



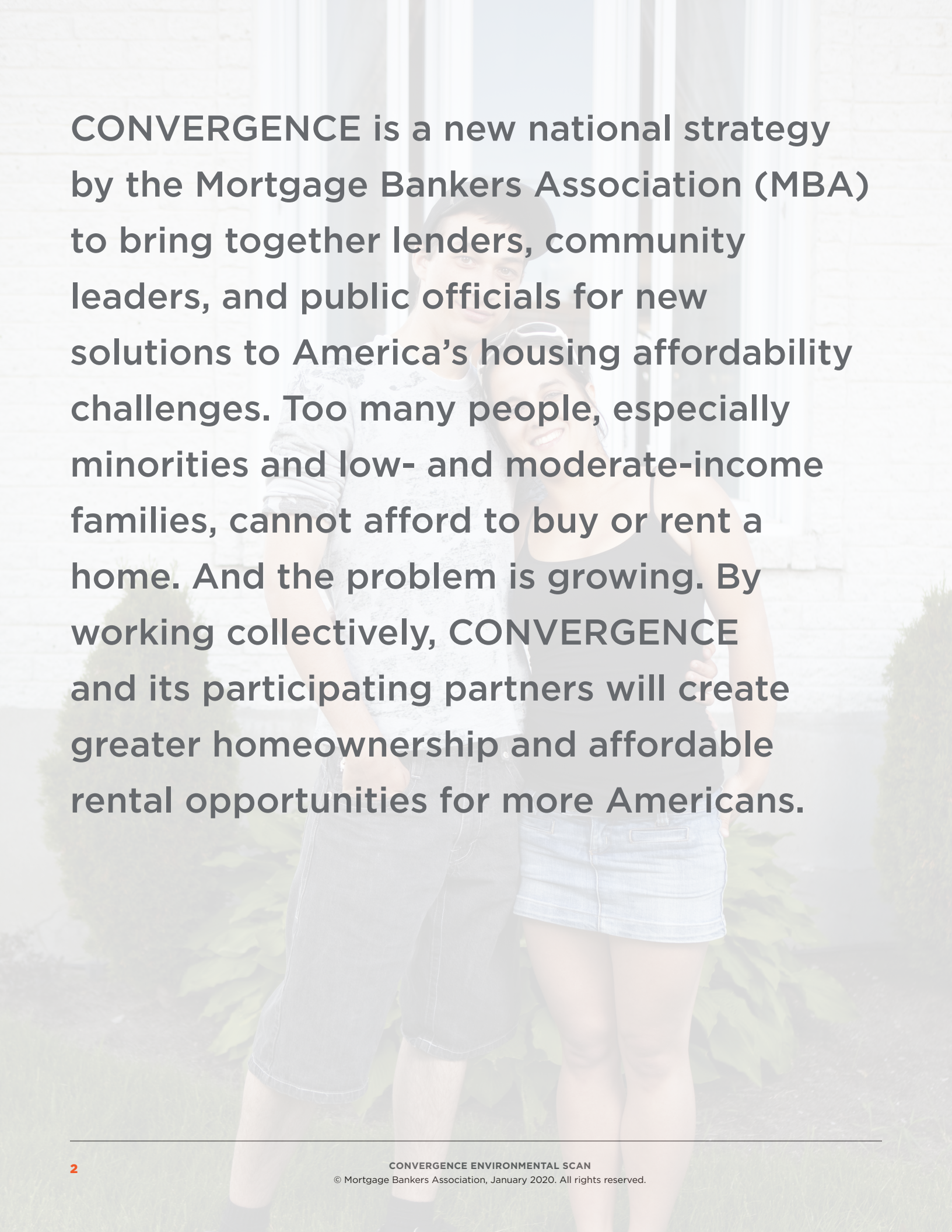
Environmental Scan

Affordable Homeownership Challenges & Opportunities

CONVERGENCE
UNITING FOR HOUSING AFFORDABILITY

MBA[®]

MORTGAGE BANKERS ASSOCIATION

A young man and woman are standing in front of a white brick house. The man is on the left, wearing a white t-shirt and dark pants. The woman is on the right, wearing a black tank top and a denim skirt. They are both smiling and looking towards the camera. The background shows a well-maintained lawn and some greenery.

CONVERGENCE is a new national strategy by the Mortgage Bankers Association (MBA) to bring together lenders, community leaders, and public officials for new solutions to America's housing affordability challenges. Too many people, especially minorities and low- and moderate-income families, cannot afford to buy or rent a home. And the problem is growing. By working collectively, **CONVERGENCE** and its participating partners will create greater homeownership and affordable rental opportunities for more Americans.

Overview

MBA's CONVERGENCE strategy launched in 2019. The first order of business was to conduct an "environmental scan" focused on affordable homeownership. (A similar scan is being done on affordable rental housing.) The purpose of this initial step was to identify the fundamental elements of the affordable homeownership problem and potential solutions. MBA staff consulted with experts in housing and housing finance, consumer groups, and civil rights organizations. The goal was to identify opportunities where MBA and its members could have the greatest positive impact on affordable homeownership. This paper summarizes key findings from the environmental scan.

Our nation faces an affordable housing crisis. The gap is growing between what families and individuals can afford and prevailing housing costs, whether for rent or purchase. At the same time, the demographic and economic profile of the U.S. population continues to evolve rapidly. Old ways of getting people into homes they can afford aren't working. Put simply, a business-as-usual approach is not an option.

MARKETPLACE REALITIES

HOUSING SUPPLY CONSTRAINTS

The current annual rate of new construction is about 370,000 homes below what is needed to meet long-term demand. This growing supply gap is a major headwind to affordability.

AGING HOUSING STOCK

The median home in the United States is more than 40 years old, and 20 percent of the homes are over 80 years old.

RACIAL HOMEOWNERSHIP GAPS

Despite decades of efforts to promote economic equality, there is a profound homeownership gap among the nation's racial minorities. The homeownership rate for non-Hispanic whites is over 70 percent, while the homeownership rate for African Americans hit a 50-year low of 41.7 percent in 2016. The Hispanic homeownership rate, while trending upward in recent years, remains below 50 percent.

DEMOGRAPHIC TRENDS

Minorities will be driving housing demand in the coming decades. There will be 17 million new households by 2025 — 70 percent will be minority. The United States will be "majority minority" by 2050 — California, Hawaii, New Mexico, Texas, and Washington, D.C., are already there. Hispanics, the fastest-growing group, represent 40 percent of new households. Millennials are the largest and most diverse demographic cohort in the United States — approximately 44 percent are minorities.

URBAN VS. RURAL

Urban markets often face the triple challenges of disinvestment, hyper-gentrification, and persistent racial segregation. In rural communities, where housing stock is frequently substandard, there often are fewer and smaller financial institutions and a lack of homeownership support services such as housing counseling.

INDUSTRY STRENGTHS

Market Knowledge
Technical Expertise
Business Networks
Pragmatism

MARKET WEAKNESSES

Lack of Consumer Knowledge
Lack of Consumer Trust
Program/Product Gaps and Friction
Supply Gaps

OPPORTUNITIES

New Business Relationships
Coordination and Collaboration
Pipelines for Future Business

THREATS

Commitment Fatigue
Lack of Political Will
Competing Agendas
Off-key Messages

POLITICAL AND POLICY ENVIRONMENT

Policymakers at the federal, state, and local levels are eager for new solutions. The White House recently announced a Council on Eliminating Regulatory Barriers to Affordable Housing, led by the U.S. Department of Housing and Urban Development (HUD) and consisting of eight federal agencies. Most major Democratic presidential candidates proposed an affordable housing plan. A number of federal legislative proposals are moving through Congress, and housing affordability is a major part of key policy debates, including those about Fannie Mae and Freddie Mac (GSE) reform. Meanwhile, state and local leaders continue to explore a range of affordable housing policies.

Most homeownership policy efforts focus on one or more of the following activities:

- Addressing financial barriers such as the lack of funds for down payments and reserves;
- Providing financial literacy;
- Promoting the construction and preservation of housing stock;
- Financing techniques and resources, including direct and indirect subsidies;

- Reforming regulatory barriers; and
- Redefining land use and zoning rules.

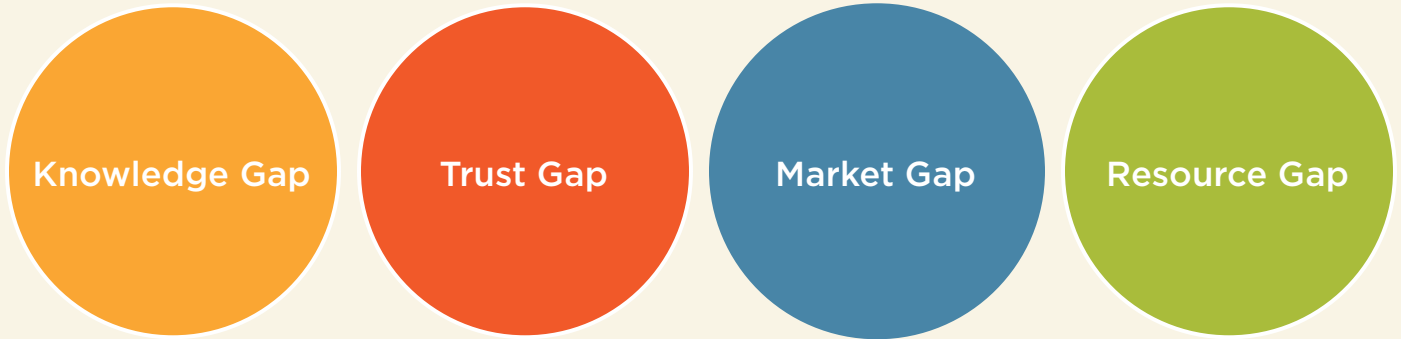
At the federal, state, and local levels, a broad range of housing programs leverage multiple public and private funding sources. Renters and potential homebuyers are served by a full spectrum of governmental, nonprofit, and business organizations. Unfortunately, there often can be inadequate coordination among these entities. The situation calls for fresh ideas and greater unity in these efforts. Through the CONVERGENCE strategy, MBA will play a larger role in creating more collective action among these various forces.

BUSINESS ENVIRONMENT

Lenders face a number of headwinds in dealing with housing affordability. Many programs are complex, often causing operational friction or resistance from certain stakeholders. Other programs are difficult to replicate or scale. Economic returns can also be lower.

Mortgage lenders face different incentives and challenges. For depository institutions, the benefits of making a home loan eligible for Community Reinvestment Act (CRA) credit often require crafting customized mortgage products that produce

KEY GAPS



lower profit margins. For independent mortgage banks (IMBs), affordable homeownership offerings to consumers require effective programs from investors.

Reaching aspiring low- and moderate-income homebuyers often involves surmounting one or more key gaps. First, there frequently is a knowledge gap, with consumers mistakenly believing it is necessary to make a 20 percent down payment or have perfect credit. Second, there can be a trust gap, with consumers being fearful of the mortgage process and distrustful of financial institutions. Third, there may be a market gap, where housing supply is lacking or unstable. Homebuyer assistance programs or products, or credit practices are lacking. Bridging these gaps will require new messages, new messengers, and new partnerships — concepts at the heart of the CONVERGENCE strategy.

MBA MEMBERS: WORK COLLABORATIVELY, STREAMLINE SOLUTIONS

Importantly, MBA in 2019 formed advisory councils on affordable homeownership and rental housing. The input from these two blue-ribbon panels has been enormously valuable. (See Appendix B for details on key findings.) Discussions with mortgage lenders and other stakeholders have repeatedly cited the need for a more unified approach to the affordable

housing challenge. They have urged MBA to help foster a home lending environment built on robust networking with traditional and nontraditional partners. MBA members have said: Coordinated approaches — at the local, state, and national levels — will make a big difference and propel us forward. (Note: Appendix B.)

CONVERGENCE means MBA and its members will work with all those who seek to be part of positive strategies that enhance housing affordability for families and individuals across the nation.

SUMMARY

In short, the challenges are formidable. There is not enough housing supply, or the right types of supply, to meet current and future demand. The cost to rent or own a home is beyond the means of many families, causing them economic hardship and sacrifices. Moreover, the new marketplace of renters and aspiring homebuyers is culturally and racially diverse, putting a premium on the need for new multicultural outreach methods, innovative mortgage products, and rethinking certain underwriting and credit policies. Absent new approaches, there will be fewer homeowners, a much smaller mortgage market, and a weaker national economy.

Foundational Principles

A core operating principle underlying the preliminary recommendations of the CONVERGENCE strategy is the need to build new partnerships — both in the policy and business arenas. In doing so, MBA will leverage the core strengths of the trade association and its members. For the organization, that includes its value in policy and advocacy, research, meetings and conferences, education and training, and public affairs engagement. MBA members’ strengths include serving as sources of credit and capital; their business and market expertise; and their relationships in the private, public, and nonprofit sectors.

POLICY AND ENGAGEMENT OPPORTUNITIES

Policymakers at the national, state, and local levels are focused on affordable housing issues and eager for new ideas and solutions. We can help shape policy outcomes. MBA has developed a preliminary “Affordable Housing Policy Agenda” to help guide our efforts in this area. This agenda will be a dynamic document — it will be updated as we continue to explore new ideas.

BUSINESS AND MARKET OPPORTUNITIES

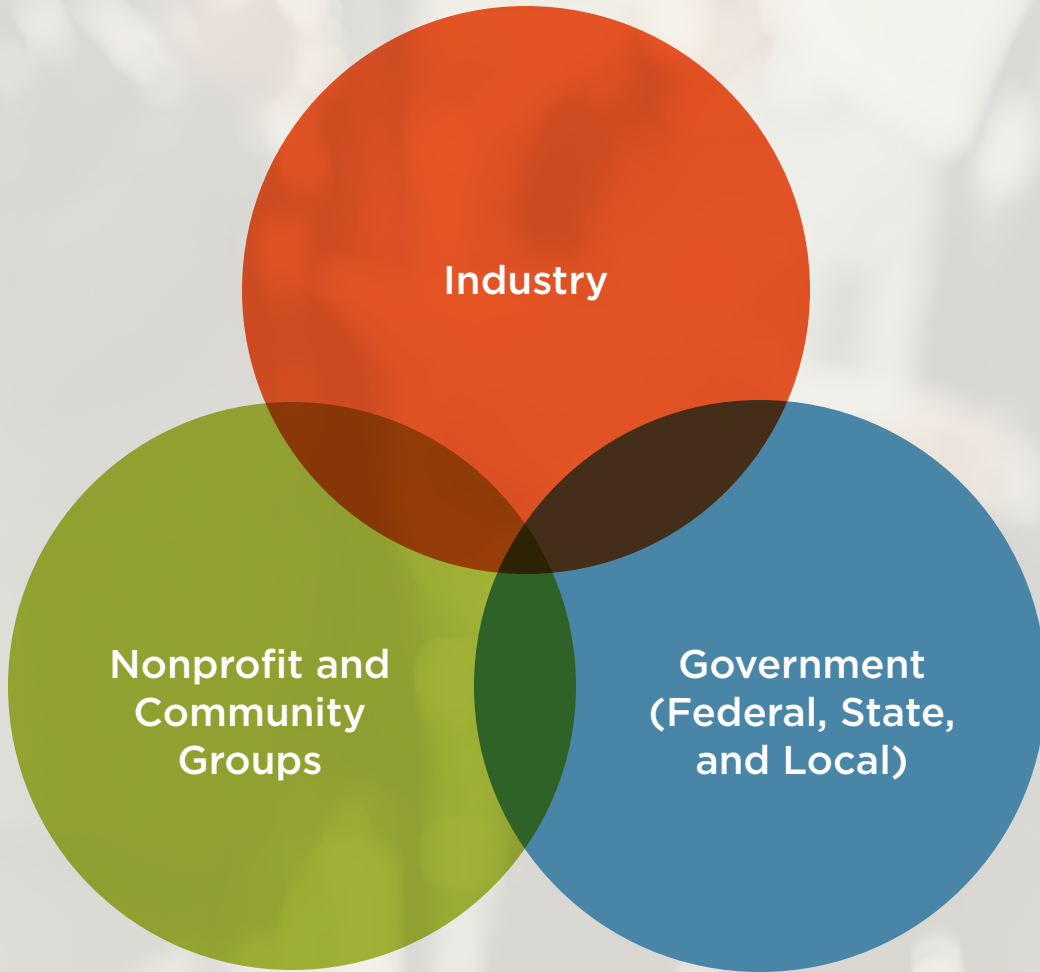
By linking with other industry stakeholders, nonprofits, policymakers, and other partners, the home mortgage lending industry has the opportunity to explore new ways of doing business in the affordable housing arena. We also have the potential to reach untapped markets and pipelines for future business — including rethinking business processes, products, and outreach strategies.

KEY FINDINGS

To develop this environmental scan, MBA staff engaged in extensive “listening tours” with a broad cross-section of stakeholders, including industry members, housing advocates, policymakers, and others. **(A list of these stakeholders is included as Appendix C.)**

The list of preliminary recommendations in the following sections provides concrete steps we can take in the near term to make an impact on affordable housing issues. **(A number of other ideas and suggestions from stakeholders are listed in Appendix B — “Key Findings.”)**





Preliminary Recommendations

MBA's CONVERGENCE strategy is based on building and strengthening affordable housing partnerships in the business and policy arenas in order to create stronger rental and homeownership markets. By working collaboratively and leveraging the respective strengths of different partners, we believe that we can find new solutions to housing affordability. To this end, we will work in two broad areas: 1) Developing and advocating for a dynamic affordable housing policy agenda that supports rental and homeownership options; and 2) Fostering and participating in coalitions and partnerships to advance housing affordability.

AFFORDABLE HOMEOWNERSHIP INITIATIVES/PARTNERSHIPS

Host two place-based Partnership Forums on affordable homeownership in select markets during 2020. The forums will be designed as catalysts for ongoing initiatives in those markets, where industry stakeholders, local governments, and nonprofits collaborate on a specific problem — minority homeownership. With established commitments and milestones, the initiative will seek to develop new approaches and solutions based on prioritization of strategic partnerships and collective actions. After a defined period, a report on the lessons learned from the partnership can lead to “Roadmaps for Engagement” — essentially playbooks and toolkits as a guide to future partnerships in other markets.

KNOWLEDGE AND INFORMATION SHARING

Explore the idea of a clearinghouse for information to be exchanged on best practices and a tool box for lenders in the affordable housing space. The clearinghouse could include updates on MBA research, success stories highlighting MBA member efforts, and an online forum where members can exchange information.

STANDARDIZATION

Explore ways to simplify affordable homeownership programs and processes to increase their utility and effectiveness.

NETWORKING AND PARTNERSHIPS

Explore ways to improve coordination among key stakeholders in the affordable housing ecosystem. While there are many ongoing efforts and partnerships, frequently there

are redundancies/overlap, gaps, and competition instead of cooperation. By helping key players to work together in a cohesive way, there is an opportunity to create and expand markets for the benefit of everyone. MBA can play a role as a coordinator/convener in this regard.

RESEARCH

Develop a list of potential research projects for consideration by MBA's Research Institute for Housing America (RIHA) and initiate those considered most promising to advance an affordable housing agenda. Additionally, we recommend that MBA consider hosting a meeting of key lenders, mortgage insurers, and the GSEs, to explore the idea of a benchmarking study on best practices for affordable homeownership outreach and lending.

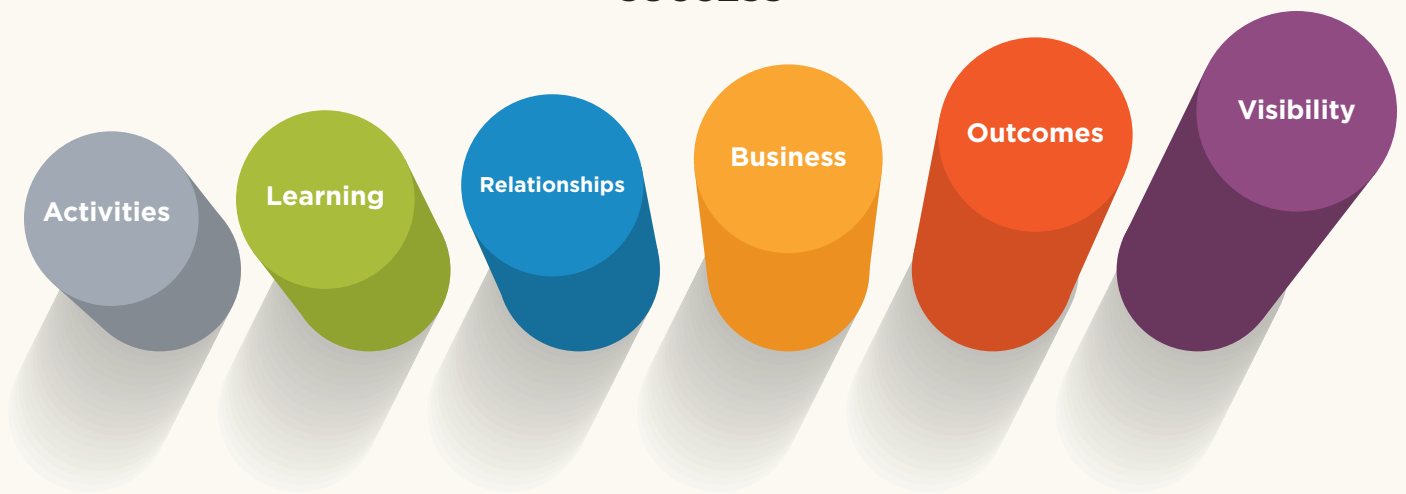
EDUCATION AND TRAINING

Explore the creation of a webinar series for residential members covering the following aspects of reaching first-time and low- and moderate-income borrowers: 1) working with housing counselors; 2) utilizing down payment assistance programs; 3) working with state housing finance agencies; and 4) working with real estate professionals. The materials for the webinar series could also be repurposed for online training modules. Other training and education opportunities will be explored.

MEMBERSHIP OUTREACH

Explore a potential membership package tailored toward nonprofits in the housing/lending space.

SUCCESS



MBA MEMBER ENGAGEMENT PROCESS

MBA has created two member Advisory Councils — one for Homeownership and one for Rental. (**Appendix A lists the members of the Advisory Council on Affordable Homeownership.**)

The purpose of these councils is to provide input in the following key areas:

- **Strategic Priorities:** Where MBA should focus its time and resources to have the greatest impact
- **Aggregation:** Explore the option of a knowledge-sharing platform for key tools and examples of what works
- **Data and Research:** Identify areas where additional data and research would be most useful
- **Innovation:** Help design and test new products, processes, and partnerships to reach those consumers and communities traditionally underserved by the marketplace
- **Networks:** Build connections among stakeholders and create processes for identifying strong partners
- **Partnerships:** Facilitating better coordination and collaboration among affordable housing stakeholders
- **Policy:** Affordable housing policy proposals and priorities
- **Standardization:** Facilitating replicability and scalability in key programs and processes through standardization
- **Tactical Execution:** Affordable lending practices and ideas for improvements

MEASURING SUCCESS

It will be important to develop metrics for MBA to measure CONVERGENCE's success. Success will be measured in the following categories:

- **Activities:** Creating a foundation for success
- **Learning:** Insights and knowledge
- **Relationships:** Collaboration and partnerships
- **Business:** New customers and new products/practices
- **Outcomes:** Progress and results
- **Visibility:** Positive recognition of collective efforts

SUMMARY

There is an abundance of needs in the affordable housing space, covering both the rental and homeownership markets. MBA has an opportunity to have an impact in a number of ways, leveraging the core strengths of our association and our members. The key will be to identify strategic priorities and align our efforts with other stakeholders. There are no quick fixes, and the challenges are beyond the resource capacities of any individual organization. However, by working effectively and focusing on the right objectives, we can make a difference in ways that help renters, aspiring homebuyers, and our members.

For more information, contact:

Stephen A. O'Connor
Senior Vice President,



APPENDIX A

Roster for MBA Advisory Council on Affordable Homeownership

Kristy Fercho

Co-Chair
President of Mortgage
FLAGSTAR BANK

Eddy Perez, CMB

Co-Chair
President
EQUITY PRIME

Patti Arvielo

President & Co-Founder
NEW AMERICAN FUNDING

David Battany

Executive Vice President,
Capital Markets
GUILD MORTGAGE

Gary Clark, CMB

Chief Operating Officer
SIERRA PACIFIC MORTGAGE

Geoffrey Cooper

Vice President,
Product Development
MGIC

John Gaines

Executive Vice President,
Chief Credit & Pricing Officer
ARCH MI

Joseph Gutierrez

Managing Director, Community
Lending & Industry Relations
UNION BANK

Nikki Holsopple

Head of Community Reinvestment
& Community Partnerships
JPMORGAN CHASE

Jason Madiedo

President
ALTERRA HOME LOANS

Lenny McNeill

Senior Vice President,
National Managing Director,
Strategic Markets & Affordable
Home Lending
US BANK

Jay Plum

Executive Vice President
HUNTINGTON NATIONAL BANK

Jeremy Potter

Senior Director,
Strategy & Innovation
QUICKEN LOANS, INC.

Michelle Swindell

Senior Business Development
Manager
BANK OF AMERICA

Miguel Vega

Chief Diversity Officer,
Senior Vice President,
Business Development &
Multicultural Lending
FIRST COMMUNITY MORTGAGE

Rita Ventresca

Senior Vice President,
Head of Strategy
WELLS FARGO HOME LENDING

Mark Vinciguerra

Regional Vice President
UNION HOME MORTGAGE

Dianne Wasson

Vice President
HOMESTREET BANK

Anthony Weekly

Senior Vice President,
Inclusive Lending & CRA Strategy
SUNTRUST MORTGAGE

Fowler Williams, CMB

President & Chief
Executive Officer
CRESCENT MORTGAGE COMPANY



11,850
7,300
5,005
1,279
2,801

28,234

512
1,154
2,699

28,859

APPENDIX B

Key Findings from Stakeholder Discussions

The notes below are not exhaustive, but are illustrative of the dialogue and views exchanged during the environmental scan. The feedback is divided into three parts:

PART 1: OVERVIEW

General list of topics/comments from the environmental scan.

PART 2: STAKEHOLDERS

Comments from broad spectrum of stakeholders.

PART 3: HOUSING ADVOCATES

Comments from 18 housing advocates during a 2.5-hour meeting.

PART 1: OVERVIEW

The following is a list of topics raised during the environmental scan.

MARKET ISSUES

- First-Time Homebuyers
- Low- and Moderate-Income Homebuyers
- Workforce Housing
- First-Generation Homebuyers
- Minority Homeownership Gaps
- Millennials and Student Debt

SUPPLY ISSUES

- Housing Supply
- Hyper-Gentrification
- Rehab and Renovation Lending
- Manufactured Housing
- Lack of Entry-Level Homes
- Workforce Housing
- Seniors and Affordable Housing
- Condos
- Distressed Urban Areas
- Rural Housing
- Transit-Oriented Housing
- 2-4-unit Housing

BORROWER ISSUES

- Down Payment and Closing Costs
- Student Debt
- Changing Demographics: Knowledge and/or Trust Gaps
- Outdated Scoring Models
- Origination Costs (indirectly, servicing costs)
- Monthly Payment Affordability
- Multigenerational Households
- Cultural and Linguistic Barriers
- Limited Industry Innovation (test and learn) for New Borrower Groups/Profiles
- Property Tax Increases
- Shared-Economy Borrowers
- Credit Invisibles and Non-traditional Credit Profiles
- Homeownership Education — Removing the Myths and Fears About Owning a Home

LENDING / OPERATIONAL ISSUES

- Low-Balance Loans
- Lender Overlays
- G-Fees and LLPAs

- Complexity of GSE 97s
- Risk Assessments Generally
- FHA MIP — Life of Loan Insurance
- Manual Underwriting and Audit Stigmas, etc.

SERVICING-RELATED ISSUES

- Servicing Practices
- FHA Mods and Servicing (conveyance and REO)
- REO Management

REGULATORY BARRIERS

- Guides Interpreted as “Rules”
- Enforcement Environment
- Ambiguity in Rules/Standards (including investor views)
- Excessive Documentation
- Defensive Underwriting/Credit Overlays

HOMEBUYER COUNSELING

- Efficacy of Different Types
- Integration (lender and investor)
- Scalable Models
- Consistency/Standards
- Funding

APPENDIX B

PART 2: STAKEHOLDERS

The following is a list of comments from a broad cross-section of stakeholders.

- One MI executive talked about the need to strategically address the four P's in affordable homeownership — property, product, price, and preparedness.
- One lender said that any MBA affordable housing efforts should be able to answer three questions:
 1. What outcomes are we trying to achieve?
 2. What value will it create for lenders?
 3. What will be different or new with this effort?
- One policymaker suggested that “minority homeownership” is a great place for MBA to focus its efforts — “Lessons learned in that space can be used in many other areas.”
- A policymaker urged MBA to be thinking now about how the industry can help financially vulnerable communities when the next recession comes.
- A policymaker talked about embracing the “logic behind CRA and Duty to Serve” — i.e., affordable housing can be a profitable business opportunity. “Moral persuasion can get lenders to try to do more, but profits are important so that they keep doing it.”
- One executive talked about the “eye rolling” factor if MBA is not sensitive to how it manages its messages — i.e., be careful that any efforts don't come across as motivated by public relations.
- A number of lenders stressed the importance of being proactive on affordable housing.
- A policymaker talked about how the racial wealth gap is a big issue, and that intergenerational transfer of wealth is where the gap starts — and persists. Homeownership can change that dynamic.

POLICY

- MBA can help lead public policy changes to move the dial on affordable housing, especially with regard to regulatory barriers. Regulatory overkill needs to be recalibrated.
- The definition of LMI is different under CRA than it is under the Duty to Serve and Housing Goals for Fannie/Freddie. (Bank regulators look at the “Assessment Area” and take a more granular approach via census tracts. FHFA and the GSEs use MSAs. This dynamic can create a mismatch — out of 420 MSAs, 157 are not aligned with regard to eligible incomes for CRA and GSE affordable housing requirements. The disparity is often more severe in larger MSAs.) As a result, there is not a secondary market outlet for some CRA loans. By getting regulators to harmonize these definitions, MBA can help close this product gap.

PARTNERSHIPS AND MARKET OUTREACH

- One lender talked about the importance of “local solutions” and “stacking them” in regions to multiply the impact. Can MBA craft regional tool kits to link solutions to common market challenges? How can MBA provide real-time feedback to lenders in these regions on what's working and not working? Can MBA create an online community to facilitate information exchanges between lenders? What about periodic video testimonials from lenders on “five things I did that worked” in my community/region?
- One lender discussed the need for the homebuyer counseling community to evolve — “They often overpromise and underdeliver.”
- MBA should look to align with non-housing partners in key sectors, including transportation, health care, and education to leverage coordinated policy/advocacy efforts. The lack of coordination among regional economic development authorities leads to suboptimal outcomes and resource misallocations. There is a need for more public/private-sector partnerships and alliances where housing is incorporated into a larger economic development strategy.



- One FHLB executive talked about the need for a “hyper-local” approach that can draw on a tool box of products, programs, and information in that area. It is important to build capacity among stakeholders by aggregating knowledge and sharing it. The key is to “keep it fresh” with real-time updates. This approach will allow industry partners to coordinate and think strategically across a region, allowing solutions to be replicable and scalable.
- One leader from a regional public/private partnership said his or her area of focus (workforce housing) was based on addressing three questions: 1) What’s worked; 2) What hasn’t worked; and 3) How can we do it differently? The solutions, that were identified are “not new or revolutionary, said the leader, but based on certain steps making a difference over time — “We knew that business as usual wouldn’t work,” and that business and community leaders had to commit to a long-term engagement for results to occur.
- There is a trend where mayors in high-cost housing markets look to partner with major employers to facilitate affordable housing.
- One industry vendor discussed how each market has idiosyncrasies — general principles and tools are OK, but tailored solutions are key. Each community is different.
- How can MBA help address partnership gaps? There is not enough coordination among local housing and community partners.
- One lender talked about the need to show real estate professionals the “business opportunity” in order to engage and sustain their interest.
- It was stressed that nonprofits are often the key to building trust with underserved communities — “They need to be at the forefront of any outreach strategy.”
- One lender believes it is “less about ideas and more about execution” — how can we link lenders and nonprofits to work together to serve a community?
- A housing advocate cautioned on the need to do due diligence on nonprofit partners. “Not all of them can get the job done.”
- A housing advocate talked about trust being a greater barrier than price sensitivity for low-income consumers.



- There is a need for standardization among down payment programs and nonprofits. If MBA can help with standardization, banks could reach more borrowers. (One large bank said that it utilizes 1,500 different down payment assistance programs, plus another 1,000 programs from “employers, municipalities, and nonprofits” with programs that don’t fit with Fannie Mae and/or Freddie Mac guidelines.) Can MBA work with the GSEs to create more uniform standards?
- Focus on the diagnosis — What is the problem? Then ask, “How can lenders help with solutions?”
- Focus on the “Collective Impact Model,” where multiple stakeholders work on a common set of problems. Engage in creative collaboration that puts MBA at the intersection of diverse talents and views. (One MI executive said that MBA can be the “hub” that connects spokes.)
- Get lenders to look at key nonprofits as business partners.
- In public/private partnerships, the key is “follow-up and sustainability.”
- There is a need for the mindset of many nonprofits to evolve — “They need to be more entrepreneurial.”
- Engage the local community — “It’s about place.” Even with a playbook and tools, each market is unique.
- We need more resources in the counseling community. Also, we need new terminology — “wealth advisors” or “homeownership advisors.”
- Counselors are important for creating a “safe zone” where the consumer can ask questions and share financial information. Trust is the key ingredient.
- Several commenters talked about “creating pipelines” and making “incremental progress.” “We can do more business together than by going it alone.” “It’s about building and developing a market and not about competition.” “It’s not about a single transaction, but a transaction within a system.” “The key is to think big picture and long term.”

PRACTICES, PRODUCTS, AND KNOWLEDGE SHARING

- Housing Finance Agencies can provide access to key programs and relationships for LMI lending, but sometimes the speed, execution, and technology can be lacking. Also, there are smaller profit margins on many of their products.
- State and local programs for down payment/closing costs are helpful but often complex, especially when multiple sources are layered. The compliance/economic risks are compounded with each layer, increasing concerns that a mistake at one layer can “break” the entire transaction and lead to buy-backs.
- One lender discussed the challenges of meeting CRA obligations via mortgage originations (hard) versus activities and technical support, which are easier to demonstrate. Can MBA help by identifying best practices around what’s working in the CRA mortgage space, including compliance with fair lending?
- Can MBA help lenders understand which LMI markets are successful and help identify how any practices are transferrable to other markets? “Let’s start with success and export the best practices to other markets.”
- Can MBA help provide market insights and best practices based on data/research on where lenders are being successful in penetrating new markets and reaching underserved borrowers?
- One bank CEO discussed the need to manage the affordable housing dialectic between a bank’s social responsibility and risk management teams.
- Several executives discussed the importance of building a culturally diverse workforce in order to reach untapped markets. One person raised the idea of MBA developing D&I training that focused on “generational issues.” One nonprofit suggested that MBA develop training on how to deal with “denials” in a culturally sensitive way.
- QC is important in LMI lending, as well as the need to manage pricing and avoid adverse selection.
- We need to focus on the “right way to expand access to credit in a tight supply environment.” Otherwise we risk putting more marginal borrowers into homes.
- Address language preference issues in a way that helps borrowers but also protects lenders against legal risks.
- Expand use of Fannie Mae’s “Community Seconds.”
- Can MBA “standardize the back-and-forth handoffs between lenders and counseling agencies?” Can MBA “map the friction points in LMI transactions” to help identify solutions?
- Renovation and rehab products need to be part of any affordable housing strategy. The appraisal gap problem needs to be addressed.
- “Show lenders how” to reach LMI borrowers ... and ways to make money doing it.” The industry needs to be proactive in positioning for the coming market changes. LMI lending is a key piece — it is “good business when market is flat ... and you are also building pipelines for the future.”
- Let’s not duplicate what each of us is doing. Let’s learn from each other. MBA can be a clearinghouse for best practices.
- Hedge funds and REITs have no appetite for high-LTV products due to the capital hit and lack of scalable securitization.
- FHA needs to change its approach to calculating student loan debt — mirror what the GSEs do.
- Can we find ways to standardize and scale approaches like Shared-Equity and Rent to Own?
- Changes to HomeReady and HFA Preferred have hurt access in high-cost markets.
- Credit scoring techniques need to keep evolving. Also, “down payment and cash to close programs won’t help with credit issues.”
- The “lack of a financial literacy infrastructure” needs to be addressed.
- How can we work to stress the importance of “liquid reserves” for borrowers?
- Loan officers will often try to maximize income to qualify borrowers, but “too much income” can put borrowers over the cap for down payment assistance programs.
- Some lenders talked about getting “more audits (and buy-backs) on higher-LTV loans,” creating a disincentive to do them.
- Can MBA help standardize whole loan trading for community loans?
- Small depositories are leaving rural markets, exacerbating credit access issues. Also, there is a lack of homebuyer counseling infrastructure in many rural areas. “There is a real need for long-term and sustained engagement in rural communities.”



- Manufactured housing has untapped potential. HUD code overrides state and local codes. However, modular needs to meet state and local codes. We need to standardize the financing model.

PROPERTY / SUPPLY ISSUES

- ADUs and special products need to be part of any affordable housing tool kit.
- Can we link developers and city planners to help promote rehab and land infill strategies?
- “The aging housing stock gives greater urgency” to the need for better renovation lending products.
- Investors buying homes for cash are displacing/ reducing opportunities for many LMI consumers. “Maybe MBA can talk with some of the large single-family rental investors on ways to work together?”
- Modular housing is evolving and needs to be considered as part of any supply strategy.
- Natural disasters and rebuilding standards/codes need to be reviewed.
- Condos are a key source of affordable housing, especially in the 75 to 100 AMI space. “Condos have greater vertical density, and therefore lower unit costs. But the lack of financing and legal liability for builders can be a problem. Some state laws are good and some are bad.”
- 2-4-unit housing deserves to be part of any supply strategy.
- Land trusts can be a source of “permanently affordable housing.”

APPENDIX B

PART 3: HOUSING ADVOCATES

The following is a list of issues raised by 18 housing advocate groups over a 2.5-hour meeting.

COUNSELING

- How do we build capacity and make counseling mainstream? Position counselors as “trusted advisors.”
- How do we introduce counseling in the beginning of the home-buying process, not after borrowers have signed contracts?
- Determine how to monetize the value of counseling to show its positive impact to the industry.
- Programs must be scalable.
- Focus should change from financial literacy to wealth management.

IMPROVE MESSAGING / COMMUNICATIONS

- Change the perception of community groups.
 - + Currently, the perception is often similar to that of charitable organizations rather than business partners.
 - + Engage lenders beyond requesting grants.
- Engaging IMBs with community groups. Banks have CRA requirements. How can IMBs see the value of partnering with community groups?
- Change the perception of manufactured housing.
- Improve messaging to borrowers. How do we market to underserved communities? How can we improve the way loan officers and other mortgage professionals communicate with borrowers, especially when it comes to denials? (Can we do a better job of turning a “no” into “not yet”?)
- Change the perception of homeownership in African-American communities.
 - + Develop a minority homeownership campaign.
 - + Engage more minority-run banks as partners.

SERVICING AND LOSS MITIGATION

- How can servicing be adapted to better conform to the financial realities of affordable buyers? For example, bimonthly mortgage payment options may help borrowers manage payments.
- Promoting early intervention would be beneficial to servicers and borrowers. Some CDFIs can serve as models for early intervention programs.
- Improve FHA loss mitigation.
- Address disaster recovery/flood issues.

LOAN PRODUCTS

- Develop borrower-friendly acquisition and rehab products.
- Encourage lenders to make low-balance loans. Figure out how to make these loans profitable.
- Increase lending options for manufactured homes.
- HOEPA loans should not be given QM status.

AFFIRMATIVELY FURTHERING FAIR HOUSING

- Need to strongly support enforcement.

FOCUS ON RESERVES

- Reserves are more critical than down payment (JPM Chase study).
- Support reserve programs and “borrowers’ mutual insurance funds” (R. Cooperstein paper — Andrew Davidson & Co., Inc.).
- Liquid reserves can mitigate default risk.

DOWN PAYMENT ASSISTANCE PROGRAMS

- Create DPAs that do not utilize premium pricing, and partner with lenders.

OPPORTUNITY ZONES

- How can we encourage Opportunity Zones to support more affordable homeownership?

STUDENT LOANS

- We need to address student loan debt — it is delaying or preventing homeownership for millennials.

DATA COLLECTION

- Data collection is key to any initiative — both for measuring opportunities and outcomes.
- Data is important for determining the effectiveness of counseling.

SUPPLY ISSUES

- Impact of cash investors and buyers on inventory — is there a need for new “first look” efforts?
- Transportation funding is a better lever than CDBG funds.
- We need to look at promoting certain property types — e.g., condos, manufactured housing, and 2-4-unit homes.
- Look at the Neighborhood Homes Investment Act as an option for addressing the equity (appraisal gap) challenges of renovations in distressed areas.

MISCELLANEOUS

- Address technology bias (AUS, credit scoring, etc.).
- FHLB system — how can we tap into its full potential?
- QM in a post-Patch environment.
- Can we incentivize the industry to originate loans that do not make a lot of money? How do we create an “elite cadre” of people who work on affordable housing within the industry?
- Address the lack of an outreach network. How do we replicate the network of funding for capacity building that used to exist at the GSEs (e.g., Fannie Mae Partnership Offices).



APPENDIX C

List of Internal and External Stakeholders Interviewed on Affordable Homeownership Issues

In order to identify where MBA could have the most impact in the affordable housing space, we consulted with a broad cross-section of our members and a range of stakeholders. The following is a brief overview of the groups involved in this outreach effort, which included in-person meetings and conference calls.

MORTGAGE LENDERS

- Survey of 500+ MBA residential members
- Colorado Mortgage Lenders Association's Affordable Housing Task Force
- RESBOG 2020 Advisory Council (MBA RESBOG Leadership Retreat in D.C.)
- Bank of America
- BB&T
- Chemical Bank
- Citizens Bank
- Colonial Mortgage
- Guild Mortgage
- HomeStreet Bank
- Huntington National Bank
- JP Morgan Chase
- Key Bank
- Movement Mortgage
- Mr. Cooper
- Pulte Mortgage
- SunTrust
- TCF Bank
- Union Home Mortgage
- Quicken Home Loans
- Wells Fargo

MORTGAGE INSURERS

- Arch MI
- Genworth
- MGIC
- National MI

MORTGAGE INVESTORS

- Fannie Mae
- Freddie Mac
- FHLB of Atlanta
- FHLB of Boston
- FHLB of Chicago
- FHLB of Des Moines

HOUSING FINANCE AGENCIES

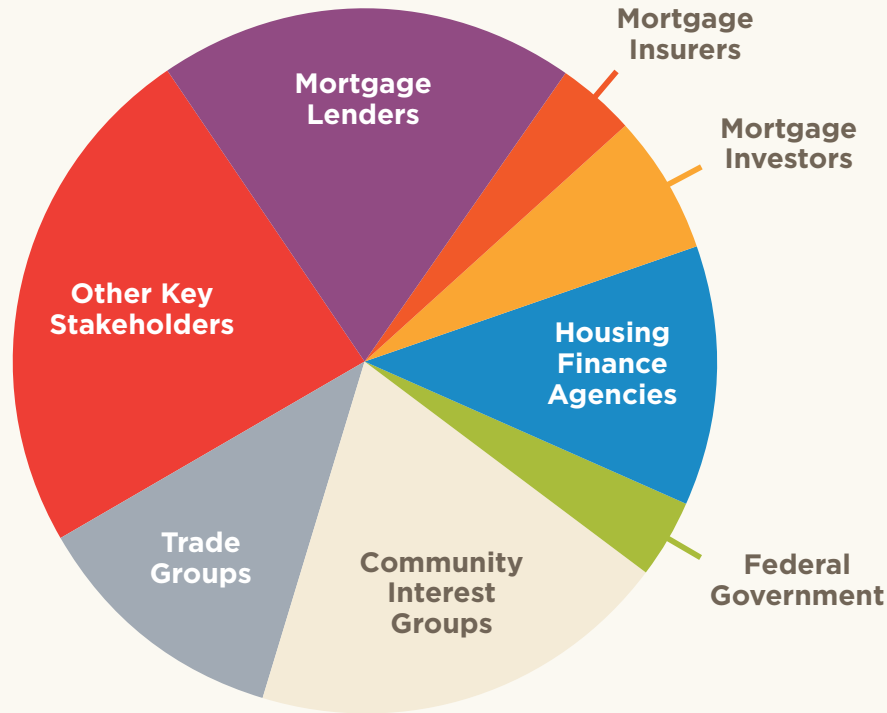
- California
- Delaware
- District of Columbia
- Idaho
- Minnesota
- New Hampshire
- Ohio
- Oregon
- Pennsylvania
- Tennessee
- Virginia
- West Virginia
- Wyoming

FEDERAL GOVERNMENT

- Federal Housing Finance Agency
- Federal Reserve Board
- FHA/HUD
- White House (Domestic Policy Council)

COMMUNITY INTEREST GROUPS

- Center for Responsible Lending
- Consumer Federation of America
- Habitat for Humanity
- HomeFree USA
- Homeownership Council of America
- Homeownership Preservation Foundation
- National Association of Neighborhoods
- National Community Reinvestment Coalition
- National Community Stabilization Trust
- National Consumer Law Center
- National Fair Housing Alliance
- National Housing Resource Center
- National Urban League



- Prosperity Now
- Southern Dallas Progress Community Development Corporation
- The Leadership Conference on Civil and Human Rights
- The Urban Institute
- Unidos US
- HomeFree USA Conference: Special meeting with 30 homeownership counselors and lenders
- Memphis, TN Community Leaders and Housing Groups: Special meeting with 20 groups

TRADE GROUPS

- American Bankers Association
- Conference of State Bank Supervisors
- Council of Federal Home Loan Banks
- National Association of Affordable Housing Lenders

- National Association of Hispanic Real Estate Professionals
- National Association of Home Builders
- National Association of Local Housing Finance Agencies
- National Association of Real Estate Brokers
- National Association of Realtors
- National Council of State Housing Agencies
- National Housing Conference
- U.S. Conference of Mayors
- U.S. Mortgage Insurers

MISCELLANEOUS STAKEHOLDERS

- American Financial Solutions
- CoreLogic
- Cultural Outreach Solutions
- Downpayment Resource

- Experian
- First Story, LLC
- Homestead Community Land Trust
- Hope LoanPort
- iEmergent
- Innovative Housing Strategies
- JumpStart
- Landed
- National Foundation for Credit Counselors
- NeighborWorks
- Opportunity Zone investor
- Pioneer Human Resources
- Polygon Research
- Portland Housing Center
- Specialty Mortgage Products Solutions
- The Nickerson Group
- The Ohio State University
- The University of Memphis
- The University of Washington
- Up for Growth

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