

# 2020 NAHREP National POLICY PRIORITIES

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The National Association of Hispanic Real Estate Professionals' (NAHREP) 2020 Policy Priorities revolve around one common purpose: to advance sustainable Hispanic homeownership. NAHREP wholeheartedly believes that homeownership is the best way Latino families build wealth in America. With over 40,000 members and 100 chapters across the nation, NAHREP represents not only real estate professionals championing Hispanic homeownership, but also the growing number of prospective Hispanic homeowners that require adequate housing stock, affordable lending products, and fair immigration policies to continue contributing to the U.S. economy through homeownership. The policy priorities within this report were formulated prior to the COVID-19 pandemic. Policy priorities related to existing economic realities will be forthcoming.

NAHREP firmly believes that every individual who desires to become a homeowner and can sustain a mortgage should be granted access to a piece of the American Dream.



HOUSING INVENTORY



ACCESS TO CREDIT



IMMIGRATION



# INCREASE PRODUCTION OF HOMES IN ORDER TO ADDRESS HOUSING SHORTAGES

## BACKGROUND

According to Zillow, in December 2019 there were 7.5 percent fewer homes on the market than the prior year, making 2019 the lowest housing inventory ever recorded since the group began tracking inventory data. The inventory shortage problem is getting progressively worse. NAHREP real estate professionals, who work directly with prospective homebuyers at the point of sale see housing inventory shortages as the number one leading barrier to advancing sustainable Hispanic homeownership. In a recent poll of the top Latino real estate professionals, 43.6 percent indicated that “too few homes for sale in client’s price range” was the number one barrier to advancing sustainable Hispanic homeownership.

## OVERALL STRATEGY

Champion both national and local policies that significantly increase the production of homes for sale.

## FEDERAL STRATEGY

### ADDRESS THE LABOR SHORTAGE

- Pass Comprehensive Immigration Reform (CIR), recognizing that the construction labor shortage is stifling economic growth in the housing industry. CIR would also include a visa category that allows employers to petition foreign workers to fill the labor shortage in the construction industry.

### REVERSE EXCLUSIONARY ZONING AND EASE LAND USE RESTRICTIONS

- Tie federal transportation funds conditional on their success in incorporating inclusionary zoning policies and easing land-use restrictions that prohibit new residential construction.
- Require that transit-based development plans that are around employment hubs include the construction of multi-family condominium units or other high-density living housing construction.
- Grant tax breaks and density bonuses to developers who set aside affordable ownership housing for low- to moderate-income households.

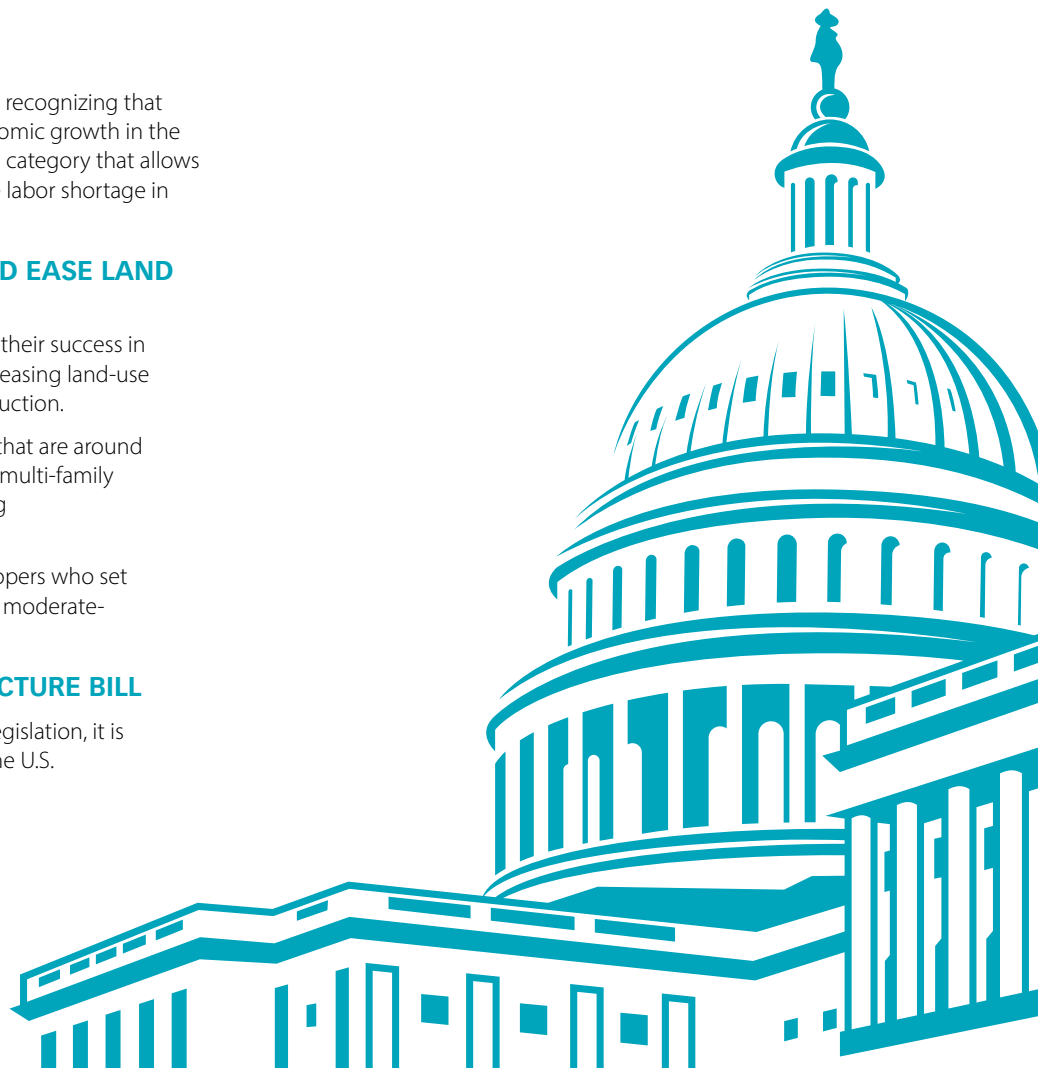
### INCLUDE HOUSING IN AN INFRASTRUCTURE BILL

- As Congress begins to develop infrastructure legislation, it is imperative that building homeownership for the U.S. workforce be part of that legislation.

## STATE AND LOCAL STRATEGY

### CHAMPION STATEWIDE ZONING AND LAND-USE REFORM

- Incentivize home building near existing job centers and public transportation.
- End apartment/condo bans within one-quarter mile of job centers and existing transit stops.
- Allow homeowners to convert an existing single-family structure into a same-size duplex, triplex, or fourplex.
- Permit small lot subdivisions in order to encourage development of detached townhomes that don’t require being part of a homeowner’s association.
- Provide tax breaks for new home construction and avoid subjecting housing approvals to discretionary processes.



# PROTECT AND EXPAND ACCESS TO CREDIT, PARTICULARLY FOR FIRST-TIME HOMEBUYERS

## BACKGROUND

With Latinos accounting for 40.4 percent of all household formation growth over the past 10 years, it is evident that Latinos are driving housing demand in America. As Baby Boomers age out of our system, Latinos will play an even bigger role in sustaining the growth in the U.S. housing market. For the past five years, Hispanics have achieved consistent homeownership growth thanks in part to the unwavering commitment Hispanics have to homeownership. However, that growth has been tied to the availability of programs that support first-time homebuyers.

The median Hispanic home purchaser buys their home with a 3.5 percent down payment loan and has a median household income of \$68,000; a third of new Hispanic home purchasers have a debt-to-income (DTI) ratio of 45 percent or higher. It is imperative that any policy changes take into consideration that profile of Hispanic borrowers. A failure to do so has the potential to cut out of the market the very population that is sustaining the housing market today.

## OVERALL STRATEGY

Focus advocacy efforts on 3 key regulatory changes coming from the following housing agencies.

## CONSUMER FINANCIAL PROTECTION BUREAU (CFPB)

### WHAT IS HAPPENING?

The CFPB is scheduled to release a rule on the definition of Qualified Mortgage (QM) in 2020 which will redefine borrower and lender requirements that must be met in order to have a loan deemed QM. In 2014, the rule required lenders to offer loans with more stable features to protect borrowers from mortgages they could not afford. This rule is getting a makeover.

### WHY IT MATTERS?

Most lenders are unwilling to originate or purchase non-QM loans. Therefore, if the lines that define a QM loan run straight through the median characteristics of a Latino borrower, a large swath of borrowers would be cut out of the mortgage market. Defining QM based on a 43 percent debt-to-income (DTI) ratio disproportionately impacts Hispanics, and Appendix Q (an outdated regulation that explains the standards for determining debt and income) is the reason so many self-employed borrowers have trouble obtaining a loan.

### URGE THE CFPB TO:

- Eliminate from the general QM category the debt-to-income (DTI) ratio requirement and the associated Appendix Q.
- Maintain the existing QM safe product restrictions that prohibit certain risky loan features (i.e. no terms over 30 years, no negative amortization, no interest-only payments, no balloon payments, documented and verified income, etc.).
- Enhance the existing Ability to Repay (ATR) regulatory language related to documentation and verification of income.
- Ensure that if the QM definition moves away from a DTI requirement to a pricing model, the QM loan designation be increased to 2 percentage points above the prime interest rate.

## FEDERAL HOUSING FINANCE AGENCY (FHFA)

### WHAT IS HAPPENING?

In 2020, FHFA will roll out its Enterprise Capital Rule. The number one goal for FHFA right now is to get out of conservatorship, and strategic adjustments are being made. Everything else comes second. This explains why the government-sponsored enterprises (GSEs), or Fannie Mae and Freddie Mac, seem to be moving away from what they deem to be "riskier" products (i.e. low down payment loans).

### WHY IT MATTERS?

The 2020 FHFA Enterprise Capital Rule will determine the amount of capital that lenders must hold in order to finance loans. If capital requirements are increased, pricing will go up, and financial institutions will have fewer incentives to issue high loan-to-value (LTV) loans.

### URGE FHFA TO:

- Continue to incentivize lending to low- to moderate-income and first-time homebuyers as FHFA considers or executes on the plan to remove Fannie Mae and Freddie Mac from conservatorship.
- Ensure the enterprises have a clear commitment to serve low- to moderate-wealth borrowers, fully fund programs that serve underserved communities such as the Housing Trust Fund and Capital Magnet Fund, and set clear goals and strategies for how to meet these commitments.
- Support the reduction or elimination of loan-level price adjustments (LLPAs) for loans that are covered by private mortgage insurance. LLPAs issue an excessive penalty to lower-income borrowers.
- Support Community Development Block Grants (CDBG) that ensure availability of local down payment assistance programs and infrastructure needed to rehabilitate homes for single-family homeownership.

## THE OFFICE OF THE COMPTROLLER AND THE CURRENCY (OCC), FEDERAL DEPOSIT AND INSURANCE CORPORATION (FDIC), AND THE FEDERAL RESERVE BANK

### COMMUNITY REINVESTMENT ACT (CRA)

#### WHAT IT DOES

The Community Reinvestment Act (CRA) is a federal law enacted in 1977 to encourage depository institutions to meet the credit needs of low- to moderate-income (LMI) neighborhoods. Currently, activities that qualify for CRA credit include investments such as issuing mortgages for low- to moderate-income borrowers and first-time homebuyers.

#### WHAT IS HAPPENING?

The Office of the Comptroller of the Currency (OCC), along with the Federal Deposit Insurance Corporation (FDIC), recently submitted a rule that would expand which activities count for CRA credit.

#### WHY IT MATTERS?

The existing CRA model has proven to spur significant increases in lending and investment in LMI communities. When census tracts lose CRA eligibility it leads to about a 10 percent or greater decrease in purchase mortgage lending by CRA-regulated lenders. The OCC and FDIC are proposing to no longer include mortgage lending in LMI neighborhoods on CRA exams.

#### URGE OCC, FDIC, AND FEDERAL RESERVE TO:

- Defend the core principles of CRA that help first-time homebuyers.
- Move away from issuing a single metric to determine CRA, particularly one that does not distinguish between homeownership, rentals, and commercial property. A reliance on a single ratio of CRA performance could allow banks to pick and choose which communities to serve and which products and services to offer in those communities.
- Encourage more lending for first-time homebuyers as opposed to large investments such as bridges or stadiums.

# RESPOND TO ECONOMIC DEMAND: CHAMPION IMMIGRATION POLICY SOLUTIONS

## BACKGROUND

Immigrants build America. According to the National Association of Home Builders in 2018, immigrants accounted for 24.3 percent of the overall construction labor force. Many of the construction professions where the labor shortage is most acute are comprised primarily of immigrants. For example, 66 percent of builders reported a labor shortage of drywall installers, a profession relying on a 50 percent immigrant workforce. We need more immigration to help fuel existing labor shortages, not less. The Center for Migration Studies reported that the number of undocumented immigrants has decreased by 1.2 million people between 2010 and 2018.<sup>1</sup> Contrary to public discourse, more Mexicans are returning to Mexico than coming into the U.S. Deportations from the interior of the U.S. have also climbed, reaching 85,958 in the most recent fiscal year.<sup>2</sup>

Additionally, DACA recipients today make significant contributions to the housing market and the overall economy. DREAMers own 59,000 homes and are directly responsible for \$613.8 million in annual mortgage payments.<sup>3</sup> The uncertainty around DACA creates housing instability for U.S.-born family members and is an opportunity loss for expanding homeownership opportunities.

## OVERALL STRATEGY

Focus on passing the following federal legislations.

### PASS COMPREHENSIVE IMMIGRATION REFORM

Address the labor shortage by passing Comprehensive Immigration Reform that also incorporates strategies for providing the construction industry with the supply of labor it needs to keep up with housing demand.

### DREAM ACT AND TEMPORARY PROTECTIVE STATUS

On June 4, 2019, the House of Representatives passed the American Dream and Promise Act in a bipartisan fashion. We urge the Senate to pass its companion Senate Bill 872.

### HOMEOWNERSHIP FOR DREAMERS ACT

We urge FHA to reverse their position to stop insuring loans for DACA recipients. Ultimately, FHA actions should not get ahead of the U.S. Supreme Court's decision on DACA. Urge Senate to pass S.1929.

### FAMILY REUNIFICATION ACT OF 2019

Support a chance for individuals to be petitioned for reunification by a U.S. citizen or green card-holding family member as long as they pay a fine, pass background checks, and show the necessary family relationship (i.e. spouse) as another strategy for filling critical jobs needed to spur our economy.

<sup>1</sup>Center for Migration Studies. (2020). *Reverse Migration to Mexico Led to US Undocumented Population Decline: 2010 to 2018*. Retrieved from <https://journals.sagepub.com/doi/pdf/10.1177/2331502420906125>.

<sup>2</sup>U.S. Immigration and Customs Enforcement. (2019). *U.S. Immigration and Customs Enforcement Fiscal Year 2019 Enforcement and Removal Operations Report*. Retrieved from <https://www.ice.gov/sites/default/files/documents/Document/2019/eroReportFY2019.pdf>

<sup>3</sup>Center for American Progress. (2019, September 5). *What We Know About DACA Recipients in the United States*. Retrieved from <https://www.americanprogress.org/issues/immigration/news/2019/09/05/474177/know-daca-recipients-united-states/>.