



Housing Assistance Council

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October 25, 2021

Acting Director Sandra Thompson
Federal Housing Finance Agency
Office of the Director
400 7th Street SW, 10th Floor
Washington, D.C. 20219

RE: Equitable Housing Finance Plans

Dear Director Thompson,

The Housing Assistance Council (HAC) appreciates the opportunity to offer comments on the Federal Housing Finance Agency's (FHFA) "Equitable Housing Finance Plans" Request for Information (RFI).

HAC helps build homes and communities across rural America. Founded in 1971, headquartered in Washington, D.C. and working in all 50 states, HAC is a national nonprofit and a certified community development financial institution (CDFI). We are dedicated to helping local rural organizations build affordable homes and vibrant communities. We provide below-market financing, technical assistance, training, and information services. HAC also serves as rural America's "Information Backbone" with leading public and private sector institutions relying on HAC's independent, non-partisan research and analysis to shape policy. Thus, HAC is uniquely positioned to provide comments and insights on the "Equitable Housing Finance Plans" RFI from a rural perspective.

[HAC Endorses Development of Equitable Housing Finance Plans](#)

It is undeniable that the federal housing finance system benefits some geographic areas and racial groups in the United States while harming others. Focusing the benefits of access to capital on a handful of thriving metropolitan regions, while ignoring the needs of underserved rural regions, is driving economic, social and political problems that the nation ignores at its peril. This is fundamentally a question of equity, which is why HAC was pleased to see the Administration's Executive Order On Advancing Racial Equity and Support for Underserved Communities Through the Federal Government, published on

President Biden’s first day in office.¹ In Section 2 of that Order, we were glad to see “persons who live in rural areas” included in the list of groups who need to be granted “consistent and systematic fair, just, and impartial treatment.” Further, we were glad to see “geographic communities” as a category that should be considered when determining an “underserved community.”

Rural America is home to about 20 percent of the U.S. population and covers more than 90 percent of the U.S. landmass. Its small towns and rural regions are diverse demographically and economically, and face a wide array of local challenges and opportunities for developing their communities and housing. While each place is unique, HAC has documented several themes. Persistent poverty is a predominantly rural condition, largely impacting rural communities of color. Habitable rural housing is in severely short supply. The adequate housing that does exist is often unaffordable because rural incomes are low and run well below the national median. Rural housing lacks adequate plumbing and kitchen facilities at a rate above the national average. Overcrowding is not uncommon in some rural regions. Decades of stagnant rural house prices have denied owners the wealth and mobility so often associated with buying a home. And racial inequity is endemic as the result of housing policies and banking practices that excluded rural people of color. Complicating these challenges, a lack of reliable rural data obscures rural realities.

In our experience, and given the landscape outlined above, there are two critical factors necessary to build racial and geographic equity in rural places: local organizational capacity and access to capital.

[GSE Support for Building Capacity is Essential](#)

Federal investment in capacity building launched almost every successful local and regional housing organization that we know today. However, very few of those local organizations are in rural regions. Fewer still work in areas of persistent rural poverty. The power of capacity building in rural communities cannot be overstated. Rural communities often have small and part-time local governments, inadequate philanthropic support and a shortage of the specialists needed to navigate the complexities of federal programs and modern housing finance. Targeted capacity building through training and technical assistance is how local organizations learn skills, tap information, and

¹ “Executive Order On Advancing Racial Equity and Support for Underserved Communities Through the Federal Government.” January 20, 2021. <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/20/executive-order-advancing-racial-equity-and-support-for-underserved-communities-through-the-federal-government/>.

gain the wherewithal to do what they know needs to be done. Rural places need increased capacity building investment in order to compete for government and philanthropic resources. Without deeply embedded, high-capacity local organizations, available federal funding and other capital will never evenly flow to rural communities. Existing USDA programs, like the Rural Community Development Initiative (RCDI), and new proposals, like the Rural Partnerships Program in the American Jobs Plan, will be critical to this work. But the Enterprises could do more to build partnerships and assist with the provision of technical assistance and capacity building.

Rural America Needs Better Access to Capital

In recent decades, many rural regions have been stripped of their economic engines, financial establishments, and anchor institutions. Federal trade and anti-trust policy has contributed to this situation, conceding the consolidation of wealth, industry and employment opportunity mostly into metropolitan centers. The result is that rural America, and especially rural communities of color, face a dire lack of access to capital. And it is in these rural places where you can find the nation's deepest and most persistent poverty.

Without access to financial services and capital, individuals cannot access safe credit and financial literacy resources, businesses cannot grow and serve the needs of their communities and ultimately the communities' economies cannot thrive. The banking industry has undergone considerable consolidation, with the number of lenders insured by the Federal Deposit Insurance Corporation (FDIC) dropping from approximately 15,000 in 1990 to just over 5,000 in 2019. Around 150 rural counties have one or no bank branches to serve their residents.

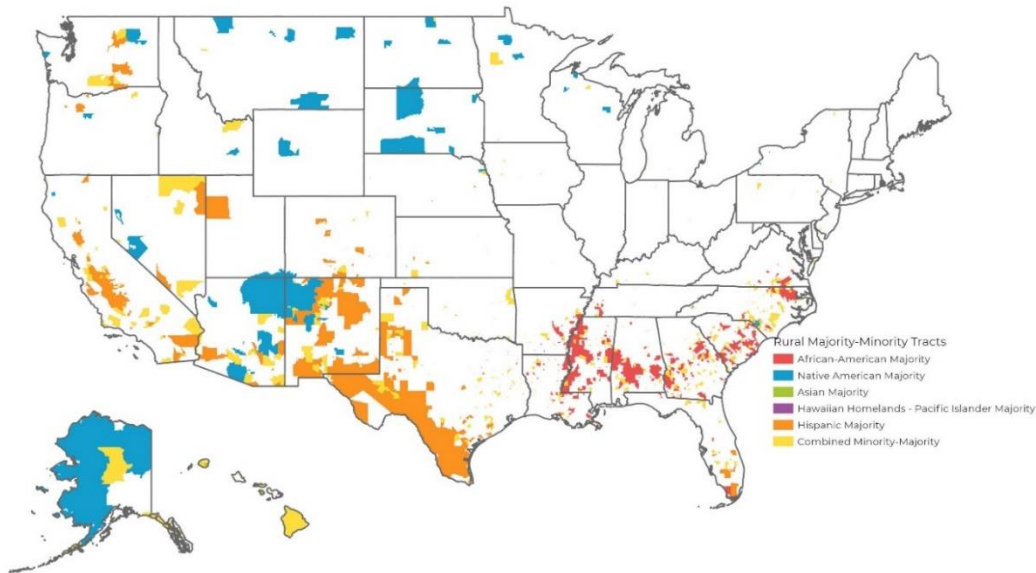
Despite these challenges, HAC's experience is that rural communities – even the most challenged – are largely credit-worthy and ripe for investment, provided that relationship building and an understanding of rural nuances are in place. Building access to capital in underserved rural regions is critical for the equity and long-term viability of rural communities.

Racial and Geographic Equity Should Be Core to the Enterprises' Mission

In more than 2,000 rural and small-town census tracts, racial and ethnic minorities make up the majority of the population. Many of these majority-minority rural communities, depicted in the accompanying map, overlap with Rural Duty To Serve High Need Communities. The harsh realities of racial inequity in rural communities are apparent in housing conditions in these places. Rural minorities are more likely than rural whites or all households nationally to live in substandard and unaffordable housing and are more likely to be poor.

RURAL AMERICA IS MORE DIVERSE THAN YOU THINK

There are more than 2,000 rural and small-town census tracts where racial and ethnic minorities make up the majority of the population.

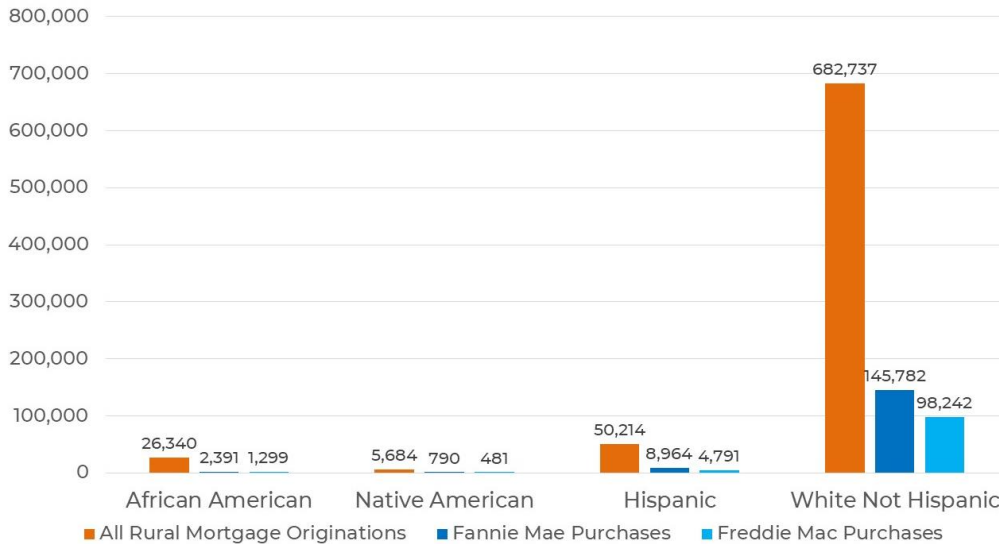


Source: Housing Assistance Council Tabulations of The U.S. Census Bureau's 2014- 2018 American Community Survey data.

Despite the clear need, the Enterprises' track record on serving rural minorities is woefully inadequate. In an analysis of 2020 Home Mortgage Disclosure Act data, the Housing Assistance Council estimates that the GSEs collectively purchased only 14 percent of all mortgage originations to rural African Americans. Similarly, less than 22 percent and 27 percent of rural Native American and Hispanic mortgage originations respectively were purchased by Fannie Mae or Freddie Mac. In contrast, the GSEs purchased 36 percent of all rural mortgage originations for white non-Hispanic borrowers.

The GSEs can make an impact on these conditions with thoughtful and concerted investment paired with diversity and equity principles in both their Equitable Housing Finance Plans and their Duty to Serve efforts.

2020 Rural Mortgage Originations by Race/Ethnicity and Purchaser



Housing equity is a social justice issue. In an era in which combating racial and economic inequities is a national priority, FHFA can use the Equitable Housing Finance Plans, in conjunction with other FHFA requirements like Duty to Serve, to go past minimum promised levels of loan purchase and to fundamentally shift the lives of Black, Hispanic, Indigenous, and persistently poor families. If the housing finance system is not part of a new solution, then it will remain part of an old problem.

Rural Realities Must Be Considered

The Equitable Housing Finance Plans include two mandatory objectives and a list of other additional “optional objectives.” The mandatory objectives are to reduce the racial homeownership gap and to reduce underinvestment in historically redlined communities.² These are two critically important objectives. HAC would encourage that further study be conducted on possible differences in redlining practices in rural vs. urban communities, to ensure that rural areas that experienced housing exclusion on the basis of race are also captured in the definition of redlined communities.

Similarly, several of the optional objectives focus on increasing the supply of housing near transit and other economic opportunities. We would encourage

² “Enterprise Equitable Housing Finance Plans Request For Input.” FHFA. Pg. 5.

<https://www.fhfa.gov/Media/PublicAffairs/PublicAffairsDocuments/Equitable-Housing-Finance-Plans-RFI.pdf>

the enterprises to also consider those objectives through a rural lens, where public transit and economic opportunity may not be as robust, but the community is nevertheless worthy of investment. In some rural places, for example, improving the affordable housing supply might not move residents to economic opportunity, but instead would draw employers to bring jobs to the area.

We are also glad to see both “increasing the quality of the supply of affordable housing available in racially or ethnically concentrated areas of poverty” and “reducing underinvestment or undervaluation in other (non-redlined) areas that remain underserved or undervalued” included in the list of optional objectives.

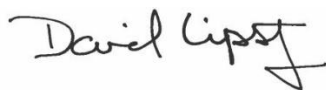
Stakeholder Engagement Will Be Critical

Multi-sector participation and investment is needed for the Equitable Housing Finance Plans to reach their full potential. These plans should work alongside Duty to Serve and continue to build upon the rural relationships that the Enterprises have been fostering over the past few years, especially with local, regional, and national nonprofits, tribes, and CDFIs. The lending models that these organizations have developed work in their communities, and the Enterprises’ plans would benefit from taking the lessons learned by these local organizations into account when developing appropriate rural products.

A continued and expanded effort to engage in proactive outreach to rural communities and small financial institutions would help make key players aware of the obligation that the Enterprises have to serve rural places and the opportunities that that obligation could bring to rural financial systems. Similar to the challenges faced by Duty to Serve, without a robust level of both local and national awareness about the Equitable Housing Finance Plan and its intended impact, its reach will be limited, and the Enterprises will not truly become a presence in rural communities of color and persistently poor places.

Thank you for your consideration of these comments. HAC truly appreciates the opportunity to speak to the yet-untapped potential of the nation’s housing finance system in rural communities.

Sincerely,

A handwritten signature in black ink that reads "David Lipsetz". The signature is written in a cursive, slightly slanted style.

David Lipsetz
President & CEO