



THE NATIONAL ASSOCIATION OF REAL ESTATE BROKERS

FEDERAL POLICY AGENDA 2019-2020



NAREB History



Democracy in Housing Finds a Voice

After the end of World War II and the sacrifice of African Americans for the cause of freedom, dignity and human rights, the United States confronted its history of racial injustice and segregation, recognizing a moral mandate to end public discrimination and move beyond centuries of racial bias. This opened the door for the birth of the Civil Rights movement, and a more equitable future for African Americans, and other people of color.

The years after World War II gave African Americans inspiration, confidence, strength and hope for a better America. The world's leaders established the United Nations, and Ralph J. Bunche, an African American, was named the United Nations Division Trustee, later winning the Nobel Peace Prize. African Americans gained better paying jobs, and the Supreme Court effectively banned restrictive covenants and private agreements that excluded people of a designated race from ownership of real property. Although the lives of African Americans were improving, with a few victories won, schools were still segregated under the "separate but equal" theory, and equal housing had yet to become a reality.

On a sweltering evening in Tampa, Florida, on July 29, 1947, a group of pioneering African American leaders met and formed the National Association of Real Estate Brokers, NAREB.

The twelve pioneers – one woman and eleven men -- hailed from seven states, and they are the recognized founders of NAREB.

1. Nannie Black, Detroit, MI
2. Macco Crutcher, Detroit, MI
3. Carleton Gains, Detroit, MI
4. W.D. Morrison, Jr., Detroit MI
5. O.B. Cobbins, Jackson, MS
6. W.H. Hollins, Birmingham, AL
7. George W. Powell, Jacksonville, FL
8. J.R. Taylor, Miami, FL
9. F. Henry Williams, Jacksonville, FL
10. Horace Sudduth, Cincinnati, OH
11. J.W. Sanford, Oklahoma City, OK
12. A. Maceo Smith, Dallas, TX

That evening, the founders dedicated themselves to fair housing for all. They elected three temporary officers:

- W.D. Morrison, President
- Horace Sudduth, Vice President
- W.H. Hollins, Treasurer

Word about the new organization soon spread across the country, and NAREB hosted its first convention at Convention Hall in Atlantic City, New Jersey, over two days from July 19-20, 1948. The conference was a resounding success, representing a moment of conversion as men and women from across the country came together to express their voices as a collective force against inequity and injustice and for equality, justice and equal opportunities.

Since its founding, NAREB and its member REALTISTS have won victory after victory in the support of equal housing opportunities for all. We are an association proud of our past, relentless in our struggle in the present day, and 100 percent dedicated to a future in which we actualize the REALTIST creed: **Democracy in Housing.**





Overview

The National Association of Real Estate Brokers (NAREB) is the nation's oldest Black real estate trade association. NAREB is the conscience of the real estate industry. Since 1947 we have been and continue to be champions of "Democracy in Housing." Our 2020 Policy Agenda focuses on federal policies that will Educate, Empower and Mobilize Black communities. These policy recommendations have an overarching purpose to reduce and/or eliminate the pervasive barriers to Black homeownership in the U.S. According to a recent study by the Urban Institute, there are over 1.7 million Black millennials that earn over \$100,000 per year but are not homeowners. NAREB strongly believes that our legislative and policy priorities will create more Black millennial homeowners.

Promoting homeownership as a high priority for public policy makers

- Creation of a tax-advantaged Down Payment Savings vehicle – The American Down Payment Savings Plan – similar to the 529 educational savings plans. The plan would allow savings to make a down payment on a primary residence.
- Expansion of HUD Section 184 to include African Americans would provide for 2% mortgages and no money down
- Neighborhood Homes Investment Act - provides for tax incentives to redevelop single family homes that have an appraisal gap.
- Continued support for the Mortgage Interest Deduction.
- Student Loan Debt Reform - Modifying federal policies and laws related to student loan repayments that will encourage Millennials and Generation Z to become homeowners.

Achieving loan level equality by removing biases, discrimination and discriminatory effects in the mortgage origination process

- Same approval rates.
- Same pricing.
- Same terms offered for similarly situated borrowers.
- No neighborhood, zip code or census tract price adjustments.
- Elimination of Loan Level Price Adjustments (LLPAs).

CRA Reform

- Annual examination and reporting of fair lending practices.
- Implementation of fair, equitable and non-discriminatory origination, pricing and terms for residential mortgages.

COVID Relief for Homeowners

- Financial assistance homeowners to help make their mortgage payment.
- Clarity, transparency, and accountability for mortgage servicers and lenders that are required to provide a 6 month or 12-month forbearance for borrowers.
- Minority homeownership outreach, education and assistance-help promote homeownership and awareness, and provide foreclosure prevention assistance.





5 Recommendations

1. Reframing the Homeownership Narrative

Issue: The Black homeownership rate has steadily increased since June 2019 to 44%, compared to a White homeownership rate of 73%. In the 2018 and 2019 State of Housing in Black America Reports, we note that mortgage applications continue to increase by over 10% a year. Unfortunately, the number of applications for Black borrowers are still lower than its peak application number in 2004. A 2018 report by the Urban Institute noted that there are 1.7 million Black millennials who are mortgage ready but are renting apartments or living with their parents.

Recommendation: Changing the narrative on homeownership to reflect the current reality of wealth inequality. It is important that HUD, Fannie Mae and Freddie Mac create extensive advertising (digital, print, and electronic) that promotes the benefits of sustainable homeownership.

2. Expanding Homeownership Education for Minority Communities.

Issue: Homebuying education programs have continued to improve a borrower's ability to not only buy a home, but to keep the home as well, especially in minority communities. Unfortunately, many of these programs vary by state due to a lack of funding for these types of programs. It is imperative that we encourage more programs to be established that will equip American families with the tools needed to become homeowners.

Recommendation: Establish a \$700 million minority Homeownership Outreach and Assistance program. This program will rely on community stakeholders that will have the best opportunity to engage with those who have historically not been able to become homeowners. These federal funds should be made available to 501 (C)(3), 501 (C)(6) and business entities with a commitment to increasing Black homeownership.

3. Expanding Down Payment Assistance Programs

Issue: Currently, in many U.S. cities, the average rent payment matches or exceeds the average mortgage payment. One of the more substantial challenges to homeownership in America is saving the funds for the initial down payment required to secure a mortgage loan.

Recommendation: The Introduction and Passage of the American Dream Down Payment Savings Plan Act. This bill allows for potential homebuyers to create tax-advantaged plans, similar to the current 529 college savings plan, with the sole purpose of saving for a down payment. These plans also allow for family members (immediate and extended) to contribute to a beneficiary's account.





Legislative Policy Advisory

2019-2020



4. Supporting Black Homeowners who struggle in the Aftermath of COVID-10

Issue: The COVID-19 pandemic has the potential to devastate Black homeowners, threatening to increase the racial wealth gap. Even with the passage of the CARES Act that encourages lenders to provide forbearance programs for borrowers, minority homeowners typically do not have the same access and are at higher risk of foreclosure. In order for these families to survive this crisis, safeguards must be put in place to ensure that they have the resources necessary to get on the road to recovery.

Recommendation: Establish programs that extend relief to new homeowners (within 2 years) and create a fund that can support minority homebuyers even to those who do not have GSE-backed mortgages.

5. Eliminating Loan Level Price Adjustments (LLPAs) and Risk-Based Pricing

Issue: Beginning in April 2008, the GSEs changed its pricing structure and began pricing mortgages based on criterion, such as FICO score and loan to value. Prior to this change, if a borrower met the minimum threshold for approval, then all interest rates and costs associated with the loan would be equal to each applicant. Now, if your credit is on the lower end of the approval threshold, your cost is prohibitively higher than a borrower with a higher credit score. If you have less capital as a down payment, you have to pay additional fees. This tends to affect Black and other minorities, disparately. Based on racial inequities in employment, income and wealth, this policy is unfair, reduces affordability and restricts access to homeownership.

Recommendation: We strongly recommend the elimination of LLPAs on mortgage products by FHA, Fannie Mae and Freddie Mac because of the negative impact on affordability.





Legislative Bills NAREB supports

H.R. (not yet filed), Representative Gregory Meeks (D) and Senator Doug Jones (D)

American Dream Down Payment Savings Plan. Tax advantage savings account to help homebuyers with the purchase of a home (similar to the 529 college savings plan). The lack of money for a down payment is one of the top barriers to homeownership for African-Americans. This bill would help many families to plan earlier to become a homeowner.

H.R. (not yet filed) Senator Kamala Harris (D)

Pathway to Homeownership Act of 2020: This bill is intended to increase homeownership with the focus on four main principles: 1.) Inclusive Credit Access 2.) Down Payment Assistance 3.) Fair Calculations of Debt to Income 4.) Non-Discriminatory Policies.

H.R. (Not Yet Filed) Representative Al Green (D)

The Promoting Access to Credit for Homebuyers Act: Promotes access to credit for homebuyers during the COVID-19 pandemic by preventing Fannie Mae, Freddie Mac, and the Federal Housing Administration from imposing additional restrictions or costs on borrowers who have inquired about, requested, or received forbearance.

H.R. 6800, Speaker Nancy Pelosi (D)

Heroes Act of 2020: Section in the bill that establishes a Homeowner Assistance Fund that would provide \$75 billion for states, territories and tribes to address the ongoing needs of homeowners struggling in the aftermath of the COVID-19 crisis.

H.R. 1500, Representative Maxine Waters (D)

Consumers First Act: To require the Consumer Financial Protection Board to meet its statutory purpose and for other purposes. One of the key provisions of this bill would be to have the CFPB enhance their role in fair mortgage lending and loan level pricing equality.

H.R. 1737, Representative Cedric Richmond (D)

American Housing and Economic Mobility Act: The bill increases incentives for affordable homeownership across the country and invests funds to help seniors stay in their homes. The bill also seeks to require not less than 75% properties acquired through foreclosure by FHA are sold to an owner-occupant or community partner that will rehabilitate or develop the property and sell to an owner-occupant.

H.R. 149, Representative Al Green (D)

Housing Fairness Act: Establishes a "Fair Housing" testing program through HUD that is intended to identify and measure discriminatory practices in the housing market. Increase funding for Fair Housing Initiative Programs through grant programs conducted by private or nonprofit entities. Establishes grant programs for private or non-profit entities to study discriminatory housing programs throughout the country.

H.R.2162, Representative Joyce Beatty (D)

Housing Financial Literacy Act: To require the Secretary of Housing and Urban Development to discount FHA single-family mortgage insurance premium payments for first-time homebuyers who complete a financial literacy housing counseling program. Would reduce mortgage insurance premiums by 25 basis points. Promoting financial literacy and housing counseling increases the opportunity for sustainable homeownership and significantly reduces the chances for foreclosure.





THE TWO MILLION NEW BLACK HOMEOWNERS PROGRAM



TWO MILLION NEW BLACK HOMEOWNERS IN FIVE YEARS PROGRAM

The National Association of Real-Estate Brokers' (NAREB) Two Million New Black Homeowners (2MN5) Program includes the following five key points:

1. The 2MN5 is a five-year program that will grow and expand under the next three presidents of NAREB.
2. The program is data-driven, marking the creation of a comprehensive database managed by NAREB.
3. The program includes the following activities that support NAREB mission of Democracy in Housing:
 - a. Advocacy for the Black homeowner.
 - b. Activism for access to credit and policies that support increased homeownership.
 - c. Action-based community outreach that raises awareness and educates communities across the country on the important role homeownership plays in closing the wealth gap in the Black community.
4. The program's tag line is "Black Homeownership Matters," signifying the importance of homeownership, financial stewardship, asset accumulation and building Black wealth through homeownership.
5. Measurement of the program's progress will focus on several victories:
 - Increasing homeownership in the Black communities.
 - Increasing the size and scope of Black business in real estate.
 - Strengthening the foundation of Black wealth through land ownership.
 - Raising the awareness of the important role homeownership plays in wealth creation in the Black community.

