Regulations Division
Office of General Counsel
Department of Housing and Urban Development
451 7th Street, SW
Room 10276
Washington, DC 20410-0500
Re: Docket No. FR-6250-P-01

Dear Secretary Fudge:

Guided by a vision of a nation where persistent poverty no longer exists, six regional Community Development Financial Institutions (CDFIs) located in and serving regions with a high prevalence of rural persistent poverty came together. The CDFIs ("The Partners") formed a coalition, currently called the Partners for Rural Transformation (PRT). With a shared ethos of investing in both people and places and informed by the voices of local people, we seek to unify around opportunities in diverse communities at a time of great division in our nation. The Partners strive to innovate and encourage investments in persistently poor rural areas where traditional investments have failed.

Our partners work and live in regions of high concentrations of persistently poor communities. A closer look at persistent poverty America reveals how structural exclusion by place and race continues to paint a picture that is steadfastly rural and marred by racial, capital and data inequity. Rural America faces systematic, avoidable, and unjust economic, health, and racial disparities. Legacies of forced geographic and cultural displacement, enslavement, financial discrimination, residential segregation, and transitioning economies have left an indelible mark. PRT Partners are dedicated to providing critical financial services to areas that otherwise have none in order to reach communities where the racial wealth gap is at its widest.

The Partners for Rural Transformation thank the Department of Housing and Urban Development for the opportunity to submit comments in support of the rigorous requirements in the proposed rule for program participants. PRT is submitting as a collective, and uplifting the points shared below from our Partner serving the Mississippi Delta region, Hope. States and local governments must be held accountable for setting and achieving meaningful fair housing goals. Fair housing is not only the right thing to do – it is good business. Please see our recommendations below.

About HOPE

One of the nation's largest Black- and women-owned financial institutions, since 1994 HOPE has worked to increase financial inclusion among vulnerable populations in the Deep South states of Alabama, Arkansas, Louisiana, Mississippi, and Tennessee – a region that is home to more than a third of the nation's persistent poverty counties. HOPE was established to ensure that all people regardless of where they live, their gender, race or place of birth have the opportunity to support their families and realize the American Dream. HOPE has generated over $3.6 billion in financing and related services for the unbanked and underbanked, homeowners, entrepreneurs, nonprofit organizations, health care providers and other community and economic development purposes. Collectively, these activities have benefited more than 2 million individuals throughout the Deep South.

HOPE, as a Black and women-owned financial institution and policy center that works in historically underserved communities across the Deep South, recognizes the critical importance of Affirmatively Furthering Fair Housing (AFFH). A compelling reminder for the need for robust, fair housing enforcement in the Deep South is the wide racial disparities in Black and white homeownership, mortgage

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loan denials, and predatory lending in our region. AFFH is a critical tool to foster a climate that increases economic mobility for women and people of color. The proposed rule, which would require proactive fair housing goal setting, robust community engagement, and create a transparent and accessible enforcement process, is a needed next step.

Below, PRT Partner Hope shares an outline depicting the continuing need for proactive Fair Housing work in the Deep South and provides comments on three main aspects of the proposed rule, including the development of proactive AFFH goals, requirements for community engagement, and the annual review and complaint process.

Fair Housing in the Deep South

Due to historic patterns of discrimination, the homeownership gap by race remains acute. Over three-quarters (76%) of white households are homeowners while less than half (49%) of Black households are homeowners. This disparity persists for each state within the Deep South (Table 1). Eliminating racial disparities in rates of homeownership is a critical strategy for narrowing the racial wealth gap. If policy changes resulted in equalizing homeownership rates between Black and white households in the Southeast, the wealth gap would shrink by 38 percentage points.[1]

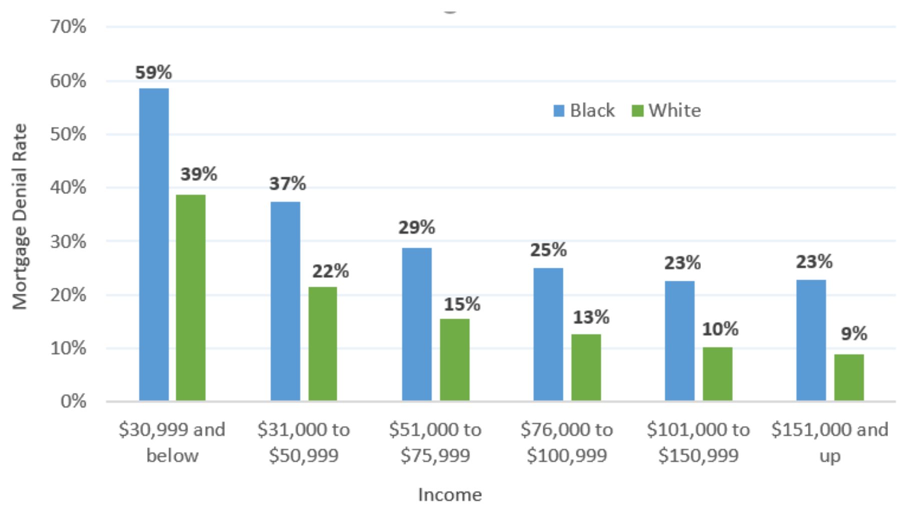
Table 1: Homeownership Rates in the Deep South by Race

State	Homeownership Rate	
	Black	White
AL	53%	77%
AR	45%	73%
LA	49%	78%
MS	54%	80%
TN	44%	74%
Deep South	49%	76%

Source: FDIC (2021). "National Survey of Unbanked and Underbanked Households"

One major contributor to the homeownership gap and is uneven access to mortgage loans. Loan denial rates illustrate the failure of financial institutions to ensure fair lending. In 2021, the percent of loan originations for Black borrowers in Deep South states substantially trailed the percent of population represented. The denial rate for black borrowers in the Deep South earning more than $150,000 was higher than for white borrowers earning between $30-$50,000 (Figure 1). Black Households in Mississippi have the highest mortgage loan denial rate in the country (40%).[2] This is more than twice the rate of white households. Statewide in Mississippi, 17% of all mortgage originations were to Black borrowers (in a state that is 36% Black); in contrast, 70% went to white households.[3] Closing gaps in mortgage lending is critical to closing homeownership gaps.

Figure 1: Mortgage Denial Rates in the Deep South by Race and Income

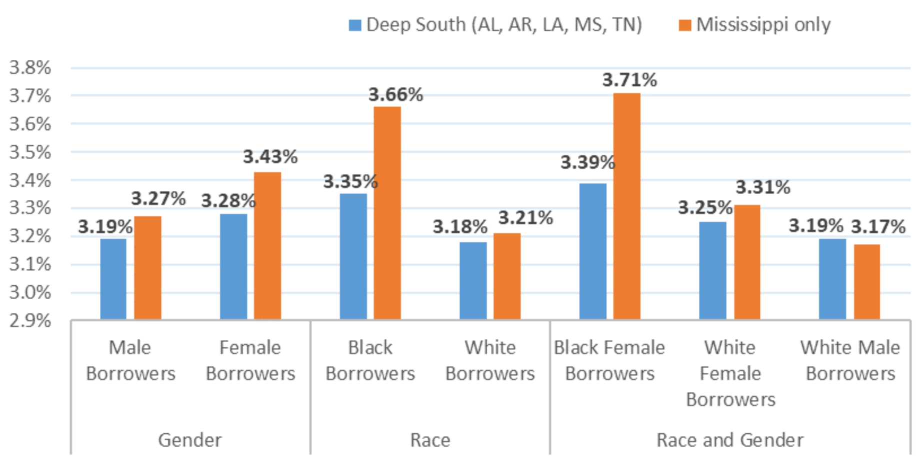


Source: Hope Policy Institute Analysis of 2021 Home Mortgage Disclosure Act data

The homeownership gap is complex and there are several points throughout the life-span of a home loan where systemic inequities should be addressed. Some of these disparities show up during the initial home purchase process, with lack of equitable access to credit. Other structural barriers, can make it more difficult for a homeowner to keep their home and build the type of equity that grows generational wealth.

Disparities not only exist in access to credit by race, they are also apparent in loan pricing, with Black and Women borrowers paying higher interest rates on average. For 2021 loan originations in the Deep South, Black borrowers had an average interest rate of 3.35% compared with 3.18% for white borrowers (Figure 2). The disparities were starkest in the state of Mississippi where Black female borrowers (3.71%) paid more than half a percentage more than White male borrowers (3.19%).

Figure 2: Home Mortgage Interest Rates for 2021 Loan Originations in the Deep South



Source: Hope Policy Institute Analysis of 2021 Home Mortgage Disclosure Act data

While these structural barriers persist, they are possible to overcome. Policies that further Fair Housing, including fair access to credit, is one way to achieve that goal. HOPE has established lending policies that have improved access to credit for borrowers of color and women. Over the last decade, HOPE's mortgage portfolio nearly quadrupled from nearly $34 million in 2010 to $130 million at the end of 2022 and the percent of mortgage loans originated for borrowers of color grew from 55% in 2007 to 80% in 2022. The impact of HOPE's mortgage lending is reinforced by low charge off rates. In 2022, the annualized net charge-off rate was 0.19%.

Rental Housing

In addition to HOPE's work to increase access to homeownership in the Deep South, HOPE also finances affordable rental housing by leveraging Low Income Housing Tax Credits, Opportunity Zones and its own commercial lending. Over the last two years, HOPE financed the creation of 586 affordable housing units that provided housing to 1,172 residents. The supply of affordable housing is a critical need in the Deep South, especially among low income households. Throughout the Deep South, extremely low-income renters face a rental market with only 45 affordable rental homes available per 100 households.[4] This shortage of affordable and available housing disproportionately affects people of color who are more than twice as likely as white households to be extremely low-income renters. Of Black households nationally, 57% are renters and 19% are extremely low-income renters. While for white households, 27% are renters and 6% are extremely low-income renters.[5]

Racial disparities can also be seen in eviction filings in the Deep South. A study from Eviction Lab found that Black renters are more likely to be evicted than white renters and women are more likely to be evicted than men. One in five renters in the study sample were Black, but one in three eviction filings were served to a Black renter. The disparities were even starker for Black women who faced 36.6% more evictions than Black men.[6] In Jackson, Mississippi where HOPE is headquartered, in 2016, 8.75 renters I of 100 were evicted, making Jackson 5th highest among cities for evictions.[7] Further, these disparities have an outsized impact in the Deep South states where a greater percentage of the population is Black—more than a third of the population in Louisiana and Mississippi.

More Accountability Needed for States and other Administrators on Fair Housing

The stark disparities discussed above demonstrate the need for the rigorous, proactive movement on AFFH. The final rule must spur action and provide direction for program participants that have not demonstrated the commitment and/or capacity for effective leadership on Fair Housing matters. A recent and illustrative example of the uneven administration of housing programs among States has been the Emergency Rental Assistance Program administered by the U.S. Department of the Treasury.

An examination of the Emergency Rental Assistance Program (ERAP) shows that state governments in the Deep South did not meet the needs of local people in the distribution of rental assistance at levels achieved across the country. The Federal Reserve Bank of Atlanta analyzed the distribution of ERAP funding by states and local governments charged with administering the program. They found that, four of the five states in HOPE's coverage area included in the analysis (AL, LA, MS, TN) lagged the national average in expending ERAP funding.[8] The failure to distribute much needed assistance was not just the result of administrative failures, but in some cases, it was a political decision to return funds rather than deploy them.

Last year, the Governors of both Arkansas and Mississippi, announced their intention to close their programs' application portals and return a significant portion of the States' rental assistance funds.

Ultimately an estimated $200 million will be returned from Arkansas and Mississippi combined jeopardizing the housing status of the states' most vulnerable households.

In addition to the decision to cut off the program and return funds, the Rental Assistance program in Mississippi was designed from the beginning to be difficult to access in rural, communities of color. Applications were only accepted through an online portal that was difficult for many to navigate, was not fully accessible from mobile devices, required scanning and uploading of documentation, and required applicants to provide an email address. Outreach and application assistance from the managing government agency were extremely limited.

The local government program in Harrison County, Mississippi contracted with the Open Doors Homeless Coalition, a local community organization, to administer the program on the Gulf Coast. Open Doors Coalition had long been engaged in providing rental assistance through other federal programs. Open Doors utilized their existing strengths, especially their community relationships, landlord relationships, and experience rapidly deploying rental assistance, in the deployment of ERA. They implemented intensive community-facing engagement including intake workshops and landlord outreach. In the early launch of the program from March to June 2021, Open Doors deployed approximately $3.8 million of its $6.5 million allocation, reaching nearly 900 families on Mississippi's Gulf Coast. By the end of 2021, they had distributed all of their initial ERA funds and served almost 1500 families.[9]

These findings call for increased accountability among states - particularly for states with questionable track records in serving the most vulnerable populations. Accountability must extend beyond sending unspent money to other states or back to Washington, DC and include mechanisms to create consequences for state agencies when the people and communities intended to be served are not.

Recommendations on the AFFH Proposed Rule

Goal Setting (Question 2)

HOPE supports shifting the emphasis of AFFH data analysis from identifying and prioritizing contributing factors and impediments to fair housing to proactive and explicit goal setting. HUD should provide program participants with a broad list of specific examples of proactive, meaningful goals that could affirmatively further fair housing. For example, providing down payment assistance to first time homeowners to address disparities in homeownership

HOPE supports the inclusion of goals that would identify policy changes at the state and local level that would affirmatively further fair housing, even though the feasibility of policy change may vary across geographies, explicitly acknowledging those policy barriers is important.

HOPE supports the emphasis in the rule on a "balanced approach" including both place based and mobility based fair housing solutions as appropriate for the needs of each community (question 12). Program participants should set goals that maintain or improve affordable housing and community assets in areas of concentrated poverty as well as removing obstacles to mobility like affordable housing zoning as applicable.

Data Analysis (Question 3)

HUD should ensure a baseline of key fair housing data is considered in identifying goals. To do this, HUD should provide the data that program participants are required to consider that can then be supplemented with other topics and hyper-local data as needed to address any unique challenges faced at the local level. HUD provided data would ensure a baseline level of quality and an ability to compare data across geographies. HUD should include data that illustrate interactions between factors like race, gender, family type, and income to identify compounded challenges faced by groups like women of color (questions 3.d. and 8.b.).

Homeownership Data (question 3.c) provided by HUD other than homeownership rate should include data that may illustrate fair housing challenges in access to credit, like denial rates by income level and protected class (as available) and disparities in the cost of that credit, including interest rate and fees by protected class. Much of this data could be provided from Home Mortgage Disclosure Act data (question 8.b.). See examples of these data in Figures 1 and 2 above. Data should also be provided where available on foreclosure rates by protected class. Homeownership data should be provided by state as well as local government and public housing authority (question 29.b).

Community Engagement (Question 5)

HOPE strongly supports the requirement for community engagement in the data analysis, goal setting, planning, and enforcement aspects of the proposed rule. Without explicit and detailed guidance around these requirements, the commitment to community engagement will vary across different state and local jurisdictions.

Community engagement in the goal setting process should be meaningful and should be required to include residents that receive assistance from HUD funds as well as underserved groups in each region. Community engagement for the Equity Plan should be in addition to existing requirements for the Consolidated plan and Public Housing Agency plans. Community engagement requirements for participants in small jurisdictions or rural areas, should not discount the capacity of existing community stakeholders (question 23.e). There may be a smaller number of participants in those areas, but community engagement with residents and existing organizations is still vital. While technology enhances access and community outreach to some groups, participation and engagement should not be limited to virtual meetings or web-based feedback as access to technology is uneven among underserved groups (question 5.c). However, holding hybrid in-person and virtual meetings could allow broad participation.

Community engagement should be proactive, including culturally-competent outreach to community stakeholders for participation and technical assistance should be provided for program participants to do so (question 5.e). This outreach should be required to go well beyond posting public meeting notices. Meetings should be set at times and places to enable the participation of underserved groups. Finally, when possible, community stakeholders engaged via outreach should be compensated for their time and expertise as consultants to the process.

HUD should also encourage direct communication between community stakeholders and regulators to provide feedback on the program participants' community engagement practices as well as substantive comments on the goals set and the program plans based on those goals. Plans should be published before HUD review has been completed in order to incorporate public comment and concerns in that review (question 22).

Enforcement and Accountability

HOPE strongly supports the annual progress evaluations of the goals set through the AFFH Equity Plan process and reasonable adjustments made to those goals due to documented contingencies and extenuating circumstances. HOPE also strongly supports the publication of progress evaluation so that they are accessible to the public.

HOPE supports the creation of a complaints process that will allow HUD to open compliance reviews, and allow members of the public to file complaints directly with HUD regarding a program participant's AFFH-related activities. The complaint and compliance review process should be easy to access and transparent.

Should you have any follow-up questions concerning the information shared in this comment, please do not hesitate to contact Jose Quinonez, President of Partners for Rural Transformation.

In partnership,

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[2] Hope Policy Institute analysis of 2021 HMDA loan origination data accessed November 9, 2022 at https://ffiec.cfpb.gov/data-browser/data/2021?category=states

[3] Hope Policy Institute analysis of 2021 HMDA loan origination data accessed November 9, 2022 at https://ffiec.cfpb.gov/data-browser/data/2021?category=states

[4] National Low-Income Housing Coalition "The Gap 2023: A Shortage of Affordable Homes" March 16, 2023 available at https://nlihc.org/gap

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[8] Emergency Rental Assistance Insights from the Southeast. Federal Reserve Bank of Atlanta. 9/2/2022. https://www.atlantafed.org/community-development/publications/partners-update/2022/09/02/emergency-rentalassistance-insights-from-the-southeast?utm_medium=social-media&utm_source=linkedin&utm_campaign=partnersupdate&linkId=179801758

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