

October 25, 2021

Mr. Clinton Jones
General Counsel
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20219

Re: 2022-2024 Enterprise Housing Goals, RIN 2590-AB12

Dear Mr. Jones:

On behalf of UnidosUS (formerly National Council of La Raza), we appreciate the opportunity to comment on the Federal Housing Finance Agency's (FHFA) Proposed Rule for the 2022-2024 Enterprise Housing Goals. UnidosUS is the largest Hispanic¹ civil rights organization in the United States, working to advance opportunities for low- and moderate-income (LMI) Latino families so that they can achieve economic security and build wealth. UnidosUS urges FHFA to set and enforce a robust set of housing goals for Fannie Mae and Freddie Mac (together, the Enterprises) to ensure that all eligible borrowers, especially LMI borrowers and borrowers of color, continue to have access to an affordable home loan.

According to the Safety and Soundness Act of 1992, FHFA is required to establish annual housing goals for mortgages purchased by the Enterprises, Freddie Mac and Fannie Mae. UnidosUS believes that the goals continue to serve as an essential mechanism to incentivize the Enterprises to meet their "affirmative obligation to facilitate the financing of affordable housing for low- and moderate-income families...while maintaining a strong financial condition and a reasonable economic return."² Through this obligation, the Enterprises continue to promote access to affordable mortgage credit for low- and moderate-income households, including Latinos and other historically underserved communities.

Since 2009, growth in Latino homeownership accounted for over 50 percent of the total homeownership growth in the United States.³ Latinos are a key source of economic dynamism and growth, and federal housing policies should reflect and support this extraordinary contribution.

Included below in **Appendix A** is a brief history of UnidosUS's longstanding work on housing policy. Drawing on our experience, we submit the following comments on the proposed benchmarks for the single-family housing goals. Specifically, we describe the state of home

lending for Latinos, identify disparities in the Enterprises' loan purchases related to the Latino market, and provide our recommendations to strengthen the goals. We also were pleased to join the joint comments led by the National Consumer Law Center (NCLC) and other groups, and herein incorporate those comments fully into our own.

Latinos' Homeownership Gap Persists and Was Likely Exacerbated by the Pandemic

In the decade prior to the COVID-19 pandemic, Latinos made some gains in homeownership. Between 2015 and 2019, the Latino homeownership rate increased by nearly two percentage points (from 45.6% to 47.5%). Notably, Latinos were the only demographic group to increase their rate of homeownership for the last six consecutive years.⁴

Importantly, the gains included an increase in access to conventional loans (measured via loan origination), including mortgages purchased by Fannie Mae and Freddie Mac ("government-sponsored enterprises," "GSEs," or "Enterprises").⁵ In 2019, nearly 60% of home loans made to Latinos were conventional loans—far exceeding the national average of 47%—and of these loans to Latino borrowers, one-quarter were purchased by the GSEs.⁶ Conventional mortgage products include features that make mortgage payments more manageable and affordable over time, with options that include lower interest rates, lower fees, and private mortgage insurance costs (PMI) that can be canceled. Under the federal Homeowners Protection Act, borrowers have the right to remove the PMI from a loan when the principal balance of the mortgage is scheduled to fall to 80 percent of the original value of the home.⁷

On the other hand, non-conventional loans, such as those insured by the Federal Housing Administration (FHA), can be more affordable for cash-strapped first-time homebuyers who can take advantage of features such as lower down payment requirements. Yet the costs of an up-front mortgage insurance fee, along with insurance premiums that last for the life of the loan, can add up to a more expensive mortgage, as well as mortgage monthly payment, and require a borrower to wait longer to see an increase in their home equity.

Despite progress, Latinos and borrowers of color remain underserved by the Enterprises and the parts of the mortgage market that do not rely on federal insurance or a guarantee like the Federal Housing Administration (FHA) or Veterans Affairs (VA). In 2018, nearly 61% of Black homebuyers and 49% of Latino homebuyers received a government-insured or government-guaranteed loan, compared to just 30 percent of white homebuyers.⁸ Most of these government-insured loans were FHA loans.⁹ Also in 2018, well below 5% of the loans that the GSEs backed went to Black borrowers and less than 11% went to Latinx borrowers, while 77% went to white borrowers.¹⁰

Since the end of the Great Recession, leading lenders with national footprints shied away from the home purchase market and left many new Latino customers on the sidelines just as they were

becoming upwardly mobile.¹¹ In 2021—at the same time that white Americans’ homeownership rate is hitting a nine-year high—there persists a 25-percentage point gap between Latino and White homeownership rates.¹² This disparity has been exacerbated by the growing absence of affordable lending to low- and moderate-income communities, and by eligible Latino borrowers’ limited access to affordable loan products.¹³

These persistent, systemic barriers underscore the critical role of the Enterprises, making the establishment of robust housing goals by the FHFA all the more necessary. Although it is certainly imperfect, the Enterprises’ affordability goals and the conventional market play a historic and critical role in Latinos’ access to affordable homeownership. Moreover, the economic turbulence caused by the COVID-19 pandemic increases the need for proactive efforts by the Enterprises and the federal government to stabilize the housing market and help homeowners protect the equity in their homes and, through the Enterprises, to ensure that low- and middle-income working families who are in a financial position to do so can access a home mortgage on affordable terms.

UnidosUS Supports FHFA’s Higher Affordable Housing Goals for 2022-2024

Access to affordable mortgages allows Latinos to rebuild wealth lost during the Great Recession and ongoing COVID-19 pandemic. Therefore, UnidosUS strongly supports the FHFA’s proposal for higher benchmark levels for the Enterprise Housing Goals for the years 2022-2024. The proposed benchmark levels convey a renewed commitment to the affordable housing mission of the Enterprises, thus opening the way to wealth creation for working families. Yet the lack of affordable housing inventory remains a significant obstacle to Latino homeownership.

The salutary economic impacts of increasing homeownership rates extend beyond homeowners to include their immediate families, building inheritable wealth and anchoring families’ prospects even across generations. For example, research from the Federal Reserve Bank of Boston found that as home values increase, the earnings of homeowners’ children as adults rise.¹⁴

Conversely, the loss of homes among Latinos can drive neighborhood devaluations, risking whole communities. For example, consider the incidence of widespread home foreclosures in majority-Latino neighborhoods that occurred during the Great Recession. In 2008, more than three in five (62%) Latino homeowners saw foreclosures in their neighborhoods.¹⁵ As homeowners were pushed out, neighborhoods and surrounding communities rapidly deteriorated.

As the proposed rule states, 2020 was an unusual year in the housing market. Both home purchases and home refinancing loans saw record volumes. Supply constraints caused housing

prices nationwide to skyrocket, raising rents, and dramatically eroding access to affordable housing for many low- and moderate-income families.

It is encouraging that FHFA is proposing goals that would allow the Enterprises to respond to the current market conditions and promote fair access to affordable housing effectively. As the country experienced during the Great Recession and throughout the current COVID-19 crisis, private markets tend to retract during times of stress, serving those borrowers with only the most pristine credit profiles. In such times of crisis, the Enterprises have an even more pronounced duty to serve the entire market, including aggressively setting, or even surpassing, ambitious affordable housing goals.

UnidosUS Supports the Creation of the Proposed New Measurements to Track the Progress of Minority Borrowers

The COVID-19 pandemic's disproportionate impact on minority communities, including Latinos, is highlighting deep, long-standing inequities in the housing market. Therefore, UnidosUS strongly supports the FHFA's proposed creation of new area-based subgoals that separately measure the Enterprises' purchases of mortgages in minority and low-income census tracts.

Tracking and publishing indicators regarding the progress of minority borrowers will allow the Enterprises, policymakers, and the public better understand how the housing goals impact communities of color. We note that, in response to the similar 2020 rulemaking, UnidosUS made the following recommendations to track progress of minority borrowers, asking for the FHFA to:

- Measure the total number of minority borrowers served by Fannie Mae and Freddie Mac's low down-payment mortgage program. The program is designed to help lenders serve creditworthy, very low- to moderate-income borrowers with expanded eligibility for financing homes in designated low-income communities. Using it, borrowers can obtain affordable, conventional home financing with cancellable mortgage insurance, and an educational component is supplied to assist in making homeownership sustainable.
- Measure the total number of minority borrowers served by the Enterprises' affordable lending programs, in partnership with State Housing Finance Agencies (HFAs). Designed to limit mortgage insurance costs and without loan-level price adjustments, these products are often paired with HFA down payment or closing cost programs, making mortgages more affordable for low- and middle-income borrowers.
- Measure the total number of small-dollar mortgages (\$70,000–\$150,000) that the Enterprises purchase on an annual basis. Research by the Urban Institute and the Federal Reserve Bank of Chicago suggests that financing the purchase of lower-cost properties can support increased homeownership opportunities for first-time homebuyers, low- and

middle-income families, and minority borrowers who rely on low-cost properties to move from renting to owning a home.¹⁶

UnidosUS recommends that the proposed rule increase the benchmark levels in the 2022-2024 housing goals as follows:

Enterprise Housing Goals Benchmarks:	FHFA's Current benchmarks for 2021	FHFA's Proposed benchmark level for 2022-2024	UnidosUS Recommended benchmark for 2022-2024
Low-Income Home Purchase Goal <i>Home purchase mortgages on single-family, owner-occupied properties with borrowers with incomes no greater than 80 percent of area median income (AMI).</i>	24%	28%	30%
Very Low-Income Home Purchase Goal <i>Home purchase mortgages on single-family, owner-occupied properties, to borrowers with incomes no greater than 50 percent of AMI.</i>	6%	7%	10%
Minority Census Tracts Home Purchase Subgoal (New) <i>Home purchase mortgages on single-family, owner-occupied properties to borrowers with income no greater than 100 percent of AMI in minority census tracts.</i>	--	10%	15%
Low-Income Census Tracts Home Purchase Subgoal (New) <i>(i) Home purchase mortgages on single-family, owner-occupied properties to borrowers (regardless of income) in low-income census tracts that are not minority census tracts, and (ii) home purchase mortgages on single-family, owner-occupied properties to borrowers with</i>	--	4%	7%

<i>incomes greater than 100 percent of AMI in low-income census tracts that are also minority census tracts.</i>			
Low-Income Refinance Goal			
<i>Refinancing mortgages on single-family, owner-occupied properties, to borrowers with incomes no greater than 80 of AMI.</i>	21%	26%	28%

Conclusion: Making Progress for Latinos in Homeownership is Critical

The Enterprises' affordable housing goals remain fundamental to ensuring that affordable homeownership opportunities remain available and accessible to qualified homebuyers, especially communities of color and historically underserved communities. The proposed goals represent a significant step in the right direction and confirm the Enterprises' affirmative obligation to ensure broad access to affordable mortgage credit to a range of borrowers and markets throughout the country. If you would like to discuss our comments in greater detail, please feel free to contact Susana Barragan at sbarragan@unidosus.org.

Sincerely,



Eric Rodriguez
Senior Vice President, Policy and Advocacy
UnidosUS

Appendix A

A Brief History of UnidosUS's Engagement on Housing Policy

UnidosUS has a long history regarding work on housing and community development, on which we base these comments. Since the 1980s, UnidosUS has testified before Congress on Hispanic housing conditions, advocated for more flexible underwriting guidelines and affordable housing products, and managed housing and community development programs in the field.

- **Written testimony and research**

- *Statement of the National Council of La Raza*, UnidosUS Testimony submitted to the Senate Committee on Banking, Housing and Urban Affairs, presented at the hearing, “Principles of Housing Finance Reform” (July 6, 2017)
- *The State of, and Barriers to, Latino Homeownership*, UnidosUS Testimony submitted to the House Committee on Financial Services, Subcommittee on Housing, Community Development, and Insurance, presented at the hearing, “A Review of the State of and Barriers to Minority Homeownership” (May 16, 2019)
- *Latino Homeownership 2007–2017: A Decade of Decline for Latinos*, published by UnidosUS (July 1, 2019)
- *Why Latinos will Lose under the OCC and FDIC'S Proposal to Modernize the Community Reinvestment Act*, UnidosUS Testimony submitted to the House Committee on Financial Services, Subcommittee on Consumer Protection and Financial Institutions, presented at the hearing, “The Community Reinvestment Act: Reviewing Who Wins and Who Loses with Comptroller Otting's Proposal” (January 6, 2020)

- **Housing and community development programs**

- **Wealth and Housing Alliance.** The UnidosUS Wealth and Housing Alliance, a network of nearly 50 community-based housing counseling organizations, is in its 23rd year of providing homeownership counseling services to 40,000 very low-, low-, and moderate-income families annually and averages more than 2,000 closings a year.
- **The Raza Development Fund.** The Raza Development Fund (RDF), UnidosUS's wholly-owned Community Development Financial Institution, provides capital to UnidosUS Affiliates for community facilities, including charter schools, daycare, primary health care, and affordable housing development.

- **Hogar Hispano, Inc.** UnidosUS formed Hogar Hispano, Inc. (HHI) to repurpose real estate-owned (REO) properties nationally. Since 2013, HHI has acquired and repurposed over 2,000 properties through donation and purchase. In addition, it has created a foreclosure prevention program that purchases distressed mortgages and has a higher modification rate than private purchasers because of comprehensive programming—all families served by HHI receive housing counseling from the UnidosUS Wealth and Housing Alliance.

¹ The terms “Hispanic” and “Latino” are used interchangeably by the U.S. Census Bureau and throughout this document to refer to persons of Mexican, Puerto Rican, Cuban, Central and South American, Dominican, Spanish, and other Hispanic descent; they may be of any race.

² 12 U.S.C. 4501(7)

³ National Association for Hispanic Real Estate Professionals (NAHREP). “2020 State of Latino Homeownership” <https://nahrep.org/downloads/2019-state-of-hispanic-homeownership-report.pdf>

⁴ NAHREP. “2019 State of Latino Homeownership” <https://nahrep.org/downloads/2019-state-of-hispanic-homeownership-report.pdf>

⁵ Fannie Mae, Freddie Mac, and the Federal Home Loan Banks are government-sponsored enterprises (GSEs) chartered by Congress to support mortgage lending in the United States.

⁶ National Community Reinvestment Coalition. “Hispanic Mortgage Lending: 2019 HMDA Analysis,” available at <https://ncrc.org/hispanic-mortgage-lending-2019-analysis/>

⁷ Consumer Financial Protection Bureau. “When can I remove private mortgage insurance (PMI) from my loan?.” September 2017. <https://www.consumerfinance.gov/ask-cfpb/when-can-i-remove-private-mortgage-insurance-pmi-from-my-loan-en-202/>

⁸ Government-insured or –guaranteed includes FHA, VA, Farm Service Agency, and U.S. Department of Agriculture-backed loans. See “Data Point: 2018 Mortgage Market Activity and Trends,” Consumer Financial Protection Bureau, August 2019, available at https://files.consumerfinance.gov/f/documents/cfpb_2018-mortgage-market-activity-trends_report.pdf

⁹ Statement of Alanna McCargo, Vice President for Housing Finance Policy, Urban Institute, before the Subcommittee on Housing, Community Development, and Insurance, Committee on Financial Services, United States House of Representatives, “A Review of the State of Barriers to Minority Homeownership,” May 8, 2019, available at https://www.urban.org/sites/default/files/publication/100210/mccargo_alanna_-_barriers_to_minority_homeownership_testimony_0.pdf

¹⁰ “Annual Housing Report, January 1, 2018 – December 31, 2018,” Federal Housing Finance Agency, October 30, 2019, available at <https://www.fhfa.gov/AboutUs/Reports/ReportDocuments/Annual-Housing-Report-2019.pdf>

¹¹ You Suk Kim, et al., “Mapping the boom in nonbank mortgage lending—and understanding the risks.” September 2018. <https://www.brookings.edu/blog/up-front/2018/09/10/mapping-the-boom-in-nonbank-mortgage-lending-and-understanding-the-risks/>

¹² U.S. Census Bureau. “Quarterly Residential Vacancies and Homeownership, Second Quarter 2021.” July 27, 2021. <https://www.census.gov/housing/hvs/files/currenthvspress.pdf>

¹³ UnidosUS. “Statement for the Record to the House Financial Services Committee, Subcommittee on Housing, Community Development, and Insurance: The State of, and Barriers to, Latino Homeownership.” May 2019. https://www.unidosus.org/wp-content/uploads/2021/07/unidosus_statement_stateminorityhomeownership.pdf

¹⁴ Daniel Cooper and María José Luengo-Prado, “House Price Growth When Children are Teenagers: A Path to Higher Earnings?” December 23, 2014, <https://files.eric.ed.gov/fulltext/ED558178.pdf>

¹⁵ Michael Powell and Janet Roberts, “Minorities Affected Most as New York Foreclosures Rise,” *The New York Times*, May 15, 2009, <https://www.nytimes.com/2009/05/16/nyregion/16foreclose.html>

¹⁶ Alanna McCargo et al., “Small-Dollar Mortgages for Single-Family Residential Properties,” April 2018, https://www.urban.org/sites/default/files/publication/98261/small_dollar_mortgages_for_single_family_residential_properties_2.pdf (accessed September 23, 2020)