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October 16, 2022

Sandra Thompson  
Director  
Federal Housing Finance Agency  
400 7<sup>th</sup> St. SW  
10<sup>th</sup> Floor  
Washington, DC 20219

RE: Fintech in Housing Finance: Request for Information  
Dear Director Thompson,

The Independent Community Bankers of America (ICBA)<sup>1</sup> welcomes the opportunity to comment on the Federal Housing Finance Agency's (FHFA) request for information (RFI) regarding potential new products or programs initiated by FHFA in the financial technology (fintech) space. The goal of this initiative is to facilitate sensible financial innovation that fosters greater and more cost-efficient access to financial products and services in the housing finance sector.

ICBA appreciates that FHFA is using its authorities as regulator and conservator to responsibly develop new innovative fintech solutions that address some of the barriers that prevent community banks from originating mortgage loans, selling them in the secondary market, and doing business with Fannie Mae and Freddie Mac (the Enterprises) and the Federal Home Loan

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<sup>1</sup> 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 constitute roughly 99 percent of all banks, employ nearly 700,000 Americans and are the only physical banking presence in one in three U.S. counties. Holding nearly \$5.9 trillion in assets, over \$4.9 trillion in deposits, and more than \$3.5 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](http://www.icba.org).

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Banks (FHLBanks). We support prudent solutions that broaden access to the Enterprises for community banks while making the overall lending process more efficient and affordable.

ICBA also emphasizes that it is crucial for FHFA to maintain robust industry engagement throughout this process. This is vital when determining specific industry pain points and the fintech solutions that will hopefully alleviate them. Moreover, it is just as important that FHFA be clear whether any fintech solution is designated as a product or a program, thereby indicating if stakeholders will have an additional opportunity to provide public comments. FHFA should also address potential concerns about the Enterprises crossing too far over the Bright Line into the primary market, which has long been a controversial topic. Finally, it is important that FHFA consider how any prospective fintech solution might exist post-conservatorship.

### **ICBA Suggestions**

ICBA looks forward to working with FHFA on meaningful ways to leverage fintech solutions to make mortgage lending more efficient and affordable for community banks. Doing so will help them remain competitive in their markets and offer more mortgage products to their customers.

#### **We therefore suggest the following:**

- 1. Develop solutions that improve and maintain community bank access to the secondary market.** Increased compliance costs and other regulatory obstacles in the housing space already make it challenging for community banks to compete with larger mortgage lenders. In recent years, these challenges have been exacerbated by additional lending and servicing criteria from FHFA and the Enterprises, creating further complications and causing many community banks to curtail their lending or exit the market completely. We encourage FHFA and the Enterprises to work with community banks to better understand their issues and concerns. For example, a fintech that streamlines the selling or servicing process by working directly with a community bank's lending platform could be beneficial.
- 2. Invest in fintech/regtech solutions that improve originating and closing processes.** This may include a solution that allows for seamless end-to-end electronic closing for community banks and smaller lenders. A fintech solution can also help eliminate duplicative information reviews that bog down the origination and closing processes. Additionally, there may be a fintech/regtech solution that helps with increasingly complex and

inconsistent compliance burdens - ICBA suggests that FHFA work with other regulators to develop such solutions.

Fintech solutions can also help modernize and streamline the appraisal process. This may include expanding the use of non-traditional valuation services such as desktop appraisals, transitioning to more digital/hybrid solutions, and developing innovative predictive analytics based on credible data. In this area ICBA strongly encourages FHFA to consult with industry stakeholders to understand the risks these changes may entail.

- 3. Provide industry stakeholders with more clarity about how FHFA will conduct this fintech project.** The RFI correctly notes that practices in the primary mortgage market “help determine both the credit and prepayment characteristics of mortgages in the secondary market”<sup>2</sup> and that there is significant interaction between the two markets. However, it is important to understand the extent FHFA and its regulated entities will directly intervene in the primary market. In other words, will there be Enterprise investment in private fintechs? If so, how will they be vetted and validated? Will there be opportunities for stakeholders to weigh in on the selection process? Are these solutions defined as products or programs?
- 4. FHFA should develop this project and consider potential fintech solutions with the assumption that the Enterprises may one day exit conservatorship.** It should be clear to stakeholders how this project might change, if at all, in the event FHFA no longer acts as conservator.
- 5. As seller/servicers, community banks should not be adversely impacted by being required to submit additional data points.** Community banks typically do not have the resources or loan origination systems that allow them to easily submit additional data that may be required by a fintech to achieve its objective. We ask that FHFA keep this in mind if it plans to validate certain fintech solutions. As necessary, FHFA should detail how and why new data is necessary to achieve a certain end goal.

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<sup>2</sup> <https://www.fhfa.gov/PolicyProgramsResearch/Programs/Documents/Fintech-in-Housing-Finance-Request-for-Information.pdf>, p. 6.

ICBA looks forward to working with FHFA and other stakeholders going forward. If you have any questions regarding the content of this letter, please contact the undersigned at [tim.roy@icba.org](mailto:tim.roy@icba.org).

Sincerely,

Tim Roy  
AVP – Housing Finance Policy

*The Nation's Voice for Community Banks.*<sup>®</sup>

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