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June 7, 2024

Federal Housing Finance Agency
Office of the Director
400 7th Street, SW, 9th Floor
Washington, DC 20219

RE: 2024 Equitable Housing Finance Plans

Dear Director Thompson:

The Independent Community Bankers of America (ICBA)¹ appreciates the opportunity to comment on the request for input (RFI) put out by the Federal Housing Finance Agency (FHFA) regarding Fannie Mae and Freddie Mac's (the Enterprises) 2024 updates to their Equitable Housing Finance Plans (EHFP). The plans intend to advance equity in housing finance by codifying existing FHFA practices in regulation while identifying and addressing any additional barriers to homeownership, particularly for low- and moderate-income (LMI) borrowers and underserved populations. One of the updates that will likely have a significant impact on potential homebuyers and industry stakeholders is the focus on promoting homeownership opportunities for first-generation homebuyers.

As discussed in a previous comment letter, ICBA remains supportive of actions that remove barriers that prevent fair and equitable access to housing.² ICBA also continues to emphasize that achieving and sustaining these goals is contingent on the Enterprises maintaining robust safety and soundness standards and strong levels of capital. This letter will focus on the new proposal to support homeownership for first-generation homebuyers.

¹ The Independent Community Bankers of America® has one mission: to create and promote an environment where community banks flourish. We power the potential of the nation's community banks through effective advocacy, education, and innovation. As local and trusted sources of credit, America's community banks leverage their relationship-based business model and innovative offerings to channel deposits into the neighborhoods they serve, creating jobs, fostering economic prosperity, and fueling their customers' financial goals and dreams. For more information, visit ICBA's website at icba.org.

² [2021 Comments on FHFA EHFP](#)

ICBA supports efforts to serve first-generation homebuyers, as homeownership is one of the most effective and sustainable paths to building intergenerational wealth. To improve the overall effectiveness of this proposal, it is crucial to appropriately define what it means to be first-generation homebuyer, and there needs to be clear and frictionless operational processes that allow lenders to effectively serve and reach these borrowers.

ICBA Concerns and Recommendations

ICBA believes the proposed definition of first-time homebuyers is both too broad and too limiting. Separately, the Enterprises published a “First-Generation Homebuyer Mortgage Fact Sheet”³ stating that every borrower on the loan must meet the established criteria. We argue that this is an unnecessary restriction with the potential to prevent eligible borrowers from benefiting from the program due to a technicality. As such, we recommend that the definition only require one borrower to meet the eligibility requirements.

Additionally, the definition is too broad because the Enterprises are proposing a short three-year lookback test – in practice, this would potentially provide a benefit to borrowers who, by definition, are not first-generation homebuyers, thereby diverting resources from those most in need of this subsidy. It also incorrectly presupposes that the lending institution is willing or able to apply such a test or otherwise validate a borrower’s claims that they are a first-generation homebuyer.

There are additional operational concerns regarding the proposal. FHFA’s recent issuance of a Certification Form indicates that lenders will be responsible for verifying that both the borrower and their parents meet the proposed definition. Beyond a simple “self-attestation” or “self-certification” by the borrower, ICBA opposes any requirement that the lender further verify a borrower’s eligibility. Most lenders, including community banks, will view such a requirement as operationally infeasible and burdensome. This will significantly limit the scope and effectiveness of the proposal.

Thank you for the opportunity to comment on this RFI. ICBA looks forward to working with FHFA and the Enterprises on this issue going forward. Please feel free to contact the undersigned at tim.roy@icba.org if you have any questions regarding the content of this letter.

Sincerely,

Tim Roy
Vice President – Housing Finance Policy

³ [https://www.fanniemae.com/media/51216/display;](https://www.fanniemae.com/media/51216/display)
[https://sf.freddiemac.com/docs/first_generation_fact_sheet.pdf.](https://sf.freddiemac.com/docs/first_generation_fact_sheet.pdf)