



**FHFA Listening Session
Closing the Gap to Sustainable Homeownership
Public Listening Session
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Differential homeownership rates, wealth, and access to credit and other opportunities among majority and minority members of our society and their communities are serious problems that are deservedly attracting significantly more attention and focus lately.

NCSHA shares these concerns and supports concerted efforts to address them.

We applaud FHFA's interest in these problems and urge it to intensify its efforts to ameliorate these gaps and direct the GSEs it regulates to increase their impact in this area.

One of the most important ways FHFA and the GSEs can support minority homebuyers is by helping them clear the down payment hurdle.

Saving up for a down payment or otherwise accessing down payment funds is perhaps the primary barrier to affordable homeownership for low- and moderate-income families and racial and ethnic minorities.

The GSEs can address this problem in at least three major ways: supporting safe and sustainable high loan-to-value ratio lending, working with trusted partners specializing in providing down payment assistance, and providing liquidity for secondary financing.

FHFA and the GSEs should improve pricing and remove underwriting and purchase volume caps on high LTV lending provided by state Housing Finance Agencies and other mission-oriented lenders.

HFAs have a proven track record in safe and sustainable lending to minority homebuyers through low-interest financing, flexible but reasonable underwriting, down payment assistance, homebuyer education, and conscientious loan servicing.

Fannie Mae and Freddie Mac should restore the advantageous terms and pricing they offered in the past for moderate-income borrowers using HFA loans and should develop new and even more supportive policies for HFA loans.

Restoring the preferred product benefits could be especially impactful to moderate- and middle-income minority households, who often don't have the same access as other people to financial assistance from family or other resources to help pay for a down payment.

FHFA should also work with the Treasury Department to reverse the provisions of the GSEs' preferred stock purchase agreements that limit the purchases of supposedly "high-risk" loans. The

characteristics these provisions target—LTVs over 90 percent, DTIs over 45 percent, and FICO scores below 680—are exactly those flexibilities necessary to serve people of color and their communities.

Other policy changes we recommend to promote greater homeownership for people of color include:

- Revise the GSEs' automated underwriting systems to eliminate the ways in which they downgrade HFA loans with down payment assistance by apparently requiring borrowers to have unnecessarily high credit scores.
- Unlock access to credit for thin credit file and other borrowers without high credit scores by leaning into credit scoring, building, and reporting alternatives.
- Increase liquidity for home improvement and energy efficiency financing to address the growing needs of our old and aging housing stock. This is a particular concern for many people and communities of color.
- Authorize and direct the GSEs to support HFA lending programs by purchasing their tax-exempt bonds.
- Update the Enterprises' Duty to Service obligations and affordable housing goals to push them to make a bigger difference for people and communities of color.
- Pursue multifamily lending, Duty to Serve, and affordable housing goal initiatives that reduce renter housing costs, including significantly greater Housing Credit investments and tax-exempt bond purchases. This will improve lower income renters' ability to cover other basic living expenses, save for homeownership, and achieve stability and self-sufficiency.

Thank you for the opportunity to testify today.