

# 2023 NAHREP NATIONAL POLICY PRIORITIES

The National Association of Hispanic Real Estate Professionals (NAHREP) 2023 Policy Priorities are based on NAHREP's mission - to advance sustainable Hispanic homeownership. NAHREP believes every individual who desires to become a homeowner and can sustain a mortgage, should have access to homeownership.

To that end, NAHREP focuses its advocacy efforts in four main policy areas:

- 1. HOUSING AFFORDABILITY**
- 2. ACCESS TO CREDIT**
- 3. INDUSTRY BEST PRACTICES**
- 4. MACROECONOMIC ISSUES**



# 1. ADDRESS THE HOUSING AFFORDABILITY CRISIS

Housing affordability has fallen to record lows as home prices and interest rates continued to rise, making it more difficult to achieve homeownership. One of the biggest factors in the affordability crisis is a lack of inventory, particularly at the entry level. Additionally, rising mortgage costs have added further cost burdens on to would-be homebuyers.

## REVIEW AND REFORM LAWS THAT STIFLE HOUSING DEVELOPMENT

**State Analysis:** Support federal efforts to incent states and localities to examine and make changes to laws that prevent or discourage for sale-housing, such as density prohibitions, pre-sale requirements or unusual liability requirements that discourage contractors, insurers, and developers from selling owner-occupied homes. These locality changes should be captured in the Affirmatively Furthering Fair Housing (AFFH) requirement recently reconstituted by the Biden Administration. While incentives for exceptional performance by cities should be rewarded, meaningful constriction of federal funding should be contemplated for little or no compliance with the intent of the AFFH to expand homeownership opportunity.

**Homeownership Inclusive Plans:** Provide additional funding and resources to support programs, such as Thriving Communities and Y-I-M-B-Y Grant Programs that incent localities to make changes in local rules to permit higher density and smart-transit based development.

## EXAMINE AND REDUCE BUILDING COSTS

**Revisit Tariffs and Reach Canada Trade Deal:** The U.S. must continue to negotiate an appropriate lumber trade deal with Canada to rein in the impact of tariffs on home construction. Supply chain disruptions and the lack of domestic manufacturing capacity is holding back the U.S. economy. Major investment in domestic production of steel, and other key construction materials is needed.

**Reduce regulatory compliance costs:** The National Association of Home Builders reports the average Regulatory and Compliance cost to build the average new home in America is \$94,000 per unit. In order to make new homes affordable for the average consumer, we recommend creating a Congressional Housing Commission to examine the nature of these burdensome costs and make recommendation by the end of 2023 to reduce them by 50 percent.

## LEVERAGE TAX INCENTIVES AND APPROPRIATIONS

**Modernize and increase funding for existing federal homeownership programs:**

- **HOME Investment Partnerships Program:** This billion dollar program funds state-directed activities including building, purchase, and/or rehabilitation of housing for rent or homeownership. The program should be modernized and revitalized to improve the relative distribution of funds for homeownership opportunities.
- **FHA 203k Rehabilitation Program:** Take steps to make material improvements to the antiquated FHA 203k program to promote public sector participation, such as municipalities and tax-exempt entities as borrowers who take out the loans to preserve the existing housing stock for aspiring owner-occupants.
- **Update FHA's Mortgage Assumption Process:** The FHA Mortgage Assumption program has not been actively used in decades thanks to low-interest rates. Lender compensation, credit qualification, and other rules deserve a refresh in order to breathe life into the program and make FHA home sellers better able to market their homes to the next generation of homebuyers.
- **Leverage Department of Transportation Funding:** Leverage the Department of Transportation to play a bigger role in solving the nation's housing supply shortage, by including housing requirements in transportation funding, encouraging building homes where jobs are located, and tying transportation funding to cities and municipalities performance in promoting housing development.

### Support and fund new federal homeownership programs:

- **The Neighborhood Homes Investment Act** authorizes federal tax credits for neighborhood revitalization.
- **Housing Supply and Affordability Act** authorizes a grant program for the development and implementation of housing supply and affordability plans. This may include the formation of an Affordable Homeownership Coalition focused primarily on solving the single-family inventory supply crisis.
- **Revitalizing Downtowns Act** authorizes an expansion of the real estate investment tax credit to add a 20 percent for qualified office conversion credit for affordable housing

### Create tax incentives to encourage home sales:

- **Reduce capital gains taxes** to zero for investment property owners that sell their single-family rental units to owner-occupants or first-time homebuyers.
- **Provide a material tax incentive** to the more than 2 million existing single-family homeowners with mortgage rates at 3 percent or less who would otherwise list their home for sale, if not for the rise in interest rates.
- **Incentivize domestic factory-built construction industry:** Create tax credits or incentives to expand and stabilize the domestic factory-built housing industry to grow US construction jobs in a safe working environment and to lower building costs so that homes are more affordable.

## LOWER THE COST OF MORTGAGE FINANCING

**Eliminate Loan-Level Price Adjustments (LLPAs):** LLPAs fee changes are not benefiting modest means borrowers equally. The new debt-to-income sensitivities create de facto restrictions this industry worked hard to eliminate with Qualified Mortgage rules. The FHFA needs to end LLPAs that create undue burdens on communities of color, particularly those with small down payments. After all, the credit risk on these loans is already covered by Private Mortgage Insurance. LLPA's are a "double-charge" for the same risk and must be eliminated.



## 2. EXPAND SUSTAINABLE ACCESS TO CREDIT

To better serve the growing population of Hispanic homebuyers, the lending environment must be conducive to the needs of the market. Latinos overwhelmingly purchase their first home utilizing low down payment products, such as those insured by the Federal Housing Administration (FHA). Additionally, financing opportunities need to be expanded to include self-employed borrowers and borrowers with non-traditional sources of income.

### ACCESSIBILITY FOR FIRST-TIME HOMEBUYERS

**Mortgage Insurance Premium:** Make the mortgage insurance premium tax deduction permanent and increase its income phaseout so that more consumers may benefit from the deduction. Urge FHA to do away with the life-of-loan requirement for the majority of FHA borrowers.

**Expand condominium financing:** Reduce stringent FHA, GSE and state, and local rules regarding condominium pre-sales, approvals, reserve requirements and liability as they materially restrict housing supply options for many first-time homebuyers. Urge HUD to update its FHA condo approval guidelines to ensure that more condos are FHA approved, by lowering the 50 percent occupancy threshold, and allowing for spot approvals in alignment with Fannie Mae and Freddie Mac condo guidelines.

**Expand underwriting to include boarder income and the financing of secondary units:** Expand underwriting to allow for the inclusion of future income derived from secondary units. Additionally, streamline regulations to allow financing for the construction of ADUs, granny flats, in-law units, backyard cottages, and other secondary units. Federal financing should be allowed to pay for new factory-built small homes with a cost as high as \$300,000.

**Credit scoring competition:** Accelerate the implementation of alternative credit scoring models recently approved by FHFA for mortgages sold to the GSEs.

### APPRAISAL REFORM

**Revamp existing property valuation practices:** Examine and revamp property valuation policies to ensure accurate valuation, including changes to governance structure, updating technology, and innovative models.

### SPECIAL-PURPOSE CREDIT PROGRAMS

**Zero down payment Special Purpose Credit Program for First-Time homebuyers:** Policymakers should authorize a national pilot “Earned Opportunity Mortgage (E.O.M.)” program specifically designed for Hispanic and other first-time homebuyers, providing zero percent down payment mortgages. The program should contain specific provisions, for example, sufficient credit score for six months or more, monthly payment reserves of three months or more, and maintain sufficient income to meet standard 45 percent back-end qualifying ratios.

### EXISTING FEDERAL LEGISLATION ENDORSED BY NAHREP:

- **Pass the Down Payment Toward Equity Act of 2021** to create a \$20,000 down payment assistance (DPA) program geared toward first-generation, first-time homebuyers whose income is within 120 percent of the Area Median Income (AMI), or 180 percent in high-cost markets, as defined by the Federal Housing Administration.
- **Pass the Low-income First Time Homebuyer (LIFT) Act of 2021** which would create a program through the Department of Housing and Urban Development (HUD) that would sponsor low fixed-rate, 20-year mortgages to accelerate equity building.

## 3. INDUSTRY BEST PRACTICES

Despite the critical role Latinos play in homeownership growth, housing production, and the overall housing market, Latinos remain underrepresented and underserved in the real estate industry. NAHREP urges the real estate sales, mortgage lending, appraisal, and real estate development industries to diversify their workforce and broaden their services.

### INCENTIVIZE DIVERSITY IN THE INDUSTRY

**Create financial incentives:** Diversity Equity and Inclusion (DEI) aspirational requirements and affordable housing goals create an environment where mortgage lenders do more than the bare minimum to serve underserved communities in a socially conscious manner. Financial incentives, such as a reduction in guarantee fees to surpass minimum standards and potentially reduce FDIC insurance fees for depository institutions achieving specific goals for CRA, affordable housing, low-to-moderate income lending and social responsibility leadership initiatives, which may include expanded diversity hiring and/or internship opportunities.

### SUPPORT DEVELOPERS OF COLOR WHO BUILD IN THEIR COMMUNITIES

**Developers of Color and Factory-Built Housing Workforce Development Programs:** Latinos comprise 30 percent of the construction industry, more than any other demographic. As communities look to institute anti-displacement efforts, programs that provide local contractors with adequate training, support, and funding resources will allow local business owners to be a part of housing production efforts in their communities

**GSE Racial Equity Programs:** Expand Freddie Mac's Build the Builder Program and encourage Fannie Mae to include programs that support builders of color as part of their racial equity strategy, the Sustainable Communities Partnership and Innovation Initiative, such as offering lower rates for building loans.

**Acquisition, Development, Construction (ADC) Financing:** Encourage further reduction in FDIC and OCC Acquisition, Development, Construction (ADC) financing requirements imposed on Commercial Banks that make ADC loans to builders and developers. These standards were materially increased during the Great Recession of 2006 - 2013. Regulators should provide immediate, targeted relief to standards well below pre-Great Recession standards, incentivizing the building of affordable, single-family properties.

## 4. MACROECONOMIC ISSUES

### IMMIGRATION AS AN ECONOMIC POLICY ISSUE

Immigrants have historically been the bedrock of our economy. The recent decline in immigrant workers, and consequently, our labor force, has impacted the socio-economic well-being of our communities — and in particular, the housing market, a key driver in stimulating economic growth. Restrictive immigration policies have decreased authorized immigration in recent years and as a result, shrunk an already decreasing labor force.

#### Protect the Deferred Action for Childhood Arrivals (DACA) Program

As the longevity of the DACA program remains at risk, NAHREP urges Congressional action to provide a pathway to citizenship for Dreamers, protecting them from future deportation and securing their work authorization. DACA recipients have contributed billions to the U.S. economy, own millions of homes, and the vast majority are in the labor force. Dreamers are critical to the nation's workforce and economic growth.

#### Pass Comprehensive Immigration Reform

The biggest risk to long-term housing production in the U.S. is the construction labor shortage. Urge Congress and the White House to pass Comprehensive Immigration Reform (CIR), with the recognition that the current labor shortage in the U.S. is stifling business growth, particularly in the housing industry. Additionally, NAHREP urges the creation of a temporary visa category that allows employers to petition foreign workers to fill construction industry labor shortages while providing these workers with a path toward citizenship.

### EXISTING FEDERAL LEGISLATION ENDORSED BY NAHREP:

- **U.S. Citizenship Act of 2021** to provide temporary legal status and a path to citizenship for the 11 million undocumented workers currently living in the U.S.
- **American Dream and Promise Act of 2021** to protect Dreamers and Temporary Protected Status (TPS) holders from deportation, providing a pathway to permanent residency.