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December 11, 2015

Director Melvin L. Watt
Federal Housing Finance Agency
Constitution Center
400 7th Street, SW
Washington, D.C. 20219

Dear Director Watt:

We, the undersigned, are writing to express concerns about the Enterprises' performance on their Single-Family Housing Goals, and about the low number of mortgage purchases by both Enterprises affecting minority borrowers over the last several years. We want to urge stronger attention on both of these issues, to recommend a specific set of actions in response, and to request an in-person meeting.

At the outset, we want acknowledge the very important shifts that FHFA has taken under your leadership as Conservator on both affordability and access to mortgage credit for all creditworthy borrowers. FHFA's 2014 and 2015 Scorecards have given greater priority and weighting to increasing access to mortgage credit for creditworthy borrowers as well as foreclosure prevention activities. Whether on FHFA's reversal on credit risk guarantee fees, the re-introduction of 97% loan-to-value products at both Enterprises, hiring decisions, reemphasis on affordable multifamily or outreach to lenders and other stakeholders, the direction change under your directorship as Conservator is crystal clear when compared to the tenure of your predecessor. We believe that stronger action is necessary on the affordable housing goals and mortgage purchases affecting minority borrowers. But, we also acknowledge the change in policy direction during your tenure as Conservator of the Enterprises.

Enterprises' Single Family Housing Goal Performance Since 2010

The Enterprises' Housing Goals are enormously important and are a measurable affirmative obligation that has the power to ensure that all creditworthy borrowers have greater access to mortgage credit. Right now,

they are not being utilized to their full potential. We are very concerned that since 2010, Freddie Mac has failed to meet one or more of its housing goals every year, except 2012, when the enterprise lagged market performance on several single-family housing goals. It is also noteworthy that although FHFA has preliminarily determined that Fannie Mae has met its housing goals for 2014, it also missed one or more goals in 2010, 2011 and 2013. In 2012, Fannie Mae also lagged market performance on several of its single-family housing goals. Importantly, in the case of both Enterprises, FHFA has repeatedly deemed the achievement of the Enterprises' single-family housing goals as *feasible*.

In addition, we are very concerned about the very low number of mortgage purchases at the Enterprises affecting African-American borrowers and Hispanic borrowers.¹ Quite frankly, the Enterprises simply must serve a greater role in the market to ensure better access for creditworthy borrowers in minority communities. While the prior Conservator did not place the same emphasis on affordability and access to mortgage credit that you are, we believe an even stronger focus on access for minority households is critical and particularly in light of the changing demographics in the nation.

Include Objectives in FHFA's 2016 Scorecard; Require A Housing Plan & A Study

Overall, we would like to recommend that FHFA take several steps. First, we urge you to include appropriately weighted objectives in FHFA's 2016 Scorecard on the Enterprises' housing goals, and on access to mortgage credit for creditworthy minority borrowers. Second, we urge FHFA to invoke provisions under 12 U.S.C. 4566(c)(2) and require that Freddie Mac submit a housing plan describing the specific actions the enterprise will take to achieve all its housing goal targets and perform at or above the market level. Finally, we want to recommend that FHFA, in consultation with the Enterprises, immediately undertake a study and provide specific recommendations on how the Enterprises could increase their purchases affecting minority borrowers, and we encourage you to request information from the public on approaches to take. Consumer and housing advocates have been working with underserved communities for decades and have deep knowledge of programs that can meet the needs of underrepresented buyers. They can provide input on designing programs to meet these needs.

The countercyclical role that Fannie Mae and Freddie Mac continue to play in the mortgage market is critical. Immediate additional steps are needed to ensure low- and moderate-income borrowers and minority homebuyers enjoy affordability and access to mortgage credit,

¹ For example, Freddie Mac's 2014 Single Family Owner-Occupied mortgage purchases for African-American borrowers was 3.7% and for Hispanic borrowers was 8.5%. *Annual Housing Activities Report for 2014, Federal Home Loan Mortgage Corporation (March 11, 2015)*. Fannie Mae's 2014 Single Family Owner-Occupied mortgage purchases was 3.56% for African-American borrowers and 7.72% for Hispanic borrowers. *Fannie Mae 2014 Annual Housing Activities Report and Annual Mortgage Report (March 13, 2015)*. According to a Federal Reserve Board analysis of the 2014 Home Mortgage Disclosure Act (HMDA) data, 5.2 percent of home-purchase loans for one- to four-family, owner-occupied, site-built properties went to black borrowers and 7.9 percent went to Hispanic white borrowers in the overall mortgage market.



particularly given the demographic changes occurring across the country. We want to recognize the change in policy direction under your term as Conservator and urge you to take the additional steps recommended here to improve access to mortgage credit for all creditworthy borrowers, and particularly for minority borrowers.

Sincerely,

National Community Reinvestment Coalition (NCRC)

California Reinvestment Coalition

Consumer Action

Consumer Federation of America (CFA)

Corporation for Enterprise Development (CFED)

Empire Justice Center

The Greenlining Institute

Leadership Conference on Civil Rights (LCCR)

League of United Latin American Citizens (LULAC)

National Association for the Advancement of Colored People (NAACP)

National Association for Latino Community Asset Builders (NALCAB)

National Association of Real Estate Brokers (NAREB)

National People's Action (NPA)

National Urban League (NUL)