

## **AFR Housing Priorities for 2021**

Housing is centrally important for all families. Where one lives plays a major role in determining health, education, and other opportunities, so finding and maintaining a safe, affordable home is one of the highest priorities for most households. Home is also the place that provides people with safety and security in times of crisis, which is especially true during the COVID-19 pandemic.

While rental issues are of vital importance, this document is focused principally on homeownership because of our coalition's focus and expertise on mortgage lending and related homeownership concerns. For most homeowners, their home is their greatest asset, their largest financial investment, and their biggest potential engine of wealth. Census Bureau research shows that home equity is one of the two biggest contributors to household wealth and found that the median net worth for homeowners is 80 times more than renters. At the same time, housing payments are the most significant monthly expense for most people in the United States, which makes housing tenure unstable during times of economic distress.

A healthy housing market requires stable housing, affordable and flexible repayment options, equitable access to safe and affordable mortgage credit, and protections against corporate takeover to allow families and communities to share in the benefits of economic recovery with a safe and stable place to live. In developing policy to pursue these goals, it is essential to account for the fact that historically, housing policy in the United States has been used to perpetuate segregation, exclusion, and inequality. Tailored and responsible lending rules are necessary to provide Black, Latinx, and other borrowers of color and low and moderate income (LMI) families with a meaningful road to stable housing and long-term homeownership.

The federal government should take decisive action to minimize pervasive harm from the COVID-19 pandemic, hold predatory actors accountable, and expand sustainable opportunities in communities of color to promote equitable housing access for all people in the United States. The following protections and improvements are essential to make it possible for American families to remain safely at home now and provide them with the stability they need to recover and rebuild.

### COVID-19 Relief and Recovery

- Extend eviction and foreclosure moratoria for as long as needed to allow families to weather the emergency safely in place and rebuild their lives. While most of this document is focused on homeownership, protecting tenants during the COVID-19 pandemic is absolutely critical. Eviction and foreclosure moratoria should be expanded to cover all tenants and homeowners in all types of housing to stem the spread of

infection and help all people remain safely in their homes during the precariousness of the COVID-19 pandemic and related economic hardships.

- Extend the time period to request a COVID-related mortgage forbearance to allow homeowners with COVID hardships to obtain forbearance without regard to an artificial deadline and expand the availability of forbearances and payment reduction options beyond federally backed mortgages to the entire mortgage market for all homeowners facing a COVID-related hardship.
- Require mortgage servicers to provide automatic forbearances to all borrowers who are 60 days or more delinquent on their mortgage for the duration of the COVID-19 emergency to avoid unnecessary foreclosures.
- Ensure, through CFPB or Congressional action, that the 120-day pre-foreclosure period for delinquent homeowners begins after a COVID-related forbearance or applicable foreclosure moratorium comes to an end, so that borrowers have the time they need to be reviewed for workout options before a foreclosure process can begin.
- Enforce requirements for mortgage servicers to provide relief required by CARES and other COVID response legislation and administrative action to benefit consumers.
- Review deregulatory actions taken during the crisis and make necessary changes to address pressing housing needs, including restoring supervision and enforcement of loss mitigation rules for mortgage servicers, quarterly HMDA reporting, enforcement of time limits for credit bureaus to investigate disputes, and appraisal requirements.
- Quickly begin a process to evaluate mortgage servicers' ability to handle a large number of defaults and servicing transfers in light of the COVID crisis, and swiftly develop plans to address deficiencies.
- Require mortgage servicers to offer loss mitigation options that reduce monthly payments, including loan modifications, after a COVID-related forbearance, and to review borrowers for all eligible options prior to initiating the foreclosure process.
- Administer the Homeowner Assistance Fund created by the American Rescue Plan to maximally prevent loss of homeownership for households of color and LMI families, and provide borrowers with the financial help they need to keep their homes, including assistance with mortgage payments, utilities, property taxes, association fees, and homeowners insurance costs.
- Implement a widespread public outreach campaign to notify renters and homeowners of available housing assistance and how to access help, with a specific focus on seniors, limited English proficiency (LEP) consumers, rural communities, and others who may have limited ability to access information electronically.
- Remove fees and special indemnification requirements for FHA and GSE purchases of recently originated loans that go into forbearance during the COVID-19 emergency.
- Create an independent governmental office to handle home mortgage borrower complaints.
- Prevent negative consequences as a result of COVID-related financial hardships for future housing opportunities by prohibiting negative credit reporting for missed payments due to COVID-19 and removing any restrictions on refinancing or other barriers to obtaining a mortgage or renting a new place to live after the COVID-19 crisis has abated.

## Fair Lending Accountability and Racial Justice

- Reverse 2018 -2020 regulatory actions that decrease accountability and make it harder to challenge discrimination, including the HUD Disparate Impact, Affirmatively Furthering Fair Housing, Equal Access, and Mixed Status rules, and the OCC Community Reinvestment Rule.
- Reestablish the decision-making authority of the Assistant Director for the Office of Fair Lending and Equal Opportunity (OFLEO) at the Consumer Financial Protection Bureau (CFPB) with respect to fair lending supervision and enforcement.
- Establish an inter-agency framework to coordinate work around racial equity and take steps towards reversing the damage of systemic racism in the housing sector.
- Affirm the use of the historic disparate impact doctrine under ECOA and FHA to challenge discriminatory policies, including discriminatory outcomes from the use of algorithms in underwriting for mortgage loans, at all agencies.
- Reinstate the expanded HMDA data fields, undo HMDA reporting and other rollbacks, and institute maximum possible public access to loan level HMDA data. Preserve and expand loan level data collection, including disaggregated race and ethnicity data, for all mortgage loans. Special attention should be paid to mortgage loan performance and loss mitigation in connection with COVID-19.
- Restore the language access, housing counseling and veterans' questions on the URLA.
- Prioritize fair lending enforcement across all regulatory agencies.
- Use HUD fair housing complaints and strengthen partnerships with fair housing groups to guide fair housing enforcement priorities with greater focus on outcomes.
- Allow DOJ to allocate settlement money to groups who work on systemic solutions to problems at issue in legal actions.
- Strengthen appraisal standards and increase transparency to protect all homebuyers from improper valuations and appraisal fraud, especially in formerly redlined communities.

## Expansion of Homeownership Opportunities for Communities of Color

- Convene an interagency working group to develop novel, cross-cutting programs to address the racial wealth gap, including through expanded access to homeownership and foreclosure prevention, sustainable lending, and remedies for discrimination and abusive practices.
- Increase sustainable homeownership opportunities and access to safe, affordable and responsible mortgage credit for borrowers of color and other underserved communities through down payment assistance, targeted outreach, special purpose credit programs, and tailored assistance.
- Explore the development of specifically race-conscious policies and programs to address the racial homeownership gap through special purpose credit programs, alternative underwriting processes--including debt-to income calculations related to

student loan debt, and through down payment assistance, home repair assistance, and other support.

- Increase language access for LEP consumers through expanding the availability and use of translated notices and documents, providing oral interpretation, and targeted affirmative advertising and free homeownership counseling to connect LEP families to homeownership opportunities.
- Improve the Community Reinvestment Act regulatory framework to increase equity in bank investments and access to sustainable, wealth-building credit in communities of color and underserved neighborhoods by directly incorporating race, prioritizing community input, considering environmental concerns, evaluating the quality of investments, and improving data collection as part of the CRA evaluation process.
- Incentivize small dollar mortgages.
- Put in place affordable housing goals and duty-to-serve requirements for the government-sponsored enterprises, Fannie Mae and Freddie Mac, that leads to the expansion of affordable housing investments for the GSEs.
- Push the GSEs to modernize and update their credit-scoring models to help expand access to credit by allowing for increased scoring of traditionally underserved consumers and the standardization of use of these updated models by lenders making home loans in ways that promote access to sustainable homeownership among marginalized groups and with adequate safeguards against perpetuating discrimination.

#### Proper Regulation of Home Loan Products

- Undo the CFPB's QM seasoning proposal and only allow QM status for loans that meet the QM standards at origination.
- Oversee home mortgage originations for disparities disadvantaging protected groups, including pricing disparities.
- Monitor the effectiveness of CFPB ability-to-repay protections for home mortgages by analyzing delinquency and default rates.
- Prevent the use of unregulated and abusive PACE loans and make sure that any green home lending programs, including those to promote energy efficiency, are only offered after there are strong consumer protection measures in place, including consideration of the borrower's ability to repay, and actual follow through on providing the promised service.
- Take action to stem abusive practices in predatory rent-to-own contracts, including land installment contracts, lease-to-own, and all other variations.
- Reverse the CFPB's No Action Letter and Sandbox policies that lessen regulatory oversight over new financial products without public input.

#### Preserving Long-Term Homeownership

- Improve FHA loss mitigation measures for forward and reverse mortgages.

- End life of loan premiums for FHA loans.
- Maintain a menu of loss mitigation options for homeowners who face financial hardship that include reductions in monthly payments.
- Preserve the GSEs' public purpose and undo rules that do not further this purpose, such as the 2020 Enterprise Regulatory Capital Rule, or undermine efforts to develop pilot programs to expand access to credit for traditionally underserved consumers, such as the recently proposed Prior Approval of Products Rulemaking by the Federal Housing Finance Agency.
- Establish programs to help homeowners who need assistance with funds for rehabilitation, renovation or other emergencies that come with homeownership.
- Increase funding for housing counseling and legal services.

### Preventing Corporate Takeover and Keeping Homeownership in Communities

- Require notice to residents and homeowners before their loan or property is sold in a note sale that gives them a right to appeal the determination that loss mitigation has been exhausted and enact protections after sale that foster continued tenancy and homeownership, including affordable loss mitigation options and restrictions on raising rents and fees beyond a reasonable percentage, and requiring reporting about outcomes after sale.
- Prohibit government entities from selling notes or properties without confirmation that the homeowner's loss mitigation processes have been exhausted, the homeowner has been notified of their right to appeal, and the appeal process has been completed or the time period to appeal has expired.
- Prevent the sale of loans and properties, including manufactured homes, to corporate entities in bulk sales, before the loans or properties are first offered to tenants, nonprofit organizations, land banks, state and local governments, or other designated community preservation entities.
- Designate funding to allow tenants and community preservation entities to acquire properties and provide rehabilitation, renovation and maintenance support needed to maintain safe, affordable long-term housing in local communities.
- Repeal the Opportunity Zones program, which is likely to exacerbate the affordable housing crisis and incentivize extractive corporate investments in LMI communities where low-income residents and residents of color are most vulnerable to economic displacement and gentrification.
- Incentivize increasing the supply of smaller homes through renovation and new development for LMI families and first-time homebuyers.
- Reinvest in existing public housing, funding both the capital improvements backlog and modernization and resiliency retrofits. End the sale, demolition, and for-profit management and conversions of public housing into mixed-income buildings.
- Repeal the Faircloth Amendment, and expand the stock of public housing over the next 10 years.

- Reform and improve multifamily and manufactured housing financing policies at the GSEs to support rather than undermine affordable housing for residents.
- Set policies in place to prevent and deter further concentration of housing in the hands of Wall Street real estate firms with a record of undermining affordable and habitable housing for families and communities.

#### Personnel/Interacting with Agencies

- Support confirmations and appointments of leadership, senior staff and key decision makers at all relevant agencies who are aligned with the goal of creating strong, sustainable, inclusive homeownership and rental opportunities for all communities and have experience working with diverse communities.
- Push agencies to include people with lived experiences in regular discussions with decision-makers as they do their work.
- Increase the racial diversity of leadership throughout the Administration's housing and banking agencies, and their associated consumer advisory councils, to better ensure representation of the interests of historically underserved consumers.