



Derek B. Williams, *Chairman*
Lucas White, *Chairman-Elect*
Jack E. Hopkins, *Vice Chairman*
Sarah Getzlaff, *Treasurer*
James H. Sills, III, *Secretary*
Brad M. Bolton, *Immediate Past Chairman*
Rebeca Romero Rainey, *President and CEO*

May 17, 2023

Sandra Thompson
Director
Federal Housing Finance Agency
400 7th St SW
Washington, DC 20219

RE: Enterprise Single Family Social Bond Policy RFI

Dear Director Thompson,

The Independent Community Bankers of America (ICBA)¹ appreciates the opportunity to provide comments on the Federal Housing Finance Agency's (FHFA) Request for Input (RFI) regarding Fannie Mae and Freddie Mac's (the Enterprises) single-family social bond policy and program design. At this early stage, ICBA has significant concerns about the necessity and rationale for the issuance of social bonds by the Enterprises. We strongly urge FHFA to conduct broad industry engagement following this RFI in addition to supplying stakeholders with more robust data that plainly shows how social bond issuance appropriately reflects growing investor demand and, more importantly, how it will lead to outcomes that positively impact borrower sustainability, affordability, and equity. Absent such data, this program appears to instead divert resources from the recapitalization of the Enterprises and may have the unfortunate side effect of risking their safety and soundness while protracting a conservatorship that has lasted for nearly fifteen years.

ICBA Comments

¹ The Independent Community Bankers of America® creates and promotes an environment where community banks flourish. ICBA is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education, and high-quality products and services. With nearly 50,000 locations nationwide, community banks employ nearly 700,000 Americans and are the only physical banking presence in one in three U.S. counties. Holding \$5.8 trillion in assets, \$4.8 trillion in deposits, and \$3.8 trillion in loans to consumers, small businesses and the agricultural community, community banks channel local deposits into the Main Streets and neighborhoods they serve, spurring job creation, fostering innovation and fueling their customers' dreams in communities throughout America. For more information, visit ICBA's website at www.icba.org.

The Nation's Voice for Community Banks.®

WASHINGTON, DC
1615 L Street NW
Suite 900
Washington, DC 20036

SAUK CENTRE, MN
518 Lincoln Road
P.O. Box 267
Sauk Centre, MN 56378

866-843-4222
www.icba.org

ICBA commends FHFA for reaching out to industry stakeholders early in the process as it determines whether the Enterprises should issue single-family social bonds. This issue demands transparency and continuous industry engagement resulting in clear definitions of what makes a bond eligible for a social bond pool. It also demands compelling data that displays a clear correlation between the issuance of bonds meeting certain “social” criteria and the preferred program outcomes. Furthermore, it is incumbent on FHFA to clarify to what extent there is investor demand for social bonds and the scale required to improve liquidity over the long term. We also ask FHFA to address whether investors in uniform mortgage-backed securities (UMBS) are concerned about how a new category of MBS might bifurcate the market and undermine liquidity. FHFA should also consider whether investors might instead prefer the Enterprises improve and maintain current UMBS liquidity.

The successful implementation of a single-family social bond policy will need to address these concerns. It will require substantial time, resources, and ongoing industry engagement. Even at this early stage, ICBA believes that the RFI fails to adequately justify why FHFA is pursuing a single-family social bond program. ICBA strongly urges FHFA to instead to fully utilize its resources and authority as regulator and conservator to ensure the Enterprises are safe, sound, and fully recapitalized in accordance with their Enterprise Capital Rule Framework (ERCF). FHFA should also place the Enterprises on a path out of conservatorship and work with Treasury to resolve the government's ownership of the Enterprises. Perpetual conservatorship is not sustainable and risks the safety and soundness of the system. Moreover, new programs initiated or supported by FHFA under conservatorship are subject to reversal in the event of a new Director or Administration with different housing priorities. This dynamic severely undermines the longevity of almost any endeavor and diverts valuable resources toward projects that may or may not achieve their stated goal.

ICBA appreciates the opportunity to comment on this RFI and looks forward to working with FHFA on this issue in the coming months. Please contact the undersigned if you have any questions regarding this letter.

Sincerely,

Tim Roy
Assistant Vice President- Housing Finance Policy

The Nation's Voice for Community Banks.®

WASHINGTON, DC
1615 L Street NW
Suite 900
Washington, DC 20036

SAUK CENTRE, MN
518 Lincoln Road
P.O. Box 267
Sauk Centre, MN 56378

866-843-4222
www.icba.org