



Bridging the financial inclusion divide digest: Positioning purpose and profit through financial inclusion

Regulatory developments in the financial services industry (FSI) on financial inclusion

Leading off

Amid global efforts to rebuild and restore stability following the pandemic's financial impact, marginalized communities continue to bear the brunt of financial disparities. Although concerns about a possible economic recession have slightly eased, the economy continues to face challenges such as a slowdown and increased borrowing rates.¹ This disproportionately impacts lower-income and impoverished households, who struggle to make ends meet. Addressing the lingering inequities is crucial in ensuring an equitable recovery that empowers and uplifts those who have historically faced systemic barriers to financial well-being. In such circumstances, financial inclusion emerges as a viable solution that can enhance the availability of financial resources and tools to those who need them the most, thereby fostering economic growth and

improving lives. By coordinating efforts and receiving support from key stakeholders in the public and private sectors—such as through innovative policies, tailored products, and other initiatives—low-income and poor households may be better able to strengthen their financial conditions.

Similar to our [May 2023 financial inclusion digest](#), this newsletter offers a summary of recent regulatory advancements with a focus on how regulators are prioritizing greater transparency and improved access to credit, and implementing noteworthy regulatory changes within FSI. Additionally, the Federal Housing Finance Agency (FHFA) has been steadfast in its ongoing endeavors to ensure housing for all. Read the sections on the following pages for insights into how these regulatory developments may potentially affect your business.

Note: This is a brief spotlight on current industry ongoings and not Deloitte's point of view.

Key updates

Despite the growing momentum of financial inclusion as a solution for achieving economic parity, there remains a significant amount of unfinished work. Moreover, implementing and prioritizing measures that help ensure fair access to financial services for vulnerable groups can result in reduced barriers, improved financial literacy, and less discrimination. In this report, we highlight various ongoing regulatory initiatives aimed at addressing potential inequities:

- The FHFA announced updated Equitable Housing Finance Plans for Fannie Mae and Freddie Mac, aiming to promote fair and affordable housing opportunities.
- Vice President Harris and the Treasury Department announced more than \$1.73 billion to enhance access to capital and financial services in underserved communities, addressing economic disparities.
- The FHFA issued a final rule amending the Enterprise Duty to Serve Underserved Markets regulation, encouraging Fannie Mae and Freddie Mac to serve low-income and underserved communities. It also proposed a rulemaking on fair lending oversight, signaling increased attention to ensure fair lending practices and prevent discriminatory practices in the housing market.
- The Treasury Department held roundtable discussions to discuss the American Rescue Plan's investments in rental assistance for AANHPI communities and engaged with financial institutions serving low-income and minority communities in California.
- Treasury Deputy Secretary Wally Adeyemo and Counselor for Racial Equity Janis Bowdler attended an ECIP roundtable with UC Investments, discussing the Treasury's \$8.4 billion investment in CDFIs and MDIs. The focus was on expanding financial services in underserved communities, benefiting low-income families, immigrants, and people living in rural areas in California.

Additional Deloitte perspective on financial inclusion

For additional insight, please see our ongoing series on financial inclusion and the impact it has on the financial services industry and the broader economy.

- [Driving purpose and profit through financial inclusion](#)
- [Advancing social and economic goals with global financial inclusion](#)
- [Accelerating toward greater financial inclusion](#)
- [The Consumer Financial Protection Bureau \(CFPB\) underscores the application of anti-discrimination law throughout the credit life cycle](#)
- [Additional Deloitte resources](#)

FHFA issues notice of proposed rulemaking on fair lending oversight²

The FHFA announced a proposed rule that would formalize the FHFA's existing practices and programs regarding fair housing and fair lending oversight of its regulated entities. The proposed rule provides protections for consumers against unfair or deceptive acts or practices and defines underserved communities for the purposes of the Equitable Housing Finance Plans. The proposed rule aims to address barriers of sustainable housing opportunities for the underserved communities by codifying existing FHFA practices in regulating fair lending, fair housing, and the Equitable Housing Finance Plans.

The proposed rule is expected to codify:

- FHFA's fair lending oversight requirements.
- The requirements for Fannie Mae and Freddie Mac (the Enterprises) to maintain Equitable Housing Finance Plans.
- The requirements for the Enterprises to collect and report homeownership education, housing counseling, and language preference information from the Supplemental Consumer Information Form (SCIF).

The proposed rule aims to ensure that the FHFA and the regulated entities focus on underserved communities throughout the United States and are consistently aligned with the Enterprises' Charter Acts, the FHFA's public interest duty, and the purposes of the Fair Housing Act.³

Once implemented, the proposed rule is expected to broaden the requirements for the Enterprises in fair lending compliance and provide greater oversight and transparency toward the Equitable Housing Finance Plans. Further, this should improve the FHFA's oversight of the Enterprises and banks along with working toward fulfillment of their statutory purpose to provide equitable access to sustainable housing opportunities and a well-functioning housing market for communities spread across the United States.

Additionally, the expectation from the proposed rule of codification of the FHFA's existing requirements and policies is to achieve several policy benefits, including:

- Increased public transparency and contribution toward the existing programs.
- Greater assurance of the FHFA's commitments.
- Increased oversight and accountability toward regulated entities, fair lending, and fair housing compliance.
- Protecting the public under fair housing and fair lending laws.

Vice President Harris, Treasury Department announce more than \$1.73 billion to improve access to capital, financial services in underserved communities⁴

US Vice President Kamala Harris and Deputy Secretary of the Treasury Wally Adeyemo announced that the US Treasury's Community Development Financial Institutions Fund (CDFI Fund) has awarded more than \$1.73 billion in grants to 603 CDFIs across the country through the CDFI Equitable Recovery Program (CDFI ERP).

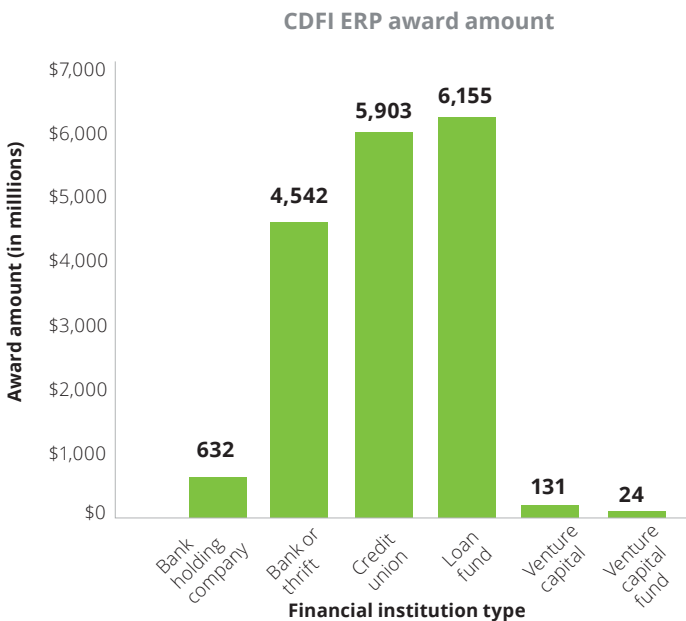
"When we invest in community lenders, we help build a future where all people—no matter who they are or where they start—have the resources they need not only to succeed but to thrive. These grants—representing the largest CDFI grant program in history—will enable hundreds of community lenders to invest in small businesses and entrepreneurs, and also provide home loans for families, financial services for local nonprofits, and capital for community organizations," said Harris. These grants are expected to contribute toward strengthening the ability of CDFIs to help low- and moderate-income communities recover from the COVID-19 pandemic and invest in long-term prosperity. Awards provided to CDFIs are focused to expand lending, grantmaking, and investment activity in low- or moderate-income communities and to borrowers, including minorities, that have significant unmet capital or financial service needs. These will help CDFIs to build organizational capacity and acquire tools and technology access required to accomplish activities under a CDFI ERP award.

"These grant funds will be transformative for grantees that are building a more equitable, resilient economy, along with helping sustain our strong economic recovery," said Treasury Secretary Janet Yellen. She also discussed allowing mission-driven lenders to expand access to capital in financially underserved communities to contribute to long-term economic growth and strong economic recovery.

The \$1.73 billion in CDFI ERP funding that is being received by institutions via grants through CDFIs includes banks, holding companies, and credit unions as well as non-depository loan funds and venture funds that are designated as CDFIs by the Treasury Department's CDFI Fund (figure 1). These mission-driven institutions are presented with an opportunity to accelerate efforts in America's distressed and underserved communities toward overcoming the persistent economic effects of the COVID-19 pandemic.

The CDFI ERP grant funds are expected to support lending related to small businesses and microenterprises, community facilities, affordable housing, commercial real estate, and intermediary lending to nonprofits and CDFIs. These will be utilized to implement initiatives for financial services, development services to support borrowers, and operational support.

Figure 1. Grants awarded to various financial institutions



Source: [CDFI Fund](#)

Other notable legislative and regulatory developments

FHFA announces updated Equitable Housing Finance Plans for Fannie Mae and Freddie Mac⁵

The FHFA updated the Enterprises’ 2023 Equitable Housing Finance Plans, focusing on their safety, soundness, and equitable access to affordable and sustainable housing. During the 55th anniversary celebration of the Fair Housing Act, one of the shared highlights was that the Enterprises helped more than 834,000 households in 2022 through the Equitable Housing Finance Plans.

Fair lending is essential for the US housing finance system, and the FHFA monitors fair lending data and risk presented by regulated entity activities. Despite the Fair Housing Act of 1968, the racial homeownership gap persists with households of color more than 24 percentage points lower in homeownership rates than the rate among white households.

Updates to the Enterprises’ 2022–2024 plans include, but are not limited to:

- Inclusion of the Latino Housing Journey and actions to remove barriers experienced by Latino renters and homeowners in Fannie Mae’s plan.

- Ensuring existing borrowers receive fair loss mitigation support and outcomes through monitoring and developing strategies to close any gaps.
- A provision of financial capabilities coaching to build credit and savings.
- Support for locally owned modular construction facilities in communities of color.
- Increasing the reach of Enterprise Special Purpose Credit Programs to support homeownership attainment and housing sustainability in underserved communities.

The Enterprises released performance reports for 2022, highlighting progress in the Equitable Housing Finance Plans and advancing equity in automated underwriting systems through rental payments, cash flow, and the use of advanced statistical techniques to improve model fairness.

Treasury Department convenes roundtable to discuss the American Rescue Plan’s historic investments in rental assistance for AANHPI Communities⁶

A virtual roundtable was held to discuss the impact of the American Rescue Plan’s Emergency Rental Assistance (ERA) program on Asian American, Native Hawaiian and Pacific Islander (AANHPI) renters and communities. The program has made nearly 10.8 million household payments and reallocated more than \$4.8 billion in resources. Tenants also shared their experiences and discussed ways to reduce barriers to affordable housing services.

The Treasury’s ERA program, part of the American Rescue Plan Act, is a federal effort designed to offer monetary support to qualified households facing difficulties in covering their rent or utility payments because of the COVID-19 pandemic. President Joe Biden signed the American Rescue Plan Act into law on March 11, 2021. The ERA program supported housing stability during COVID-19, with most funds going to low-income, historically underserved renters of color. More than 85% of beneficiaries are very low-income families and funds have reached a diverse range of households. Altogether, the ERA program has made \$46.55 billion available to promote housing stability. Further, the Treasury Department implemented a reallocation approach to expedite support for renters, redirecting unused funds to grantees with demonstrated need, as well as to robust programs, maximizing available resources.

FHFA announces final rule amending the Enterprise Duty to Serve Underserved Markets regulation⁷

The Enterprise Duty to Serve Underserved Markets regulation has been amended by the FHFA through a recently announced final rule. This rule enables the Enterprises to receive Duty to Serve credit for their endeavors in all colonia census tracts.

The final rule adds and amends the following:

- A revised meaning has been introduced for the term “colonia census tract,” now referring to a census tract that encompasses a colonia. This updated definition will serve as a representative measure, based on census tracts, for identifying a colonia.
- The definition of a “high-needs rural region” has been modified by replacing the term “colonia” with “colonia census tract.” This amendment reflects the use of a census tract-based representation for identifying a colonia within a high-needs rural region.
- The definition of a “rural area” has been amended to encompass all colonia census tracts, irrespective of their geographical location. This revision ensures that any colonia census tract is now included within the definition of a rural area.

The goal of these modifications is to streamline the Enterprises’ capacity to effectively carry out their Duty to Serve initiatives within colonia census tracts. This, in turn, will contribute to enhancing financial resources and support in these underserved communities, fostering increased liquidity.

In September 2022, the FHFA released a notice of proposed rulemaking, allowing a 60-day period for public comments. The final rule went into effect on July 1, 2023.

Deputy Secretary of the Treasury Adeyemo and Treasury’s Counselor for Racial Equity Bowdler hold a roundtable discussion with California financial institutions serving low-income and minority communities⁸

The University of California Investment Office (UC Investments) hosted a roundtable discussion with Deputy Secretary of the Treasury Wally Adeyemo, Counselor for Racial Equity Janis Bowdler, and Emergency Capital Investment Program (ECIP) recipients.

The participants discussed how ECIP-supported CDFIs and minority depository institutions (MDIs) in California are delivering financial products and services to expand economic potential in all communities—including immigrants, concentrated populations of low-income families, rural areas, and those with limited English or who prefer to do financial business in their first language. ECIP recipients also discussed the importance of receiving deposits to support their lending in these communities. These additional deposits will build on the Economic Opportunity Coalition’s announced deposits of \$1 billion for ECIP recipients.

ECIP incentivizes participating institutions that make qualified loans to minority, rural, and urban low-income and underserved communities as well as to low- and moderate-income borrowers. The Treasury Department has invested almost \$8.4 billion directly into depository institutions that are certified CDFIs and MDIs.

Endnotes

1. Ben Casselman and Jeanna Smialek, "[Could the recession in the distance be just a mirage?](#)," *New York Times*, July 19, 2023.
2. Federal Housing Finance Agency (FHFA), "[FHFA issues notice of proposed rulemaking on fair lending oversight](#)," press release, April 19, 2023.
3. FHFA, "[Notice of Proposed Rule Making – Fair Lending, Fair Housing, and Equitable Housing Finance Plans](#)," 12 CFR Part 1293, accessed July 2023.
4. US Department of the Treasury, "[Vice President Harris, Treasury Department announce over \\$1.73 billion to improve access to capital, financial services in underserved communities](#)," press release, April 10, 2023.
5. FHFA, "[FHFA announces updated Equitable Housing Finance Plans for Fannie Mae and Freddie Mac](#)," press release, April 5, 2023.
6. US Treasury, "[READOUT: Treasury Department convenes roundtable to discuss the American Rescue Plan's historic investments in rental assistance for AANHPI communities](#)," press release, April 27, 2023.
7. FHFA, "[FHFA announces final rule amending the Enterprise Duty to Serve Underserved Markets regulation](#)," press release, April 12, 2023.
8. US Treasury, "[READOUT: Deputy Secretary of the Treasury Wally Adeyemo and Treasury's Counselor for Racial Equity Bowdler hold a roundtable discussion with California financial institutions serving low-income and minority communities](#)," press release, June 16, 2023.

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