October 25, 2021

Sandra Thompson
Acting Director
Federal Housing Finance Agency
400 7th St. SW
10th Floor
Washington, DC 20219

RE: 2022-2024 Enterprise Housing Goals

Dear Acting Director Thompson,

The Independent Community Bankers of America (ICBA)[1] appreciates the opportunity to provide comments and input to the Federal Housing Finance Agency (FHFA) regarding the housing goals for Fannie Mae and Freddie Mac (the Enterprises) for 2022 through 2024. The proposed rule would establish new benchmark levels for the Enterprises' single- and multi-family housing goals. Most significantly, the single-family goals will be modified by replacing the existing low-income areas subgoal with two new area-based subgoals that target purchases of mortgages in low-income and minority census tracts. The minority census tract subgoal is intended to help preserve and improve access to fair and sustainable mortgage financing in underserved areas and communities of color.

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[1] *The Independent Community Bankers of America® creates and promotes an environment where community banks flourish. ICBA is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education, and high-quality products and services.*

With nearly 50,000 locations nationwide, community banks constitute 99 percent of all banks, employ more than 700,000 Americans and are the only physical banking presence in one in three U.S. counties. Holding more than $5 trillion in assets, over $4.4 trillion in deposits, and more than $3.4 trillion in loans to consumers, small businesses and the agricultural community, community banks channel local deposits into the Main Streets and neighborhoods they serve, spurring job creation, fostering innovation and fueling their customers' dreams in communities throughout America. For more information, visit ICBA's website at www.icba.org.

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ICBA is supportive of the laudable intent of the proposed rule, especially regarding responsibly expanding access to homeownership to minority and low- and moderate-income (LMI) borrowers. We strongly urge FHFA to remain focused on the safety and soundness of the Enterprises as they pursue achieving these housing goals, because taking on more credit risk in conjunction with relatively low levels of capital may destabilize the housing market in the event of a downturn. We want any homeownership expansion to be safe and sustainable.

Background

Pursuant to the Safety and Soundness Act, FHFA must establish annual housing goals for single- and multi-family mortgage purchases made by Fannie Mae and Freddie Mac. Broadly, single-family purchase performance is measured as a percentage of total home purchase mortgages purchased by an Enterprise on a given year. Each enterprise is evaluated using a benchmark approach – based on the prospective percentage expectation – and a market level approach, which retrospectively determines the actual goal-qualifying share based on HMDA data. Each Enterprise must meet or exceed one of these benchmarks. Multifamily purchase goals, by contrast, are measured using only benchmark levels.

As described in the proposed rule, FHFA is proposing to make several changes to the structure of the subgoals defined in the Safety and Soundness Act. Specifically, the proposed rule replaces the subgoal related to low-income areas with two new subgoals. The first "would establish a benchmark level for Enterprise purchases of mortgage loans on properties in minority census tracts, made to borrowers with incomes no greater than 100 percent of area median income (AMI)."[2] The second subgoal "would establish a benchmark level for Enterprise purchases of (i) mortgage loans on properties in low-income census tracts that are not minority census tracts, as well as (ii) mortgage loans on properties in low-income census tracts that are minority census tracts, made to families with incomes greater than 100 percent of AMI."[3] The proposed benchmark levels for these subgoals during 2022-2024 are, respectively, 10 percent and 4 percent.

ICBA Comments

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[2] https://www.fhfa.gov/SupervisionRegulation/Rules/RuleDocuments/2022-2024%20EHGs%20NPR%20to%20Fed%20Reg_website.pdf, p. 10
[3] Ibid.

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ICBA is supportive of responsibly expanding affordable and sustainable homeownership. It is important to allow families in underserved and minority communities the opportunity for homeownership. We also fully support the Enterprises as they seek to fulfill their statutory mandate to serve all markets at all times – in particular rural and small-town markets which present similar challenges as underserved markets in urban areas. Further, it is critical that the Enterprises actually purchase and fund these loans as part of their ongoing business from multiple lenders, including community banks, rather than through large, negotiated transactions with a few large national lenders. The Enterprises must expand their outreach to community-based lenders who have the local knowledge of those communities that these goals are trying to reach.

That said, we continue to call on FHFA to maintain a focus on Enterprise safety and soundness and rebuilding robust capital. This will help ensure the successful and sustainable implementation of the Enterprise affordable housing goals. As the Enterprises remain critically undercapitalized and vulnerable to market volatility, the admirable goal of expanding homeowner access and equitable housing will only be sustainable if the Enterprises are well capitalized and can be adequately prepared for an inevitable downturn in the housing market.

Thank you for the opportunity to comment on this RFI. Please feel free to contact the undersigned at tim.roy@icba.org if you have any questions regarding the content of this letter.

Sincerely,

Tim Roy
Director – Housing Finance Policy