

**Paving the Way to Sustainable Homeownership
For A Mega Market of Hispanic Homebuyers**



2012 Policy Plan

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Overview

Mounting pressure from a growing federal deficit and slow jobs growth has contributed to a political climate in Washington that threatens to undermine a housing rebound. The emergence of new fees on Fannie Mae and Freddie Mac loans as a way to offset payroll tax cuts has created higher mortgage transaction costs for new homebuyers. This comes on the heels of last summer's controversial, proposed Qualified Residential Mortgage (QRM) rule that also seeks to increase the cost of mortgages and impose higher down payment requirements for borrowers. Many of these proposed solutions bear grave consequences for the housing recovery because they thwart the ability of America's working families to achieve homeownership.

As Hispanic real estate leaders of the nation's second largest consumer group, we believe in the power of homeownership as a long-term mechanism for economic growth and a stabilizing force that strengthens families, neighborhoods and communities. The American dream of homeownership is alive and well in the Hispanic community despite the disproportionate losses Latinos have suffered in the foreclosure crisis. A young, eager new generation of Latino households that were largely unaffected by the crisis, have high aspirations for homeownership and are waiting in the wings for their chance to buy homes at record low prices and interest rates. They are the face of the next wave of homebuyers with the purchasing power to revive the housing market.

The choices we make now will set the pace for our nation's economic recovery. Intelligent, commonsense policy that preserves access to safe, affordable mortgage credit for a mega market of Hispanic consumers will benefit our nation with a purchase cycle that lasts years. Therefore, the 20,000 members of the National Association of Hispanic Real Estate Professionals recommend this six-point plan that we believe is essential to creating an environment that supports the recovery of the market, restores the value of ownership in our communities and promotes safe, sustainable and responsible homeownership.

Our recommendations are bipartisan in spirit and seek to address barriers that challenge Latino and first-time homebuyers. Specifically, this six-point plan calls for:

1. Government support of a mortgage market system that includes FHA, VA, Fannie Mae and Freddie Mac and/or new GSE-like entities;
2. No new taxes, fees (or elimination of the mortgage interest deduction) that would increase the cost of affordable housing;
3. Appropriate budget support for supplier diversity initiatives included in the Dodd-Frank Wall Street Reform and Consumer Protection Act and the Housing and Economic Recovery Act. Increased diversity in the financial services sector, senior management hires and real estate service providers is essential in the future minority-dominant marketplace;
4. Support of distressed property management strategies that help responsible homeowners, favor owner-occupant buyers, promote lease-to-own REO rental options and fast track short sale transactions through servicer incentives;

5. Commonsense immigration reforms that protect our borders; create a pathway to legal residency or citizenship for individuals that have lived and worked in the U.S. for some time; preserve the nation's labor pool; provide a route to citizenship for children of undocumented individuals and end the climate of hate and intolerance directed at the Latino community.
6. Support for financial education and counseling programs that promote financial literacy among mortgagors

I. Protect and Improve Access to Affordable Mortgage Finance

Since the onset of the financial crisis, borrowers have been required to overcome high credit standards in order to qualify for a home loan. Narrow definitions of creditworthiness add to the difficulty for minority and first-time borrowers to get a mortgage. In this environment, government support of the mortgage market provided by the FHA, VA, Fannie Mae and Freddie Mac (the "GSEs" – government sponsored enterprises) is critical in providing affordable housing for the Hispanic community.

While the housing market and economy remain weak, we must protect those government programs from efforts to diminish their role in the affordable housing market and look for additional ways to improve access to affordable housing. Congress should take whatever action is necessary to ensure those government institutions have the resources and support necessary to continue their affordable housing activities. We oppose any legislation that eliminates the GSEs, unless they are replaced with other programs that provide the same level of support to the affordable housing market.

In addition, new government regulations should promote, not hinder, the ability of low and moderate income borrowers to get a mortgage on affordable terms. For example, the financial regulatory agencies have proposed a definition of "qualified residential mortgage" that requires a minimum 20 percent down payment. Many borrowers, especially a large segment of the Hispanic community NAHREP members serve, cannot afford a large down payment and will be forced into a higher interest rate, non-QRM mortgage loan. Government regulators must do a better job of considering the impact of rules on the affordable housing market.

- NAHREP opposes legislation to eliminate the GSEs without a comparable replacement to support affordable housing
- NAHREP opposes a minimum down payment for "qualified residential mortgages"
- NAHREP opposes policy that reduces access or increases costs to first time homebuyers

II. Protect Homeownership and a Housing Recovery from Budget Deals

Fiscal and budgetary issues remain high on the Congressional agenda this year as Congress and the Administration negotiate appropriations bills, tax breaks and ways to reduce the federal deficit. Policymakers will be tempted to look to the housing sector for additional revenue or budget cuts. It is critical to homeowners and the broader housing market that Congress resists placing any new taxes on housing or reduces current levels of government support for the still fragile housing market.

For example, in December 2011, Congress passed legislation to extend a payroll tax break for an additional two months. There was opposition in Congress to the measure due to its cost and impact on the federal deficit. Therefore, Congress and the Administration agreed to offset the cost of the tax break by requiring Fannie Mae and Freddie Mac to increase the guarantee fees they charge for the securities they guarantee. The provision requires the Federal Housing Finance Administration (“FHFA”) to increase the guarantee fees by 10 basis points or more from the average charged in 2011. The increase is passed on to borrowers in the form of higher mortgage rates and fees, and is effectively a tax on borrowers for every new mortgage transaction. Hispanic borrowers are disproportionately impacted by such policies that raise the cost of affordable housing.

These types of revenue generating measures may solve a budgetary impasse, but they will also cause significant harm to the still declining housing market. Federal Reserve Chairman Bernanke recently stated that before we can have a strong economic recovery, we must first stabilize the housing market. Therefore, it is important that Congress not enact any additional taxes on the housing sector. Housing market related tax deductions, such as the mortgage interest deduction, should be protected. If the government chooses to create federal revenue generating mechanisms that negatively impact housing market recovery, it will lengthen the duration of the housing downturn, suppress economic recovery and disproportionately penalize low- to moderate-income homebuyers.

- NAHREP opposes targeted taxes on mortgage borrowers to resolve budget negotiations
- NAHREP opposes any change to the mortgage interest tax deduction or the mortgage insurance tax deduction

III. Increase Supplier Diversity in the Real Estate and Financial Industry

Both the Dodd-Frank Wall Street Reform and Consumer Protection Act and the Housing and Economic Recovery Act have unprecedented provisions dedicated to supplier diversity. These provisions require, among other things, the establishment of an Office of Minority and Women Inclusion at FHFA and the Consumer Financial Protection Bureau (“CFPB”). These agencies are set up to ensure that minorities and women receive adequate opportunity to work and provide services at banks and the GSEs.

Over the course of the next decade and beyond, minorities will grow to represent the largest segment of new homebuyers nationwide. Minority professionals can greatly enhance the assistance and outreach of financial services to these new consumers. The most successful financial institutions will have a diverse workforce and supplier base that closely reflects the cultural and gender makeup of the customers they serve.

Additionally, the housing crisis has disproportionately affected minority neighborhoods throughout America. The hiring of minority real estate agents to list, manage, value and sell bank-owned properties provides better outcomes for neighborhoods and helps to revitalize some of the hardest hit communities.

- NAHREP supports diversity goals for the GSEs and other financial institutions that correspond with the proportion of minorities in their customer base
- NAHREP urges Congress to ensure that the FHFA and CFPB follow through on their diversity mandates pursuant to Dodd-Frank and HERA. Congress can do this by ensuring that the Offices of Minority and Women Inclusion are adequately funded and staffed.

IV. Improved Management of the Distressed Real Estate Market

The housing market will not stabilize until foreclosures are substantially reduced. Refinancing underwater homeowners at today's low interest rates and increasing the number of successful short sales can help avoid more than one million foreclosures in America.

When foreclosure is unavoidable, REO properties should be sold to owner occupants whenever possible. Owner occupant sales create healthier outcomes for neighborhoods. Qualified owner occupant buyers are not in short supply in most hard hit markets, but property conditions and a motivation for quick sales by the holders of REO properties creates a bias for cash investors. REO properties should be assessed as early as possible for the best and most appropriate disposition strategy. Properties deemed as likely to be sold to an owner occupant should be repaired to "lendable" condition to maximize the number of prospective buyers. Properties deemed as unlikely to be sold to an owner occupant should be sold as quickly as possible, preferably to investors who are committed to repairing and either reselling or renting the property in a manner that supports neighborhood stabilization.

- NAHREP supports President Obama's plan to help responsible homeowners and heal the housing market and encourages Congress to pass the necessary legislation to implement the plan
- NAHREP believes that whenever possible REO properties should be sold to owner occupants and encourages banks and the GSEs to repair REO properties to lendable condition to maximize sales to owner occupants
- NAHREP believes a "first look" policy where only owner occupants can make bids for a period of time should be implemented on all REO sales where an owner occupant sale is likely and should be in effect for a minimum of 30 days in all markets
- NAHREP urges FHFA to move forward cautiously with the REO to rental program and encourages a path to homeownership, such as a lease-to-own option, be made available to qualified lessors
- NAHREP believes that vacant properties in the foreclosure process undermine neighborhoods and hurt local governments. Therefore, foreclosure moratoriums or legislation that slows the foreclosure process should not apply to vacant properties or non-owner occupied homes
- NAHREP believes short sales are better for communities than foreclosures and that increased incentives for servicers and occupants are necessary to increase the number of short sales

V. Sensible Reforms to Federal Immigration Policy

Sensible reforms to federal immigration policy are necessary to meet our labor demands and must provide a realistic solution to the 11 million people living in the U.S. without status or dignity. At 16 percent of the total U.S. population, the Latino community represents a significant part of our overall economy, and is especially critical in states such as California, Florida, Arizona and New Mexico. While immigration reform consistently ranks amongst Latino voters' top priorities, much of the debate on the subject has focused on polarizing discussions of allowing access at the expense of lawlessness. As is the

case with many complex issues, a practical resolution is more complicated than imposing reactionary attrition based legislation. In Arizona's case, 7 percent of its total state population is undocumented and, since the State enacted Senate Bill 1070, Arizona has suffered the detrimental impacts of economic contraction because it expelled a significant component of its productive workforce.

NAHREP advocates for resolutions at the Federal level, such as the DREAM Act, which meet states' economic needs by allowing for legal employment opportunities that generate tax revenue from millions of workers across the U.S. into our struggling economy. The DREAM Act constructively creates a path to citizenship for children of undocumented individuals, opening the door to legitimate wages, the ability to maintain bank accounts and purchase homes. Despite being hit hard by the housing market downturn, three-in-four (75 percent) Latinos agree that buying a home is the best long-term investment a person can make in the U.S. Our current economic imperative compels us to draw upon our collective history to welcome in a willing workforce to meet our labor demands and boost our ailing housing economy.

- NAHREP supports secure borders that reduce illegal immigration
- NAHREP advocates for a more efficient immigration process that increases legal immigration and supports our economy's current and future need for skilled and unskilled labor
- NAHREP supports a path to legal residency and/or citizenship for law abiding individuals that have lived and worked in the U.S. for a substantial period of time
- NAHREP supports passage of the DREAM Act.

VI. Support financial education and counseling – Promote financial education for mortgagors

Successful homeowners understand and manage their earning and spending habits, their total household debt, and their credit reports and credit scores. Understanding the concept of these financial skills, coupled with the ability to create and implement a simple financial plan, provides predictable, successful outcomes for families of all ages and social-economic levels.

Potential borrowers and new homeowners should have easy access to the information, education, tools and/or counseling necessary to help them fully understand how to be financially responsible. Limiting or excluding access to financial education programs and information leaves some consumers vulnerable to predatory practices during decision making and the proper use of financial products. Conversely, the educated consumer can understand the short and long term impact of their decisions, where and how a financial product is appropriately used to achieve a goal, and when it is detrimental.

To increase the probability of our desired outcome of "sustainable homeownership," we must continue to provide resources to increase the financial skills of our constituent homeowners.

- NAHREP believes all first-time home buyers that obtain a mortgage from a government sponsored or government insured source should first receive home buyer education from a qualified non-profit counseling group
- NAHREP supports increasing the federally funded housing counseling budget to \$100 million

