



December 30, 2016

The Honorable Donald J. Trump
President-elect of the United States
725 Fifth Avenue
New York, NY 10022

Dear President-elect Trump:

Congratulations on your election victory. We, the undersigned members of the New York State Clergy, are writing to express our strong support for your urban renewal agenda and message of economic revival. During the presidential campaign, you asked us to trust you to help our communities advance up the economic ladder. In fact, at a campaign stop in Dimondale, Michigan, you pointedly stated: “Look at how much African-American communities are suffering from Democratic control. To those I say the following: What do you have to lose by trying something new...?” Well, we heard you loud and clear, and share your commitment to find ways of strengthening our communities – particularly in helping low- and moderate-income families within our communities *prosper*. We hope to have an opportunity to meet with you and members of your team in the near future to discuss ways that we can help.

On July 30, you accurately highlighted: “American homeownership rate in Q2 2016 was 62.9% – lowest in 51yrs ... WE will bring back the American Dream!” Indeed, the decline in the *real* homeownership rate in the United States is far more dramatic than the headline numbers suggest. As you well know, responsible homeownership has long proven to be the primary means of accumulating wealth for working families, enabling them to save for higher education, navigate unforeseen events, and retire with a roof over their head. A home is often the single largest investment that a family makes in their lifetime, and it is where families establish traditions, mold family values, form their identity, and strengthen their sense of community. Homeownership is supposed to be a cornerstone of the American Dream, but eight years of sluggish economic improvement and misguided federal housing policies have made many more Americans renters instead of owners.

On October 24, Mel Watt, Director of the Federal Housing Finance Agency, highlighted “the dramatic increase in the number of people who are renting. Over the last ten years, the number of

renters increased by nine million, and renters now represent 36 percent of all households ... Most significantly, skyrocketing demand for rental housing, especially in cities, has fueled substantial rent increases and declining affordability ... High rent payments not only impact the finances of households in the present, but may also limit future housing options by making it harder to save for a down payment.” This double whammy – reduced access to mortgage credit for homeownership and increasingly unaffordable rentals – has disproportionately affected low-income minority families who must spend even more of their earnings on housing, leaving less available for food and other necessities.

Reversing this trend by restoring the American Dream of homeownership for our parishioners and many others like them should be an important policy objective for your new administration, and one you can certainly achieve early in your tenure. You clearly understand better than most that Fannie Mae and Freddie Mac play a critical role in providing low- and moderate-income communities with opportunities for homeownership, increased financial mobility, and self-sufficiency. Since their inception, Fannie Mae and Freddie Mac have acted to ensure that banks and other lenders would be able to extend mortgage credit in good times and in bad times. Their important service to our economy, from 1938 to the present, has helped lift millions of families out of economic bondage and, by supporting homeownership, provided those families with a chance to join the middle-class, increase their self-sufficiency, and improve the social and educational outcomes of their children and communities. However, as our communities of color seek to pursue those same goals today, Washington has inexplicably curtailed and threatened to eliminate the business functions performed by Fannie Mae and Freddie Mac.

As you might imagine, we have significant concerns regarding ongoing efforts to dismantle Fannie Mae and Freddie Mac in the name of “reform.” We are increasingly alarmed that those ideologues who claim there is a need for more reform, or pretend that current government control of these companies has not caused unnecessary damage to low- and moderate-income communities, ignore the fact that substantial reform has *already* occurred. After all, reform of Fannie Mae and Freddie Mac was the first action taken by Congress to address the burgeoning financial crisis in 2008. Indeed, the enactment of the Housing and Economic Recovery Act of 2008 (“HERA”), two years before the Dodd-Frank Act was passed, created a new and appropriately empowered regulator to oversee these firms, imposed stringent capital standards, and reduced the risk that Fannie Mae and Freddie Mac could use their retained portfolios in unsafe manners. At the same time, HERA mandated that if the companies were placed in conservatorship, they would be *recapitalized* in a manner that preserves their affordable housing goals and lending to underserved communities.

While the companies have successfully transformed their businesses such that they generate almost all of their revenue today from stable and predictable guarantee fees, misguided bureaucrats in Washington have still resisted fully implementing the 2008 law, instead choosing to systematically deplete the companies of all their capital and leaving our communities to bear the consequences. Recent analysis by the Pew Research Center highlights some current realities: for instance, median net worth of white households is now \$144,200, while for black households it is only \$11,200. Home equity is the single largest factor that explains this staggering 92% differential. Seventy-two (72%) percent of white households own their home compared to only forty-three (43%) percent of black households, and declines in homeownership since the financial crisis have been much more severe for blacks than whites. Washington must know by now that the nation’s largest

banks remain *obstacles* to improving these figures, and those big banks have no comparable duty to serve communities of color as is the case with Fannie Mae and Freddie Mac. As a result, ongoing efforts to transfer the mortgage securitization platforms of Fannie Mae and Freddie Mac into the hands of the big banks creates enormous risks to minority homeownership and to the fundamental mission tasked to the government-sponsored enterprises. Given the reprehensible behavior by the biggest banks over the last decade, we cannot fathom why legislators would even contemplate providing those same financial institutions – whose business practices have decimated our communities, and who have been repeatedly fined by the federal government for predatory, fraudulent, and otherwise illegal activities that disproportionately target low- and moderate-income consumers – with *more* control over the housing finance market. This is not only irresponsible but will be incredibly *detrimental* to our communities that you are now tasked to serve and protect.

Over the last eight years, Fannie Mae and Freddie Mac have been directed by their conservator, the Federal Housing Finance Agency, to dramatically tighten underwriting standards and increase the guarantee fees that they charge to borrowers. These requirements – and each company’s risk aversion due to their lack of capital – have made it difficult for the companies to serve our communities well. New initiatives requiring Fannie Mae and Freddie Mac to transfer “risk” to private market participants is unnecessarily layering additional costs onto borrowers. If Fannie Mae and Freddie Mac were actually permitted to retain appropriate levels of private capital in accordance with HERA, the companies would safely bear the risk that big banks refuse to – and could do so without creating exposure for taxpayers.

We hope that you will help us to push back on current efforts to dismantle Fannie Mae and Freddie Mac or otherwise gift their proprietary infrastructure to the big banks. Our communities, including our places of worship, rely on steady access to mortgage loans. Community lending – whether through community development financial institutions, credit unions, or community banks – best serve our neighborhoods, and Fannie Mae and Freddie Mac have consistently worked with those firms to support us in improving our communities. Indeed, Fannie’s and Freddie’s affordable housing goals and duties to serve underserved communities have been and remain key to our hopes of closing the wealth and income gap through homeownership.

Conversely, the biggest banks have consistently displayed a disinterest in lending to us, and the likely effects of their feverish support for “GSE reform” should be as transparent to you as it is to us: more gentrification in our neighborhoods, more rental properties across our communities, less homeownership opportunities for our parishioners. The efforts of these big banks to mint another dollar by controlling the housing finance market will result in an increase of systemic risk, come at the expense of homeownership, reinforce the economic disparities plaguing our communities, and shut the door on our economic self-sufficiency.

For these reasons, we were very pleased to hear Steven Mnuchin, your nominee for Secretary of the Treasury, recently articulate that it will be a “priority” of your administration to “get Fannie and Freddie out of government ownership” and make them “absolutely safe.” We strongly support such a pragmatic and rational path forward.

Thank you for your attention to this important matter, and we welcome the opportunity to meet with you, Mr. Mnuchin, and Dr. Carson for further discussion whenever convenient.

Sincerely,

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Vice President-at-Large
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Rev. Marie Batson	Soundview Baptist Church	Bronx
Rev. Dr. Marvin J. Bentley	Antioch Baptist Church of Corona	Queens
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Rev. Patricia Morris	The New Springfield Missionary Baptist	Harlem
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Rev. Edward Mulraine	Unity Baptist Tabernacle Church	Mount Vernon
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Rev. Kevin Quarles	Whosoever Will Baptist Church	Bronx
Rev. Hiram Ratliff	New Tabernacle Baptist Church	Bronx
Rev. Hubert L. Reaves	Sharon Baptist Church	Bronx
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Rev. John L. Scott	St. John Baptist Church	Harlem
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Rev. Dr. Jacob N. Underwood	Grace Baptist Church of Christ	Brooklyn
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Rev. Helen Wingate	Greater Faith Baptist Church	Bronx
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Rev. Gloria Peters Wynn	New Zion Pilgrim Baptist Church	Bronx
Rev. Patrick H. Young	First Baptist Church of East Elmhurst	Queens
Rev. Dr. Robert E. Young	Mount Olivet Baptist Church	Peekskill

Cc: Mr. Steven T. Mnuchin
Secretary-designate of the Treasury

Dr. Benjamin S. Carson, Sr.
Secretary-designate of Housing and Urban Development