



**NATIONAL  
ASSOCIATION OF  
REALTORS®**

June 26, 2023

The Honorable Sandra Thompson  
Director  
Federal Housing Finance Agency  
400 7<sup>th</sup> Street, SW  
Washington, DC 20024

**RE: Fair Lending, Fair Housing, and Equitable Housing Finance Plans  
(RIN) 2590-AB29**

Submitted Electronically via: <http://www.fhfa.gov/open-for-comment-or-input>

Dear Director Thompson:

On behalf of the 1.5 million members of the National Association of REALTORS® (NAR), we submit this letter in response to the Notice of Proposed Rulemaking regarding the Fair Lending, Fair Housing, and Equitable Housing Finance Plans. NAR appreciates the efforts by the FHFA to improve the Enterprises' ability to perform their charter duties while also finding new and improved ways of aiding underserved communities. NAR understands the challenges and the breadth of the work ongoing at the Federal Housing Finance Agency (FHFA) as it works to develop plans, define success, measure results, and ultimately effect change for consumers. We appreciate your hard work as you work to finalize this important rulemaking.

By way of background, the National Association of REALTORS® is America's largest trade association, including NAR's five commercial real estate institutes and its societies and councils. REALTORS® are involved in all aspects of the residential and commercial real estate industries and belong to one or more of some 1,200 local associations or boards, and 54 state and territory associations of REALTORS®. NAR represents a wide variety of housing industry professionals, including approximately 25,000 licensed and certified appraisers, committed to the development and preservation of the nation's housing stock, along with its availability to the widest range of potential homebuyers.

Homeownership is a central part of the fabric of the American dream and the Enterprises play an important role in helping achieve that dream. The Enterprises' congressionally-mandated mission of providing liquidity to real estate investment in underserved communities is a critical piece in improving homeownership for all Americans.

**Commitment to Equity in Housing**

NAR has long believed that all Americans should have access to obtaining the American Dream of homeownership. Owning a home continues to be the primary source of wealth creation in the country. However, disparities still exist in the access that many Americans have to reaching the goal of owning a home. The Black American homeownership rate of 44% lags strongly behind the rate for others, such as White Americans at 72%, Asian

Americans at 62.8% and Hispanic Americans at 50.6%.<sup>1</sup> The homeownership gap is now as bad as before the Fair Housing Act (FHAct) was signed into law.

NAR is solidly committed to closing this homeownership gap. In addition to advocating for policies that will make a difference in closing the homeownership gap, we are also part of the [Black Homeownership Collaborative](#) that is working to increase Black homeownership by 3 million net new homeowners by 2030, a change of over 10% in the homeownership rate. Many of our policy goals overlap with the aims of the Equitable Housing Finance Plans, including down payment assistance programs, special purpose credit programs (SPCPs), credit scoring reform, and full enforcement of the nation's fair housing and consumer-protection laws to mitigate the role of ongoing discrimination in perpetuating the homeownership gap.

To this end, we applaud the work of the FHFA in crafting the proposed rule regarding the Equitable Housing Finance Plans. Many of the policy priorities and suggestions in the proposed rule will play a vital role in erasing several current housing inequities.

Generational problems cannot be fixed overnight—they require generational solutions with buy-in from all stakeholders. The Equitable Housing Finance Plans created for Fannie Mae and Freddie Mac (collectively, the “Enterprises”) are an important first step in creating a more fair and just housing finance system.

### **Policy Priorities**

All Americans deserve access to affordable housing and a well-functioning housing market. To this end, NAR recommends that the Equitable Housing Finance Plans take into account varied solutions to help bring equity to the housing market. Many of the suggestions are endorsed within the proposed rule already, and NAR believes that the flexibility and multi-pronged approach will serve communities best.

### **Down Payment Assistance**

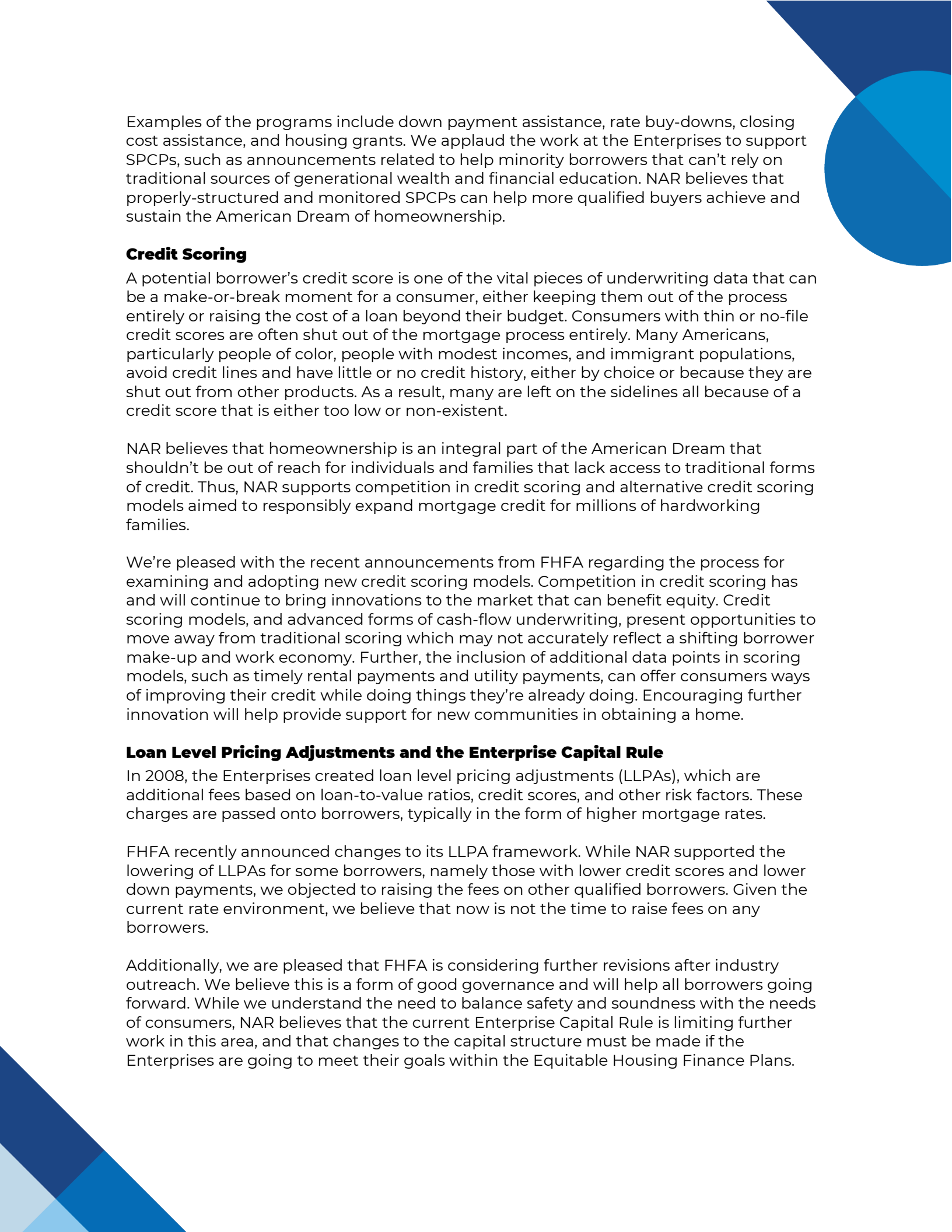
NAR supports the use of down payment assistance programs on both the state and federal level, as well as supporting funding mechanisms that are either public or private to assist borrowers. Saving for a down payment is one of the greatest hurdles to overcome when purchasing a home, especially for low-income and minority communities. Many first-time homebuyers receive down payment assistance from friends and family. Black young adults, whose parents are less likely to be homeowners and the relative wealth that comes with it, are less likely to receive support to make down payment. A substantial, sustainable, and targeted down payment assistance program will serve as a critical first step in addressing these disparities, strengthening the wealth building capacity for millions while also growing the economy.

### **Special Purpose Credit Programs**

NAR also supports the creation and adoption of SPCPs for underserved communities. SPCPs are targeted lending programs designed to specifically help an economically-disadvantaged group of people. Targeted lending programs can be catered to boost the homeownership rate of underserved markets. SPCPs are a novel approach that offers a flexible way of creating a program to provide sustainable housing opportunities.

---

<sup>1</sup> “2023 Snapshot of Race and Home Buying in America.” National Association of REALTORS® Research Group. [cdn.nar.realtor/sites/default/files/documents/2023-snapshot-of-race-and-home-buying-in-the-us-03-02-2023.pdf?\\_gl=1\\*v3v4k7\\*\\_gcl\\_au\\*MTIxMTU2NDUyNy4xNjg2OTMwMTI3](https://cdn.nar.realtor/sites/default/files/documents/2023-snapshot-of-race-and-home-buying-in-the-us-03-02-2023.pdf?_gl=1*v3v4k7*_gcl_au*MTIxMTU2NDUyNy4xNjg2OTMwMTI3)



Examples of the programs include down payment assistance, rate buy-downs, closing cost assistance, and housing grants. We applaud the work at the Enterprises to support SPCPs, such as announcements related to help minority borrowers that can't rely on traditional sources of generational wealth and financial education. NAR believes that properly-structured and monitored SPCPs can help more qualified buyers achieve and sustain the American Dream of homeownership.

### **Credit Scoring**

A potential borrower's credit score is one of the vital pieces of underwriting data that can be a make-or-break moment for a consumer, either keeping them out of the process entirely or raising the cost of a loan beyond their budget. Consumers with thin or no-file credit scores are often shut out of the mortgage process entirely. Many Americans, particularly people of color, people with modest incomes, and immigrant populations, avoid credit lines and have little or no credit history, either by choice or because they are shut out from other products. As a result, many are left on the sidelines all because of a credit score that is either too low or non-existent.

NAR believes that homeownership is an integral part of the American Dream that shouldn't be out of reach for individuals and families that lack access to traditional forms of credit. Thus, NAR supports competition in credit scoring and alternative credit scoring models aimed to responsibly expand mortgage credit for millions of hardworking families.

We're pleased with the recent announcements from FHFA regarding the process for examining and adopting new credit scoring models. Competition in credit scoring has and will continue to bring innovations to the market that can benefit equity. Credit scoring models, and advanced forms of cash-flow underwriting, present opportunities to move away from traditional scoring which may not accurately reflect a shifting borrower make-up and work economy. Further, the inclusion of additional data points in scoring models, such as timely rental payments and utility payments, can offer consumers ways of improving their credit while doing things they're already doing. Encouraging further innovation will help provide support for new communities in obtaining a home.

### **Loan Level Pricing Adjustments and the Enterprise Capital Rule**

In 2008, the Enterprises created loan level pricing adjustments (LLPAs), which are additional fees based on loan-to-value ratios, credit scores, and other risk factors. These charges are passed onto borrowers, typically in the form of higher mortgage rates.

FHFA recently announced changes to its LLPA framework. While NAR supported the lowering of LLPAs for some borrowers, namely those with lower credit scores and lower down payments, we objected to raising the fees on other qualified borrowers. Given the current rate environment, we believe that now is not the time to raise fees on any borrowers.

Additionally, we are pleased that FHFA is considering further revisions after industry outreach. We believe this is a form of good governance and will help all borrowers going forward. While we understand the need to balance safety and soundness with the needs of consumers, NAR believes that the current Enterprise Capital Rule is limiting further work in this area, and that changes to the capital structure must be made if the Enterprises are going to meet their goals within the Equitable Housing Finance Plans.

The Enterprises should retain capital in line with aggregate risk while ameliorating the borrowing cost on consumers in underserved communities.

### **Promoting Affordability**

REALTORS® support the concept of tax credits and incentives for the production of affordable housing. In the past, REALTORS® have supported investments in low-income housing tax credits that support renter-occupied units, an important rung on the homeownership ladder. NAR has supported the Neighborhood Home Investment Act (NHIA) which would create a new federal tax credit for equity investment dollars for the development and renovation of 1 to 4-unit, owner-occupied housing. Investments in programs like this, and the low-income housing tax credit (LIHTCs), can help boost the production of affordable, owner-occupied housing.

Furthermore, NAR supports the investment of federal funds in localities willing to revise unreasonable local regulation which inhibit the growth of affordable housing. The Enterprises investments in NHIA could be tied to favorable local zoning changes, such as eliminating height limits, parking requirements, and other exclusive zoning restrictions, to create more incentives for building and expanding housing units, particularly in low- and moderate-income, minority-majority areas.

### **Limited English Proficiency**


In accordance with Title VI of the Civil Rights Act of 1964, it is important that federal agencies and those overseen by federal agencies, provide meaningful access to documents and services for those who are limited English proficient (LEP). The Enterprises, the Consumer Financial Protection Bureau (CFPB), the Department of Housing and Urban Development (HUD), FHFA, lenders, servicers, and REALTORS® have taken steps to serve LEP borrowers and provide greater education surrounding their financial decisions in the language they most strongly prefer. NAR is supportive of additional efforts by FHFA and the GSEs to promote access to mortgage credit for mortgage-ready LEP borrowers.

Though the American legal system is based in English, as the demographics of the country change and more businesses look to market to LEP borrowers, care must be taken so that LEP borrowers are receiving the proper education and support through the origination, closing, and servicing process in their preferred language. Marketing in a second language should not be the only efforts made to create business. Providing the proper translations and support connections will help LEP borrowers with the support they need and the appropriate knowledge to understand their loans and terms in the way that's best for them.

Furthermore, addressing the liability concerns for lenders and servicers will go a long way in encouraging a broader adoption of such forms. The work FHFA and others have done to provide a library of translated forms and documents will give confidence to lenders and servicers that they are following the right rules. We encourage FHFA and the Enterprises to continue this important work.

### **Federal Home Loan Bank Reform**

The FHLB system was created during the Great Depression with the mission of supporting local economies, including affordable housing and other projects. While the FHLBs have been a vital resource for capital and development in states and localities for generations, we believe the time is now to look toward modernizing the current system.



The FHLBs' Congressionally-mandated mission of providing liquidity to support housing finance is a main part of the country's banking infrastructure. We believe this commitment to real estate finance and homeownership is an important membership requirement for FHLB members and should be maintained on an on-going basis. Additionally, access to the FHLB system should be expanded to new entities that are committed to this vision while retaining robust standards of safety and soundness in relation to the entities own business model.

Much has been made of the FHLBs' 10% commitment to affordable housing and whether this threshold should be raised. Given the housing affordability crisis, we believe that this threshold should be increased. Additionally, applying the Equitable Housing Finance Plans to the FHLBs would help to further the mission and goals of the plans themselves, bringing equity to the housing finance market across more players. NAR understands that this will be a difficult challenge, but we believe it is one worth tackling head on as we look for solutions to the ongoing affordability crisis, especially for minority and low- and moderate-income communities.

### **Appraisal**

Appraisal bias is a real impediment to homeownership for some homebuyers. It also hurts REALTORS® by potentially disrupting agent-members' transactions and the communities they serve. NAR has a sizeable number of appraiser-members who must live up to the REALTOR® standard.


NAR works through its NAR Spire program to draw candidates from diverse communities into the real estate industry, including jobs in brokerage, appraisal, inspection, and loan origination. In addition, NAR has partnered with the Enterprises and other groups through the Appraisal Diversity Initiative to provide scholarships for those seeking appraisal education and matching these candidates with supervisors for the experience portion of that career path. The Enterprises efforts to support this initiative are significant.

The reconsideration of value (ROV) process is also an important opportunity to improve access for underserved communities. REALTORS® were encouraged to learn the FHFA will collaborate with the FHA to develop a unified approach to the ROV process. NAR believes that such a process should include frequent communication between appraiser and consumer before consummation and a good model is the Tidewater program of the Veterans Administration.

Finally, NAR supports innovation in real estate appraisal and new valuation solutions should always be assessed for their potential benefits to the valuation industry. Using a professional appraiser for the entire valuation process remains the best practice, however, technological advances and market demands have led to the use of hybrid and bifurcated appraisals in certain circumstances. Having these different valuation options can be beneficial to real estate, but the FHFA should monitor for unintended consequences of automation on the privacy of consumers and quality and robustness of the appraiser industry it depends on. Furthermore, opportunities exist to engage appraiser trainees in the data collection process.

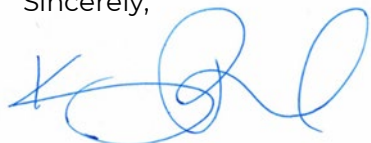
### **Conclusion**

We thank you again for your commitment and attention to promoting equity within the housing finance system. Given what's at stake and the continued under-investment in housing, the lack of housing supply, the lack of affordable housing units, and this newer,



higher-rate environment, the need to develop and execute the Equitable Housing Finance Plans has never been greater. We look forward to working with you on this and other challenges as we all look to bring solutions to the affordability crisis and bringing an end to the discrepancies in homeownership. Together, we can all make a difference. If you have any questions or comments, please feel free to reach out to Matt Emery, NAR's Senior Policy Representative for Financial Services, at [MEmy@NAR.REALTOR](mailto:MEmy@NAR.REALTOR).

Sincerely,



Kenny Parcell  
2023 President  
National Association of REALTORS®