June 6, 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: Preserve the GSE Affordable Housing Goals in Housing Finance System to Ensure Fair Access for All Creditworthy Borrowers

Dear Chairman Crapo and Ranking Member Brown:

Last week, calls were made to eliminate the GSE affordable housing goals as a means to move forward legislation to reform the secondary housing finance market. This misguided attempt is not new, and it would harm creditworthy borrowers who cannot access the mortgage credit they deserve, deny them their chance at the American Dream of homeownership, and weaken our nation's economy.

In 2010, the *Civil Rights Principles for Secondary Market Reform* were offered, and chief among them was a call for federal housing finance policy to align with and support our nation's longstanding federal housing goal to protect against discrimination.[1] Additionally, we called for the federal government to meet its responsibility to ensure that the secondary market serves all borrowers in a fair and equitable manner and to foster access to credit, particularly in underserved markets. In order to achieve these goals, GSE reform legislation must include provisions to strengthen affordable housing goals, among other measures.

In 2014, our organizations rejected a similar call to end the affordable housing goals in the Johnson-Crapo GSE reform legislation. Today, we adamantly oppose any attempt to legislatively or administratively eradicate the goals, and we call on all members of Congress to join us.

The affordable housing goals help expand credit access for underserved groups, help ensure liquidity in the financial markets, and further fair lending goals. They are the result of long-term advocacy efforts to ensure access and affordability in the secondary mortgage market. Congress created the goals in 1992 with the Federal Housing Enterprises Financial Safety and Soundness Act (FHEFSSA), and carried them forward in 2008 with the Housing and Economic Recovery Act (HERA). Originally, they advanced lending opportunities to low-income families in underserved areas, which resulted in mortgage originators making more affordable loans. Now, they are a metric for accountability by the GSEs' conservator, the Federal Housing Finance Agency, to address the underservice to important, and often excluded, market segments.

[1] http://www.prrac.org/pdf/GSE-Principles-December2010.pdf.

The enterprises' affordable housing goals made a tremendous impact on helping creditworthy borrowers purchase homes. From 2003 through 2012, the National Community Reinvestment Coalition reported that more than 25 million hard-working families nationwide were able to become homeowners due to the goals.[2] In fact, we know that loans to low and moderate income consumers, done right, perform well and serve lenders, borrowers and communities. For example, a report on Self-Help Credit Union's Community Advantage Program from the University of North Carolina's Center for Community Capital, showed that borrowers amassed a net worth of $38,000, compared with renters' $266, even as housing values plunged during the crisis.[3] The Community Advantage Program securitized mortgages for more than 50,000 families in 48 states.

Yet access to quality credit is still a continuing challenge for many people. The Urban Institute found that from 2009 to 2014, there were 5.2 million mortgage loans missing from the market due to overly tight credit standards, including restrictions and measures put in place by the GSEs.[4] Following the true purpose and intent of the affordable housing goals will provide a safe and sound means of creating and strengthening household wealth, as well as shore up economic growth in a responsible way.

Any reform of the secondary mortgage market must ensure access and affordability to mortgage credit for all creditworthy potential homebuyers in all regions of the nation. These obligations start with the Fair Housing and Equal Credit Opportunity Acts; extend through the GSEs' actual charters; and are implemented through FHEFSSA and HERA. Taken together, it is clear that Congress intended for the secondary housing finance market to serve as an active catalyst for the creation of equal and fair credit opportunities. Diminishing the role and importance that the secondary housing finance system plays in achieving this goal will continue to deepen the racial wealth gap that already exists in America today. It is not sufficient to replace this robust structure with a fee, such as the Market Access Fee offered in the proposed Johnson-Crapo legislation, as some have suggested.

We believe that any legislative reform of our housing finance system must amount to true reform — and not retrogression. The goal of reform should be to create a secure housing finance system that is open and available to all creditworthy borrowers and lenders of all sizes, and that provides affordable mortgages to families with lesser incomes and wealth. Many reforms have already taken place under Dodd-Frank and the CFPB's mortgage rules, which have rid the market of most of its risky practices and established an Ability-to-Repay standard for all mortgage loans.

Any legislation that emerges from the Senate Banking Committee must ensure that all secondary housing finance market entities comply with strong and effective affordable housing goals and statutorily-defined duty to serve obligations; expand access to quality, sustainable, affordable credit—particularly for underserved groups; employ risk-pooling measures; and protect taxpayers from bearing the cost of a housing downturn.

Respectfully,

The Leadership Conference on Civil and Human Rights
NAACP
National Coalition for Asian Pacific American Community Development
Center for Responsible Lending
National Council of La Raza
National Fair Housing Alliance
National Urban League
National Community Reinvestment Coalition

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[2] http://www.ncrc.org/images/PDFs/ahg/nationwide%20ahg.pdf.
[3] http://ccc.unc.edu/projects/community-advantage-panel-study-2/.
[4] Bing Bai, Lauri Goodman, and Jun Zhu, *Tight credit standards prevented 5.2 million mortgages between 2009 and 2014*, available at http://www.urban.org/urban-wire/tight-credit-standards-prevented-52-million-mortgages-between-2009-and-2014.