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October 25, 2021

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

RE: Equitable Housing Finance Plans

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 requirements for Fannie Mae and Freddie Mac (the Enterprises) to design, prepare, and implement three-year Equitable Housing Finance Plans that intend to advance equity in housing finance by identifying and addressing any barriers to homeownership, particularly for low- and moderate-income (LMI) borrowers and underserved populations.

ICBA is supportive of the admirable intent of this proposal, especially as it relates to removing barriers that prevent equitable access to homeownership. ICBA also appreciates that the request for input (RFI) recognizes that the path toward equity must be consistent with the

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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critically important objective of safety and soundness. We strongly urge FHFA to pursue this alignment throughout and beyond the three-year implementation period.

Background

The RFI underscores that FHFA’s principle duties “include ensuring that the Enterprises operate consistent with safety and soundness and with the public interest.”² Among its other duties is to ensure that the Enterprises act to promote access to mortgage credit throughout the nation and during all market conditions.³ Moreover, the Enterprises’ statutory Housing Goals and Duty to Serve Requirements compel them to assist primary lenders to make housing credit available in areas with concentrations of low-income and minority families.⁴

The plans outlined in this RFI are designed to be an extension of the Enterprises’ Housing Goals and Duty to Serve requirements and to be consistent with their obligations to support lenders by allowing them to provide credit in diverse and underserved communities. The RFI describes the Equitable Housing Finance Plans as serving as a “supplement to existing FHFA and Enterprise requirements, programs, and the plans are designed to ensure a continued focus on housing equity that is aligned with other critical objectives including safety and soundness and other mission activities.”⁵

The RFI establishes that the Enterprises plans must include an identification and summary of any barriers directly related to the Enterprises actions or in areas that can “reasonably be influenced by the Enterprises’ actions.”⁶ They must also include measurable objectives and goals, as well as a three-year plan to achieve them. At a minimum, these measurable goals and objectives must address areas related to reducing the racial or ethnic homeownership gap and “[r]educing underinvestment or undervaluation in formerly redlined areas that remain racially or ethnically concentrated areas of poverty or otherwise underserved or undervalued.”⁷ Other

² https://www.fhfa.gov/Media/PublicAffairs/PublicAffairsDocuments/Equitable-Housing-Finance-Plans-RFI.pdf?utm_medium=email&utm_source=govdelivery, p. 3.

³ 12 U.S.C. 1716(4) (Fannie Mae charter); 1451(b)(4) (Freddie Mac charter)

⁴ 12 U.S.C. 4565(b)(3)(A).

⁵ https://www.fhfa.gov/Media/PublicAffairs/PublicAffairsDocuments/Equitable-Housing-Finance-Plans-RFI.pdf?utm_medium=email&utm_source=govdelivery, p. 4.

⁶ *Ibid*, p. 5.

⁷ *Ibid*.

optional goals are listed in the RFI and cover a range of issues related to equity in homeownership. The first three-year plans are due to be submitted to FHFA by December 31, 2021.

ICBA Comments

ICBA is supportive of creating a more equitable housing finance system that allows for sustainable homeownership in underserved areas and for LMI families. 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. That said, we continue to call on FHFA to focus on safety and soundness and rebuilding robust capital. This will help ensure the successful and sustainable implementation of the Equitable Housing Finance Plans.

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 adequately prepared for an inevitable downturn in the housing market. We therefore caution FHFA not to allow the Enterprises to take on excessive credit risk prior to being adequately capitalized.

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