

April 25, 2014

The Honorable Mark Kirk
524 Hart Senate Office Building
Washington, DC 20510

Re: Including a Strong Access Mechanism in Housing Finance Reform

Dear Senator Kirk:

Housing finance reform must ensure access to mortgage credit for all creditworthy borrowers and affordable rental housing for renters of all incomes. While the proposal set forth by the bipartisan leadership of the Senate Committee on Banking, Housing, and Urban Affairs takes important steps toward achieving that goal, the undersigned organizations have very serious concerns that the legislation in its current form would harm the ability of working families in Illinois to access credit.

Access to affordable housing allows Illinois families to build wealth, create stable environments for children to grow, and participate more fully in the economy. The United States government has long played a role in promoting affordable housing access, and because of that, has helped build a strong and broad middle class. In Illinois, investments in affordable housing facilitated by the government sponsored enterprises helped 1,262,343 families, or 26 percent of all households, access homeownership between 2003 and 2012. The current proposals to reform the housing finance system threaten to reduce access to affordable housing by limiting the means of encouraging the kinds of investments that helped build the American middle class.

We are encouraged that the Johnson-Crapo proposal includes an incentive mechanism to reward institutions that provide access to conventional mortgage credit in underserved communities, but we are concerned that the proposal falls short in a number of crucial ways. In order for the proposal to create a housing finance system that ensures broad access, the following concerns with the Johnson-Crapo bill must be addressed:

- **Identify Communities of Color as a Traditionally Underserved Market Segment.** Johnson-Crapo fails to identify communities of color as a traditionally underserved market segment despite the long-standing history of difficulty that minority neighborhoods have experienced in obtaining access to conventional mortgage credit.
- **Remove the Unnecessary and Harmful Down Payment Requirements.** Down payment requirements have consistently been proven to restrict the ability of communities of color, millennials, and low- and moderate-income borrowers to access mortgage credit, and should be removed from this legislation.
- **Require All Market Participants to Provide Fair Credit Access.** Johnson-Crapo does not contain any language explicitly requiring institutions that benefit from the government guarantee or securitization platform to provide fair access for all creditworthy borrowers.

- **Eliminate the Ability to “Opt Out” of Serving Communities.** Secondary market entities can choose to opt out of the incentive-based affordable housing access mechanism, undermining its ability to drive competition between actors in the market to meet unmet housing needs.
- **Ensure Existing Anti-Discrimination Laws are Not Harmed.** When it comes to serving traditionally underserved communities, Johnson-Crapo prohibits the regulator from interfering with an institution’s business decisions on a loan level. This is problematic not only because it may deprive the regulator of the ability to enforce existing anti-discrimination laws with the entities it is required to regulate, but also because it may weaken the ability of discrimination victims to protect themselves.
- **Maintain and Protect Support for Affordable Housing.** The regulator is allowed to temporarily suspend contributions to the National Housing Trust Fund, the Capital Magnet Fund, and the Market Access Fund in times of market instability. These funds are meant to serve communities in need, and suspending contributions during times of crisis will further hurt populations that are already most vulnerable.

As Congress evaluates proposals for reforming or replacing GSEs, we ask that you press for the creation of a secondary-market system that will increase access to affordable homeownership and rental housing opportunities for all Illinois residents. Any reforms to the secondary market must include a strong, enforceable access mechanism that guarantees that creditworthy first-time homebuyers, low- and moderate-income families, and communities of color will have the opportunity to build wealth over generations by securing safe, affordable mortgage credit.

The undersigned organizations urge you to support changes to the current proposals that address the above concerns and ask that you not support the bill unless it creates a strong, mandatory access mechanism. Illinois families need your leadership to ensure that reforms to the housing finance system support the ability of all hardworking, creditworthy borrowers and renters to access affordable housing.

Sincerely,