

## Americans need greater control over their homeownership dreams

by Marc\_H.\_Morial

Homeownership is part of the American dream and key to building wealth for all Americans. Over the past decade, increasing homeownership has helped more blacks secure a larger sliver of the American pie and paved the way for the building of larger nest eggs for the future.

Just a few years ago, black homeownership hit historic highs: nearly half, or 49.1 percent, of blacks in 2004 owned their own homes. Since then, rising foreclosure rates have threatened that progress, with homeownership slipping to 47.9 percent in 2006.

The slippage has set off alarms at the National Urban League that there is a homeownership state of emergency afoot. If something isn't done soon, the problem will get worse, especially for the least experienced consumers in the market.

To wake up our nation's leaders to the impending disaster, we're offering a Homebuyer's Bill of Rights. It offers salient policy suggestions and urges intervention before the patient ends up in the emergency room or worse yet, the morgue.

The National Urban League Homebuyer's Bill of Rights seeks to minimize four major obstacles that stand in the way of more Americans owning their own homes and keeping them:

1. Lack of savings for down payments.
2. Lack of information on how to shop for homes and apply for loans as well as how to maintain ownership.
3. Lack of quality affordable units in livable locations.
4. Lack of consumer protection.

Our suggestions are included under six separate rights we believe U.S. home buyers should have:

1. **The Right to Save for Homeownership Tax-Free:** It can take up to three years or more for the average 35-year-old American to save enough to put a down payment down on purchasing a home. In a 2002 Fannie Mae Housing Survey, 35 percent of those polled cited high down payments as the main reason they didn't become homeowners. That is why we are recommending that Congress establish individual homeownership development accounts to encourage savings tax-free for home purchases.

Similar to 529 educational saving plans and 401(k) retirement plans, these matched-savings plans would be administered by employers. Parents could set up accounts for children when they are born so that by the time they become adults they have enough money for a down payment. It would give young adults who have a hard time paying rent an incentive to set aside money. Our government, much like it did after World War II through FHA and VA loans, should play a role in helping more of its citizens save the money needed to become homeowners.

2. **The Right to High-Quality Homeownership Education:** Some first-time home buyers do not necessarily suffer from lack of resources to fund their first purchase. They suffer from a deflated sense of credit esteem because they've convinced themselves that they aren't qualified to obtain low-interest mortgage loans.

According to a Freddie Mac survey regarding consumer knowledge and confidence, only half of blacks who had credit scores high enough to qualify for loans perceived themselves as qualified. It is obvious that we need to cut through the misconceptions surrounding the purchase of a home through greater education.

At the National Urban League, we have shown 20,000 Americans what they must do to buy a home through our affiliates' homeownership classes. These efforts aim to ease the fear, trepidation and stigma faced by first-time home buyers as they sort through their many options. What we've learned is that homeownership education works and that it doesn't go far enough and doesn't touch nearly enough Americans.

The problem is that the Department of Housing and Urban Development's limited education budget restricts nonprofits such as our affiliates from charging fees to provide such classes. So, we suggest Congress doubles the \$42 million budget HUD gets for homeownership counseling and require the agency, in conjunction with financial institutions and community-based organizations, to offer post-purchase education to ensure a smooth transition from renting to owning.

Why should Congress care about helping homeowners after they've signed the loans and closed? Life happens. Homeowners lose their jobs, get sick and have family emergencies that can make it difficult for them to make mortgage payments. We cannot allow ourselves to think that all those who face foreclosure are irresponsible. Post-purchase counseling will help those facing foreclosure to take care of problems before they get out of control.

3. The Right to Truth and Transparency in Credit Reporting: Some home buyers are forced to settle for higher-cost and higher-interest mortgage loans because of credit record errors. The question is where does the responsibility lay? There should be penalties for inaccurate credit reporting for those who do the reporting and those who publish the reports. Just a few points on a credit report can mean the difference between being eligible for a home or mortgage product or not.

This entire area needs to be demystified. It's as complicated as the Pythagorean Theorem because there's no transparency. How many Americans even know their credit score? How many know that Fair Isaac, Experian and TransUnion are credit reporting agencies? Most people do not know, do not understand and are unclear on what affects their credit to the bad or to the good. Understanding a credit report is critical to financial success so we need to ensure that Americans understand the process.

4. The Right to Production of Affordable Housing for Working Families: In many areas of the nation, there is an affordable housing crisis for families who earn too much to qualify for the low-income housing tax credit and are forced to move to the suburbs because of rising housing prices in the cities where they live. So we're urging Congress to create a new Work Force Housing Tax Credit similar to the one for low-income housing. It will help spur the production of housing units for those who provide essential yet not well-compensated services to our nation's cities.

The federal government needs to overhaul its HOPE VI program designed to create mixed-income neighborhoods. The program is broke, busted and disgusted. There have been successes here and there but there are many more examples of projects never getting off the ground. And at the local level, cities and municipalities should consider following the lead of New York City, which requires developers to devote 30 percent of their units to work force and low-income housing to be eligible for property tax abatements.

5. The Right to be Free from Predatory Lending: There is no doubt that the subprime mortgage market has helped make homeowners of countless Americans who previously couldn't qualify for traditional mortgage loans because their credit and/or income histories made them higher risks. But, as the housing market and economy has cooled, some subprime loan holders have run into trouble. In December, the Durham, N.C.-based Center for Responsible Lending predicted that one in five subprime loans made in the last few years will go into foreclosure.

What I consider "jack-in-the-box" interest terms - those that start out at a low level only to rise substantially later on - are wreaking havoc on subprime loan holders. And in some cases, unscrupulous mortgage brokers have even steered some home buyers with perfectly acceptable credit into higher-cost, higher-interest products. According to recent Home Mortgage Disclosure Act data from lenders, over half of black homeowners hold subprime loans so some of those mortgage holders had to have been qualified for standard mortgages.

Currently, consumers must rely upon a patchwork of 50 state laws to protect them. This is serving neither the consumer nor financial institutions well. There are some great players, some good players and some bad

players in the market. What we need is a set of national standards so we're asking Congress to pass a comprehensive national law regulating the subprime market.

6. The Right to Aggressive Enforcement of Fair Housing Laws: In a 2005 HUD-funded study, the National Fair Housing Alliance found that 87 percent of potential home buyers were steered to neighborhoods comprised mostly of their own ethnic group. This shows that housing discrimination is alive and well, despite the existence of fair housing laws such as the Fair Housing Act of 1968 - one of the three major civil rights bill enacted in the 1960s. These laws are meaningless unless the executive branch aggressively and seriously enforces them. That is why we are suggesting that Congress authorize a HUD Task Force to vigorously investigate and prosecute violations of fair housing laws and hold oversight hearings to ensure that HUD is accountable.

We shouldn't pretend that discrimination in housing is not a problem, but we should not believe that we are without tools and provisions. No new law is needed. No new regulations are needed. There simply needs to be an absolute commitment to aggressive enforcement of fair housing laws.

By offering our Homebuyer's Bill of Rights, the National Urban League is trying to spur discussion of what can and should be done to boost homeownership and keep foreclosures to a minimum. The bottom line is: Our nation's leaders need to act now - not later.

Greater homeownership for blacks means greater personal wealth that, in, turn, means greater economic empowerment, the key to closing the financial gap between minorities and whites in the United States.

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