

Testifying At House Financial Services Committee, NAREB President Pope Outlines Plan to Increase Black Homeownership

Despite historical low interest rates, America was unable to substantially assist Black & Brown families in obtaining mortgages to increase Black homeownership

WASHINGTON, DC, UNITED STATES, July 25, 2022

/EINPresswire.com/ -- In testimony before the House Financial Services Committee, Lydia Pope, President of the National Association of Real Estate Brokers ([NAREB](#)), called on Congress to enact a national down payment assistance program and other measures to help increase homeownership among African Americans.



Entitled “Boom and Bust: Inequality, Homeownership, and the Long-Term Impacts of the Hot Housing Market,” last month’s hearing led by Committee Chairwoman Rep. Maxine Waters (D-CA) explored why Blacks and Hispanics were unable to take advantage of the vast expansion of homeownership when interest rates were low and now face a daunting task with mortgage interest rates nearly doubling from a year ago.

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Increasing interest rates in the housing market is widening the wealth gap, delaying more and more Blacks from participating in the American dream. Black home ownership is...lower than 50 years ago.”

Lydia Pope, NAREB President

“It’s unconscionable that despite historical low interest rates, this nation was still unable to ensure that historically underserved and excluded (minorities)” were able to obtain loans to purchase homes, Rep. Waters declared at the start of the hearing. Rep. Waters explained that the

housing market was hot during the pandemic because of historically low interest rates, a buildup in demand, a more mobile workforce, and a housing supply shortage.

Further, Pope said, “increasing interest rates in the housing market is widening the wealth gap, delaying more and more Blacks from participating in the American dream today. Black home ownership is nearly 30% behind both White America and lower than 50 years ago.”

Pope also noted that the COVID pandemic created major shifts in the housing market, such as investor cash buyers dominating a market where there was already low inventory market, a move that has reduced opportunities for those seeking to buy homes and contributing to the rapid increase in rent prices around the country.

In outlining ways to increase minority homeownership, Pope cited NAREB's four-part plan:

□Down Payment Assistance.

Currently, there are options for down payment assistance available for families, but most come with conditions that can hurt their ability to get a home loan. For instance, programs tack on a second mortgage or stricter wage and credit score requirements. Other proposals want to link down payment assistance to a tax credit, but that kind of relief does little to help a family that cannot close on house because they cannot afford the down payment. NAREB supports the federal grant program for down payment assistance that Rep. Waters has championed in the House. NAREB urges the Senate to pass similar the legislation.

□Student Loan Debt. Four years after college graduation, Black people owe an average of \$25,000 more in student loan debt than their White counterparts, and Black people leave school with an average of \$52,726 in student debt. The student loan debt impacts the ability of Black people to purchase homes. Inconsistency exists in calculating student



NAREB President Lydia Pope



Rep. Maxine Waters, Chair of House Financial Services Committee

loan debt in the debt ratios of the mortgage underwriting process. Fannie and Freddie have acknowledged income-based payment plans that lower the monthly debt ratio calculations. But it does nothing to address the fact that the actual student loan debt continues rising. While NAREB strongly supports eliminating some student debt, a uniform underwriting standard is needed for the Federal Housing Administration, Fannie Mae, Freddie Mac, and Veterans Administration.

□Loan-Level Price Adjustments (LLPAs). A [comprehensive study](#) by the Journal of Financial Economics found that risk-equivalent Latinx/Black borrowers pay significantly higher interest rates on GSE-securitized and FHA-insured loans, particularly in minority neighborhoods. The researchers estimate that these rate differences cost minority borrowers more than \$450 million yearly. The LLPAs are the culprit. Even if someone qualifies for a loan, lenders can adjust the interest rate based on credit scores. Further, Private Mortgage Insurance Companies can also increase their rates. These additional costs can push potential buyers out of the market. NAREB seeks an end to LLPAs and want it established that if a family meets the qualifications for a mortgage, they get the loan without additional fees.

□Fair Appraisals. NAREB wants an end to appraisal bias when Black people are selling their homes or need a valuation on new ones. A Biden administration task force concluded that “bias in home valuations limits the ability of Black and brown families to enjoy the financial returns associated with homeownership, thereby contributing to the already sprawling racial wealth gap.” A Brookings Institution study shows that homes in Black neighborhoods appraised for 23% less than similar homes in White neighborhoods. A 2021 Redfin study found that homes in Black neighborhoods are undervalued by \$46,000 on average, a gap that has been constant over the past decade. The appraisal review process is deeply flawed and must be fixed. After appeals, less than 3% of appraisals are revised. Of the roughly 78,000 appraisers across the country, only 2% are Black.

“I employ the committee, the legislators, the administrative officials, the GSEs, the housing regulators and directors to join NAREB in promoting and ensuring democracy in housing,” Pope testified.

ABOUT THE NATIONAL ASSOCIATION OF REAL ESTATE BROKERS

NAREB was formed in 1947 to secure the right to equal housing opportunities regardless of race, creed, or color. NAREB has advocated for legislation and supported or instigated legal challenges that ensure fair housing, sustainable homeownership, and access to credit for Black Americans. Simultaneously, NAREB advocates for and promotes access to business opportunities for Black real estate professionals in each of the real estate disciplines.

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