



## **Matt Douglas Prepared Remarks for FHFA Listening Session: “Closing the Gap to Sustainable Homeownership”**

June 29, 2021 1-4PM ET

Before I dive in, I would like to take a moment to congratulate Acting Director Thompson on her selection, as I know she has the passion and tremendous skill to lead FHFA on this important topic.

I’m Matt Douglas, the Vice President for Mortgage Policy at the Housing Policy Council. HPC is a trade association comprised of 32 member companies who are among the nation’s leading mortgage originators, servicers, insurers and data and settlement service providers.

Our members are united in their desire to close the racial homeownership gap. We simply cannot significantly expand the ability of individuals, families and communities of color to build wealth in this country until we close this gap.

And, while this is an enormous challenge, the good news is that the recent consensus and energy around this issue by all major stakeholders gives us an unprecedented opportunity to begin to address this challenge.

The other good news is that we see a few significant actions that FHFA can take, at its sole discretion, without the need for legislation, regulatory changes, or even prodding the GSEs to do something, that would meaningfully address the racial homeownership gap. Namely, FHFA should use its wealth of data to provide significantly more information to the public through its research as well as in public reports to Congress.

The easiest and most significant thing that FHFA can do immediately is provide more demographic data on the race and ethnicity of borrowers in its reports to Congress.

FHFA already compiles and/or composes large amounts of information for Congress as part of the Annual Housing Report and the Annual Report to Congress. However, neither of these reports currently provide significant details about the racial composition of the Enterprise product lines.

Without this type of granular view into the dispersion of GSE products across racial and ethnic groups and a way to measure whether progress is being made, stakeholders cannot determine what is and is not working and are left only to look at whatever aggregate numbers are reported by the Enterprises in their Annual Housing and Activities Report (which are not always consistent). FHFA as Conservator and Regulator should provide easily accessible and

comparable data for each Enterprise, along each of their major product lines (at the very least, HomePossible and Homeready, along with the overall single-family book of business). The reports should also provide trended data so that stakeholders can assess whether progress is being made relative to overall Enterprise market share. The reports should also provide FHFA's assessment of whether the Enterprises are taking sufficient action to address the racial homeownership gap, much the same as the recent Annual Report to Congress did in the Diversity and Inclusion section of the report.

To address the issue of sustainable homeownership, FHFA should also provide more data transparency around the historical loan performance of different single family product lines (again- at the very least, HomePossible and Homeready, along with the overall single-family book of business, but also including Enterprise Housing Goals loans and Duty to Serve loans). This information should specifically include the rate at which loans become: early payment defaults, require buybacks, 3-year default rates, and the life of loan default rates for these product lines. This simple transparency would allow stakeholders to compare the performance of loans across the overall GSE book of business, and to other similarly situated products like FHA, USDA, and VA mortgages to gauge whether the GSEs are actually succeeding in providing products to borrowers that set them up for success.

FHFA should also provide more transparency about the risk characteristics of loans receiving housing goals or Duty to Serve credit. Recently, in both the ANPR about the Enterprise Housing Goals and the actual text changes to the PSPAs, FHFA has identified the potential dangers of "high-risk loans," or loans that have certain layered risk characteristics. To inform future policy making, FHFA should publish information on the volume of loans with risk-layering that receive housing goals and Duty to Serve credit, the annual performance of these loans, and demographic information about these loans to analyze fair lending impacts. This level of information would help policy makers and other stakeholders identify elevated risks posed and determine if the level of risk raises safety and soundness concerns, whether the loans are actually helping to promote sustainable homeownership, and whether eliminating these loans might pose fair lending concerns.

The last suggestion we have on ways to improve the reports to Congress is that the GSEs should be encouraged to continue outreach and education efforts to serve underserved populations. Both GSEs already go to great lengths to discuss special affordable housing partnerships in their Annual Housing Activities Report and discuss them in forums like this. However, currently neither the FHFA Annual Housing Report nor the Annual Report to Congress makes any attempt to evaluate the efficacy of these partnership and outreach efforts in any way. Even if FHFA highlighted just a few of the efforts that the GSEs are planning to undertake that have great promise, it would reinforce the importance of these activities for the Enterprises (potentially in a "noteworthy" section of the report(s)). If FHFA doesn't view any of the efforts as having great promise-that would also speak volumes.

Finally, an item that could make a real difference outside of the reports to Congress would be for FHFA to use its wealth of data to shine light on the potential that the appraisal process discriminates against borrowers of color. HPC members are deeply concerned that residential property values may reflect a level of bias grounded in historical practices, such as redlining and government-imposed segregation. Given the FHFA's access to authoritative government data sets, including the National Mortgage Database (NMDB), Home Mortgage Disclosure Act (HMDA) data, and the GSE Uniform Appraisal Dataset (UAD), we recommend that FHFA initiate and perhaps engage other stakeholders in some preliminary analysis that could inform and advance the discourse on this critically important topic. If warranted by stakeholder feedback, this should become a research priority for the Division of Research and Statistics at FHFA.

Overall, we are asking FHFA to shine a light on the racial homeownership and affordable housing gaps. We won't be able to measure progress without understanding where we currently are and where we have been.

The steps I have highlighted can be initiated immediately and at the sole discretion of FHFA and are things that we at HPC believe can lay the foundation to meaningfully address the racial homeownership gap.