



NATIONAL ASSOCIATION OF  
HISPANIC REAL ESTATE  
PROFESSIONALS

# 2014 POLICY

## POSITION STATEMENT



# OVERVIEW

Annually, the National Association of Hispanic Real Estate Professionals® (NAHREP®) reevaluates its position on a number of key policy issues which have a direct impact on the Association's ability to accomplish its mission. In 2014, immigration reform is of such critical near term importance that NAHREP is compelled to issue this Call to Action to policy makers on the subject. The nation's immigration laws must be reformed without further delay, and NAHREP urges policymakers to seriously consider the solutions outlined in its Call to Action.

An executive summary of NAHREP's Call to Action and Policy Priorities are listed below:

## 2014 Call to Action - Immigration Reform

We urge Congress to enact immigration reform and we have highlighted the positive impact passing this reform legislation will have on our economy. NAHREP calls on Congress to take specific actions we outline to ensure passage of immigration reform in this 113th Congressional session.

## Policy Priority - Inventory Disposition

There is currently a lack of inventory in the marketplace caused by the financial services industry's failure to manage distressed properties in the best interests of the community. Companies like Ocwen are purchasing large numbers of distressed loans, circumventing the professional real estate community, and liquidating assets in a way that continues to impact inventory levels and adversely affects community revitalization.

## Policy Priority - Housing Finance Reform

NAHREP supports comprehensive reform of Fannie Mae and Freddie Mac (the "GSEs"); however it is critical they are replaced with other government programs that provide the same level of support to the affordable housing market.

## CALL TO ACTION

# NAHREP calls for lawmakers to immediately pass comprehensive immigration reform

The 2010 U.S. Census estimates approximately 40 million individuals living in the U.S. are foreign born with undocumented immigrants accounting for 28 percent of that population. That equates to 11.2 million individuals living in the U.S. without status, unbanked, and not fully integrated into the economy. While the influx of undocumented immigrants continues to decline sharply, the overall size of this population has tripled since 1990 and is still larger than in 2000 when it was 8.4 million.

The Pew Research Center estimates that nearly 80 percent of the undocumented immigrant population is from Mexico and other Latin American countries. In 2013 Mexico again topped the waiting list for immigrant visas with 1.4 million in queue, more than the combined total waiting list from the next four countries with the greatest demand (India, Vietnam, China and the Philippines). Based on the current distribution system, a maximum of 50,000 from Mexico's waiting list could be granted an immigrant visa, resulting in an estimated wait period of nearly 20 years to emigrate from Mexico to the U.S.

Much of the current immigration reform debate focuses on a handful of potential strategies that seem designed primarily to reverse past immigration patterns; strategies including: increased border security, stiffer penalties for employers who employ the undocumented, and expulsion strategies to remove unauthorized individuals.

In reality, none of these punitive strategies address fully the immigration problem, and all ignore the fact that 11 million people currently live and work in this country without dignity or status, actively contributing to the U.S. economy and whose immediate removal from the country could cripple our agriculture, service, and construction industries. The solution is not as simple as stating that immigrants should follow the proscribed processes in place.

This situation calls for a less reactionary approach, focusing instead on resolution to the issue of status and retaining a ready workforce. Commonsense reform must begin by acknowledging 11 million people currently live in the shadows in the U.S. without status or dignity. Additionally, reform must recognize the current process for foreigners to legally immigrate to the U.S. is broken. Visa caps are applied to each country uniformly despite the fact that the greatest demand and backlog is from Mexico, which is the country of origin for 58 percent of the undocumented immigrants in the U.S.

The absence of definitive reform at the Federal level has emboldened states to take action to address the issue. The piecemeal approach at the state level results in a patchwork of alarmist reactions including:

- Adoption of voter id laws to breed false alarm and create a perception that undocumented individuals are generally untrustworthy and will seek to vote when they are not entitled to
- Passage of regressive, attrition-based laws like Arizona's SB1070 which allow police to stop anyone whom they suspect may be undocumented to check for status

Since 2007 when the U.S. economy began to falter into recession, the net number of immigrants arriving into the U.S. dropped precipitously. In fact, according to the Pew Hispanic Center, "The largest wave of immigration in history from a single country [Mexico] to the United States has come to a standstill." This trend is especially significant because 51 percent of all immigrants from Mexico are unauthorized. The net migration from Mexico has plummeted to zero. The increase in border patrol agents combined with the decrease in

border apprehensions due to lower unauthorized immigration demonstrates an already secure border. There is no longer a tide of illegal immigration to stem. There is, however, a problematic population of 11.2 million undocumented immigrants, most of whom have been in the U.S. for over 10 years, and remain in the shadows. The undocumented population is overwhelmingly Latino, and nearly 60 percent are Mexican. While clearly there are undocumented persons living in the US from places other than Mexico and Latin America, the sheer volume of undocumented Hispanics makes immigration reform an undeniably Latino issue.

So, what to do with 11 million people? The current spike in deportation trends suggests expulsion as an intentional strategy to resolve the quagmire. In fact, “repatriation” of unauthorized Mexicans has risen to record levels. With migration into the U.S. from Mexico at a standstill, the likelihood of their reintroduction to the U.S. is low. Chief among the many problems with this repatriation focus is that it fails to acknowledge U.S. economic dependency on the labor provided by this population. Indeed, the current U.S. labor force is comprised of 8.3 million undocumented immigrants occupying a disproportionately large percentage of low-skilled jobs in the farming, construction and service industries. Current estimates indicate nearly 20 percent of construction and 25 percent of farm workers are undocumented. In Western states like Arizona, California and Nevada, they comprise 10 percent or more of the work force. Considering these remarkably high percentages, expulsion of a necessary labor force cannot be part of a reasonable reform strategy. Immigrants will continue to fuel U.S. population growth and labor force, with projections indicating that by 2050, 82 percent of U.S. population growth will come directly from immigrants and their descendants. Common sense reforms to federal immigration policy are necessary to meet our labor demands.

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 like California, Texas, Illinois, Florida and Arizona. The element of “mixed status” families introduces an additional layer of complexity. That is to say, 73 percent of all children of unauthorized immigrants are U.S. citizens by birth, a percentage that is increasing. In fact, 4 million U.S. born children reside in mixed status families. Clearly deportation of one or more parent in one of these households would have a significant material impact on a large number of U.S. citizens, future taxpayers and contributors to the economy.

While 42 percent of Latinos agree that comprehensive immigration reform should include a path to citizenship for those currently living in the U.S. without status, an even greater percentage (55 percent) feel it’s important they be able to live and work here without the threat of deportation.

American public sentiment indicates a large majority, fully 75 percent, agree that it would be better for the country’s economic prosperity for the undocumented to gain status and have an opportunity to work within the law legitimately. Indeed, NAHREP’s research shows that of the estimated 6 million individuals who would seek legalization, at least half of those would pursue homeownership. Given Latino’s higher than average homeownership aspirations, these conservative estimates are projected to result in \$500 billion in home purchases and new mortgages, injecting the housing industry with a much need boost to its recovery.

## NAHREP's Solutions:

NAHREP implores the Obama administration and the 113th Congress to identify resolutions at the Federal level which meet the economic needs of our nation by allowing for legal employment opportunities that generate tax revenue from millions of currently undocumented workers across the U.S. into our struggling economy. NAHREP is a strong advocate for comprehensive immigration reform that includes the following:

### Deportation Relief

In order to preserve our labor pool and the country's labor demands, deportation relief must be an active component of immigration reform.

### Pathway to Citizenship

A resolution must include a pathway to citizenship for those who would seek status and choose to become U.S. citizens. This is especially true for the 1.5 million children in the country without status.

### Immigrant Visas

Current visa caps are antiquated and do not address the backlog of legitimate requests to immigrate to the country, as well as legitimize unauthorized persons already in the country. Reforms should provide status for undocumented immigrants and address the current backlog of family and employment-based visa applications.

### Nonimmigrant Visas

Work related visas and guest worker programs should be an essential element to an overall reform package. The explicit inclusion of legal residency would enable qualification for various financial instruments, including mortgages, further aiding the housing recovery.

## POLICY PRIORITY: Inventory Disposition

The disposition of foreclosed properties and defaulted loans must include a focus on local communities and owner occupant homebuyers.

Last year NAHREP first pointed out the negative implications of alternative disposition strategies like bulk sales and auctions to deal with defaulted loans and foreclosed properties. Especially at a time when there are hundreds of thousands of families that have the means and desire to purchase these homes but are repeatedly being outmaneuvered by investors with cash and a system that prefers to look for easier solutions by avoiding buyers that need financing or who prefer to work with real estate agents.

Hispanics were devastated by the foreclosure crisis more than any other segment of our population. According to a Fed study, largely due to the housing crises, Hispanics lost more than two-thirds of their median household wealth in a five-year span ending in 2012. Hispanics are passionate about homeownership and are critical to the health and growth of our overall housing industry. Policy makers need to be aware that large investor controlled housing markets, and the unintended consequences of government and corporate policies that remove affordable housing stock from local buyers and the owner-occupied market are major threats to Hispanic homeownership growth.

### The issues facing prospective Hispanic homebuyers

Given the current political and economic climate, a lack of affordable housing inventory remains one of the most significant barriers to Hispanic homeownership in 2014. **With interest rates near all-time record lows and price points as low as they are in most markets, home purchases are more affordable than they have been in decades.**

However, despite the financial opportunity, fewer owner-occupants are purchasing homes today than in previous decades. In 2013, investors purchased almost 50 percent of all homes purchased for \$250,000 or less. Large investors and Wall Street firms have collectively purchased several hundred thousand single-family homes over the last several years. The majority of these institutional acquisitions were purchased through alternative dispositions such as auctions, and bulks sales that are essentially unavailable to owner occupant buyers. Most of the so called “specialty mortgage servicers” in the market are largely deploying disposition strategies that favor large investors over owner-occupant buyers and smaller local investors.

As a result, homebuyers who are sometimes willing to pay more for a home are being “boxed-out” of the market adding insult to injury for the Hispanic community. Another important consideration is that the market has never experienced a time when Wall Street investors have owned such a significant number of single-family homes. Unlike the stock market, residential real estate does not have sophisticated safeguards to protect the public from activities that can manipulate prices and undermine community stabilization. By allowing Wall Street investors to control such a large share of homes, wealth is diverted from middle class neighborhoods to wealthier communities. Equity appreciation benefits institutions and the wealthy instead of middle class families in working class neighborhoods. Failure to provide home buying opportunities to some of the most important growth segments of our society jeopardizes economic growth and stability for an entire generation.

## NAHREP's Solutions:

NAHREP believes that homes should be sold individually and to owner-occupants whenever possible. This will allow Hispanics and other minority groups to achieve their homeownership goals, while simultaneously stimulating the economy. Property disposition strategies that favor large investors and Wall Street firms should be discontinued in markets where there is strong demand from owner-occupants for residential properties.

### **NAHREP believes these issues can be addressed in several ways:**

- NAHREP encourages policy makers and the Obama administration to adopt policies that recognize the importance of selling foreclosed homes to owner-occupants whenever possible.
- NAHREP encourages the Office of the Comptroller of the Currency (OCC) to track and publish owner-occupancy sale percentages on bank foreclosed properties and to include foreclosed homes sold by non-OCC regulated servicers who purchased the servicing from an OCC regulated bank.
- NAHREP encourages HUD to require that foreclosed properties on notes that have been sold through the Distressed Asset Stabilization Program to follow the same "First Look" policies that FHA disposition protocols require.
- NAHREP believes that auctions for REO properties and short sales should be inclusive of real estate agents and provide ample opportunities for owner-occupant buyers and local investors.
- The need to obtain financing should not be a barrier to purchasing distressed real estate from the government or financial institutions.

We believe that these policies can help to provide Hispanics and other minority groups with an equal opportunity to become proud American homeowners, as well as provide desperately needed economic activity in the local communities most affected by the housing crisis.

## POLICY PRIORITY: Housing Finance Reform

### Housing Finance Reform must preserve affordable low down payment mortgages for homebuyers

There is much debate taking place in Washington, DC and around the country about the appropriate role for federal government in ensuring access to mortgage credit. Since the housing crisis began in 2008, government dominance in the mortgage market has steadily increased to the point where the Government Sponsored Enterprises (GSEs) – Fannie Mae and Freddie Mac – and the Federal Housing Administration (FHA) provide access to over 90percent of mortgage finance in America. The U.S. housing market has been on a recovery track for the last two years but remains heavily dependent on these entities. Fannie Mae and Freddie Mac have been in conservatorship more than five years and for the first time ever, the FHA was forced to request replenishment funding from the federal government. NAHREP believes that the current role of government in housing finance is not sustainable and comprehensive action must be taken to address the GSEs and FHA to ensure that viable homeowners from all economic segments have access to affordable mortgage financing.

Thus far, the House and Senate have proposed different approaches to housing finance reform. The leading House proposal, introduced by Republicans, leans heavily toward privatization and would eliminate the GSEs' affordable housing responsibilities. In contrast, the Senate proposal, introduced in a bipartisan effort, would combine a government backstop with a continued focus on affordable housing programs. Notwithstanding those differences, both proposals seek a reduced government role in the housing finance sector. This core principle has been echoed by the President, who recently laid out general principles for housing finance reform that include winding down the GSEs, amplifying the role of private risk capital, and preserving the function of FHA insurance. Unlike some, NAHREP does not believe that there is any credible evidence that supports the perspective that government efforts to support low to moderate income homebuyers or minorities played any material role in the recent housing crisis. Accordingly, while NAHREP supports the structural changes that are necessary to preserve the housing finance system, NAHREP strongly believes government's role in housing finance must always be primarily focused on underserved segments of the market.

NAHREP applauds efforts by policymakers to craft proposed solutions to this complicated issue, and stand ready to analyze all proposals and speak on behalf of NAHREP members and Hispanics who aspire to achieve the dream of homeownership.

## NAHREP's Solutions:

The following principles of reform will guide NAHREP's assessment of any and all proposed solutions:

- A "Ginnie-Mae-type" government guarantee (backed by the full faith and credit of the U.S. government) on mortgage-backed securities is necessary to ensure investors (domestic and international) have confidence and trust in the securities in which they are investing.
- Ensure that all qualified borrowers, regardless of geography, income, racial or ethnic background must have access to affordable low down payment mortgage programs.
- Fannie Mae and Freddie Mac or any government program that replaces them must be primarily focused on providing access to first-time and low-to-moderate income homebuyers
- Homebuyers and existing homeowners wishing to refinance must have access to a 30-year fixed rate mortgage.
- The TBA "To Be Announced" market must be preserved to allow consumers the ability to "lock-in" an interest rate at the time of application.

NAHREP will work to ensure there is a proper role for government and for the private free market to ensure a constant flow of capital to support homeownership. NAHREP will ensure policymakers construct sensible and modest use of government programs thereby encouraging availability and access to a free (but properly regulated) market.



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