



December 15, 2017

Chairman Mike Crapo and Ranking Member Sherrod Brown
U.S. Senate Committee on Banking, Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

RE: Request for Meeting to Discuss Preserving Access and Affordability in Government Sponsored Enterprise Reform

Dear Chairman Crapo and Ranking Member Brown:

We, the undersigned civil and human rights organizations, write to express our profound concern with the ongoing discussions in Congress about comprehensive Government Sponsored Enterprise (GSE) reform legislation and request a meeting to ensure that our perspectives are taken into account in this very important effort. As organizations that represent communities of color and low-to-moderate (LMI) income consumers traditionally underserved in mortgage lending, we believe policies that expand access and affordability are essential to fostering fair homeownership and housing opportunities in our nation's housing finance system. Our constituents represent the majority of future homebuyers, and any system that is not structured so as to ensure that they have fair access to safe and sustainable mortgages will not serve the country well. Our constituents have a strong stake in the outcome of any legislative proposals in this area, and we are alarmed that we have not been invited to offer input in the latest discussions as draft legislation is taking shape.

Our highest priority is protecting the system's current access and affordability provisions. They are hallmarks of the current system, and have been incorporated through the GSEs' charters and extend through the bi-partisan Housing and Economic Recovery Act of 2008 (HERA). The existing GSEs, while far from ideal, currently do a lot to make loans affordable for all consumers as well as provide affordable rental housing for LMI families. The system's access and affordability provisions have created opportunity for millions of hardworking families in all regions of the nation to purchase homes in pursuit of their American dreams. The current House and Senate proposals, from what we understand, would do significant harm by locking out the very borrowers upon whom a future system depends, resulting in devastation to a housing market that is steadily recovering.

First, we understand that the proposals repeal the current Affordable Housing Goals. These goals measure how well the GSEs provide broad access to housing finance, and they authorize the Federal Housing Finance Agency (FHFA) to impose penalties and remedial plans if the GSEs fail to meet them. Yet the leading proposals would eliminate these goals and enforcement mechanisms. They would be replaced by broad requirements for the overall system, but without meaningful authority over the conduct of any of the GSEs or other guarantors that would participate under the new system. Participants would be required to guarantee loans from across the nation and accept loans that meet their requirements and pricing, but they would have unacceptably broad discretion over the pricing and other requirements.

Second, we understand that the anticipated proposals would undermine the existing authority of the GSEs, under HERA, to utilize pricing that uses a lower – but still profitable - rate of return on target loans for underserved borrowers. Such pricing has a tremendous positive impact, as the main factor in GSE pricing is what rate of return is paid on capital to cover for catastrophic losses. Today, using this provision, the GSEs are able to reduce the charges to borrowers with lower credit scores and down payments, including many first-time homebuyers, by 40%. Yet the leading proposals in the House and Senate would not only repeal this provision, but would specifically authorize fully risk-based pricing without any limit on how much more underserved borrowers are charged for loans. This would result in dramatic increases in cost and reductions in availability of LMI mortgages.

Third, while we understand that one or both proposals may purport to increase contributions to the Housing Trust Fund and Capital Magnet Fund, this is not an adequate substitute for the existing pooling of risk or the affordable housing goals. The leading Senate proposal calls to increase the current affordable housing fund from \$400 million a year to almost \$5 billion a year. While this additional funding is badly needed, it would only address a part of the existing widespread problems that underserved communities face in finding affordable housing to purchase or rent. An increased fee would also be politically and operationally vulnerable, as there will be intense ongoing political opposition and attacks to both starting and maintaining such a fund. This week's vote in the House Financial Services Committee to suspend the Housing Trust Fund if FHFA Director Mel Watt attempts to restore the GSE's capital buffers serves as a prime example of how little we can trust opponents of affordable housing policies to preserve and fully implement whatever is enacted.

Fourth, we understand that the reform proposals, especially on the House side, also call for draconian new restrictions on Federal Housing Administration (FHA) loans. These restrictions include a) dramatically reducing permissible loan size; b) restricting loans to new homebuyers only; c) prohibiting refinance loans; and d) imposing income limitations for eligibility. These would greatly reduce the number of working families who could access FHA loans. They would also make such loans more expensive, as FHA pools its loans and provides even pricing for borrowers. Pricing for LMI borrowers within the FHA system is currently helped by having higher wealth borrowers in the system. But if the FHA program is dramatically shrunk, prices will increase for those who remain.

It is our position that any GSE overhaul must build upon the reforms enacted in HERA in 2008 and the Dodd-Frank Act of 2010, and must codify the further reforms that have already been instituted since FHFA placed the GSEs under conservatorship. Specifically, any reform legislation must do the following:

1. Align with and support longstanding federal anti-discrimination laws and enforcement;
2. Provide adequate capital to protect taxpayers and housing system;
3. Serve all credit-worthy borrowers;
4. Eliminate and ban excessive risk-based pricing;
5. Serve all markets across the country throughout the business cycle;
6. Require utility regulation and expand restrictions that prevent risky behaviors;
7. Ensure equal treatment for small lenders;
8. Promote cost-effective loan modifications;
9. Strengthen FHA and preserve low down payment mortgage loans; and
10. Address the federal government's history in fostering racially discriminatory mortgage lending policies.

We will strongly oppose any legislation that fails to accomplish these objectives. The Housing Goals and other access and affordability provisions must not be rolled back. If they are, we will consider this a retreat from a commitment to fairness in the system, and we will consider it an unacceptable retrenchment.

At a time when the national homeownership rate is declining, and local rents are skyrocketing, every effort should be made to increase sustainable homeownership opportunity and make rental housing more affordable. Now is not the time to experiment with untested or unproven proposals that will harm our constituents and the market overall. Nor is it the time to rewrite history. Alternative facts and false math should not be used to undo the access and affordability provisions that have helped secure opportunity for hardworking families for more than 25 years. We will not sit back and give cover to people who will sell out families of color and low-to-moderate income consumers.

We look forward to meeting with you to discuss how to effectively incorporate these provisions in any potential legislation. In the meantime, if you have any questions, please feel free to contact Rob Randhava, Senior Counsel at The Leadership Conference on Civil and Human Rights, at (202) 466-3311, or any of the undersigned organizations. Thank you for your consideration of our views on this critical matter.

Sincerely,

Center for Responsible Lending
The Leadership Conference on Civil and Human Rights'
Lawyers' Committee for Civil Rights Under Law
NAACP
National Coalition for Asian Pacific American Community Development (CAPACD)
National Fair Housing Alliance
National Urban League
UnidosUS (formerly National Council of La Raza)
National Community Reinvestment Coalition

CC: Members of Senate Banking and HFSC