

Director Sandra Thompson
Federal Housing Finance Agency (FHFA)
Constitution Center 400 7th Street, SW
Washington, D.C. 20219

June 7, 2024

Re: FANNIE MAE AND FREDDIE MAC EQUITABLE HOUSING FINANCE PLANS, REQUEST FOR INPUT

Dear Director Sandra Thompson:

UnidosUS is a nonprofit, nonpartisan organization that serves as the nation's largest Hispanic¹ civil rights and advocacy organization. Since 1968, we have challenged the social, economic, and political barriers that affect Latinos through our unique combination of expert research, advocacy, programs, and an [Affiliate Network](#) of nearly 300 community-based organizations across the United States and Puerto Rico.

The UnidosUS Wealth and Housing Alliance (UWHA) (formerly the National Homeownership Network, or NHN) is the nation's largest network of community-based organizations working to empower Latino wealth-building through homeownership. The UWHA network is a HUD-approved housing counseling intermediary and trains hundreds of housing counselors to emphasize culturally competent counseling. Established in 1997, it includes 50 independent community-based organizations that support more than 60,000 families a year. This network of community-based financial and housing counseling agencies provides a deep understanding of Latinos' homeownership challenges and opportunities.

UnidosUS publishes reports, launches campaigns, provides testimony, and advocates for policies that promote homeownership opportunities and housing security for the Hispanic community. In 2023, UnidosUS launched the Home Ownership Means Equity ([HOME](#)) Initiative, a major multi-year institutional effort to advance the federal, state, and local policies needed to create four million new Latino homeowners by 2030.

Support for the Equitable Housing Finance Plans: We write to express our strong support for the Equitable Housing Finance Plans (EHFP) developed by Fannie Mae and Freddie Mac at the direction of the Federal Housing Finance Agency (FHFA) under the leadership of Director Sandra L. Thompson. We recognize FHFA's leadership in supporting a safe and sound housing finance system that supports all homebuyers.

These plans promote equitable access to housing finance, work to address systemic disparities, provide critical research, and help foster sustainable homeownership opportunities for underserved communities, and these efforts are desperately needed. While Latinos have seen recent gains in

¹ The terms "Hispanic" and "Latino" are used interchangeably by the U.S. Census Bureau and throughout our materials to refer to persons of Mexican, Puerto Rican, Cuban, Central and South American, Dominican, Spanish, and other Hispanic descent; they may be of any race. Our materials may also refer to this population as "Latinx" to represent the diversity of gender identities and expressions that are present in the community.

homeownership, there was still a 27% [gap](#) in homeownership rates as recently as 2022 and Latinos continue experience [high loan denial rates](#). The EHFPs are a step in the right direction to ensure that the housing finance market is secure and provides equitable access to affordable housing. The goals and intent of these plans also closely align with our own efforts, the Home Ownership Means Equity (HOME) initiative, where we [work](#) to improve homebuyer readiness, expand access to credit, and preserve homeownership.

Questions:

1. On how current plans are working

a. Do the plan revisions effectively prioritize the necessary changes to increase accessible, affordable, and sustainable housing opportunities?

The plan revisions by the Government-Sponsored Enterprises (GSEs) include relevant changes to increase accessible, affordable, and sustainable housing opportunities. Actions such as expanding special purpose credit programs, piloting innovative credit ideas, and providing targeted support for first-generation homebuyers align with UnidosUS's objectives to enhance housing affordability and accessibility, particularly for Latino communities.

For these plans to be fully effective and significantly improve homeownership rates and housing stability for the target populations, they must consistently translate pilot successes into broader industry standards and practices. Bringing efforts to scale is crucial for ensuring that the initiatives do not remain isolated in their impact but become integrated components of the housing finance system, setting new benchmarks for accessibility and affordability in the housing market. We recommend that when establishing new pilots, the FHFA directs the Enterprises to develop clear milestones or targets upfront that would inform the next steps. **The GSEs can significantly influence the housing market by leveraging lessons learned from these initial phases and scaling up successful initiatives, creating a more inclusive and equitable housing landscape.**

In conclusion, while the GSEs' plan revisions set a solid foundation for enhancing accessible, affordable, and sustainable housing opportunities, their long-term success and impact hinges on the ability to mainstream successful pilots and continually adapt to emerging needs.

c. Do the plans provide adequate information on public engagement, including consultations with key stakeholders, solicitation of a diverse range of perspectives, and evidence that input was used to develop changes?

Fannie Mae and Freddie Mac have outlined commitments to stakeholder engagement in their Equitable Housing Finance Plans, highlighting an intent to collaboratively address the needs of underserved communities.

Clarifying and standardizing outreach efforts would improve accessibility and facilitate broader and more effective public participation.

Enhancements for consideration in standardization and public accessibility:

1. **Clear Protocols:** Both plans would benefit from establishing clearer, more standardized protocols for outreach and engagement. This course of action includes consistent methods for gathering feedback, setting a regular frequency for consultations, and clearly identifying which stakeholders are engaged at each development phase.
2. **Targeted Problem-Solving and Stakeholder Consultations:** The GSEs should use their extensive data and market insights to identify specific challenges communities face. By bringing particular problems and corresponding data to stakeholders, the GSEs could solicit focused feedback on concrete issues, such as underwriting practices that affect the Latino community or barriers to homeownership faced by first-time homebuyers.

By enhancing these aspects of their engagement strategies, Fannie Mae and Freddie Mac would ensure that their outreach efforts are not only more standardized and accessible but are also effectively contributing to the development of housing finance policies that meet the diverse needs of communities.

d. The Enterprises developed a definition for first-generation homebuyers. Is this definition sufficient to support and advance housing opportunities for historically underserved borrowers, particularly those who lack access to generational wealth?

UnidosUS endorses the initial proposed definition of first-generation homebuyers, and we commend the recognition that these individuals require specialized support to successfully transition into homeownership.

A comprehensive approach that encompasses tailored educational programs and targeted outreach initiatives is vital to fully supporting first-generation homebuyers. See below for additional considerations on the definition and its use.

1. **Geographic Specificity:** Ensure the final definition of first-generation homebuyers includes only those who, along with their parents, have not **owned homes in the U.S.** in the last three years. A domestic focus would avoid the complexities of international property rights and reduce administrative burden.
2. **Focus on Implementation Strategies and Education:** Implementation strategies should incorporate robust educational components that address the [unique challenges](#) faced by first-generation homebuyers. These individuals often lack access to generational wealth and may not have familial experiences of navigating the housing market, making education and personalized guidance critical in addition to a standardized definition.
3. **Need for Simple Attestation-Based Verification Process:** There should be a simple self-certification process for validating first-generation homebuyer status. This process would facilitate and streamline the successful execution and take-up of programs intended for these buyers by minimizing the documentation burden. Third-party validation would add undue costs and burden.

4. **Improving Outreach to Financial Institutions:** The Government-Sponsored Enterprises (GSEs) should enhance their outreach to lenders and banks to mainstream the use of the definition. Effective application of the first-generation homebuyer definition requires these institutions to be well-informed. The GSEs should provide clear and practical guidance on how financial institutions can implement this definition and better serve first-generation homebuyers.
5. **Emphasis on Impact Tracking and Improvement:** It is imperative to establish a robust system for tracking and reporting the impact of the first-generation homebuyer definition to understand who is included or excluded. This data should guide continuous assessments, and the Enterprises should remain open to refining the definition—either tightening or broadening it—as necessary to ensure it effectively addresses the needs of the target demographic.

By integrating targeted counseling initiatives and lender education into the support framework for first-generation homebuyers, the Enterprises can significantly enhance the effectiveness of the final definition to ensure that these efforts reach the intended beneficiaries.

e. What actions, products, or use cases should be prioritized for the Enterprises to support first-generation homebuyers?

To effectively address the unique challenges faced by first-generation homebuyers, particularly those from underserved communities, the GSEs must prioritize and implement a set of targeted actions and innovative products. Specific actions, products, and use cases could include:

- **Expand Secondary Market for ITIN Mortgages:** Individual Taxpayer Identification Numbers (ITINs) are issued by the IRS to individuals who are required to have a U.S. taxpayer identification number but do not have and are not eligible to obtain a Social Security number. ITINs are used primarily by immigrants, allowing them to comply with tax laws and provide a means to process and account for tax returns and payments efficiently. Fannie Mae and Freddie Mac could adjust their guidelines and purchase ITIN loans to remove the “legal-presence” requirement. This adjustment would significantly enhance the liquidity in the mortgage market, overcoming a key barrier. This change would make homeownership more accessible for ITIN holders, predominantly Latinos, fostering financial inclusion and contributing to the stability and growth of the overall housing market. See this Urban Institute [report](#) for additional details.
- **Expand Tailored Down Payment Assistance Programs:** These programs should be specifically designed to support lower income, first generation, and first-time homebuyers who might not have significant savings or access to traditional funding sources. By offering [flexible criteria](#) that consider the unique financial challenges these groups face, such as less conventional income streams or smaller savings, these programs could make homeownership more attainable and sustainable.
- **Credit-Building Programs:** Enhancing credit accessibility by integrating [positive rent and utility payment](#) histories into credit scores would tremendously help individuals with limited or no credit history. Expanding such programs would assist in building a financial identity, expanding opportunities not only for securing a mortgage but also for enhancing overall financial health and stability.

- **Educational Resources and Counseling:** Providing [comprehensive homebuyer education](#) and financial literacy programs tailored specifically to the needs of first-generation buyers can significantly prepare them for the responsibilities and challenges of homeownership. These resources should cover critical areas such as mortgage management, property maintenance, and financial planning to ensure sustainable homeownership.
- **Innovative Loan Products:** The development of mortgage products should cater to the [specific needs](#) of first-generation homebuyers and those with non-traditional income patterns. This measure includes offering reduced interest rates and creating loan structures that accommodate fluctuating incomes, involve multiple borrowers, and are accessible to both W-2 and self-employed individuals. Such innovations could significantly lower barriers to homeownership, making it more accessible to a broader range of buyers.

2. 2025 and 2027 plan development

c. How can performance reporting be improved to provide more meaningful information about the impact of the Equitable Housing Finance Plans?

To enhance the effectiveness and meaningfulness of performance reporting for the Equitable Housing Finance Plans, consider incorporating the following enhancements:

1. **Enhanced Transparency:** Provide access to comprehensive, disaggregated data that specifically addresses the impact of initiatives on communities. This data should include detailed metrics broken down by race, ethnicity, income, and other relevant demographics to ensure all stakeholders can assess progress comprehensively and by sub populations.
2. **Standardized Reporting Frameworks:** Implement standardized reporting practices to ensure consistency and comparability of data over time and across different regions. This standardization should also promote continuity between Fannie Mae and Freddie Mac, facilitating a comprehensive understanding of the entire housing market. By harmonizing their metrics and reporting schedules, stakeholders can more easily compare and analyze the collective impact of their efforts, leading to better-informed strategies and interventions.
3. **Regular Updates and Iterative Feedback:** Provide updates more frequently, such as on a quarterly basis, to share insights into both progress and ongoing challenges. A regular cadence allows for timely adjustments to strategies, keeps stakeholders informed and engaged, and monitors progress.
4. **Incorporation of Stakeholder Feedback:** Actively seek and integrate feedback from community organizations, borrowers, and other stakeholders into the performance reports. This collaboration should extend to capturing both quantitative data and qualitative experiences to reflect the true community impact and satisfaction with the programs.

d. How can the Enterprises improve their public engagement and outreach efforts, including to ensure that the Equitable Housing Finance Plans are accessible to persons with disabilities and those with limited English proficiency?

To enhance public engagement and outreach efforts, the Enterprises must prioritize inclusivity and accessibility in implementing their Equitable Housing Finance Plans, particularly for individuals with disabilities and those with limited English proficiency.

- **Multilingual Resources:** Provide all communications, resources, and services related to the Equitable Housing Finance Plans in multiple languages, particularly those prevalent in the underserved communities they aim to serve.
- **Community Partnerships:** Work jointly with local organizations, including nonprofits and community groups that work directly with the target populations, to help disseminate information and gather feedback.
- **Engaging and Educating Lenders for Inclusive Housing Finance:** The Enterprises should provide lenders with comprehensive training and resources in multiple languages and accessible formats. This training will equip them to better serve diverse communities and facilitate the dissemination of information. Collaborative efforts with lenders to develop and deliver these educational tools are essential, ensuring that all stakeholders are prepared to implement the plans and products inclusively and effectively.