



Honorable Chairwoman Waters, Ranking Member McHenry, members of the committee, thank you for the opportunity to speak to you today on the very important subject of homeownership, especially among Black Americans.

My name is Lydia Pope, President of the National Association of Real Estate Brokers, the largest and oldest minority real estate trade association in America, referred to as NAREB. NAREB was founded in 1947 with the mission of “Democracy in Housing” an issue that we have advocated for and are here today to support. NAREB was founded during a time of onerous and egregious housing and lending policies that either barred or made it difficult for Blacks to own homes; of which, many of those policies still exist today. Today Black homeownership is nearly 30 percentage points behind those of White America and is lower today than when Congress first passed Fair Housing anti-discrimination laws¹.

NAREB members, through it’s 100 chapters across America, are on the front lines of minority urban communities creating housing opportunities for homeownership, advocating for a level playing field, and promoting policies that remove barriers to wealth creation through Black Homeownership. With the lingering effects of the pandemic, escalating interest rates, year over year increases in home prices, NAREB is as relevant today as it was at our founding in 1947.

First, the COVID pandemic, of the last two years, has brought about some major shifts in the housing market. Today we see cash buyers dominating the market, driving up home prices, and swallowing up properties at every price range. Many cash buyers are purchasing homes direct to rent. To this end, economic inequality has deepened during the pandemic. The wealth of a White family today exceeds that of a Black family by ten folds². The black homeownership rate has plummeted during the Pandemic from 2019 to today. Moreover as the country emerges from the 1st phase of the pandemic, rising interest rates along with rising home prices and a limited housing inventory make a perfect storm to suffocate Blacks out of the housing market. With a 1% increase in mortgage rates decreases buying power by 11%. Increasing interest rate and home price market, is widening the wealth gap, delaying more and more Blacks from participating in the American Dream³.

¹ <https://www.forbes.com/advisor/mortgages/black-homeownership-gap/>

² <https://www.brookings.edu/blog/up-front/2020/02/27/examining-the-black-white-wealth-gap/>

³ <https://mymortgageinsider.com/1-percent-rate-increase-11-percent-price-reduction/>



Moreover, Blacks continue to experience discriminatory lending practices; advancements are being made by technology firms and Fintech companies whose intent on replacing real estate practitioners with automation. More has to be done to close the wealth inequality chasm, remove lending and racist lending practices and ensure consumers are protected by licensee's.

To quantify the effects of how national crisis' and racist lending policies, and automation stifle Black homeownership, NAREB annually publishes our "State of Housing In Black America" report⁴. Our annual report, has become one of the most referenced and cited housing documents when discussing Black homeownership. The report is published annually in the last quarter of the year using the most recent HMDA data published by HUD. While our report chronicles the many challenges confronted by Black homebuyers, it also offers sound practical administrative solutions that can immediately spur Black homeownership.

Second, while homeownership is a proven road to wealth creation, most of us can agree that Blacks have not fared well, due to Jim Crow lending practices that were and are promulgated by lenders, as well as quasi-government agencies Fannie Mae, Freddie Mac and the Federal Home Banking system. The stymying effects of the Jim Crows laws prevented intergeneration wealth accumulation and transfer which our white counterparts continue to enjoy today. The proliferation of these laws is glaringly evident today, not only in the homeownership numbers but also in the inability of Black families to provide down payment assistance to subsequent generations. While we understand the great divide that exists in the current Congress, we believe that many of the solutions that could bring parity exist within the administrative powers of our federal agencies.

Furthermore, these discriminatory practices are revealed when student loans are considered in lending. They appear in unequal amounts when appraising homes for Black borrowers. These discriminatory practices have locked out well-qualified buyers because of risk based pricing that is nothing more than a Black tax. The continued covert discriminatory practices, in part, is a contributing factor to the trailing Black homeownership numbers.

A third component of the racial wealth gap and black homeownership is contained in emerging lending trends. Banks are no longer the principal source of mortgage credit. Lightly regulated nonbanks have emerged in the sector as the primary lenders. This

⁴ <https://www.nareb.com/shiba-report/> <https://www.nareb.com/shiba-report/>



change in lending is also being supported by a narrative that technology firms and FinTechs can replace the need for real estate practitioners and professionals. The narrative is that the minimal fees that borrowers pay for service and consumer protection are unnecessary today. Black consumers and consumers, in general, need protection and recourse from bad actors. Appraisers, title insurers, regulated lenders and real estate brokers are key safeguards in the home buying process that ensure proper value, transfer of title, fair and disclosed lending costs, and ethical representation of buyers and sellers for the property transaction that is often the biggest financial investment working families make in their attempt to build asset wealth for their families.

Current market trends dictate the need for a NAREB and organization like ours that safeguard and protect consumers from enterprising opportunist that would like to remove the Real Estate professional from the transactions. With the proliferation of the use of technology and algorithms in real estate transactions, who will ensure consumers are not taken advantage of?

We believe Real Estate practitioners, Title Companies, Licensed Appraisers, and housing counselors are integral trusted advisors, regulated and trained to ensure consumer safety. While technology may be utilized in real estate transactions, it should never be used to replace the licensee who has taken to the oath of consumer protection.

NAREB believes the challenges of black homeownership are fixable “if acknowledged.” That is; there is a reason: 1) Blacks do not generally have a multigenerational homeownership wealth; 2) Secondary market entities and government insurers (FHA) should not add additional costs to the real estate transaction of “at-risk borrowers” who are often minorities buying in predominantly minority communities; 3) since Black college graduates disproportionately have student loans, largely because of lack of family wealth – a redo is needed if government policy encourages student loan deferments but counts the deferment as a negative in the FICO scoring for mortgage credit determination; and 4) lenders are often hesitant to provide mortgages particularly in areas where housing prices are lower⁵ – e.g. Cleveland, St. Louis, Detroit, Baltimore, New Orleans, and Rural Areas – these happen to be communities with large Black populations. Incentives need to be developed to encourage a marketplace in these areas.

⁵ <https://www.pewtrusts.org/en/research-and-analysis/articles/2020/09/11/small-mortgages-are-hard-to-get-even-where-home-prices-are-low> <https://www.pewtrusts.org/en/research-and-analysis/articles/2020/09/11/small-mortgages-are-hard-to-get-even-where-home-prices-are-low>



To this end, with nearly 75 years of advocating and promoting fairness in housing. As President of NAREB I offer the following remedies that can have immediate impact and spur homeownership for Blacks today, tomorrow and for generations to come.

1. We fully support and urge passage of the Down Payment Assistance program that is part of the Build Back Better Bill. Many Blacks fall into the first-generation buyer and would greatly benefit from the approximate 9 Billion dollar fund. According to the latest census data only 8% of all homeowners are Black. This single digit number supports the need for this program and extreme opportunity to ignite homebuying among Black Americans.
2. We call for the elimination of all Loan Level Price Adjustments, otherwise known as LLPA's or Risk Based Pricing. Price adjustments were introduced in 2008 as a result of Fannie Mae and Freddie Mac's under capitalization. LLPA's vary based on loan to value, credit scores, occupancy and number of units. The purpose of LLPA's was to ensure capitalization of Fannie and Freddie during a time of crisis. That crisis has long been gone. Removing LLPA's will greatly increase the pool of buyers especially for Blacks.
3. NAREB supports the standardization to student loan calculations for student loans. Nearly 90% of Black students that attend a four-year public college obtain student debt. Student debt coupled with deferment policies creates an insurmountable barrier to homeownership for many Blacks who otherwise would qualify.
4. We support the creation of low-balance mortgages in the secondary market. There still remains neighborhoods and communities across this vast country where housing prices remain affordable. The creation of a low-balance mortgage products would create opportunities for Blacks to buy these affordable units in communities that are predominately minority.
5. To further support Black homeownership opportunities, NAREB launched its' 5 Pillars of homeownership. The 5 pillars provide a framework for Black wealth creation through homeownership. The 5 Pillars:
 - a. Civic and Faith-Based Engagement
 - b. Women in Real Estate (WIRE)
 - c. Diversity and Inclusion / Small Business
 - d. Multi-Generational Wealth Building
 - e. Government Relations and Advocacy



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Each of our initiatives and programs aligns with one of these 5 pillars, bringing both clarity and direction to our goal of increasing Black homeownership. Additionally, the pillars provide an opportunity for industry partners to align their interests with ours in our collective quest to close the Black wealth and homeownership gap.

In sum, Federal government's remedy to pass an existing discrimination in homeownership has been a hard-fought battle to buy and large outlaw discriminatory practices (e.g. Fair Housing and Open Housing contained in the Housing Act of 1968); or to provide information to allow private citizens to track discriminatory practices or outcomes (CRA and HMDA). All of these tools are useful.

However, today, there remains a need to redress racial economic harm caused by private and public sector practices. Homeownership and the denial of access to homeownership compounds access to family wealth situations. That is; like a savings account and compounded interest, multigenerational homeownership provides capital for families to for instance: send children/grandchildren to college without loans; help another generation with down payments on their homes and thus eliminate PMI or FHA insurance costs; or provide a source of credit that can be used as equity in a new business. Thus, the homeownership advantage white families received from the 1930s through the 1980s compounds the racial wealth gap today.

This is a tough issue, but NAREB applauds this Committee's efforts in this area. Without direct and immediate action inequities will continue to be roadblocks to Black Americans, the wealth Gap will continue to widen, and discriminatory practices will redline Blacks out of the housing market. I implore this committee, legislators, administration officials, the GSE's, housing regulators and Directors to join NAREB in promoting and ensuring "Democracy In Housing."

Thank you!