December 6, 2023

Federal Housing Finance Agency

Attn: Marcea Barringer, Supervisory Policy Analyst

400 7th Street, S.W., Washington, D.C. 20219

Re: Duty to Serve 2023 RFI

Dear Ms. Barringer,

The undersigned organizations appreciate the opportunity to offer a response to your request for input (RFI) on the Duty to Serve (DTS) plan modifications for 2023. The undersigned organizations are all members of the Underserved Mortgage Markets Coalition (UMMC), but this letter is only on behalf of the undersigned organizations and has not been endorsed by all members of the UMMC. Members of the UMMC will submit additional responses to this request in their respective markets of focus.

The UMMC works with the FHFA and the Enterprises to adjust their underwriting practices to better reach underserved markets in a safe, sustainable manner. The UMMC seeks to promote broader understanding of the increasingly central role the Enterprises play in U.S. affordable housing and to demystify the Enterprises' business practices to make them easier for our member organizations, and others, to understand and engage with.

As the mortgage markets shift away from traditional bank lending, we see the DTS program as one of the central mechanisms in helping expand affordable homeownership and rental property to underserved markets. In 2021, 10 of the top 12 mortgage lenders were independent mortgage companies, not obligated to address historic discrimination, and less well regulated; the Community Reinvestment Act (CRA) does not apply to them. Non-banks originated around 70% of GSE loans, and more than 90% of all government backed loans. Thus, serving the housing finance needs of historically underserved markets through the Enterprises is essential, now more than ever.

This comment is limited to the general tendency of the Enterprises to substantially reduce their DTS targets when there is a change in market dynamics. Several members of the UMMC are submitting more specific comments addressing various proposed reductions in loan purchases.

We recognize the interest rate and other market changes that Fannie Mae and Freddie Mac cite in wanting to adjust their targets for 2023. However, by design, DTS priorities make up a small fraction of both GSEs portfolios, compared to the broader affordable housing goals requirements. It is crucial that even with less favorable market conditions, the Enterprises both prioritize the importance of testing new products and opening new markets.

Moreover, the current DTS targets were set factoring in the market changes we now see. We strongly recommend that FHFA mandate the GSEs keep their original targets to reach these underserved markets. Market conditions are strong enough to achieve the very modest loan purchase targets in DTS markets; the loan purchase targets should not be reduced.

Thank you for considering our perspective.

Sincerely,

American Council for an Energy-Efficient Economy

cdcb

Center for Community Progress

Fahe

Grounded Solutions Network

Housing Assistance Council

Institute for Market Transformation (IMT)

LeadingAge

Lincoln Institute of Land Policy

National Consumer Law Center (on behalf of its low-income clients)

National Council of State Housing Agencies

NCST (National Community Stabilization Trust)

NeighborWorks America

Next Step Network

Opportunity Finance Network

Prosperity Now

RMI

ROC USA