be developed locally. The needs in Charleston, South Carolina, are likely quite different from the needs in Phoenix, Arizona, and one size does not fit all. And we've been working on solving this challenge, but deeply understand people and properties at the neighborhood level. In order for this initiate to succeed, we'd argue that reliable community data is foundational, and advanced analytics are not a nice to have but they're a must have.

In our work we know the vulnerable are not easily counted. The recent census challenges are just one example. But they are often not heard or understood -- but they absolutely can be. The data resources and methodologies used by the smartest and most successful companies in the world are absolutely available to help the government and community organizations serve the people who need the most housing help.

I mentioned the city of Charleston earlier, and they're working on a comprehensive plan looking ahead to 2030. But it's pretty hard to plan if you don't know where you are today. They were proudly building a few hundred units of affordable housing a year, but they didn't know the true need. By using the advanced tools that I mentioned earlier, they were able to learn several key things about Charleston.

They learned they were never going to get to a fully stocked affordable inventory at the rate they were going. They were creating a couple hundred units a year, but we knew the need was 16,000 units. We were able to show specific needs by price point. It was no surprise that housing stock was deficient at 30 percent AMI, but it was surprising that at 50, 60, and 65 percent AMI there was sufficient inventory. But the other big need was at 80 percent AMI, and we're quite sure it would be different if you were in Phoenix. And while this level of data at the city level is quite granular, we were actually able to focus on specific neighborhoods in Charleston.

In summary, I'd agree with a few of the previous speakers. The data on the general need for housing to be equitable and affordable at the national level is crystal clear. But we would also say the specific needs at the local level are often extremely unclear. But this FHFA effort needs clarity to be effective, and the resources are available. By matching people and properties, gaps can be identified, and policy makers can be armed with the evidence they need to develop policies and programs to serve those most in need of affordable quality housing in specific communities across the U.S.

At the end of the day, you can't serve a community you can't understand. So we'd encourage Fannie and Freddie and FHFA to leverage advanced data analytics to ensure the effectiveness of this critical initiative. Thanks so much.

LEDA BLOOMFIELD: Thank you. Our next speaker is Horacio Mendez from the Woodstock Institute.

HORACIO MENDEZ: Good afternoon, everybody. I'm the President and Chief Executive Officer of the Woodstock Institute here in Chicago. We conduct research and advocate for consumer financial protection and community economic development. Our work seeks to combat structural economic inequities and to improve the quality of life in lower-income neighborhoods and communities of color. Our approach is collaborative. It includes community groups and activists, financial institutions, bank regulators, public officials, researchers, and others.

Now let's not fool ourselves here. Changing the way our housing system works is difficult, and that's a gross understatement. We're trying to jackhammer through calcified layers of unfortunate policy decisions that have become the foundation of the way things are, and the way things work.

This goes back to our founding, and our constantly shifting definition of who is a member of society and who our social, economic, and political institutions were originally built to serve. HUD, FHA, Fannie, and Freddie are all part of the economic infrastructure that represents affirmative action towards concentrating wealth to White families.

As an economist, I view these actions of these agencies and the industry they oversee as examples of market disruption. When a powerful entity, be it a company, a government agency, or a segment of society, intentionally distorts a market for the benefit of a specific few by getting in the way of a competitive market setting the price for a good or a service. Typically when that powerful entity is found guilty of disrupting the market to their benefit, there is some form of compensation for the damage that's done.

In this case, though, we've institutionalized that disruption by saying, okay now, everybody stop. We have to all play by the same rules now. While some call that leveling the playing field, roughly translated in the communities we served, and then more honest language, it means nobody can do unto us what we did unto them. The prosperity of our country is stifled when many of our residents lack significant access to capital and are unable to be financially resilient, invest in their futures, and contribute to the local economy and tax base. In economic terms, it's inefficient, and it costs our economy at least $16 trillion.

Now let me emphasize that word resilience. The key risk in economic inequality is a loss of social resilience, which I define as our ability to cooperate and act collectively towards common goals. By this measure we've been in trouble for quite some time. In the last four decades alone we're growing poorer and more unhealthy as a top layer accumulates more and more wealth. This inequality has left us vulnerable to shocks that, under better circumstances, we would have been able to withstand. External shocks like COVID, or internal shocks like the murder of George Floyd.

Now when the tide is rising and lifting all boats, you're less likely to complain about being in a dinghy versus a yacht. But that hasn't really been the case. As a result we can expect more of the kind of unrest we've seen recently, and as unrest over the inequitable distribution of resources, and the inequitable treatment of a large segment of our population grows, more resources go into controlling the population than helping it, which is what we see when police budgets eclipse funding for social services and housing.

So what can FHFA do about this right now? Well let's start with some low-hanging fruit and the simple stuff. We all know that homeowners of color have long struggled to accrue home equity due to a systemic undervaluing of their homes and their neighborhoods. There's no lack of research showing that current appraisal practices share much of the blame for this. As a result a large coalition of public and private organizations throughout Illinois have convened a housing policy task force to peel the layers of this onion.

Over the course of the last year we've engaged with all of the stakeholders associated with formally regulating the appraisal process and appraisers. Ironically, although not considered a regulator of that sector, the GSEs have a major impact on the acceptability of appraisal reports generated for mortgage lending, and have as much impact on appraisals as the uniform standards and state regulations.

One practice by the GSEs in particular works counter to the goals of building generational wealth for minority families. As we've worked to educate consumers about what appraisal discrimination looks like and how to report it, mortgage lenders recently informed us that we won't be moving the needle because of policies at Fannie and Freddie.

Specifically, if a borrower feels that their appraisal is inaccurate or biased and has the luxury and financing of affording a second appraisal, mortgage lenders have informed us that it is the policy of the GSEs to accept the lowest appraised value, thus institutionalizing the bias, hurting the buyer, the seller, and the surrounding community. Can you, please, stop that?

A friend of mine who's a divorce lawyer once joked that he was considering a career change to work at HUD, FHFA, or one of the GSEs. His reasoning was that, as a divorce lawyer, he can only ruin one family at a time, but at one of these agencies, he can wipe out an entire neighborhood. Please, prove him wrong? Thank you.

LEDA BLOOMFIELD: Thank you. Our next speaker is Shanta Patton, a real estate broker and HUD housing counselor.

SHANTA PATTON: Thank you so much. I want to thank the Acting Director Thompson and FHFA for hosting this forum. It is an honor to contribute to the conversation.

My name is Shanta Patton. I'm a real estate broker for the last 17 years, branch manager of NID Housing Agency of Southern Nevada, and a director for the National Association of Real Estate Brokers, the oldest minority real estate trade association in the country, with a focus on Black home ownership.

I would like to offer and add a few things to the conversation pertaining to home ownership in the BIPOC community, which encompasses Black, Indigenous, People of Color. The first thing is the environmental racism. When BIPOC buyers are encouraged to purchase in underserved areas, sometimes their housing options are blighted and depressed properties in areas of high climate risk, including flooding, hurricanes, and wild fires.

We have witnessed over the years the impacts of appraisal gaps and historical redlining in minority communities. Due to this, it is difficult for buyers to qualify for renovation loans needed to bring these homes up to a living standard.

Secondly, down payment assistance; we know that minority buyers need additional opportunities for down payment assistance. However, DPA typically comes with a higher interest rate. This defeats the purpose of the assistance if it increases the loan fees and the mortgage for the minority buyer. That makes no sense; if it really comes down to them being able to afford the home in order for them to get the assistance it costs them more money?

We also need to put a greater encouragement for housing counseling. We know that 77 percent of buyers achieve credit score increases of up to 120 points after attending financial literacy counseling. So the need is great for better partnership with housing counseling agencies.

When it comes to loan officers, we also know that buyers work with people they like and trust. We know that in a minority community, specifically, it's important for them to work with people who look like them. The need to be intentional and make sure that we're putting great effort into bringing more minority loan officers to the community is one of the key ways that we can increase home ownership in those areas.

Also, programming and branding; we need to be more intentional when we brand programs to make it very clear that these programs have been created for the BIPOC community. As minorities we've been conditioned to ignore things that have not been labeled specifically for us. Also, we understand that there's underwriting and credit guidelines that have been put in place to encourage racial disparities.

And, finally, we need to remember that minority home ownership is truly like playing the game of Monopoly. Your opponent has already had 400 opportunities to go around a board before we were ever able to play. We've got to be intentional and united when we fight this crisis to increase home ownership in minority communities. Thank you so much.

LEDA BLOOMFIELD: Thank you. We now conclude today's listening session on equitable housing finance plans. Thank you for your time, your energy, and your willingness to engage with us on this difficult but important policy topic.

We encourage any member of the public to submit written public input via FHFA's website or by mail. We ask for comments no later than October 25th. We appreciate and value your feedback. Thank you.