JUSTICE FOR ALL: ACHIEVING RACIAL EQUITY THROUGH FAIR ACCESS TO HOUSING AND FINANCIAL SERVICES

VIRTUAL HEARING
BEFORE THE
COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES
ONE HUNDRED SEVENTEENTH CONGRESS
FIRST SESSION
MARCH 10, 2021

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Wednesday, March 10, 2021

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The committee met, pursuant to notice, at 10:05 a.m., via Webex, Hon. Maxine Waters [chairwoman of the committee] presiding.


Chairwoman WATERS. The Financial Services Committee will come to order.

Without objection, the Chair is authorized to declare a recess of the committee at any time.

As a reminder, I ask all Members to keep themselves muted when they are not being recognized by the Chair. This will minimize disturbances while Members are asking questions of our witnesses. The staff has been instructed to mute Members, except where a Member is not being recognized by the Chair and there is inadvertent background noise.

Members are also reminded that they may only participate in one remote proceeding at a time. If you are participating today, please keep your camera on. And if you choose to attend a different remote proceeding, please turn your camera off.

If Members wish to be recognized during the hearing, please identify yourself by name to facilitate recognition by the Chair. I would also ask Members to be patient as the Chair proceeds, given the nature of conducting committee business virtually.

I will now recognize myself for 4 minutes for an opening statement.

Today’s hearing is entitled, “Justice for All: Achieving Racial Equity Through Fair Access to Housing and Financial Services.”

Today, we are here to discuss steps that this committee can take to create justice and achieve racial equity through access to fair housing and financial services. But for us to even begin this discus-
sion, it is very important to recognize that our nation’s history is marked by grave injustices against people of color, from the enslavement of people of African descent to the displacement and subjugation of Native people, to the internment of Japanese Americans, to the exploitation and mistreatment of immigrants and migrant workers, to name some examples.

And no matter where you are and who you are in America or around the world, institutional racism based on skin color creates barriers that impact social and economic outcomes. It is an unfortunate truth that such injustices persist today, including in the form of barriers that systemically exclude people and communities of color from fair access to housing and home ownership; from access to credit, capital, and other financial services; and from opportunities to lead and direct economic policy at the highest levels of the United States Government and major corporations.

All of these barriers have drastically curtailed opportunities for communities of color to build wealth and thrive in our society. For example, a 2018 report by Reveal News found that, “modern-day redlining persisted in 61 metro areas, even when controlling for applicants’ income.” Just last month, the media reported that after a Black couple restaged their housing to look like a White family lived there, the appraisal value of their home increased by 50 percent.

A 2019 FDIC report revealed that even though unbanked rates are at the lowest since they started their survey in 2009, unbanked rates remain the highest for Black and Latinx households. Without access to address these and other disparities, the racial wealth gap will just continue to widen.

Communities of color have seen these barriers grow stronger during the COVID-19 pandemic. Data shows that minority-owned businesses have shuttered more than their White-owned counterparts and have experienced more challenges accessing Federal financial relief. Racist hate crimes against our Asian neighbors have also skyrocketed during the pandemic.

It is also unacceptable that the government leadership who oversees economic policy and financial regulation and corporate leaders are not reflective of America’s racial and ethnic diversity, which may exclude perspectives from people of color who have historically been disadvantaged. There has still never been a Black Chair of the Securities and Exchange Commission or a Black Chair of the Federal Reserve Board of Governors. And in the early months of this year, 2 Black women have been placed at the helm as CEOs of Fortune 500 companies, the only 2 Black women among 40 women running America’s largest corporations.

So I am very pleased that members of the committee are putting forth legislation that, taken together, would make our housing and financial systems fairer and more equitable, including by providing down payment assistance for first-generation home buyers, strengthening minority lending institutions, and requiring diverse candidate slates for senior positions.

I look forward to discussing these and other measures today.

And I now recognize the ranking member of the committee, the gentleman from North Carolina, Mr. McHenry, for 4 minutes.

Mr. McHENRY. Thank you, Chairwoman Waters.
And let me begin by being very clear: Racism is real. We all know that the way to fix a problem is to acknowledge it, to understand it, to address it. So that is what we are going to try to do today within our committee's jurisdiction. Let us just start with the facts.

Over the last several decades, we have seen Congress act to make credit and housing discrimination on the basis of race illegal. That is good. That is strong. That is a good start.

And in recent years, our economic system has brought us the best results for Americans across-the-board. In September 2019, African-American unemployment reached a record low of 5.5 percent, Hispanic unemployment dropped to 3.9 percent, and Asian-American unemployment dropped to 2.5 percent. We saw average income on the rise. We finally saw median income for every race rise. This isn't theoretical. This is real, tangible improvement.

Let me be clear, this does not mean that every family benefited from these improvements, but the pre-pandemic data shows that there was significant improvement for communities of color and all communities.

Now, a once-in-a-lifetime pandemic has erased many of these gains for millions of Americans. The question is, how do we help those most in need? In the short term, it is by getting Americans safely back to work, kids back to the classroom, and targeted COVID relief to the families who need it.

It is not helicopter money. It is not pushing out a Biden stimulus package, of which only 9 percent goes to defeating the virus. Now we have Democrats working on their next trillion-dollar package.

These things are not how we should address the problem. We need to first understand the problem and work on solutions to fix it. As we exit the pandemic, we should look for long-term solutions to get Americans back to the prosperity they felt before COVID.

It wasn't unlimited stimulus that brought us the best economy of our lifetimes. It was full employment. It was rising wages. It was freedom to choose what was best for your family. It was our economic system, actually the same economic system that many Democrats are saying is so irredeemable today.

You don't get rid of the car when your "check engine" light comes on. You try to fix the problem. That is what we need to do today, is to understand the nature of the problem, where it is happening, where it is occurring, and look for solutions to fix it.

To start, racism of any kind is unacceptable, and it should be rooted out anywhere it occurs. Next, we must make it our mission to ensure all students have access to an education that will set them up for success. During a recent committee markup, Republicans offered amendments to give money to schools that actually had a plan to reopen, but our Democratic colleagues blocked those efforts.

We should also eliminate the barriers that keep lower-income Americans from saving and investing in their future. Unfortunately, the bills Democrats attached to today's hearing resemble a grab bag of long health priorities rather than targeted solutions to address the problem. I hope that today we can do more listening than speaking, a lot more learning when we are open to hearing about the nature of the problem and the potential solutions.
So, Madam Chairwoman, I look forward to the discussion today, and I thank you for holding today’s hearing. And I thank the witnesses for taking time out of their busy schedules to help make Congress better policymakers.

And with that, I yield back.

Chairwoman WATERS. Thank you very much.

I now recognize the gentlewoman from Ohio, Mrs. Beatty, who is also the Chair of our Subcommittee on Diversity and Inclusion, for 1 minute.

Mrs. BEATTY. Thank you, Chairwoman Waters, for tackling racism in housing and financial services.

We must do all we can to ensure that women and people of color have equitable access to home ownership and financial products and services.

Also, thank you for your leadership in ensuring that $25 billion in housing is included in today’s American Rescue Plan. The statistics and research show us that we must continue to challenge financial institutions to provide more access to capital for minority- and women-owned businesses.

The future of the United States economy depends on the full economic inclusion of all Americans. Diversity, equity, and inclusion must be at the core of our strategic plan to rebuild the American economy, and it continues with this hearing today.

Thank you, and I yield back.

Chairwoman WATERS. Thank you.

I now recognize the ranking member of the Diversity and Inclusion subcommittee, Mrs. Wagner, for 1 minute.

Mrs. WAGNER. Thank you, Madam Chairwoman.

As the ranking member of the Subcommittee on Diversity and Inclusion, Chairwoman Beatty and I have spent the past 2 years on this committee seeking to ensure that low-income families have access to the formal banking system so that they can support their families by saving and investing.

As childcare and higher education costs skyrocketed above the rate of inflation, home prices became far more expensive than even 2 decades ago, and interest rates fell, we must partner together to address these challenges, lower costs, and help families thrive. Access to safe and affordable financial services is critical, especially among families with limited wealth, whether they are looking to invest in education, start a business, or simply to manage the ups and downs of life.

I thank you for this hearing. I look forward to hearing from our witnesses, and I yield back.

Chairwoman WATERS. Thank you very much.

I want to welcome today’s distinguished witnesses to the committee: Nikitra Bailey, who is the executive vice president of the Center for Responsible Lending; Paulina Gonzalez-Brito, who is the executive director of the California Reinvestment Coalition; Rashad Robinson, who is the president of Color of Change; John C. Yang, who is the president and executive director of Asian Americans Advancing Justice; and Ian Rowe, who is the president and co-founder of Vertex Partnership Academies.

Each of you will have 5 minutes to summarize your testimony. You should be able to see a timer on your screen that will indicate
how much time you have left, and a chime will go off at the end of your time. I would ask you to be mindful of the timer and quickly wrap up your testimony if you hear the chime. And without objection, your written statements will be made a part of the record.

Ms. Bailey, you are now recognized for 5 minutes to present your oral testimony.

STATEMENT OF NIKITRA BAILEY, EXECUTIVE VICE PRESIDENT, CENTER FOR RESPONSIBLE LENDING

Ms. Bailey. Good morning, Chairwoman Waters, Ranking Member McHenry, and committee members. Thank you for the opportunity to testify for today’s hearing.

I am an executive vice president of the Center for Responsible Lending, an affiliate of Self-Help, one of the nation’s largest community economic development institutions.

The reckoning on racial injustice continues in our country today. Our nation’s discriminatory housing policies are at the root of many of the systemic injustices that have sparked so many people-led protests. Our nation’s economic structure was derived from forceful lien dispossessions, slavery, Jim Crow, redlining, predatory lending, and now COVID-19. From the Homestead Act of 1862 to New Deal housing policies, economic subsidies were created for White families, and the Federal Government subsidized the mass production of suburbs, while builders and restrictive covenants barred Black Americans and other people of color from purchasing homes.

White Americans have been handed an unjust advantage in amassing wealth and in building a financial cushion that enables them to weather financial storms. This structural and historic discrimination left families of color more vulnerable going into the 2008 housing crisis, and that crisis and the response to it left them even worse off.

Black and Hispanic communities lost over $1 trillion of wealth during the Great Recession because the help came too late, well after foreclosures unnecessarily devastated neighborhoods. This crisis is likewise hitting these families the hardest again, and the response so far is neither equitable nor sufficient. Most important, we have to address the long-time structural flaws that produced and perpetuate this inequity.

Discrimination is a drag on the economy. It costs trillions of dollars and delays economic growth. Studies show that the economy can actually grow by $1 trillion per year, create thousands of jobs, and generate $400 billion in tax revenues if discrimination is addressed. Much work remains in the financial services industry to ensure equity for Black and Brown communities.

The system’s success depends on equitable treatment for families long denied access, especially in the mortgage market. Today’s mortgage market serves only the wealthiest of borrowers, despite ongoing support from the Federal Reserve with purchases of $40 billion in agency mortgage-backed securities for months. Hard-working families, many of whom are employed as essential workers and have placed their lives on the line during the pandemic, are unable to refinance their mortgages and lower their monthly payments to offset COVID losses.
Families are being crushed under the weight of student loan debt, with Black families seeing their debt increasing significantly post-graduation, and Hispanic students more likely to rely on private loans and to drop out before completing their education.

The Paycheck Protection Program (PPP) is likely to amount to one of the greatest taxpayer-funded wealth transfers in the history of the nation, as the first-in-line nature of the program excluded many small businesses of color from the initial round of $350 billion in funding, raising significant fair lending concerns about the program’s structural defects.

A new social contract is necessary to allow today’s essential workers to thrive. Policies need to include a restorative justice home ownership program that targets down payment rates to first-generation home buyers who are disproportionately Black and Brown, increasing the supply of affordable housing for low- to moderate-income home buyers, and the availability of small-dollar mortgage loans.

Also, strengthening the GSE affordable housing goals. Fannie Mae and Freddie Mac have woefully unfulfilled their statutory obligations to ensure adequate mortgage opportunities in communities of color.

Further, we need to fully enforce our nation’s fair lending laws, as they are the engines that can ignite the economy due to use of special purpose credit programs that can help lenders reach underserved borrowers. We need to address the burden of student loan debt, starting with the cancellation of $50,000 per student.

And then, we also need to make sure that the Paycheck Protection Program, which will expire at the end of March, is extended to enable many of the very smallest of small businesses to get the chance to get full loans under the recently-fixed Schedule C solution.

There are many lessons that our past has taught us. Chief among them is that if we want to reach the ceiling, we have to lift up the floor. Action is needed now so that our children are free of discrimination’s burdens.

Thank you, and I look forward to answering your questions.

[The prepared statement of Ms. Bailey can be found on page 78 of the appendix.]

Chairwoman Waters. Thank you very much, Ms. Bailey.

Ms. Gonzalez-Brito, you are now recognized for 5 minutes to present your oral testimony.

STATEMENT OF PAULINA GONZALEZ-BRITO, EXECUTIVE DIRECTOR, CALIFORNIA REINVESTMENT COALITION

Ms. Gonzalez-Brito. Thank you, Chairwoman Waters, Ranking Member McHenry, and members of the committee, for the invitation to join you today in this important hearing.

Good morning. My name is Paulina Gonzalez-Brito, and I am the executive director of the California Reinvestment Coalition. I am Purepecha, Mestiza, Chicana. My people come from the original people of the Michoacan and Zacatecas, Mexico.

My abuelito—my grandfather—was born in the U.S., and repatriated to the U.S. after being deported from Arizona in the 1930s. He was then lucky enough to buy a home in Southeast Los Ange-
les. The neighborhood where he bought a home was designated yellow in the HUD redlining maps, which was used to indicate areas that were, “under threat of infiltration by Mexicans.” We were the Mexicans they were worried about.

Over time, as more Mexicans moved in, that yellow area was zoned industrial. A Chevron oil plant is now located just a couple of blocks from my abuelito’s home.

The U.S banking system has failed Black, Indigenous, and people of color. This failure is not an accident, but a deliberate structural and systemic design. The myth of personal agency and bootstraps easily falls apart when we begin to look closely. You see, some of us don’t have bootstraps. They were cut off when we were denied intergenerational wealth through historical redlining, which has resulted in a White home ownership rate 30 points higher than Black home ownership rates, and 26 points higher than Latinx home ownership rates. Yet our people, like my abuelito, persisted.

And if some of us choose to take out a loan to buy some bootstraps to pull ourselves up during a time of crisis, we face more barriers. A study released recently found that predominantly Latinx neighborhoods in Los Angeles, which were especially hard hit by COVID, received $367 in PPP loan money per resident, compared to $666 per resident in White neighborhoods. Yet against all odds, Latinx small businesses do all they can to keep their doors open.

Some of us had our bootstraps stolen off our feet through the subprime mortgage crisis. Latinx and Black households experienced a loss of wealth far greater than White households. The wealth made up of millions of foreclosed homes, homes that once belonged to families, were then transferred to Wall Street corporations.

Now, the largest corporate landlords control more than 2 million apartment units across the United States. These corporations have amassed $300 billion for the prospect of purchasing pandemic-hit real estate and have filed to evict more than 16,000 people in the first 2 months of 2021.

Black and Brown families and small businesses who tend to have less wealth to absorb the economic crisis will face higher rates of eviction and permanent closure. So, what to do? Well, it is going to take more than taking a knee.

Race-conscious quality is the solution, starting with the Community Reinvestment Act (CRA). The CRA came into being to directly address the racist history of redlining, but it has been interpreted to focus only on income. To finally address redlining as was intended, the CRA must evaluate how and if banks are meeting credit and financial service needs by race and ethnicity.

Additionally, all financial institutions should be subject to periodic racial equity audits. These audits should analyze the following: diversity hiring, mitigation, and reparation efforts for discrimination and harm inflicted upon communities of color; whether bank lobbying efforts advance or impede racial equity; and if banks are supporting the political fortunes of White supremacists.

We also need to increase housing security. Federal agencies and banks should develop policies that prioritize home preservation, but where foreclosures cannot be avoided, they should favor prop-
erty donations or discounted sales to community land trusts and nonprofit affordable housing developers instead of Wall Street.

We should rehabilitate the weakened Home Mortgage Disclosure Act (HMDA) so that we know if banks are lending to people of color. And similarly, we need to advance their lending by securing a strong Section 1071 small data collection rule. And to fight discrimination effectively, we need strong fair housing and fair lending rules and enforcement by the CFPB, HUD, the DOJ, and the banking agencies, utilizing disparate impact analysis.

Lastly, we need to bank the unbanked and underbanked. The big banks have shown they won’t do it, so now we must promote public and postal banking to fill this critical gap. We must demand that the financial system take responsibility for compounding racial harm perpetuated by the financial system, where every indignity and offense exacerbates preexisting indignities and offenses. To not do so continues to allow it to predetermined outcomes for Black, Indigenous, and people of color.

Thank you, and I look forward to answering your questions.

[The prepared statement of Ms. Gonzalez-Brito can be found on page 118 of the appendix.]

Chairwoman Waters. Thank you, Ms. Gonzalez-Brito.

Mr. Robinson, you are now recognized for 5 minutes to present your oral testimony.

STATEMENT OF RASHAD ROBINSON, PRESIDENT, COLOR OF CHANGE

Mr. Robinson. Good morning, Chairwoman Waters, Ranking Member McHenry, and members of the committee. Thank you for the opportunity to testify today.

This hearing concerns one of the most enduring challenges this nation faces, making racial justice a priority and a reality in both our economic and political systems.

My name is Rashad Robinson, and I am the president of Color of Change, the nation’s largest online racial justice organization, driven by over 7 million members. From Silicon Valley and Hollywood to Wall Street and the halls of Congress, we work to move leaders in both corporations and the government to create a more just, humane, and less hostile world for Black people and all people in America.

Inequality isn’t unfortunate like a car accident. Inequality is unjust because it is manufactured. It is manufactured by corporate practice and government policy and by a culture of racism that we too often accept rather than challenge.

I am the descendant of enslaved people who eventually became sharecroppers and land owners in rural Virginia before some headed North during the great migration, trading one form of racial injustice for another. Redlining, bank discrimination, and so much more are part of my family’s story.

Over the last year, we saw how racial justice served as a powerful force in bringing people together. The majority of Americans now believe that racial justice is an important marker of well-being, and they are now demanding that people in power focus on it.
I want to be clear, however, that racial justice is not just the hot topic of today. It is the code to unlocking the best future for all of us and every community. Whenever we hold on to racism and its legacy in government and society, we hold everyone in this country back.

We are in a vicious cycle that we can and must break. Racism leads to disaster for Black people and the whole country, and then the racism that defines the response to the disaster only serves to drive up inequality, reinforce bias across society, and set up the very next disaster. The COVID-19 pandemic further exposes systemic racial inequalities that exist in America's financial system, making it even harder for Black-owned businesses to compete.

Last year, Color of Change partnered with other organizations to conduct several widely reported studies that examine how the so-called relief for small businesses was racially discriminatory. The study showed that not only did banks practice widespread discrimination and leave Black businesses out to dry, but by doing so, they essentially forced Black businesses to subsidize the recovery for White business owners at their own expense. And the government enabled them to do it.

This wasn't just Black people being forced to drink at a different water fountain. There was no second water fountain for Black business owners at all. You might ask yourself how the banks were able to get away with this. It is simple. Under our current financial system, the banks get to pick and choose their favorite borrowers and move them to the front while no one is watching. This is how America still works right now.

Black people are set up to fail and then blamed for their failure. And when a few people do succeed, their success is cited as evidence that there is nothing wrong. So even our success is used against us to justify policies, practices, and systems that continue to set people up to fail.

That is why we recommend that Congress adopt a racially just policymaking approach when evaluating and determining which laws and regulations to enact, implement, or revoke. A racially just policy approach requires three things.

First, we need resources to move money to Black people to achieve equity. Our study found that the majority of Black and Latinx small business owners said that direct grants would be most beneficial to them.

Second, for progress to be realized, it is essential that every policy that distributes Federal dollars is evaluated and measured for its impact on racial equity.

And finally, racially just policymaking requires strong commitment to enforcement. Having nondiscriminatory lending laws is meaningless when there is no one to stop the banks from engaging in modern-day redlining to deny Black people home ownership.

Thank you for this opportunity to testify today. I look forward to the questions about the most effective ways to end racism that defines so much of people's lives in our country and is holding all of us in our country back.

[The prepared statement of Mr. Robinson can be found on page 135 of the appendix.]

Chairwoman WATERS. Thank you, Mr. Robinson.
Mr. Yang, you are now recognized for 5 minutes to present your oral testimony.

STATEMENT OF JOHN C. YANG, PRESIDENT AND EXECUTIVE DIRECTOR, ASIAN AMERICANS ADVANCING JUSTICE

Mr. Yang, Thank you very much, Chairwoman Waters, and thank you to Ranking Member McHenry and the members of this committee. I appreciate the opportunity to testify before all of you.

My name is John Yang. I am the president and executive director of Asian Americans Advancing Justice (AAJC).

Specifically, I want to talk about the special challenges facing the Asian American and Pacific Islander community. In discussing these issues, it is important to understand what our community is and what our community is not.

The Asian American and Pacific Islander community is not a monolith. It encompasses over 50 different ethnicities and over 100 different languages. Our community includes social and economic indicators that defy the norm, and principal among that is income disparity.

Now, while income inequality has grown in the United States over the past 50 years, this experience is particularly acute for Asian Americans. And here, I want to dispel the model minority myth that all Asian Americans are doing well and are leading with respect to economic indicators.

It is certainly true that for certain Asian Americans, the income distribution has shown great growth with respect to Asian Americans and defies most norms at a level that is unequal or above all other racial groups. But at the same time, if you disaggregate that data, it is also true that certain Asian Americans are at the lowest end of that growth that we have seen in the past 50 years. Stated differently, our community has become further polarized in terms of that wealth gap.

Often lost in this broad brush used to paint Asian Americans are the inequities created by language access. Nearly two-thirds of Asian Americans are immigrants, and over 50 percent of Asian Americans have limited English proficiency. So even prior to the pandemic, limited English proficient individuals had limited employment opportunities and often had difficulty navigating housing and financial services.

During the pandemic, we have heard many stories of people’s inability to access unemployment benefits. These access issues were compounded for people with limited English proficiency. Furthermore, information about relief programs was slow to be relayed to the limited English proficient population, if it was relayed at all. Very few funds from the Coronavirus Aid, Relief, and Economic Security (CARES) Act and from PPP were dedicated to multilingual services beyond English and Spanish.

Asian-American communities need to know about services that are available to them and that language support is available to help them access these essential government services. Just as we need to dismantle barriers that limit opportunities of people with physical disabilities, we need to dismantle barriers that limit opportunities because of language proficiency.
Look, the lives and livelihoods of Asian Americans, just as all Americans, have been hit hard because of COVID-19. For example, in New York City, in a report issued by our community partner Asian American Federation New York, the pandemic has created record job losses for Asian Americans, with a 6,000 percent increase in unemployment benefit applications in February through June of 2020.

Asian Americans suffered the largest increase in unemployment amongst all racial groups, going from 3.4 percent in February 2020 to over 25 percent in May 2020. Compounding these devastating health and financial impacts is the onslaught of anti-Asian hate that we have seen, directing racial harassment and violence toward Asian Americans who are wrongly blamed for COVID-19 and wrongly blamed for this pandemic.

Now, while hate incidents have targeted our community over this past year, we know that this is something that our communities have lived with for a long time. In this past year, over 4,000 hate incidents targeting Asian Americans have been reported to groups like ours and a group in California called Stop AAPI Hate.

And certainly, racist rhetoric, use of terms such as, “kung flu,” have poured fuel on the fire of anti-immigrant and anti-Asian sentiment during this time. Certainly, we welcome those who have condemned anti-Asian hate and violence, and we look forward to working with journalists, industry, and policymakers such as you to denounce this racism that we have seen.

This has impacted every aspect of our life in the Asian-American community. There were 105 reports of anti-Asian incidents reported to the New York Commission on Human Rights, including reports of housing discrimination, discrimination in public accommodation, and harassment during this past period.

A McKinsey report said that misguided fears about the virus effectively shuttered businesses in many Asian-American cultural districts a full month before the lockdowns began nationwide. Asian-American businesses are overrepresented in some of the sectors that have suffered the worst economic effects of the pandemic, including with respect to accommodations, food service, retail, and education services. So we call on policymakers to enact long-term institutional change, to address not only the crisis at hand, but to focus on changing the systems and the environment that have allowed these inequities to thrive.

We look forward to working with all of you. Thank you very much for this opportunity, and I look forward to your questions.

[The prepared statement of Mr. Yang can be found on page 147 of the appendix.]

Chairwoman Waters. Thank you, Mr. Yang.

Mr. Rowe, you are now recognized for 5 minutes to present your oral testimony.

STATEMENT OF IAN ROWE, CO-FOUNDER AND CEO, VERTEX PARTNERSHIP ACADEMIES

Mr. Rowe. Good morning. Thank you, Chairwoman Waters, Representative McHenry, and all of the distinguished members of the Committee on Financial Services.
My name is Ian Rowe, and I submit my testimony today as a proud product of the New York City public school system from kindergarten through twelfth grade, and a graduate of Brooklyn Tech High School, Cornell University College of Engineering, and Harvard Business School.

I am the founder and CEO of Vertex Partnership Academies, a new network of character-based, international baccalaureate high schools, with the first campus to open in the Bronx in 2022.

For the last 10 years, I was CEO of a nonprofit network of public charter elementary and middle schools in the heart of the South Bronx and the Lower East Side of Manhattan. Our faculty have the solemn responsibility of educating more than 2,000 students, primarily low-income Black and Hispanic kids. We have nearly 5,000 families on our waiting lists, all desperate for their kids to receive a high-quality education.

Many of our parents faced racial discrimination and other challenges in their own lives and feared their children could as well. But these parents chose our school because they wanted their children to develop the skills and habits to become agents of their own uplift, even in the face of structural barriers.

In District 8 in the Bronx, of the nearly 2,000 public school students beginning high school in the South Bronx in 2015, only 2 percent graduated 4 years later ready for college, meaning that 98 percent of those students either dropped out of school or did manage to graduate but still could not do basic math or reading without remediation if they entered community college. By contrast, at our all-boys school at 151st Street and Grand Concourse in the South Bronx, in 2018–2019, the last year State tests were administered, nearly 70 percent of our students passed the exam.

I share this data because as a country, as we have these conversations around race, we have to recognize that many of the disparities that we see later on in financial wealth, home ownership, and educational achievement, originated much earlier. If only 2 percent of Black and Brown kids in the district I serve are graduating with basic skills, why do we think it is reasonable to expect that they are going to flourish in the workplace or higher education, starting businesses, getting married, having children within marriage, or any of the benchmark behaviors that we typically associate with young adulthood and entry into the middle class or beyond?

And if we are focused on upward mobility, we should also be wary of the goal to achieve racial equity. Again, in education, only one-third of all eighth grade students in the country are reading at grade level. In fact, since 1992, when the nation’s report card was started to be administered in reading and math, in fourth grade, eighth grade, and twelfth grade, there has never been a situation where even a majority of White students are reading at grade level.

The sad irony is that achieving racial equity where Black students equal White students would mean that you will just be moving Black students from some mediocrity in terms of reading performance to full mediocrity. And that is not achieving excellence for all.
So as we consider strategies to create an opportunity society for people of all races, I ask you to follow the philosophy we practice in our schools: Start early with the end in mind, and study the success of those who have achieved excellence, not just equity.

As the committee has identified, there is absolutely a gap in racial wealth, and many people associate that gap with structural racism. And as a result, today’s discourse is dominated by the disempowering narrative that unless institutional barriers are removed, Black Americans are trapped in a perpetual cycle of economic victimhood.

One quote from Nikole Hannah Jones of the New York Times says, “None of the actions we are told Black people must take if they want to lift themselves out of poverty—not marrying, not getting educated, not saving more, not owning a home—can mitigate 400 years of racialized plundering.”

Imagine if you are a 12-year-old Black boy living in the South Bronx with aspirations to work hard to achieve the American Dream, yet you are repeatedly told that your dreams cannot be achieved. That is the very last thing that we do in our schools. Because this notion not only depresses human motivation, it is demonstrably wrong.

The racial wealth gap—according to 2016, the average White family had 10 times the wealth of the average Black family. But when you take into account one factor, family structure, that relationship completely reverses, and the average Black, married, two-parent household has almost twice the wealth of the average White, single-parent household. This is a key figure.

So, I look forward to answering your questions. I do have ideas on how we can advance opportunities in society for kids of all races.

The prepared statement of Mr. Rowe can be found on page 140 of the appendix.

Chairwoman Waters. Thank you very much.

I now recognize myself for 5 minutes for questions.

There have been efforts in the past to combat discriminatory practices in the financial marketplace that have prevented access to credit or capital for minority borrowers. But much more must be done. After reviewing 41 million records reported under the Home Mortgage Disclosure Act (HMDA), investigative reporters found that more than 60 metro areas continued to exhibit patterns of modern-day redlining in the mortgage market to this day. And yet, 98 percent of banks pass their exams every year under the Community Reinvestment Act (CRA), a law that is intended to combat redlining.

Making matters worse, Trump’s appointees rolled back HMDA reporting requirements, making it harder to detect discrimination, while gutting CFPB’s Office of Fair Lending and Equal Opportunity. Moreover, the challenges minority-owned businesses have faced accessing PPP and other pandemic programs underscore why the CFPB must finish its Section 1071 rulemaking so that we can better monitor who is getting small business loans, and on what terms, and who isn’t.

Ms. Gonzalez-Brito, thank you for testifying last year to help inform the committee of Joseph Otting’s dangerous agenda to under-
mine the implementation of CRA. The Federal Reserve has its own CRA proposal, but does it do enough to combat modern redlining? What would you like to see in a CRA rulemaking, and do you have any recommendations on how Congress could strengthen the law?

Ms. GONZALEZ-BRITO. Thank you, Chairwoman Waters, for that question. It is really important.

The OCC rule, as you know, is very damaging, and we support the resolution that Congress has in front of it regarding the OCC rule. What we would like to see is the three agencies come together, and we really need a new Comptroller to undo the harm that the OCC rule is currently doing, because it is in effect at this time, even though there has been a pause in some aspects of it.

Under the Federal Reserve’s current rule that is being proposed, there are very strong aspects of it, including the fact that it is asking about race. But we think, at CRC, that it can be strengthened in that regard.

For instance, it doesn’t go far enough. It could, for example, measure lending and investment services by race and ethnicity. For instance, the way that CRA currently measures how well banks are currently serving borrowers who are low income, it could do the same by race and ethnicity, and disaggregate that data, that mystery I mentioned, for Asian borrowers even.

So I think that would be a really important step for the Federal Reserve to take and for all three agencies to unify behind.

Chairwoman WATERS. Thank you very much.

I would like to ask a question about diversity in leadership. In this October 2020 report, Georgetown law professor and international economics expert Dr. Chris Brummer noted the historical lack of Black appointees at the Federal financial regulatory agencies. He concluded that since the inception of the congressional confirmation process, only 10 of 327 regulators have been Black. The SEC, the FDIC, the CFTC, and the Federal Reserve have never had a Black person at the helm.

I agree with Dr. Brummer’s assertion that this lack of diversity in leadership has led to the exclusion and detriment of people of color, and of Black people in particular, in the development of monetary and financial regulatory policies. People of color must and should be at the table to discuss and plan with policymakers on how initiatives will most efficiently, significantly, and prominently close the racial wealth gap.

Mr. Robinson, what does your research show about the importance of people of color being able to lead and influence housing and financial services policies that significantly impact them?

Mr. ROBINSON. Thank you, Chairwoman Waters.

It is incredibly important. We understand and what we have seen time and time again is that when institutions don’t have diverse folks making decisions, they are not able to get at the heart of some of the real challenges that can both unlock opportunities, but also do the very real enforcement that is necessary. Part of many of the problems around racial equity in this country is that we end up designing policies that we don’t enforce because we have people in place who didn’t understand what a scam looks like.

Chairwoman WATERS. Thank you very much.
I now recognize the distinguished ranking member, Mr. McHenry, for 5 minutes for questions.

Mr. McHenry. Madam Chairwoman, thank you, and thank you for calling this hearing.

Mr. Rowe, I would like to start with you. We have enacted and we have had on the books now anti-redlining laws, very important anti-redlining laws, ECOA and fair housing laws, just for example, to stop discriminatory practices in housing and banking services and credit opportunities. These are very important laws.

And the intent here was to stop discriminatory practices, but the hope of those writing those laws is that you would be able to eliminate racial disparities over time. Is that thinking in practice how we should approach this, or is there some other approach we should take?

Mr. Rowe. Thank you for the question.

Of course, those statutes are important. It is a necessary precondition to have the laws that prohibit discrimination based on race or any other set of immutable characteristics. But as I mentioned in my opening statement, the factors that drive the racial disparities that we are all concerned with are driven by a number of factors. Racism certainly is one component, but as the data shows, other elements such as academic preparation, level of education, and family structure have a deep impact on the capacity of individuals and families to be in a position to then enter financial markets, start their own businesses, or purchase their own homes.

And again, this focus on racial disparities can sound good, but when we focus solely on the prism of race, we discount all of the other key factors that can be huge levers from both a policy perspective, as well as a cultural perspective.

Mr. McHenry. And what are those factors?

Mr. Rowe. Let us start with education. In the communities that I serve in the heart of the South Bronx, in a district where only 2 percent of kids graduate from high school ready for college, you want the power to be able to choose a great school for your child, independent of your race, your income level, or zip code.

So, school choice is a fundamental element that I think is foundational to almost everything else that we are talking about. And I do think studying success is also important. There is an analysis that shows something called the success sequence. When individuals complete their education, even just a high school degree, and then get a full-time job of any kind just so you learn the dignity and discipline of work, and if you have children, marriage first, that series of decisions, 97 percent of the people who follow that series of decisions entered the middle class or beyond.

It is no guarantee, and within that, by the way, 91 percent of Black communities’ millennials achieved entry into the middle class. These are just some of the factors. I think it is very important for us to look at the whole picture of the levers that we have in our control and, most importantly, that individuals have within their control in order to—

Mr. McHenry. Okay. So, Mr. Rowe, along those lines, the Federal Reserve Bank of Cleveland has a report from 2019 in which they attribute the disparities in income related to race as the pri-
mary driver of the racial wealth gap. Would you agree with that assessment, and how should we look at a solution set here?

Mr. Rowe. Well, income is one factor. But the transfer of wealth across generations is also a factor. Again, family structure, education level. It is actually one of the reasons I am supportive of means-tested baby bonds as one policy intervention that I think has some promise, the idea that if a child is born into a low-income family, essentially the government sets up a trust fund which is added to each year based on your income status. And at age 18, you then get that money for the ability, the restricted ability to pay for college tuition, put a down payment on a home, or potentially even start a business. Those are wealth-generating activities, and it is a reasonable way for the government to level the playing field for low-income kids to have an equal shot to other kids who grow up in middle- or upper-class families.

Mr. McHenry. Okay. One example that has been talked about here on the Hill is to wipe away student debt. Student debt is disproportionately for graduate students and disproportionately for people who are less diverse than the broader population. So that is an example of a policy that actually doesn’t get at a solution set.

So thank you for your testimony, Mr. Rowe, and I yield back.

Mr. San Nicolas. [presiding]. Thank you, Mr. McHenry.

Representative Sherman is now recognized for 5 minutes.

Mr. Sherman. Thank you.

There was a time when it was the advertiser who was in the blatant position of excluding discriminated groups. The advertisement could just say, “No Jews allowed,” or “No Blacks allowed.” Today, it is not so much the advertiser as the advertising platform. People of color cannot respond to an ad that they don’t see.

Facebook requires advertisers to certify that the ads comply with nondiscrimination laws, but then Facebook has a secret algorithm that determines who is going to see the ad. And we have no idea whether it is discriminatory or not.

Mr. Clay and I led a number of our colleagues in a letter to Mr. Zuckerberg expressing concern that Facebook’s algorithm produces discriminatory outcomes in the ads for housing and credit opportunities. Here was the response:

“You see, if you are on Facebook, and you are tired of looking at your grandkids’ pictures, you can go browse all the ads that have ever appeared on Facebook and perhaps find that one that was targeted to everybody but your community.”

I know of no one who spends their time looking at the Facebook ad library. The fact is that while Facebook has taken some steps, a recent independent analysis has demonstrated that mechanisms in Facebook’s ad delivery system can lead to potentially discriminatory ad delivery, even when the advertisers set their parameters to be, “highly inclusive.”

Without objection, I would like to put in the record this article, which has been cited in over 89 academic studies, “Discrimination Through Optimization: How Facebook Ad Delivery Can Lead to Biased Outcomes.”

Mr. San Nicolas. Without objection, it is so ordered.

Mr. Sherman. And my question for Ms. Bailey is, is it important to force Facebook to open up its algorithm, if not to everyone, at
least to a confidential and independent audit, to make sure that algorithm is not depriving people of color from certain financial services and housing opportunities?

Ms. Bailey. Thank you for the question.

We know we can't see discrimination that we can't watch for, and it is part of the challenges with algorithmic sites. We know that the programmers and the biases that they have are actually part of how they program the programs to operate. So it is critical that the first thing that we do is that we create practices that provide more transparency about the ways that we are actually programming programs to really function and to ensure that they comply with our nation's fair lending laws.

Unfortunately, for much of our history, our nation's fair lending laws have yet to be fully enforced. We have these wonderful tools on the books that we don't take advantage of in terms of ensuring the transparency and the data collection and then the strong enforcement to make sure families of color are not harmed.

Mr. Sherman. Let me just sneak in one other question, but I look forward to working with you and Mr. Clay to peer behind the curtain at Facebook.

Mr. Robinson, there is an infrastructure package being put forward by the Biden Administration. This presents a unique opportunity for us to address systemic racism and barriers to good-quality housing. Any major investment in the nation's infrastructure, I think should recognize the important relationship between the growing demand for rental housing and private industry's inability to meet that need.

There are too few rental housing units, and under the law of supply and demand, the rent is too high. Would you agree with this committee that housing is infrastructure and that Congress must take bold action to incentivize or require States and localities to remove barriers to housing production such as exclusionary zoning?

Mr. Robinson. Absolutely. As someone who grew up on Long Island, I understand all the ways in which housing rules have created winners and losers, insiders and outsiders, those who have been able to access opportunity and be able to build wealth and educational access and those who haven't. And so, whether we are talking about rentals or whether we are talking about home ownership, we need to be able to expand the opportunity for all to be able to have housing that serves their needs.

Mr. Sherman. The City says, "We don't discriminate on the basis of color. We just say that no more than three units can be built on any acre."

Mr. Robinson. Absolutely, yes.

Mr. Sherman. I yield back.

Mr. San Nicolas. The gentleman yields back. The gentlelady from Missouri, Mrs. Wagner, is recognized for 5 minutes.

Mrs. Wagner. I thank the Chair, and I want to thank our witnesses for joining us today.

Mr. Rowe, our students need to be back in the classroom. Every day that our children are out of the classroom, they fall even further behind in their education. Can you address how this time out of the classroom will affect an entire generation of students, whom
I think we all want to have the ability to succeed and achieve their dreams?

Mr. Rowe. Thank you for the question.

It was a year ago at almost exactly this time on a Friday that all of our nearly 2,000 kids were in class, and then by Monday, we literally had to move into remote learning. And I think most school districts across the country were not prepared. We set up Wi-Fi hotspots in housing, low-income projects. We set up study areas in the homeless shelters where kids were going to school. And we set up an apparatus to do what we believe is effective remote learning.

But there is nothing that can replace the environment of being in a physical classroom—the level of accountability, the level of interaction. And we also say that even as it relates to abuse and other factors, we, as an official school system, can work with families if they are having issues. Much of that has been divorced. And so, even today, I am concerned that we need to prioritize getting teachers vaccinated so that we can get kids back into school. I think it is a national priority.

Mrs. Wagner. I agree. Last Congress, Mr. Rowe, I submitted a request to GAO's financial markets and community investment team to study efforts by financial and insurance firms to increase women's participation in STEM programs. This study is still ongoing, and I look forward to reviewing the final report, and I believe that its findings will reveal probably the best innovative solutions our private sector has to offer when it comes to increasing the level of women in the financial services industry.

Mr. Rowe, as someone who has run public charter schools in low-income communities, as you have, could you tell me about your experiences with our education system engaging female and minority students to participate in STEM education and financial literacy?

Mr. Rowe. Thank you for the question.

The network that I led for 10 years was a network of single-sex schools, so we actually had all-girls elementary and middle schools and all-boys elementary and middle schools, and STEM was a huge focus. In fact, our sixth graders in Girls Prep Lower East Side Middle School actually built a computer, because our experience has been that there's strong interest in science and math in the early grades, but that starts to erode as young girls start to enter middle and high school.

And so, we have made that a huge focus for how we inculcated this idea that in our all-girls school, the top student in math is a girl, and the top student in science is a girl. And so we also—in terms of college access, we also know that to expose our students to programs that were open to them at NASA and others.

Mrs. Wagner. Yes.

Mr. Rowe. And we even started college savings accounts for our students starting in pre-K, so starting at 4-years-old, and matching that every single year so that each student knew that they were building the capacity to attend the schools that they would be academically prepared for in STEM and other fields.

Mrs. Wagner. That is absolutely tremendous, and I think you are right, when young girls have the exposure, they absolutely excel.
A major factor when examining the wealth gap is race disparities. STEM occupations have higher salaries in the United States. The average salaries of jobs in science, technology, engineering, and mathematics field are almost double the national average of salaries in non-STEM fields.

Although some progress has been made, and you have explained a little bit of that, there is still a significantly lower number of women and minorities in these professions. What other steps need to be made to increase the number of women and minorities in STEM fields, Mr. Rowe?

Mr. Rowe. Let us increase school choice at the middle school and high school level—

Mrs. Wagner. Hear, hear.

Mr. Rowe. —so that there are more great schools. And in the school that we are launching next year in the heart of the South Bronx, we will have industry partnership, so our students at tenth, eleventh, and twelfth grade can be studying computer science with corporations in those industries and they can graduate from high school with an industry credential with labor market value.

It starts with school choice.

Mrs. Wagner. I couldn’t agree more. I think my time has expired, and I yield back.

Mr. San Nicolas. Thank you, Mrs. Wagner.

The gentleman from Georgia, Mr. Scott, is recognized for 5 minutes.

Mr. Scott. Thank you very much, Mr. Chairman.

Now, let me explain the situation. Unfortunately, Black households experience home foreclosure at the highest rate in this country, and that results in generations of household wealth completely erased right then. And now during this pandemic, we also know that Black households are the hardest hit by the COVID-19 disease and experience the highest unemployment hardship, and this results in the greatest levels of financial insecurity, which harms the African-American family’s ability to achieve home ownership in the future. It is almost like a Catch-22. There was a great movie by that name. Black people are in a Catch-22 in this area.

So, Ms. Bailey, what more can we in Congress do to eradicate this, to make sure that home ownership is not a housing choice that is limited only to those with generational wealth who are predominantly White? What more can we do?

Ms. Bailey. Thank you for the question. We have to remember that 20 percent of White Americans can actually trace their wealth—those families who actually benefitted from the Homestead Act land grants can trace their family’s wealth to that single piece of legislation. We know that those New Deal policies really help to shore up the middle class. What those policies have done is really helped middle-class White families pass on intergenerational wealth, to help their families with down payments.

So one of the critical things that we can do is make sure that we have targeted down payment assistance programs that would benefit first-generation home buyers. Many of these first-generation home buyers are African Americans, Latinos, and other people of color. Doing this would generate an opportunity to really grow home ownership. We know that today there are three million mort-
gage-ready Black consumers and there are more than five million mortgage-ready Latino consumers. So, we have these consumers who are on the start line, ready to jump into home ownership, and a targeted down payment assistance program can really help to bring those families in.

What is good about this program is that it won't just help those families; it is actually going to help the economy overall. Studies have shown that addressing discrimination, including the discrimination in housing, has a chance to help grow the economy and help us to see economic growth around $1 trillion a year.

Mr. SCOTT. Very good. Now, I want you, and Mr. Robinson, and I hope all of those listening, to know that that yesterday I introduced my Financial Inclusion in Banking Act, which addresses some of what you just said, and we need everybody's help to get this bill called up and passed. And what my bill does is it convenes the CFPB to work with agencies, departments, and advocacy groups to be able to remove those financial inclusion points, some of which you just mentioned, and help Black homeowners access traditional financial services so that they are not pushed towards fringe bad actors. That is where they go, because we don't act.

What do you and Mr. Robinson see as some of the risks associated with financial exclusion? And on top of that, I have another bill to start teaching financial education in our school system. Only 17 of our State public school systems offer one course in financial education. My other bill grants the CFPB with grant-making authority for public-private partnership like what FS Investments in Philadelphia is doing with the Wharton School of Finance at the University of Pennsylvania, my alma mater, coming up with the kinds of curriculums to start teaching our young Black people right away the importance of financial education.

Can you all help us with those two bills?

Ms. BAILEY. Yes. I look forward to it.

Mr. SAN NICOLAS. The gentleman's time has expired, but we will go ahead and welcome those responses to be provided to the committee. Thank you very much, Mr. Scott.

The gentleman from Oklahoma, Mr. Lucas, is now recognized for 5 minutes.

Mr. LUCAS. Thank you, Mr. Chairman. Mr. Rowe, you rightly note in your testimony that there is no silver bullet to close the racial wealth gap overnight, but Chairwoman Waters was quite correct to aggressively push the committee in the direction of addressing those issues. After all, our greatest asset is our people, and if our individuals in this great country can’t live up to their potential, whatever the reason that has inhibited that, then the nation as a whole cannot live up to its potential. So this is important, and I look forward to seeing what kind of legislation that I suspect she will be putting forth, probably sooner than later, that will aggressively do this.

But again, Mr. Rowe, let’s go back to something fundamental. An individual’s education level is directly linked to the likelihood of having a checking or savings account, and in 2019, the FDIC found that the unbanked rate for those with a high school diploma was 8.1 percent, and for those with a college degree, 0.8—yes, eight-tenths of a percent—were unbanked. Among Americans with no
high school diploma, it jumps to 21.4 percent. Could you talk to the importance, as you have addressed, and a number of our other witnesses have addressed, the importance of education in accessing the banking system and how this impacts economic mobility, which is the real issue here, mobility, mobility to move?

Mr. Rowe. Absolutely. One of the reasons that we start college savings accounts, New York State 529 accounts, for the schools that enter our system, at 4-years-old and pre-K, they have their name on it. It is not just because of the money, the $50 or $100 of money that we continue to match over time. It is to build financial literacy and this idea that they can manage money, and this idea of compounded interest, future-oriented goals. That is extremely important. And right now in our country, there are three million, for example, students in public charter schools. There are nearly five million kids on a waiting list. If we want a solution that can immediately impact opportunity for kids, I think creating widespread school choice would be a great intervention.

Mr. Lucas. Along that line, as we work to better understand the disparities that cause the wealth gap, can you point to some industry best practices that are attempting successfully to help reduce those socioeconomic disparities? And in the back of my mind, of course, I first think of internships, scholarships, that kind of thing. Can you touch on some things that are working out there, that perhaps we could build off of?

Mr. Rowe. Let me give you two examples. One is a major study that was done by Raj Chetty, "Where is the Land of Opportunity?", a study where he analyzed 40 million tax records of individuals across the country. And they found that intergenerational mobility was driven by hyperlocal factors, that even though there were these racial disparities, for the Black community, what made the difference was the presence of fathers in the household or marriage rates within a particular neighborhood make a dramatic difference in terms of higher education outcomes and better economic outcomes. That is the first thing.

In terms of a specific industry practice, there is actually a company, Netflix, that decided to take 2 percent of their cash holders, which is about $100 million, and transfer that to Black-owned financial institutions for the purpose of now injecting into low-income communities this capital that can be accessed for starting businesses, and potentially buying homes. And that is an example of a generative investment, done by a private organization, but this idea of money that has strings tied to it, because in order to access that $100 million you have to deliver a business plan, and demonstrate creditworthiness. And those kinds of investments will have generational impacts.

So school choice, things like, again, means-tested baby bonds, investments that have strings attached to it that are relating to starting businesses, getting education, those are the kinds of investments that are going to have a long-term, generational impact on not only the Black community but low-income kids of all races.

Mr. Lucas. I would simply ask, because I yield back, as we address the issues that have affected, literally for generations, let’s not forget that all women have faced these challenges, too. And I do not want to be left out there either.
I yield back.

Mr. SAN NICOLAS. The gentleman from Texas, Mr. Green, is recognized for 5 minutes.

Mr. GREEN. Thank you, Mr. Chairman, and I shall move expeditiously. I would like to move quickly to Ms. Bailey. Ms. Bailey, can you hear me?

Ms. BAILEY. Yes. Thank you.

Mr. GREEN. Ms. Bailey, a question for you. Would it be beneficial to establish an office of fair lending and testing within the CFPB so as to actually test lenders to ascertain whether or not invidious discrimination exists, so that we can have the empirical evidence to move forward and the prosecution necessary?

Ms. BAILEY. —our fair lending laws, and utilizes the Equal Credit Opportunity Act is always critically important, and partner up with the bureau and get in it to do—

Mr. GREEN. Ms. Bailey, because my time is limited and I have about six questions, I am going to interrupt, so please forgive me, okay? But would it be beneficial to have such an office for testing in the CFPB?

Ms. BAILEY. Yes. I think it is critical.

Mr. GREEN. Okay. Thank you very much. Let's move on to the next one, because I am very, very concerned about a number of things. Would it be beneficial to have a minority business development administration that would be devoted exclusively to supporting the growth and expansion of minority business enterprises by providing technical and managerial expertise as well as other support and resources? Would such an office be of benefit to minority people, Ms. Bailey?

Ms. BAILEY. Yes. Having more support for small businesses of color is critical.

Mr. GREEN. Ms. Bailey, would it be beneficial to have banks rated for their diversity and inclusion? Currently, they are rated for other things, but I would like to add this to the list. Would it be beneficial? Ms. Bailey?

Ms. BAILEY. Yes. We know that diverse firms actually outperform non-diverse firms, so absolutely, yes.

Mr. GREEN. Okay. All of these things relate to legislation. I just have to succinctly ask these questions. Should Fannie and Freddie be required to reinstate the preferred language question it removed from the Uniform Residential Loan Application, and I would like for Mr. Yang to answer that question. Mr. Yang, your response, please?

Mr. YANG. Absolutely. Ensuring that Asian languages are covered and our communities are addressed is important to us.

Mr. GREEN. Thank you very much. Ms. Bailey, I am back to you again. Should borrowers be allowed to have nontraditional data, such as utility bills, scored on an optional basis such that it might improve their credit scores?

Ms. BAILEY. Yes. We actually do not get rental history in credit scoring today, and that is part of the problem. So, yes.

Mr. GREEN. And finally with the questions, and then I will have a comment, does matched-pair testing provide empirical evidence of invidious discrimination in housing, Ms. Bailey?
Ms. Bailey. Yes, and the National Fair Housing Alliance has done tremendous work in this realm, and are wonderful partners on this effort. According to them, we see increased evidence of discrimination every year. So absolutely, yes.

Mr. Green. Thank you. All of my questions were questions related to bills, six bills that we have pending, and these questions go right to the heart of each piece of legislation.

But now I would like to close with this, if I may, because this is historic. What we are doing today is unlike anything I have seen since I have been in Congress, and I have been here now for more than 15 years. Ms. Bailey, you have been a part of this process for some time. Do you agree that this is historic?

Ms. Bailey. Yes, sir.

Mr. Green. Mr. Yang, is this historic?

Mr. Yang. Having a session like this is absolutely historic and meaningful for all of our communities, yes.

Mr. Green. Mr. Robinson, do you agree?

Mr. Robinson. Yes, sir.

Mr. Green. I am not going to ask everybody, but I mentioned this because this is not the end. What Chairwoman Waters has brought to our attention today is just unbelievable, in my opinion, and I want to compliment her and the staff for putting this together. Things like this should not go unnoticed. I plan to archive this hearing and possibly use it for some sort of future presentations. But it is just absolutely historic.

Final question, and this question is going to go to Mr. Robinson. Mr. Robinson, would it be beneficial for us to have a department of reconciliation with a secretary of reconciliation who reports directly to the President, whose job it is to get up every day and go out and see how we can end the invidious discrimination that exists in this country? Would it be beneficial, Mr. Robinson?

Mr. Robinson. It would absolutely be beneficial to put resources, energy, and hopefully enforcement behind moving us forward as a country, sir.

Mr. Green. I thank you all of you for being here today, and I yield back, Mr. Chairman.

Mr. San Nicolas. Thank you, Mr. Green. The gentleman from Florida, Mr. Posey, is recognized for 5 minutes.

Mr. Posey. Thank you, Mr. Chairman. I note that the appendix to the chairwoman’s hearing memo lists 26 bills that all seek, in one way or another, to address the title of this hearing. Most of these proposals double down on the approaches of the past. I am reminded that Henry Ford once made a profound statement about innovation. He said, “If you had asked the public what they wanted, they would have said a faster horse,” and the list of 26 bills is analogous to a list of 26 proposals seeking to be faster horses. They don’t really look like innovation.

Many ideas have been tried before. I have often remarked about the power of a truly free market to drive out racial bias. I firmly believe the notion that getting our market [inaudible] right will leverage greater access to finance and housing among all our people. Competition can work to drive out much disparity.

Innovations also arise out of new ideas in one realm being brought to bear on problems in another. That is why I am pleased
that Mr. Rowe has joined us today and brings ideas from a wide range of areas that can help us understand meaningful ways to empower innovation in this important area.

Mr. Rowe, first of all, thank you for your great testimony. Do you believe that our financial and housing markets are systemically racist, and if so, what are the major examples that you see?

Mr. Rowe. Thank you for the question. There are obviously barriers to allow Americans of many backgrounds to access financial markets and housing. I have committed my life to ensuring that we achieve excellence for all, and it is why I so stress that the issues that we are trying to focus on typically, and in a vast majority of cases, originated many years earlier, most notably in the lack of opportunity to have access to great public schools. We have a situation in our country where only a third of all kids are reading at grade level. Why is it that we would assume that those gaps would just magically disappear with all of the barriers that come along with those things?

There was a study done a couple of years ago, “Black Men Making it in America.” It is a really important study to look at because it actually chronicles the experience of Black men who face the exact same barriers that we are talking about, but what are the strategies that they utilize to enter the middle class and beyond? And those strategies, as laid out in the report, typically they completed at least their high school education, some college, full-time work of any kind, marriage, then children. The vast majority of Black men who followed those strategies have entered the middle class or beyond.

And there were a few other factors. Typically, they had some kind of faith commitment, they were in the military, and most importantly, they had a sense of personal agency, in the sense of even in the face of structural barriers, they had the individual power to overcome them. That is different from saying that they needed to pull themselves up by the bootstraps. But what I do think that report suggests is that it is really crucial that we emphasize the role of school choice to be that first rung on the ladder of economic opportunity and strong families. That is the foundation that, over time, will be a much more effective strategy to address the issues with which we are all concerned.

Mr. Posey. Thank you. Can you share a little bit on how a free, competitive market drives out discrimination, and if there are areas where markets need help in this regard, what might they be?

Mr. Rowe. When we educate our kids in our schools, we don't say to them, “We want you just to be as good as White people.” The vast majority of our kids in our classes are Black and Hispanic. We don't seek out racial equity. We seek excellence for all. In order to achieve excellence for all, you have to be exceptional. And so our schools are operating on this idea of hard work, and that there are principles around family, faith, hard work, entrepreneurship, and strong education. These are the foundations that will equip you to be successful, regardless of the overall environment. And let me say, in the absence of those things, it is almost guaranteed that you will not be successful.

Mr. Posey. Sadly, I see my time has expired, so I yield back. Thank you.
Mr. SAN NICOLAS. The gentlelady from New York, Mrs. Maloney, is recognized for 5 minutes.

Mrs. MALONEY. Thank you, Mr. Chairman. This past Sunday, we commemorated 56 years since Bloody Sunday, when our late colleague, John Lewis, and hundreds of other civil rights advocates were brutally attacked as they marched across the Edmund Pettus Bridge to secure one of our most fundamental rights, the right to vote. We have made some progress in those 56 years, but nearly not enough. And the health and economic crisis wrought by the coronavirus pandemic has only exacerbated underlying inequities in our society.

Federal Reserve Chair Powell testified before this committee 2 weeks ago that the economic downturn has not fallen equally for all. He said, “The high level of joblessness has been especially severe for lower-wage workers and for African Americans, Hispanics, and other minority groups.”

With our COVID response, we have tried to create equitable distribution of relief to fight the disproportionate effects felt by most BIPOC and other underserved communities. We ensured funds were going to minority depository institutions, because we know those institutions are more likely to lend to minority borrowers and businesses.

Even before the pandemic, Black and Hispanic renters were more likely to be severely cost-burdened by rental payments, so this committee specifically fought to include rent relief in COVID aid packages, to help struggling families stay in their homes.

Systemic racism still exists. African Americans and other minorities still face discrimination in housing, in lending, and in employment. There is not one blanket solution to address systemic racism, but just because it is hard, doesn’t mean we shouldn’t try.

My question to the panel, as we are looking to recover economically from the coronavirus and look for ways that we can proactively address systemic racism and inequities in our housing and financial system, what should this committee consider as key elements of a package to address systemic racism and to ensure we build back better for all individuals, not just for some? Is it enforcement of existing laws? Do we need new protections, new programs with a focus on minority borrowers? What exactly do we need?

Let’s start with Ms. Nikitra Bailey first, and then Ms. Gonzalez-Brito, and then the other panelists. Thank you.

Ms. B AILEY. Thank you, and I have to say thank you for the Home Ownership Assistance Fund that was in the last package that this Congress just passed. That Home Ownership Assistance Fund is really going to help struggling homeowners, so that is the very kind of thing that we need to continue to see. Next, we need to see this targeted down payment assistance program. It is something that will help generate billions in revenue and help first-generation home buyers get into the marketplace, which will help them build long-term and sustainable wealth.

I also want to talk about fully enforcing our nation’s fair lending laws: 102 years went by before the first Fair Housing Act was actually enforced. It was not until the 1968 Act that we actually saw some level of enforcement attached to fair housing. Those loans actually are there, and they can really help stimulate economic
growth, especially through the creation of special purpose credit programs. So, I would like to really see those laws fully enforced. And I will pause there to give my colleagues a moment to jump in.

Ms. GONZALEZ-BRITO. Thank you for this important question. I want to raise one issue. That is, I think, Mr. Rose, not truly understanding equity in terms of what it means, in terms of equal opportunity. And then the second thing I would say around financial systems is that we need to be able to remove barriers and that there is a real responsibility for the financial systems to remove those barriers, rather than just a personal responsibility to overcome those barriers. So if we look at it that way, then this committee really has a responsibility to think about things like enforcement, as Ms. Bailey said, and we think about disparate impacts and how this committee can think about using enforcement and disparate impacts in that way, and that the CFPB has been gutted, and to really bring back their lending enforcement.

The last thing I would say is transparency. We need transparency around HMDA, making sure it is public, and the CFPB 1071 Rule needs to be completely public, because if the public knows what is happening, then enforcement follows.

Thank you for that question.

Mrs. MALONEY. And Mr. Rashad Robinson?

Mr. ROBINSON. One thing I would add to what my colleagues said is really also looking at innovation and masks, that tried to mask itself, and that is over what is actually [inaudible].

Mrs. MALONEY. Thank you.

Mr. SAN NICOLAS. The gentlelady's time has expired. The gentleman from Missouri, Mr. Luetkemeyer, is recognized for 5 minutes.

Mr. LUETKEMEYER. Thank you, Mr. Chairman. I appreciate the opportunity to be with you this morning, and I thank all of the witnesses for being here.

Before I begin my questioning, though, I do have a comment. It is very disappointing that this happened again today. The testimony of one of the witnesses was not posted until 10:45, which is 45 minutes after the hearing had begun. How are we supposed to be able to do our job, which is to prepare for this hearing, understanding the points of views of the individual who is before us today, and then be able to ask questions that can draw out information that is going to be helpful to us and our constituents? This is the second time this has happened, and I hope it is the last.

With that, Ms. Gonzalez-Brito, thank you for your testimony, which was on time. I have a question with regards to something that you said in there. You were talking about how some of the private commercial banks are not adequately serving the communities, and one of your solutions is to include postal banking. Do you understand, or do you know how much debt the post office currently has, Ms. Brito?

Ms. GONZALEZ-BRITO. I don't currently have that at the tip of my fingers.

Mr. LUETKEMEYER. They have $87 billion over the past 14 years, and are expected to lose $160 billion over the next 10 years.

At the end of the last year, do you know what the on-time rate was for the United States Postal Service (USPS)?
Ms. GONZALEZ-BRITO. Well, sir, I do believe that there has been an underfunding of the Postal Service and continued changes.

Mr. LUETKEMEYER. The question is, do you know what the on-time rate is for them to deliver service?

Ms. GONZALEZ-BRITO. I do know that there has been an underfunding of the Postal Service—

Mr. LUETKEMEYER. Okay.

Ms. GONZALEZ-BRITO. —and continued changes with the current—

Mr. LUETKEMEYER. At the end of December, the USPS had an on-time rate of 38 percent for non-local mail. That is according to the USPS's reported information in a Federal court. So they are underfunded, underwater, and they are not on time.

Ms. GONZALEZ-BRITO. We do agree that they are underfunded.

Mr. LUETKEMEYER. Ms. Brito, it is my time. Thank you. So when you suggest this as a solution to a problem, all you are doing is exacerbating the problem. In fact, when people ask me about the Postal Service getting into the loan business, I say you would be much more efficient and effective if you would let the banks deliver the mail versus the postal system start making loans. This is not a solution. This is exacerbating a problem, is what it is going to be.

With regards to the rest of your testimony, something else caught my eye, which was your comments with regards to the Community Reinvestment Act. You make a comment in there that you want to tie reinvestment obligations to the bank presence where the banks seek profit. In other words, you want them to be able to reinvest in the communities that they get their deposits from. I think that is exactly what needs to happen, and I think that is exactly what happened in the new rule, because as I understand it, the way the rule is written, if there is at least 5 percent of the bank's deposits coming from a certain area, they have to reinvest that money in their community. Is that not something that you support?

Ms. GONZALEZ-BRITO. The current rule is very flawed, and it actually creates a problem with banks not giving enough credit.

Mr. LUETKEMEYER. Reclaiming my time, would you please answer my question? My question is, do you support having the banks reinvest the dollars in the communities that they get the money from?

Ms. GONZALEZ-BRITO. I do support banks getting—

Mr. LUETKEMEYER. So why is this a problem with the way you fund it, because this is exactly what they are doing, and I think—

Ms. GONZALEZ-BRITO. But the entire rule is problematic, sir. The entire rule is problematic and ends up giving less credit to rural communities, which have been underserved, as I am sure you understand. It gives less credit for low- and moderate-income (LMI) communities. It gives less credit for bank branches. And ultimately, it gives less voice to communities in the process for bank exams, for example.

Mr. LUETKEMEYER. Thank you for that. Reclaiming my time, I am in that world. I am in the banking world so I understand what goes on, and I would probably respectfully disagree with your previous comments there, that the rule really enhances the ability of
the banks to be able to invest in the rural communities, invest in the communities that they are getting dollars from, and get credit for it. Because I can tell you, as somebody who actually filled out the report over the last 20 years, whenever they first started this program, it was very difficult to get credit for that. And with the new schedule, the new rules, this makes it easier for banks to comply and to be able to get credit accordingly. So, I think that is something I am very, very sensitive to and very supportive of.

Mr. Rowe, one of the things that you talked about in your testimony is the importance of success sequence, getting a high school degree, a full-time job, and waiting until marriage before having children. Is this something that your academics attempt to instill in young Americans that you are trying [inaudible]?

Mr. San Nicolas. The gentleman's time has expired. The witness may respond in writing to the gentleman's query.

For the record, one of our witnesses, Dr. Taylor, had a family emergency and was not able to participate in today's hearing. Ms. Bailey was gracious enough to step in at the last minute to testify for today's hearing, and we thank her very much. The Majority staff did give sufficient notice to the Minority of the witness change in accordance with the rules, and we thank all of our witnesses for their testimony and participation today.

The Chair will now recognize Mr. Foster of Illinois for 5 minutes.

Mr. Foster. Thank you. I would like to ask a few questions about discrimination in housing appraisals. Ms. Bailey, less than 50 years ago guidebooks used to train appraisers to give specific instructions on how to lower their appraisal estimates in Black and Latinx neighborhoods. And while these blatantly racist practices have disappeared, I am worried that more subtle discriminatory practices still lurk in our housing finance system and are a real barrier to intergenerational wealth accumulation.

Studies indicate that both at the neighborhood level and at an individual level, race affects the appraised value of a house. A 2018 Brookings report found, for example, that in the Chicago-Naperville-Elgin metro area, which includes part of my district, the average devaluation of homes in majority Black neighborhoods was negative 28 percent—28 percent lower. On a household level, the undervaluation of a home can mean the difference between hundreds of thousands of dollars in home equity.

So my question is, are there gaps in the oversight of appraisers today or appraisal procedures? Is there a uniform set of objective standards at the Federal level, and if no, how can we improve this framework to better prevent the systematic undervaluation of homes that we are seeing in communities of color and homes owned by people of color?

Ms. Bailey. Absolutely, and thank you for the question. Appraisal bias is very real, as demonstrated by recent news articles that actually show that a family was almost robbed of $500,000 in potential home equity as the result of a harmful appraisal. We must address discrimination in the valuation of homes in communities of color.

Among other things, there should be a robust review of Federal appraisal standards, including ethics standards and increased
training on unconscious bias for appraisers. We also need to expand initiatives to bring more appraisers of color into the field.

Mr. Foster. Thank you. That second point, I think, is really important. According to the Appraisal Institute, 90 percent of appraisers identify as White, 75 percent are male, 52 percent are 51 years—it is basically a bunch of old White guys, if you will forgive me. How might having a greater number of diverse appraisers help remedy this covert racism that is going on today?

Ms. Bailey. This experience really can help inform the way the valuations are done and it can help them have a set of consistent standards across the industry to make sure our communities are not undervalued. We have known again, though, that this systemic undervaluation of Black properties is also known as a, “Black tax.” This is something that all Black consumers, and many other consumers of color, are fearful of, that our property values will not be seen in light of the value that they actually have. We know in our communities, we will have houses that are identical to houses in White communities—same builders, same everything—and somehow those houses actually come up being valued less.

So we need to see fuller enforcement of our nation’s fair lending laws. I know I keep going back to that one, but what we are seeing are things that really make us question why are these practices not being taken up and used through ECOA and the Fair Housing Act, to figure out, is this outright discrimination? We have tools that can really help us get at these issues and really help people understand that there is that fairness inequity in the system.

Mr. Foster. Yes. It is also true that appraisals and assessments are sort of a double-edged sword. There is a huge problem in the Chicago area that is in the process of being rectified, that you had basically wealthy, predominantly White neighborhoods, much more likely to appeal their assessment and get their tax burden reduced, and this corresponded to hundreds of millions of dollars of wealth transfer from minority neighborhoods to White neighborhoods, the effect on taxing. And so, it is a really complicated issues.

In terms of technology, what are the benefits and risks of involving technology either to perform the primary assessment appraisal of a house or as a check on bias?

Ms. Bailey. We have to say this, that technology can be a tool, but it has to be a tool that does not include implicit bias in its design. So like we said earlier, we have to make sure that if technology is going to become a part of the process, that the programmers are not instituting bias. And I will stop there to see if Mr. Robinson wants to add anything.

Mr. Robinson. The one thing I would just add is that bias—bad data in, bad data out—technology actually cannot solve for it. It just simply amplifies it.

Mr. Foster. Thank you, and it looks like my time is over, so I yield back.

Chairwoman Waters. Thank you. The gentleman from Michigan, Mr. Huizenga, is now recognized for 5 minutes.

Mr. Huizenga. Thank you, Madam Chairwoman, and as a former licensed REALTOR, I think I am one of the few people who has actually been involved in the production of housing, and the selling of houses. And I have said this before on this committee
multiple times. When I was becoming a licensed REALTOR, I was taught that people were not White, they weren’t Brown, they weren’t Black, they weren’t yellow. They were green, green in the sense that they could either afford it or not afford it, and that is the way that we should be operating. I fully understand that is not always the case. We need to root that out. But to assume that the entire system is based on that, I think is a faulty premise. People will pay what they are willing to pay for a home—no more, no less. Well, I guess, actually they will pay less. Who wouldn’t pay less for something that they would be willing to pay for?

But I am fascinated by Mr. Rowe’s account, and I would like to kind of revisit that a little bit, and what he is doing with those schools. We know that trillions of dollars—in fact, there is an estimate that since the war on poverty started in 1965, over $23 trillion has been spent directly, with over $1.7 trillion of that specifically targeted to housing. Yet, we see what some view as a crisis in affordability, availability, which, frankly, impacts the affordability. And, Mr. Rowe, I wanted you to explore a little bit about, as you were talking about establishment of homes and education, what housing might mean to that stability, not only within a family but within a community, and what that means for your students.

Mr. ROWE. Thank you for the question. For many of our families who may live in housing projects or other challenging housing situations, the idea of home ownership is something that is really important, especially for their kids. And they know that in order for their kids to be equipped with both the finances, the academic background, to be able to afford to move into a particular neighborhood, they want them to go to a great school.

I will keep going back to the foundational element in school choice. I presume most of the folks on this call—I don’t know everyone, but I presume most of the folks on this call, if you have children, you have had the ability to move to a good neighborhood where you had good access or maybe your children are in private schools or parochial schools. It is something that middle- and upper-income folks can take for granted, that our kids can go to great schools, and I think that is something we need to make accessible to kids of all backgrounds and all races.

Mr. HUIZENGA. So, Mr. Rowe, are you saying that people actually make housing decisions based on whether the quality of their children’s education might be enhanced or diminished?

Mr. ROWE. That is probably one of, if not the first, certainly in the top three factors that drive housing decisions that people make. And for those folks who don’t have the ability just to move to a different neighborhood, let’s make the accessibility of fantastic schools as easily accessible as it is to middle- and upper-class communities.

Mr. HUIZENGA. You have actually hit one of the main issues that, it is not just anecdotal, there are statistics behind this. Housing values are directly tied to quality of education, and there is no doubt that more affordable homes tend to be in less fruitful educational spots. And if we want to have equal access to housing and equal opportunity for jobs we need to fix this education part, and I commend you for what you are doing.
There is this direct correlation. Way too often, out here in Washington, D.C., we think in silos, right? Well, here is education. Here is housing. Here is the economy. It is all intertwined, because we are humans. Our lives are intertwined. We don't become something else when we walk out the door to work versus who we are when we are at home, or go to our place of worship, or whatever else it might be.

So have you been able to track sort of the outcomes of your students and sort of what has been happening with their opportunity for income?

Mr. Rowe. Our first class started in 2005 of all girls, in kindergarten and first grade, and this year, that first class who started in first grade are graduating from colleges like Yale and Howard, this year. So, I am very proud of that. And I could go on, but my time is up.

Mr. Huizenga. Thank you for your work.

Chairwoman Waters. The gentlewoman from Ohio, Mrs. Beatty, who is also the Chair of our Subcommittee on Diversity and Inclusion, is now recognized for 5 minutes.

Mrs. Beatty. Thank you, Madam Chairwoman, for holding this hearing at such an important time. And also, I would like to thank our distinguished panel of witnesses for being here today.

Let me open by saying I really wish the pathway to economic success and access to capital was as simple as saying, if you are educated or if you get married, that will make that happen. We certainly know that many people who have law degrees, medical degrees, and everything else have been discriminated against. We saw, in the PPP, many businesses of many years, but they were Black. And when Black and other minority businesses, highly educated and married, were in the rules of engagement change. So, let's not make it that simple. While education is important—I don't know about the being married part and all of that—systemic racism exists, regardless of education, regardless of where you live.

I could use myself and give you tons of examples about how I have been discriminated against, simply because I walked in the door and they saw a Black woman. I needed to say that, so that we just don't get off kilter, which is a great lead-in for me to go to you, Ms. Gonzalez-Brito.

Within the next few weeks, we will likely be getting a new Comptroller at the OCC. At the top of the list of any new Comptroller's agenda is going to be the modernization of CRA. Do you have any recommendations to the new Comptroller as he or she prioritizes in a rewrite of the Community Reinvestment Act?

Ms. Gonzalez-Brito. Thank you so much for this important question, Congresswoman. First of all, as I mentioned earlier, race-conscious CRA, or as my colleague, Mr. Robinson said, just CRA, it is incredibly important and that we measure how banks are serving BIPOC communities or if they are not, and if they are not, there should be consequences for that. We should NCRA-grade inflation. We know that 98 percent of banks are passing their CRA exams.

And then in terms of consequences for discrimination, consequences for displacement, financing displacement of communities or any kind of harm should be at the top of the list. And then we
should, of course, encourage reinvestment in poorly served areas, so we are talking rural communities and Tribal lands. This should really be at the top of the list.

And lastly, I would say that Comptroller needs to throw out the current OCC proposal that was done under the last Administration. Thank you.

Mrs. Beatty. Thank you. The next question is for Mr. Robinson. During the last Administration, it was evident that they did not believe in enforcing fair lending laws. From OCC leadership reportedly overruling career staff and shelving home loan discrimination cases to the CFPB’s refusal to acknowledge or bring any fair lending cases, it was plainly clear that the lenders had a license to discriminate as far as the regulators were concerned.

Can you tell us how important it is to have diversity within our Federal agencies, and how does the lack of enforcement of fair housing affect Black and Brown communities?

Mr. Robinson. Thank you for the question. The lack of access absolutely affects us at every single level, at every single phase of decisions, life decisions that families and individuals would like to make. Lack of wealth, the lack of access to capital, the lack of housing impacts us, and the fact of the matter is that policy doesn’t matter if you don’t have enforcement. It is not enough to simply raise the minimum wage if you don’t protect against wage [inaudible]. It is not enough to deal with issues around lending if you don’t have the necessary enforcement.

So diversity absolutely matters, but diversity cannot be the only metric, because we can have people who represent diverse communities who come into the room with a perspective that isn’t about enforcing the actual policies. So a focus on enforcement, with diversity included, will be incredibly important.

Mrs. Beatty. Thank you so much, and I yield back, Madam Chairwoman.

Chairwoman Waters. Thank you very much. The gentleman from Ohio, Mr. Stivers, is now recognized for 5 minutes.

Mr. Stivers. Thank you, Madam Chairwoman. I appreciate you holding this hearing, and my first question is for Mr. Rowe. I want to follow up on something that Mr. McHenry started to talk about, Mr. Sherman talked about, Mr. Huizenga talked about, and Mrs. Beatty just talked about, and that is minority housing. Are you familiar with the Duke University study from a couple of years ago that says if we could enact policies that lift the minority home ownership rate to about what the White home ownership rate is, then we would reduce the minority wealth gap by 38 percent?

Mr. Rowe. I am not familiar with that particular study, but I am supportive of ideas that help, particularly low-income folks of all races, raise their home ownership rate, not necessarily to equal that of another racial group—

Mr. Stivers. I understand. But that was the measure they used as a benchmark. I don’t have any other benchmark, other than I want everybody to have the opportunity to own a home, and I do know that it is a fact today that minority communities have lower home ownership rates, and that drives the disparity in wealth. So you would agree that is one of the drivers of disparity in wealth between minority families and White families, is that correct?
Mr. Rowe. I do agree.
Mr. Stivers. The lack of home ownership?
Mr. Rowe. Yes.
Mr. Stivers. The biggest savings opportunity in most Americans’ lives, is that one of the things that is driving our wealth gap?
Mr. Rowe. Home ownership certainly is one of the elements. That is why I support initiatives like means-tested baby bonds, so that every kid of low-income means essentially has a government trust fund that is added to every year, and at age 18, you now have the restricted ability to pay for college, make a down payment on a home—
Mr. Stivers. Buy a house.
Mr. Rowe. —or start a business. Those are—
Mr. Stivers. I love that. That is a very intriguing idea, Mr. Rowe. I appreciate it.
I would like to dig into another piece of this. Are you familiar with any of the regulations either at FHA, FHFA, the GSEs, the Department of Agriculture, the VA, or even local building codes, that might be impacting home ownership by increasing the cost of homes or actually creating impediments for home ownership? And if so, can you speak to any of those regulations that we might want to look at? You and Mr. Sherman had an exchange about local building codes driving up cost. I know that is one of them. But I want to give you a very broad opportunity to talk on this issue.
Mr. Rowe. Actually, I do not feel equipped to answer that at the Federal level.
Mr. Stivers. No problem. Do you want to talk anymore about how local building codes drive up costs of housing?
Mr. Rowe. The only thing I would say on the local front—and I would encourage Representative Beatty to look at this data, because she had questions about the role of marriage and family—but the Raj Chetty study, the Land of Opportunity, that looked at 40 million tax records to understand the whole idea of intergenerational mobility, which included things like home ownership, said that for the Black community, in particular, while the macro-level was not very good, when there was a father present, or married two parents in the neighborhood, massive differences in economic mobility. And I think it is very important we continue to come back to, what are the foundational ideas that have contributed to the success of low-income people of all races? That includes family structure, the strength of educational choice, and those are typically ingredients that, if we are looking at a policy level, how do we do things like means-tested baby bonds, that helps to level the playing field for people of all races who are in low-income conditions?
Mr. Stivers. So when socially disadvantaged people of all races happen to live in the areas that have the lowest-performing schools, tell me what that does to the intergenerational poverty?
Mr. Rowe. If we talk about policies that have disproportionately negative impacts on kids of color, lack of school choice is one of them. So again, most people on this call probably, if you have kids, you have moved to a neighborhood that has good public schools, or you put your child in a private school or parochial school. Let’s give
that same power to people who live in low-income communities across the country.

Mr. STIVERS. The real issue here is the low-performing schools in the communities of poverty, and school choice just would happen to be one of the solutions.

Mr. ROWE. Correct. Underperforming schools are part of the issue. Let’s find better options.

Mr. STIVERS. Thank you, Madam Chairwoman.

Chairwoman WATERS. Thank you. The gentleman from California, Mr. Vargas, is now recognized for 5 minutes.

Mr. VARGAS. Thank you very much, Madam Chairwoman.

Madam Chairwoman, first of all, thank you for holding this hearing. I do think it is historic. You may have been away at the moment when they spoke about this, but I do think it is historic. I think it is so important. I couldn’t be more thankful. The title of the hearing is, “Justice For All: Achieving Racial Equity Through Fair Access to Housing and Financial Services,” and listening to some of my colleagues, you would almost think that we have already achieved it. But I can tell you, I was here on January 6th, and I know that we haven’t achieved it.

And not only that, but I can tell you this. Even the opportunities that were provided through the PPP loans, we saw that the first ones went out to the preferred customers that the banks had. A lot of the minority small business owners and women-owned businesses, when they went to apply for the loans, the money was gone. So we had to, once again, re-up to help them. You can see, once again, the preference that was given to these established customers, who were mostly White—let’s be frank. So I think that racism, unfortunately, still exists and it is still very, very prevalent.

I also believe very much in hope. I really do. I preach hope. I believe in hope. I believe in change, and I do think that we are changing. Mr. Green went through a whole bunch of the bills that we are going to be looking at, and I was going to do that myself. He did it. But I am so happy that he did that, because I think that good law is on the way.

Now, I also have to say that we have seen the redlining, the restricted covenants. We have seen all of these historical elements that really were racist in their purpose—when you go to buy a house, and they say, “Don’t buy there. Buy over here, because that is where the Mexicans live,” or, “That is where the Mexicans are going to live,” and that is problematic. And I heard, “No, that’s not true. All you look at is the green money. They don’t care who the people are.” That is not true. The reality, in real life, is people talk about communities, and you also see, in real life, who loses when there is a downturn in the economy.

Now, one of the things I wanted to talk about is opportunities for people who haven’t had the opportunities because of systemic racism, and I would like to talk about the down payment, in particular. One of the things that we see is a lot of people, especially people of color, would be great homeowners, paying their mortgage, but they can’t come up with the down payment. The down payment is the problem.
So what can we do about that, because I think that is huge. Who would like to handle that? How about Mr. Robinson? The down payment issue, can you talk a little bit about that?

Mr. ROBINSON. The down payment issue is huge, and when we actually look deeply at issues of wealth, this is where issues of wealth play in, in a very clear way. And there is a lot of talk around education and around sort of hard work, and you can’t educate and hard work yourself out of wealth gaps. You simply cannot.

A study by the National Asset Scorecard found that even with college degrees, Black Americans still had about 33 percent less wealth than White families, the heads of whom dropped out of high school. The 33 percent, that is the investment, and this conversation that we can simply educate ourselves out of systemic racism, stands directly in the face of the actual data, and actual data of young people who are in first grade, who are in kindergarten right now, and are moving into a society that is going to treat them very differently, with very different results, with systems that will treat them differently. Our system is not broken. It is operating the way it is designed, and we have to do the work to actually fix it.

Mr. VARGAS. That is what I would agree with, very, very much, everything you said, the last part in particular. I think that Ms. Gonzalez-Brito said it. Most people of color have to overcome these barriers. We should remove them, remove the barriers. That is the whole point. And that is why I think these bills are so important.

And I guess I would lastly add this, that the wealth that a lot of people have been able to accumulate, generationally, you are able to give, then, your kids a down payment. But if you weren’t able to do that because of historic racism then you don’t have the ability to give your kids the down payment that they need to buy a house. And that is something that we should address, because a lot of that comes directly from [inaudible] laws that we have.

Thank you, Madam Chairwoman. I yield back.

Chairwoman WATERS. Thank you very much. The gentleman from Kentucky, Mr. Barr, is now recognized for 5 minutes.

Mr. BARR. Thank you, and thank you, Ms. Bailey, for your testimony today. My question to you is, do banks have a responsibility to make decisions about whether to provide a person with financial services on the basis of impartial criteria, free from prejudice or favoritism?

Ms. B AILEY. Banks have a responsibility to comply with our nation’s fair lending laws, sir.

Mr. BARR. And, Mr. Robinson, should banks be allowed to engage in a strategy of total avoidance of an entire category of customers, even if those customers are creditworthy?

Mr. ROBINSON. No, they should not be able to. They should comply with the law.

Mr. BARR. Mr. Yang—and I appreciate, Mr. Robinson, your testimony as well—should a bank ever predicate access to financial services on factors or information other than quantitative, impartial, risk-based standards?

Mr. Y ANG. Banks should follow the laws as they currently exist and as we can improve them.

Mr. BARR. So, to the three witnesses who just answered that question, should prejudice or favoritism be in any way part of deci-
sions about providing financial services? And any one of you can answer that question.

Ms. BAILEY. Why don’t I kick it off? I think what we have to understand, since we are having this conversation about systemic issues, is that some families actually received a benefit that really helped them have an economic cushion to weather financial change. So when we are talking about racial justice and racial equity in lending, we are not pitting one community against the other. In fact, we are trying to lift up the entire—

Mr. BARR. No, again, Ms. Bailey, I reclaim my time. Prejudice and favoritism. It seems that your testimony, Ms. Bailey, Mr. Yang, and Mr. Robinson, is that banks have a responsibility to make decisions about providing financial services free from prejudice, free from favoritism.

And here is my concern, Mr. Rowe, is that the Treasury Department is currently actively considering a policy to pressure banks to categorically deny credit to disfavored businesses, and specifically, businesses that they deem to create risk to the financial system imposed by climate change.

Here is my concern for minority workers. My concern is that a recent estimate found that of the total 1.3 million jobs in industry operations for investment in oil and gas, 27 percent were occupied by African Americans or Hispanics, with 376,800 jobs in oil and gas.

Mr. Rowe, would redlining that denies a minority-owned business or a business that employs minority workers be acceptable if that redlining is mandated by Federal policy, for example, a policy issued by the Department of the Treasury or another Federal financial regulator, ostensibly to reduce the risk to the financial system imposed by climate change?

Mr. Rowe. Just in general, we should not have policies that discriminate on the basis of race. The Title VI provision of the Civil Rights Act of 1964 should hold across all of these policies.

Mr. BARR. I think that is very important. I think it is an admonition to the Biden Administration, Treasury, the Fed, and to other financial regulators that when they pressure financial firms to categorically deny access to credit to certain industries, including industries that employ high numbers of minorities, that is akin to the kind of racial discrimination, the kind of redlining that our witnesses today are fighting. And I applaud the witnesses for opposing redlining, and I think we ought to oppose redlining in all forms, including blatant policies of discrimination against broad categories of industries, not based on credit risks but based on avoiding financial services to broad categories of customers, because they are politically incorrect. And I think that is very, very important.

Final quick question to you, Mr. Rowe. Rural banking—I am worried that in the last decade, 51 percent of counties saw a net decline in bank branches, and that especially affected rural counties. We saw 50 percent of branches closing in deeply affected counties, and 89 percent of those counties were rural, including in my district. What can we do to increase access to banking and financial services in those rural counties, Mr. Rowe?
Mr. Rowe. Again, I am not an expert on rural, but I have a similar belief that if you look at rural counties’ outcomes, I would make a first investment in strengthening schools in those areas.

Chairwoman Waters. Thank you very much. The gentleman from Colorado, Mr. Perlmutter, who is also the Chair of our Subcommittee on Consumer Protection and Financial Institutions, is now recognized for 5 minutes.

Mr. Perlmutter. Thanks, Madam Chairwoman.

And if I ask some questions that go over some old ground, I apologize. I was on the phone with a bank CEO, talking to that CEO about diversity in their [inaudible].

So, Ms. Gonzalez-Brito, I would like to start with you. You touched on this in your opening remarks and you may have asked some questions, or you may have answered some other questions, but the Office of the Comptroller of the Currency finalized a rule making significant changes to the CRA. OCC’s approach has faced criticism from public interest groups, including yours.

Would you like to comment on what went wrong in the OCC’s approach and how is the Federal Reserve’s approach different?

Ms. Gonzalez-Brito. Thank you for that question.

One of the concerns that we have with the OCC’s approach is that they really disregarded the comments by the public and that was not only evidenced in how quickly they turned around the rule with thousands of comments that had been submitted, but also in the fact that they then put forward a rule that would actually diminish the community input as CRA was implemented going forward.

And then as I mentioned earlier, ending CRA grade inflation, ensuring the rates just CRA used, to use Mr. Robinson’s words, and then, with the Federal Reserve, we would like to see, we do see a proposed rule that takes into account race, but it doesn’t go far enough. We want to ensure that the Federal Reserve both unifies all three agencies together, and that they all come out with the same rule, but that they actually begin to measure whether banks are actually serving, lending, and investing to communities of color, and that they take that into account in their CRA exams and that they evaluate banks.

Mr. Perlmutter. Thank you for that answer. You covered the other question I was going to ask you about the differences among the OCC, the Fed, and the other, so thanks.

My next question really is more general in nature for Mr. Robinson, Mr. Rowe, and Mr. Yang. I guess the concern I have in what I felt you left out, Mr. Rowe, in your list of factors, you talked about education, and community, but what I am hearing from pretty much everybody is that there is the factor of history/inertia that sort of perpetuates things, whether you think you are doing it or not.

So, Mr. Robinson, you kind of talked about that, the wealth gap and not having money for a down payment. Can you expand on sort of the history and the inertia that puts people behind, and that is why you need diverse leaders in senior leadership?

Mr. Robinson. We have a situation where there have been a lot of winners in our economy who have won because the rules have been designed for them to win. And then, we set up this sort of
analysis that they have won because they have done something so much better than other folks who have been held behind.

And this conversation about how we move forward, how we do the investments, how we do the enforcement, how we actually have diversity in the enforcement, is critical to actually getting results that provide opportunity for everyone. Right now, our system has produced a whole set of inequality and it has been manufactured and the choice for Congress is, how do we actually use the tools of policy and use the tools of enforcement to actually move this country forward?

And there is so much opportunity here to actually do that if we, as so many of the Representatives stated in their opening statements or in their questions, that they agree that racism exists. If we agree that racism exists, and we can see that a Black, college-educated household has less wealth than a White dropout household, then we have to actually do something about it and not just tell people to work harder, fight harder, or entrepreneur better.

Mr. YANG. If I might briefly add, when we are talking about history, we need to include that Asian Americans lost land, the Japanese Americans lost land in World War II because of so-called dual loyalties to Japan. We have had exclusionary land loss, so we need to make sure we understand that history and understand what data we need now to drive that policy forward.

And there, I want to emphasize that the Asian-American community is largely invisible to everyone in terms of what it is that our community needs, and we need more investment in that community.

Chairwoman WATERS. Thank you.

Mr. PERLMUTTER. Mr. Rowe, I'm sorry. I won't get to you.

I yield back to the Chair.

Chairwoman WATERS. Thank you. The gentleman from Texas, Mr. Williams, is now recognized for 5 minutes.

Mr. WILLIAMS OF TEXAS. Thank you, Madam Chairwoman.

Competition, innovation, and free markets are the keys to building net worth and ending the racial-wealth disparities in this country. We need to be reducing regulations and bringing down taxes, so the individuals have more opportunities to take control of their own futures.

And we saw it happen during the Trump Administration when African-American unemployment was at an all-time low. Hispanic unemployment was at an all-time low. Female unemployment was at an all-time low.

Employers had to compete for workers. I had to do that very thing in my business, which raised wages.

Banks were willing to lend money at low interest rates so people could get loans and entrepreneurs did not have to worry about crushing regulations so they could take a chance and bet on themselves.

We should be focusing our attention on these policies that have a proven record of success.

Mr. Rowe, can you talk about how the free markets can help build people up instead of having the government try to legislate equity and put them down?
Mr. Rowe. The basis of a free market starts with strong families and strong schools and usually a faith commitment. Mr. Robinson is right when he says that education alone is not the only answer here.

That said, if we study the success of people of all races, what were the series of decisions that allowed them to flourish in a free market? The foundation of that was high-quality schools, then it is full-time work of any kind just so you learn the dignity and discipline of work, and the timing of family formation, it matters.

This series of decisions, there is no silver bullet here, but if we want our citizens to be able to flourish in a free market, have access to capital to buy a home, to start a business, to pay for college, you have to start thinking about these issues much earlier, and I think school choice is one of several interventions that are crucial to a long-term solution.

Mr. Williams of Texas. Thank you for those comments.

Also, Mr. Rowe, your testimony talked a lot about education and the importance of teaching our children a strong work ethic and dignity of work. I completely agree with you on that, that we need to be instilling these values in our children so they can grow up knowing they can be successful in America, regardless of the circumstances they were born into.

One thing I think we must recognize is that traditional school is not for everyone. Not every child succeeds at writing reports and doing endless math problems and it doesn’t help these individuals take on debt and struggle through the four-year college to get a degree. We see plenty of that.

I have been advocating for more career- and technical-education programs to be available to high school students so they realize they don’t need to go to college to make it in America. There will always be demands for plumbers, electricians, and other skilled workers across the country, and we needed a lot of that in Texas last week.

So, Mr. Rowe, do you have any thoughts on how we can better educate high school students about the options they have available to them, other than a traditional four-year college education?

Mr. Rowe. Absolutely. And, in fact, I am launching a new network of international baccalaureate high schools that will have two pathways: one is the diploma pathway; and the other is called the careers pathway.

The diploma pathway will be designed for a more traditional access to a four-year college or university. In the other pathway, which students can choose at the end of tenth grade, they can choose a particular industry sector.

When I went to Brooklyn Tech, there were 18 different majors. I majored in electrical engineering in high school.

In the high school that we are now launching, we are going to start with computer science, construction/architecture, and probably a media component. And the idea is to have corporate partners in each that you can have internships during high school, so that if you choose at the end of 4 years of high school, you can get an industry credential with a labor market value, meaning you can get a good-paying job right out of high school.
Parents need the power to be able to choose great schools like that if that is what they want for their kids. And, again, it is not just about education, but it is a foundational element to everything that ultimately will be in the control of the young person to decide how they do want to be a master of their own destiny.

Mr. Williams of Texas. We have millions of children dropping out of school in the ninth grade across the country, and, frankly, in my State of Texas, and they are losing hope and they shouldn't. And what you are talking about and what I am talking about can get them through where they hire their friends when they get out of school, have a degree, start a business, become a taxpayer.

Thank you very much, Madam Chairwoman. I yield back.

Chairwoman Waters. Thank you very much, Mr. Williams.

The gentleman from Florida, Mr. Lawson, is now recognized for 5 minutes.

Mr. Lawson. Thank you, Madam Chairwoman. I am really happy that you are having this hearing, and I want to work with the panel here.

My first question is to the whole panel, and it is about the fact that access to capital, credit, and financial services is often based off of a person's credit score. In this committee, we have discussed other options, such as character assessment. Those are very important words, "character assessment."

Our community developed corporations in South Florida have used a character loan process instead of credit scores to make housing-related loans without a single default in 14 years. And I saw earlier, Congressman Posey on there. He is probably familiar with that. We worked together in the Florida Legislature.

Kentucky Community Developed Financial Institutions have used character laws to make 1,500 small business loans. There are more than 100 businesses led by the entrepreneurship in their local Chamber of Commerce.

Do you believe people with longstanding relationships with barrios, rather than poorly understood algorithm-based credit scores can and should be used rather than credit scores to help secure loans and promote access to capital? What do you see as the benefits and what do you see as the pitfalls, if any?

And that is for the whole panel.

Ms. Bailey. Great. Thank you for the question.

I would agree that character should be an important part, and from watching our nation's history when homeownership opportunities were extended, that is how so many White families had an opportunity to get into the mortgage system. Their credit and their character were determined to help really fund and make those determinations.

Credit scoring is a really new phenomenon. It is part of our first kind of artificial intelligence that we like to think about, and it bakes in the history of discrimination.

So, another panel had a hearing and one of the panelists there said something along the lines of, wealth begets wealth and a lack of wealth begets a lack of wealth.

Our credit-scoring systems actually mirror that; they factor in a great deal of the history of wealth and the history of discrimina-
tion. So, I think you are highlighting something that really is critical. And we need to see other variables taken into credit scoring. Homeownership is most amenable to renting. For many families, their rental history is not even a factor in their ultimate credit score.

So, you are definitely taking us in the right direction when you are getting us to consider what the five Cs of credit should really include, including character, or other evaluations that are not discriminatory and that perpetuate discrimination in the way that credit scoring does.

Mr. Lawson. Okay. Next?

Ms. Gonzalez-Brito. I would just agree with Ms. Bailey, to not take more time. I think she hit the nail right on the head.

Mr. Lawson. Okay. I would like to know what Mr. Rowe would say about this.

Mr. Rowe. If you are referring to the ability for local banks who have a deep relationship in the community, know the residents, absolutely, you would want them to take into account a full set of information to make decisions, because after all, we need these banks to be going-concerns and making good investments and good loans. And so, to the degree that they are, and, again, running schools in the heart of the South Bronx, I know many local entrepreneurs that I would invest in, that the credit score would just be one piece of information. But that is the power of local decision-making.

So, if that is what you are talking about, absolutely. That would be a good local bank that is having a generative impact in the local community.

Mr. Lawson. Okay. Would anyone else like to respond?

Ms. Bailey. If I just may get back at this point about education, I really need to stress that education has not served as the great equalizer. Unfortunately, as Mr. Robinson has pointed out, we know that Black students typically graduate with greater levels of debt, and that even after graduation, they see their debt loads increase.

We also know that many White students get funding from their parents because of intergenerational wealth transfers to pay for their college education, and, unfortunately for many Black and Latino and Hispanic students, they actually end up having to support their families post-graduation.

We also know broader societal discrimination means that these people are going to be paid less, so that historically, we have seen them not be able to accumulate down payments from their savings because of overall systemic discrimination.

Mr. Lawson. And so, in a follow-up to you, and I know my time is getting close, is with the situation that was talked about earlier through the loan debt—well, my time is running out. And I yield back.

Chairwoman Waters. Thank you, Mr. Lawson.

The gentleman from Arkansas, Mr. Hill, is now recognized for 5 minutes.

Mr. Hill. Thank you, Madam Chairwoman.

I thank my colleagues and I thank our panel for this good, candid, robust discussion of a super-important aspect of our public pol-
icy responsibility at the House Financial Services Committee. I have learned a lot in this hearing, and again, I thank the panel for their participation.

Let me start by saying that everybody in our committee—Democrat, Republican, old, young—rejects racism and we know our Federal laws and our regulatory body, particularly since the 1960s and the Civil Rights Act forward, have done an outstanding job in creating a culture and a demand that people do not discriminate in financial services, and yet, the problem is challenging, and the problem can persist.

So, let’s all agree that we are all working within our regulatory and legal system to root out discrimination in financial services.

Let me also say as someone who spent, really, the better part of my career in financial services since the 1970s, I have to say that banks and brokerage firms work very hard to fully comply with their moral obligation and their per se and de jour obligations under those laws.

Of course, there are bad actors out there, and that is why we go after them legally and through all of the efforts that we talked about today.

My friend, Mr. Lawson, talked about credit scoring, and I really enjoyed the character lending discussion. I have to say in my 4 decades of community banking, character loans have become fewer for a person of any age, race, or sex. They have been essentially ground out of the system by regulation, essentially, to eliminate them, to be perfectly candid.

So, I am glad Mr. Lawson has an instance where, through a community development foundation or some unique focuses that are being made, I think they are a big, important part of getting started in business for any person, but due to consumer compliance rules, they effectively have been eliminated.

And on credit scoring, that is part of making or removing character from it or reducing it and really going to the mat with credit scoring. I agree that should be improved. I have had bills to expand the information available for credit scoring, such as on-time rental payments or insurance payments or utility bills; these are ways to enhance credit score information.

Mr. Rowe, do you support that kind of enhancement to our traditional look at credit scores?

Mr. Rowe. Yes, I think, to some degree, it introduces a level of subjectivity, but as we spoke about before, banks need the freedom to make informed decisions which could include credit scores, deep relationships, track records, consortiums, and the innovation of the people coming forward. So, I think I would be very much open to that because I think that is the essence, especially of local decision-making, where you can take into account many more factors than, frankly, people at the Federal Government can decide or know better what better investments—

Mr. Hill. Thank you for that.

I also looked at the bill list attached to this hearing. I was disappointed, like my friend, David Scott, and my good friend, Dr. Foster, that our financial literacy bills were not attached. I was an original co-sponsor of both Representative Foster’s and Representa-
tive Scott’s financial literacy bills. Those are good bills, and they help build that economic literacy that we need.

Mr. Rowe, I was really intrigued by your comments about charter schools. We have public charter schools in Little Rock; they have been a great enhancer to low-income students’ access to a quality education in my home area of Little Rock, Arkansas.

But we are also doing something that perhaps you have inspired—we are taking the 44,000 students in Little Rock, North Little Rock, and Pulaski County schools and we are completely changing their curriculum. And these predominantly minority school districts, now, in these public school systems in that county. And the forward NGL, we are going to mix both, workforce inspiration, career development, and financial literacy, and economic education all in a mandated curriculum for those schools, K–12.

Is that something that you think is a direction other school districts are using?

Mr. Rowe. I think that is a wise direction, to create more choice within the public school system. College is not the mandated destination for every single student and, frankly, as a country, you have less than 40 percent of people with college degrees as it is. So, it is just being practical to recognize that our curriculum in school systems should be designed to create choice for the graduates who get out, which means parents need choices for what types of schools that they would like their kids to attend.

Mr. Hill. I appreciate your response.

Thank you, Madam Chairwoman, and I yield back.

Chairwoman Waters. Thank you.

The gentleman from Guam, Mr. San Nicolas, is now recognized for 5 minutes.

Mr. San Nicolas. Thank you, Madam Chairwoman.

I am the delegate from Guam, a U.S. Territory, and we are all Americans.

I want to begin first by recognizing you, Madam Chairwoman. You are the first chairwoman to bring a Territory onto an exclusive committee, this Financial Services Committee. You brought Guam to the table. You brought Territories to the table. I am also the only Asian American Pacific Islander on this committee.

And so, as we discuss these bills and as we discuss the topic of this hearing, I think our presence here with Guam and this committee is proof positive of the importance of us to really focus on bringing diversity into leadership, because the voices and the advocacy can absolutely be transformative and the perspectives that we are all considering when we are developing policy here in this committee and throughout this country.

And I preface all of this because the stain of history, the stain of racism does not go away just because we have now changed the policies that made those realities occur in the past; those things still remain. And case in point, is the mere fact that even today, a Member of Congress still referred to Guam as a foreign country, and made a claim that we should not be getting aid under the COVID packages that this body has been entertaining.

And I would like to thank my colleagues on this committee, and I would like to thank you, Madam Chairwoman, as you know, I reach out to you regularly, for all of your help in making sure that
the Territories and that all Americans, regardless of where we live and what our ethnicities are, are included in these relief packages.

These stains that do not go away are stains that still remain in our financial system, and so I wanted to afford our witnesses an opportunity to speak specifically to that, because the legislation that we are entertaining at this hearing and the discussions that we are having at this hearing aren’t just to address discrimination and racism today, but also to address this stain that has held back people for generations. If you have been redlined in the past, just because you are not redlined today does not mean that you didn’t suffer a lack of appreciation in your real estate that is now putting you at a disadvantage if you want to go and move to a better school district. Those kinds of historical stains are things we still need to address today.

And so, I would like to begin with my fellow AAPI, Mr. Yang, and afford him the opportunity to speak toward these stains and what we need to do today to address them.

Mr. YANG. Thank you very much for that question.

That is absolutely right. All of us bring together the history of discrimination that all of us have suffered in disparate ways, but it is important to recognize that. I mentioned the fact that Japanese Americans’ property, their businesses were taken away in World War II because of Japanese incarceration. I mentioned the exclusionary land laws that did not allow Asian Americans to own land. The fact that Asian Americans could not become citizens until around World War II in many parts also created a situation where we could not own land or even rent property at times.

So, that is part of the history. It is actually, in many cases, very recent history that we are combatting, so that has an effect that we must remember.

The other aspect I want to mention is that, just as Representative Huizenga talked about his learned experiences, his lived experience as a REALTOR, which are valuable for this committee, all of our lived experiences as people of color are important for this committee to remember as we think about those policies.

And the last thing I would say is I appreciate Representative San Nicolas lifting up to make sure the Asian-American community is not invisible in all of this, and the Pacific Islander community is not invisible, and all of the Native American community. We have not talked at all about them yet, but with respect to financial services, with respect to housing, there are dramatic needs that should be addressed there that I would ask this committee to consider.

Mr. SAN NICOLAS. Thank you, Mr. Yang.

This year, 2021, marks the 500th year of colonialism on Guam, with Ferdinand Magellan planting his flag on March 6th of this month and making Guam a colony of Spain, and so, Ms. Gonzalez-Brito, we are also brethren as people who can trace our lineage back to colonialism.

Can you also speak towards these historical stains and the need for us to do what we can to make things right today?

Ms. GONZALEZ-BRITO. Thank you so much for that question.

We are the survivors of genocide and colonialism and we carry that in our DNA and both, in the struggles that we wage today. And that is why, I think, when we think about land and displace-
ment, that is the struggle that continues for generations and hundreds of years.

I want to say something about what Representative Barr said earlier—I’m sorry, I’m out of time.

Chairwoman Waters. I’m sorry, your time is over, and I have to get to Mr. Davidson, who is now recognized for 5 minutes, but thank you.

Mr. Davidson. Madam Chairwoman, thank you for recognizing me and thanks for just holding the hearing. Obviously, it is a very important topic for our country, and Lord willing, our nation will, at some point, heal from the racism. And part of that means acknowledging it, but the other part of it means taking a different course in policies.

One of the things that seems common sense to me is that racism today isn’t a way to heal past racism, so I think it is important that we look at the policies that we are talking about today and look at the disparity in race and address root causes. For a long time in our country’s history, obviously, race at our founding, race was supposed to be addressed after the Civil War and reconstruction failed and that resulted in, a 100 years later, the Civil Rights Movement.

We have come a long way and we still have a long way to go. And right now, it is not the official policy of the Federal Government, for example, to segregate in their housing policy, but we know we have disparate effects as a result of some of our policies.

It clearly wasn’t the official policy of the Payroll Protection Plan to slow-walk forgiveness of loans for anyone, but I noticed that minority communities are particularly struggling with having their Payroll Protection Plan loans forgiven. I am curious why that is.

And part of the issue is structural. We put the incentives for the banks that make these loans to get them out quickly. They got paid for making the loans, and then we followed up with multiple iterations of variations on the original Payroll Protection Plan and we made it so banks could continue making Payroll Protection Plan loans.

Even in this latest bill, I tried to offer an amendment to bills at the end of the year and this most-recent one and was not permitted to offer an amendment that would have said, if banks want to make a loan under these new terms, they have to have at least 80 percent of their book of existing Payroll Protection Plan loans made.

We didn’t have a process that allowed that kind of debate and dialogue, and I think that is why it is important that this legislative body actually function, not just as a power play for the Majority, but so that every member has the opportunity to represent his or her district and get a discussion and a vote on some of these amendments.

I think that is one that would have passed, because what we see is in Payroll Protection Plan loans, we have far too many that aren’t yet forgiven, and businesses cannot move forward with new loans if they haven’t been able to get the previous ones forgiven. And the reality is that is hitting the African-American community harder than it is other communities.
But it is hitting all of our businesses. In the 8th District of Ohio, the Payroll Protection Plan was very successful. We made about 9,000 loans out of the program; 80 percent of them were for $150,000 or less. And those loans kept over 100,000 people in our district on payroll.

What did that mean? Well, not only were they getting a paycheck, regardless of how the overall business was performing at the time, they were largely continuing to get their healthcare benefits and other benefits with the workplace. And so, as conditions have improved, in some cases, far faster than the policies imposed by governors have improved, the business was in a position to recover more because their workforce was there.

Now, to keep those businesses healthy, regardless of the level of diversity in the business, they have to be able to get these loans forgiven and be able to get back to having a strong balance sheet. We have to get our economy open and we should do that in a way that recognizes the impact.

When you think about it, we have talked a lot about financial literacy and that is an incredibly important topic for all Americans. The minority communities seem particularly underserved, and in our committee, we have talked a lot about board diversity, particularly with publicly traded companies.

Mr. Rowe, do you believe that race and gender are the most important forms of diversity in building a board composition? Do you believe that there are other aspects of background or a variety of viewpoints or experiences should be treated as important characteristics of diversity?

Mr. Rowe. Well, yes. Diversity has several prefixes. You could have racial diversity, gender diversity, viewpoint diversity. I think most boards have to determine for themselves, what is the expertise that they want to achieve that would be most beneficial for their business.

I aim to run schools almost exclusively with kids of color, so we are going to be developing lots of talent for those organizations that want a more racially diverse component to their boards.

Mr. Davidson. Thank you for that.

Chairwoman Waters. Thank you.

Mr. Davidson. And I would just note that the Supreme Court finally got someone who wasn’t an Ivy League graduate and that is an important—

Chairwoman Waters. The gentleman’s time has expired.

Mr. Davidson. I yield back.

Chairwoman Waters. The gentlewoman from Iowa, Mrs. Axne, is now recognized for 5 minutes.

Mrs. Axne. Thank you, Madam Chairwoman.

And thank you to our witnesses for being here today about this important topic, especially after the year we have seen. The disparities after, our partial recovery so far have been enormous, and we have to address these things if we truly want to see an equitable recovery.

I will tell you, it is tremendously disheartening to see statistics that the Black-White wealth gap is the same as it was in 1968. Just as wide. And with the median household income for White families having 11 times that than the median Black household
even before the pandemic. So, it is time that we look at solutions wherever we can.

Just a couple of weeks ago, I had a roundtable with a group of Black business owners in Iowa and one of the most consistent themes was that they all came to the table saying they couldn’t get access to credit for their businesses.

Just this morning, I had a conversation with a young man who is extremely talented, Marques. He is a music artist, but he is also now moving into entrepreneurship for the development of whiskey. He had a $250,000 profit, purchase order through one of our grocery stores that is a very well-known grocery store that folks would know; they are going to pay this guy and they are going to sell the whiskey if he can get the loan. But he needed about $50,000 in materials to produce it and he could not get a loan anywhere. This is the kind of problem that we are facing across this country and in States like Iowa.

So, Mr. Robinson, in your experience, what are some of the reasons for this disparity and what do you think are some of the possible options?

Mr. Robinson. One of the main reasons for the disparity is that we don’t have clear enforcement or accountability. We have rules on the books, and some of them are deeply inadequate, but there is not the level of accountability and consequence when institutions discriminate. There is not the evaluation and amplification of that.

And then, there is a kind of culture of denial around what we clearly see in front of our face, which is a situation that produces, time and time again, different outcomes, and then we search, as a country, for reasons to explain it that are outside of the things that sit right in front of our face, which is when racial discrimination sort of consistently exists, we see different outcomes for the communities that are harmed and targeted.

And the other thing I would just say is we will explain the problem the wrong way. We will say Black people are less likely to get a loan from the bank instead of saying banks are less likely to give loans to Black people; thereby, concentrating on what is wrong with Black people, rather than dealing with the structural challenges inside of our banks.

Mrs. Axne. Thank you for restating that in the way that it should, and we all should make sure that we talk about it from that perspective, as well.

There’s one other question I wanted to ask you. I have some experience in human resources and I have had concerns about algorithms that kick people out of getting jobs. I know that they are looking at algorithms now for banks to be able to look at applications, to come in. And I have a feeling that if we don’t get this credit opportunity figured out, they are going to create algorithms that automatically go into place in banks.

Do you see this as an issue that you are hearing about and how do you think we can address this?

Mr. Robinson. We already know, whether it is the big technology platforms, whether it is the sort of data-mining companies and the companies that sell data, that there are deep challenges in how they set up their structures, and how those structures then deliver their products. And time and time again, we will see all
sorts of discrimination. We have seen lawsuits that have had to be settled by some of these companies from the ACLU, the National Housing Coalition, and others.

And so, time and time again, we recognize that what ends up happening is that bad data in becomes bad data out, because we have these ideas about risk, these ideas about who is worthy, and that gets baked into the data. So in some ways, what this technology does is it just allows us, in many ways, to discriminate quicker and to discriminate sort of at a deeper and higher level because the technology just allows us to move more expeditiously.

Mrs. AXNE. And I think to overlook some great opportunities, not just for those individuals, but for our communities, as a whole. So, I appreciate you saying that.

One more question for you. Are some efforts more successful in areas with larger minority communities, rather than in ones where we have smaller minority populations like Iowa? We don't have a lot of MDIs, so I am wondering what you think would work best in States like ours?

Mr. ROBINSON. I think that this is actually where innovation and the partnership between communities and institutions will be very helpful. I do think that you are absolutely right. As someone who grew up in a more rural community, we did not have these kinds of community banking institutions. And my family’s sort of path from poor to working class to middle class couldn’t include those institutions.

Mrs. AXNE. Thank you so much.

Chairwoman WATERS. Thank you.

The gentleman from North Carolina, Mr. Budd, is now recognized for 5 minutes.

Mr. BUDD. Thank you, Madam Chairwoman.

And thank you, Mr. Rowe, for being here. Mr. Rowe, your testimony mentions something called the success sequence as a method of reducing or avoiding poverty. I understand that the first element of this sequence is just earning a high school degree and that the data certainly supports that when you consider that without a high school diploma, those who are unbanked, again, the ones without a diploma who are unbanked is about 21 percent, but those with a high school diploma who are unbanked is only 8.1 percent.

So, what are the next steps in the success sequence?

Mr. ROWE. The reason I speak so much about the success sequence is, if you are in a low-income community, the challenges are real from a whole host of issues, whether it is issues of race, issues of poverty, and so the mechanism by which you can start getting on the rungs of the ladder of success is a really good school, and that is why school choice matters.

But even that is still not enough. After school, you make your passage into young adulthood, and work, just so you can learn the dignity and discipline of what it means to have to get up every single day to earn a living. And then if you want to start a family, the evidence shows that marriage before children has a significant impact on your likelihood of economic success.

That is not saying we shouldn’t also be looking at structural barriers to reduce, but we need both elements as part of the equation here. And so, I often find in these discussions that there is such
a focus on the systemic barriers that the kids in my schools can start to hear this overwhelming message that they don't have the ability to succeed, and the reality is that there are millions of people of color succeeding in our country today and we need to learn from success. What are the strategies that they have deployed? And the success sequence is one part of data that suggests that young people should at least know that these sets of favors in their control can have a significant impact on their access to middle class or beyond.

Mr. BUDD. Thank you.
Let's talk about income disparity for a moment. A lot of topics on both sides of the aisle today have been talked about and we see that unemployment for Black communities was approximately twice that of White communities. So, a gap that has been around since 1972, maybe even 1968 when my colleague from Iowa was referring to a few minutes ago, and that is when the BLS [audio malfunction] to use the government to control equality of outcomes or do you think more people would be better off if the government stuck to ensuring the quality of opportunity? Which one do you think helps us get out of poverty more?
I have heard a lot of bad ideas floating around this morning, this early afternoon and I just want to get your take on that.

Mr. ROBINSON. I think it is really important to lay out what the definitions are that we are speaking of. Oftentimes, when I hear the word, “equality,” I think that people do mean equality of outcomes, closing racial disparities, which either means that Black kids have to equal Whites or Blacks have to equal their percentage representation within the larger community. Either way, both of those are placing artificial ceilings on the ability for Black kids or kids of any race to be successful.

I think we need to live in an opportunity society where the goal is excellence for all, not equal, mediocre outcomes. And so, I think that is a fundamental element.

We just celebrated Hank Aaron about a month ago, his life and legacy. The reason we celebrate his life and legacy is that he broke Babe Ruth’s homerun record. We didn’t celebrate him because he equaled it. We didn’t say, now that you are at 744, Hank, stop swinging for the fences; we said to continue to demonstrate excellence.

It is kind of a funny metaphor, but I think we have to have a focus on opportunity and excellence for all, not equity of equal mediocrity.

Mr. BUDD. Thank you.

Last question. About 9 percent of the unbanked use peer-to-peer electronic payment systems and we are seeing that mobile payments are really going through the roof; they predict 2 billion transactions between 2018 and 2023. I am encouraged to see that the FDIC has noticed this growth trend, as well as recently appointed its first Chief Innovation Officer.

Do you think these things can help unbanked communities?

Mr. ROWE. I am all for ideas like that. Let’s be out of the box.

Part of the reason we set up college savings accounts for our 4-year-olds and match that every single year all the way through 12th grade is that it helps to build this idea of financial savings.
So, there are lots of different ideas to encourage saving from the early stages.

Mr. BÜDD. Thank you, and I yield back.

Chairwoman WATERS. Thank you.

The gentleman from Illinois, Mr. Casten, is now recognized for 5 minutes.

Mr. CASTEN. Thank you, Madam Chairwoman.

And thank you so much to our witnesses.

Mr. Robinson, I have two questions for you, and I want to say that in advance because they are big, meaty questions, and 5 minutes is completely unfair. So, if any of this is reasonable, let's follow up afterwards, and if you have more to say, then let's hear it.

I wanted to ask you these questions mostly because of your expertise, but also because I think we have similar roots. I just heard you say you grew up in Long Island. I grew up in Westchester County. I haven't lived there since the 1980s, so I am a little bit older than you.

But I went to a school district growing up that was exceedingly diverse. The majority of the students were African-American. The majority of the White students were Jewish. The majority of the non-Jewish White students were Italian. As I joke, I learned how to breakdance at bar mitzvahs; that was my youth growing up.

Notwithstanding Mr. Huizenga's comments about how good schools attract wealthy people who move there, and good real estate, my experience is that has the cart before the horse. Because my school on any testing metric was not a good school. I learned a ton from the diversity that was there, but the diversity was the result of decisions made before I ever got there—where school district boundaries were drawn, exclusionary zoning rules, decisions about busing in the 1960s.

And as I look through, the teachers were good. This isn't a question that sort of testing or choice would have solved the problem. We had good teachers. We had good students. We just were massively underresourced.

And I got a gut-punch when I went back to visit my middle school to speak to some students there. I hadn't been there since 1985. The building looked exactly the same. There has been no meaningful infrastructure investments in that building.

And I tell you that story to get to my first question for you. So many of these structural inequities in housing are the result of a whole lot of local decisions, and so if you are a king and if you have a magic wand and you have one, maybe two ideas—and I realize I am about to ask you another question—what would be a good Federal policy to put pressure on local jurisdictions to address some of the underlying causes of these inequities?

Mr. ROBINSON. I think my other colleagues might have something to add here, but I would say that it has to include real resources. It has to include evaluation and oversight, and then it has to include enforcement.

To a statement that Mr. Rowe made a little bit earlier about Hank Aaron beating the record of Babe Ruth, Hank Aaron actually had to be able to be in Major League Baseball in order to beat that record. It means nothing if he wasn't actually in the league.
And part of what we are dealing with time and time again is that we are not in the league. We are not actually at the table. We are not actually allowed to be part of the conversation. You can't beat a record, you can't win if you are not even part of the game.

Mr. CASTEN. So, my second question, and I am going to tell another little story here. When I moved out to Illinois, I had a couple of young kids and I am a middle-class White dude, if it is not obvious to you, and so I looked for places with good schools, because everybody said that was good for real estate, and I also looked for places that had a lot of diversity because it shaped so much of who I was as a kid and I wanted the same opportunities for my kids.

I picked a town to live in because it had good schools and good diversity, and once I moved there, I realized that the town itself is diverse, but the neighborhoods are not. And so, I am in the part of town with good schools, but I am not in the part of town that has really good diversity.

And my question for you is, given how important it is for people—as I think a number of my colleagues have mentioned, you want to live in places where there are good schools. You want to live in places where real estate values go up over time. But we don't measure the value of going to school with all the diversity that I had as a kid and the way that it shaped me growing up.

And I wonder if you have thoughts that are not germane to this committee, but how should we evaluate schools that recognize the value of that diversity as distinct from—as one of my teachers said, who changed districts, he said, “All of a sudden, I was a much better teacher, not because I changed, but because the students I was teaching changed.”

So, how do we better evaluate schools?

Mr. ROBINSON. I think we do have to evaluate schools on how they are preparing people to enter a world that is increasingly diverse, that has demands on our ability to engage with people from different backgrounds, and that is part of what success sort of looks like.

I think that there are ways in which we evaluate, the tools that we use to evaluate, the ways in which we think about what success looks like, we get to choose those, and we get to place value on those things. And if we say we value diversity, then we should put energy behind that.

Mr. CASTEN. Thank you so much.

And I am out of time. I yield back.

Chairwoman WATERS. Thank you.

The gentleman from Ohio, Mr. Gonzalez, is now recognized for 5 minutes.

Mr. GONZALEZ OF OHIO. Thank you, Madam Chairwoman, for holding this hearing, and thank you to the witnesses who have joined us today.

Mr. Rowe, I especially want to thank you for all of the work that you have put into your community to change the lives of countless young men. Your report, “Incentivize individual agency to achieve upward mobility,” really resonated with me.
I am a son of immigrants. My father immigrated here from Cuba in 1960. When he married my mother, they had about $12 to their name, and they have built a very nice life for themselves and their family.

And when you focus on education, family structure, and work, it reminds me exactly of what my childhood was like and what my parents instilled in their kids and what I hope to instill in my own children.

And so, my first question would be with respect to the education, family structure, and work framework, is this a practice that you employ within your schools, and how is that message received relative to the other messaging that is coming into our minority communities?

Mr. Rowe. Yes, thank you for the question.

Part of the reason I run the schools is to Mr. Robinson's comment about Hank Aaron. We need our kids to be part of the game, and if you are in a school system where literally single-digit percentages of kids are graduating from high school with the ability to do reading and math at a college level, you are not in the game.

And so, it is really important that we stress the foundational elements that have typified success in our multiracial, multiethnic society. And that is why things like the success sequence are so important.

When I was studying some of the best high schools in the country, I went down to New Orleans and visited a collegiate school, some ninth graders, exclusively low-income kids, and I said, “We are designing this great school for the South Bronx, another high school, and there is information about a series of decisions that when people follow them, 97 percent of people who are in poverty have not achieved them, would you like to know?”

And they said—these are ninth graders—“Of course, we would like to know.” And I said, “There are some people who think that maybe it is not the right thing to do, and it might be patronizing.” And they looked at me like I had three eyes or three heads.

And so, the whole idea of teaching the series of decisions that have a greater likelihood to achieve economic success in their own life, to me, should become a central part of every curricula in the country. That is not a silver-bullet solution. That is alongside a whole set of strategies. But it is not up to us to deprive kids of the very information that could unleash them to become part of the game.

Mr. Gonzalez of Ohio. Thank you.

And I want to shift to the means, to the baby bonds portion of your testimony. I think it is a really compelling idea, I really do. When you look at how the market has performed since 2009, it is up 26 percent, 15 percent, 2 percent, 16 percent, 32 percent, 13 percent. It basically only went down once and that far outpaces returns to labor. And so, I think it is a compelling issue and I hope that I can find some folks to work on it with me to the extent that we can find a compromise there.

I want to ask you specific to homeownership and how you think a program like a means-tested baby bonds program would improve homeownership for low-income individuals across the country and how you would structure that program?
Mr. Rowe. Sure. I am particularly excited by means-tested baby bonds because I actually think it has the ability to attract bipartisan support. This type of legislation has been talked about in different ways. I know Senator Corey Booker is supportive of this and others.

And back in 2004 or 2003 when this legislation was considered, imagine if it had passed. You would now have all 18-year-olds in this country and successive 18-year-olds who would now have, based on today's markets, probably somewhere between $50,000 to $70,000 that they could use for tuition, to make a down payment on a home, or to start a business. So, that is good.

In addition, it is the type of legislation that is inherently future-oriented, so that a young person knows that they will actually have a nest egg down the road. That is something that a lot of our low-income families don't have, and I think means-tested baby bonds could be a pathway there.

Mr. Gonzalez of Ohio. Thank you.

And with my remaining 5 seconds, I would like to challenge Mr. Casten to a breakdancing competition.

Thank you, and I yield back.

[laughter]

Chairwoman Waters. Thank you very much.

The gentlewoman from Massachusetts, Ms. Pressley, is now recognized for 5 minutes.

Ms. Pressley. Thank you, Madam Chairwoman.

And I thank my colleagues and our witnesses today for their vigorous endorsement of baby bonds, the American Opportunity Act. I am the lead sponsor of that in the House, in partnership with Senator Booker. So, I will certainly be following up with folks on that.

Thank you, Madam Chairwoman, for holding this important hearing, and, again, thank you to all of our witnesses for being here today.

Despite the passage of the Fair Housing Act over a century ago, the National Fair Housing Alliance estimates that 4 million people in the U.S. still experience discrimination in housing each year. A 2019 study in the Greater Boston rental housing market that used matched-pair testing, found that Black renters experienced discrimination at the hands of real estate agents and landlords in 71 percent of cases. This discrimination is not accidental. It is not coincidental. It is structural.

One of the bills we are considering today, offered by my colleague, Congressman Al Green, would address this by increasing funding for Fair Housing Act enforcement and allow for coordinated Fair Housing investigations.

Ms. Bailey, without Federal intervention and increased enforcement of Fair Housing protections such as that outlined in Mr. Green's bill, can we expect housing discrimination to just go away on its own? What are the real dangers to generations of Black renters and prospective homeowners if we do not correct this and make this investment?

Ms. Bailey. We have to correct it, as you said, and thank you so much for the question. Because this is really about those ladders of opportunity that we talked about so much during this hearing,
those ladders of opportunity that continue to miss our communities.

Unfortunately, our nation’s fair lending laws have yet to be fully enforced and we often think about them as penalties. But here is an opportunity to think about our nation’s fair lending laws as actually a part of progress.

The Equal Credit Opportunity Act’s special purpose credit programs are affirmative things that lenders can do to get at some of the underserved markets that we have seen so many of them make pledges over the summer about. So, we have these tools, and it is really time for lenders to start using these tools.

The special purpose credit program provisions under the Equal Credit Opportunity Act actually allows lenders to look at the borrowers that they are not extending credit to and to come up with programs to actually target those borrowers. As I said earlier, we know that there are 3 million mortgage-ready Black consumers, and more than 5 million mortgage-ready Latino consumers. And I wish I had the data on the mortgage-ready API consumers; we have often pushed for that.

But that is another provision about why the data transparency is so important. Data collection and transparency tells us what is happening. We can’t watch for discrimination if we don’t know about it.

The reason why we know so much about what is going on in the Asian-American space around discrimination today is because people are actually able to report it to Fair Housing agencies.

And I can’t stop on this question without thanking you all for the great work that you did to include the Fair Housing initiatives, provisions, and the homeownership assistance bill. I think that is going to go a long way to make a difference, and this committee and its leadership is to really be commended and applauded for it.

Ms. PRESSLEY. Thank you.

And thank you for lifting up the importance of data. I am a firm believer that what gets measured, gets done. And it stops us from being complacent, even when those statistics are so damning.

In the district that I represent, the median wealth for a Black Boston family is $8, and for a White family, it is $247,000, and that has so much to do, if not everything, with homeownership or a lack thereof.

So, I thank you for your answers. Systemic racism must be met with intentional, decisive systemic solutions and Congress has to move with urgency to expand discrimination protections to include our LGBTQ+ neighbors and voucher holders, as we know that Black LGBTQ+ and Section 8 tenants face even more heightened barriers to secure a home.

Now, while people of color experienced significant gains in homeownership leading up to the 2008 financial crisis, predatory lending and subsequent mass foreclosures wiped out much of my community’s gains. So, Black and Brown households lost more wealth and recovered slower than White counterparts. And by 2019, we saw the Black homeownership rate dip to its lowest levels since the Fair Housing Act outlawed housing discrimination in 1968.

So, Ms. Gonzalez-Brito, how can we make sure that there is equity in the wealth-building potential of homeownership?
Ms. GONZALEZ-BRITO. We need to absolutely enforce the law and we need to make it stronger. We need a strong DOJ, we need a strong CFPB, and we need a strong HUD. And we need transparency in the data.

We have recently weakened the data. Ms. Bailey talked about data, but we excluded some of the smaller banks that are making less loans. So, we want to make sure that all banks are included, all online lenders, and that we don’t exclude anybody from having to report the lending that they are doing.

Thank you so much for the question.

Ms. PRESSLEY. Thank you.

Chairwoman WATERS. Thank you very much.

The gentleman from Indiana, Mr. Hollingsworth, is now recognized for 5 minutes.

Mr. HOLLINGSWORTH. Good afternoon. I am really excited about this hearing and I appreciate all of our witnesses for appearing today and, certainly, the chairwoman and the ranking member for their effort to look at this very important issue.

Ms. Gonzalez-Brito, you mentioned in your testimony, both written and oral, the urgent need for postal banking or government-owned banks. Tell me a little bit about how you envision that working?

Ms. GONZALEZ-BRITO. At this point, we know that the big banks are not serving our communities. I was looking at some data the other day. Mr. Rowe talked about being in the game, and that education is part of being in the game.

But when I looked at the data, there are 14 banks in Black-majority neighborhoods and 27 in White-majority neighborhoods. So, how can we be in the game when the banks are not even in our communities?

Postal banking and public banks—

Mr. HOLLINGSWORTH. Can you clarify that? Can you be more clear in stating that government-owned banks elsewhere are doing a better job of reaching a broader range of communities? Or are you just comparing the status quo in the United States?

Ms. GONZALEZ-BRITO. What I am saying is that the status quo is not working, that big banks don’t serve our communities, and that public banks—

Mr. HOLLINGSWORTH. Reclaiming my time. To be clear, are you then claiming that the postal banking system as the solution is going to be better?

What evidence do you have anywhere around the world that the postal banking system or a government-owned banking system would be better than the existing system?

Ms. GONZALEZ-BRITO. I heard a lot of you talk about innovation and that seemed to be the key word today. As we talked about the need for racial equity to be that—everybody said racism exists and innovation was the magic word today.

So if we are going to talk about innovation in terms of how we are going to close these disparities, then public banking is one of the ways that we can do that. There is a post office in my neighborhood.

Mr. HOLLINGSWORTH. Reclaiming my time.
Ms. GONZALEZ-BRITO. I am sure there is a post office in your neighborhood, and so—

Mr. HOLLINGSWORTH. Reclaiming my time.

Ms. GONZALEZ-BRITO. —and we know that—yes?

Mr. HOLLINGSWORTH. Ms. Gonzalez-Brito, reclaiming my time.

Two things are important to come out of that. Number one, evidence has piled up over decades showing that financial systems where government-owned banks exist have slower levels of financial innovation than their peer countries that don’t have government banking systems.

Ms. GONZALEZ-BRITO. I would disagree with that. If we look at North Dakota, they rolled out more PPP loans than any other State per worker than any other State in the United States.

Mr. HOLLINGSWORTH. Reclaiming my time.

Ms. Gonzalez-Brito, rolling out PPP is not a definition of innovation, number one. Number two, the North Dakota example has been used over and over again. They have shown—

Ms. GONZALEZ-BRITO. What is the definition of survival, if it is not businesses?

Mr. HOLLINGSWORTH. Reclaiming my time. They have shown over and over again that the State of North Dakota earns a lower rate of return on its deposits, so its taxpayers are essentially subsidizing the banking system, which predominantly, by the way, lends to fossil fuel companies, which I am sure is a problem, you would say.

So just for clarity on this point, you say that you don’t agree with that. Abundant economic research continues to show that government-owned banking systems deliver far less financial innovation and take far more risks and provide a lower rate of return for those who participate in the system.

Ms. GONZALEZ-BRITO. Representative Hollingsworth, can I ask you for the evidence that our banks are actually serving Black, Indigenous, and people of color currently?

Mr. HOLLINGSWORTH. That is a great question. I would love to work with you to find a solution to that problem. I have come at that over and over.

Ms. GONZALEZ-BRITO. The evidence is that they don’t.

Mr. HOLLINGSWORTH. But the answer cannot be a cure for the disease that is worse than the disease itself. You have to look at—

Ms. GONZALEZ-BRITO. I would say that the disease right now is actually leading to people losing their jobs, losing their livelihood, and because of the economic impacts, Black and Latinos and Asian Americans are dying at a higher rate. So, the disease is actually killing people at this moment during the pandemic.

So, from one who is losing my neighbors, let us not talk about what it is that is at risk right now.

Mr. HOLLINGSWORTH. Reclaiming my time.

Again, you fail to show that the proposed solution is any better than the current status quo. You fail to show anywhere demonstrably around the world where a postal banking system or a government-owned banking system has improved—

Ms. GONZALEZ-BRITO. Mr. Hollingsworth, there are public banking advocates who would love to sit down with you and talk to you about Germany and places around the world where it does work,
and we are willing to try this because, at this point, our communities are suffering.

And I am sorry if you don’t see that. Maybe I can take you to some of the areas where I work in East Oakland and East Los Angeles and you can see—

Mr. HOLLINGSWORTH. Ms. Gonzalez-Brito, reclaiming my time.

As I said, I am deeply sympathetic to the problem, but we can’t come up with solutions that: (A) don’t work; and (B) don’t solve the problem.

Ms. GONZALEZ-BRITO. But you are not sympathetic enough, apparently.

Chairwoman WATERS. Thank you. The gentleman yields back.

The gentleman from New York, Mr. Torres, is now recognized for 5 minutes.

Mr. TORRES. Thank you, Madam Chairwoman. I have a question about housing.

Our society has determined that education is so fundamental that it must be provided to every child, and even though none of us can survive without housing, our society has not yet determined that housing is so fundamental that every child must have a home.

In New York City, there are 1 million students in the public school system, and more than one-tenth of those students, more than 100,000 of those students, have no stable permanent housing.

Now, the subject of our hearing is equity, and a common refrain among Republicans is that what we need is not equity, but equality. What we need is not equality of outcome but equality of opportunity, and I have a question about equality of opportunity in the housing context.

If you are a child without a home, do you actually have equal opportunity? If you are a child lurching from one shelter to the next, lurching from one school to the next in conditions of extreme housing instability, do you have anything resembling equality of opportunity?

And that question is directed to Mr. Robinson.

Mr. ROBINSON. Thank you for the question.

Mr. TORRES. You used the key word, “choice,” because I think much is said about individual responsibility and choice, and I certainly support individual responsibility.

Mr. ROBINSON, have you ever met a child who chose to be poor?

Mr. ROBINSON. No, sir, I have not.

Mr. TORRES. In public housing, we have a lead poisoning crisis. Have you ever met a child who chose to be poisoned by lead?

Mr. ROBINSON. No, sir, I have not.

Mr. TORRES. And you are aware that lead poisoning has lifelong consequences through no fault of the child?

Mr. ROBINSON. Absolutely.
Mr. T ORRES. My greatest passion in life is housing, and for me, the simple solution to homelessness is affordable housing. More affordable housing units would mean less homelessness. More housing vouchers would mean less homelessness.

We, as the wealthiest country in the world, have the resources to house every child in America just like we have to educate every child in America. What is lacking is the political will.

And I am curious to know your thoughts on the notion of housing as a human right, housing as a fundamental public good, and housing as infrastructure.

Mr. ROBINSON. It is all of those things, sir, and it is also aspirational. It is about families being able to have self-determination about where they get to live, about where they get to go.

I think about my grandparents, on both sides. Both of my grandfathers were in the Local 66 Union, which allowed them to buy a home. That home was passed down to our family. It created opportunities.

I sit here as the first person in my family to have a college education because my family was able to leverage their mortgage to be able to pay for college.

That is the story of so many, but because of systemic racism, it is not the story for enough. And that is actually what we have to deal with here and that is the role of public policy.

Public policy does not tell kids that if they just get married, racism will go away. Public policy is removing the actual barriers of racism in their communities that have far too often held people back.

Mr. T ORRES. And I have a final question about the Community Reinvestment Act. According to the memo from the Financial Services Committee, 98 percent of banks pass the CRA exam. Now, I have never been in a classroom where 98 percent of students passed an exam.

And so, for me, there are two explanations. Either nearly every bank in America is exceptional, or there is something wrong with the test.

And I am wondering if any of you, particularly Ms. Bailey, feels that there should be CRA reform and, if so, what specific reforms should be included?

Ms. BAILEY. Indeed, and as we discussed earlier, we need to have a race justice focus in the Community Reinvestment Act. According to the memo from the Financial Services Committee, 98 percent of banks pass the CRA exam. Now, I have never been in a classroom where 98 percent of students passed an exam.

And so, for me, there are two explanations. Either nearly every bank in America is exceptional, or there is something wrong with the test.

And I am wondering if any of you, particularly Ms. Bailey, feels that there should be CRA reform and, if so, what specific reforms should be included?

Ms. BAILEY. Indeed, and as we discussed earlier, we need to have a race justice focus in the Community Reinvestment Act.

For some weird reason, we have come to think of the CRA as something that shouldn't be explicit about race, but its legislative history and language definitely speaks to ensuring credit access in communities of color.

So, we need to do that. We also need to see a broad effort across the agencies—the FDIC, the Federal Reserve, and the OCC—working together to coordinate the CRA to make sure resources get into underserved communities and live up to the law's purpose and focus on localized impact of the CRA with this critical [inaudible.]

Mr. T ORRES. Thank you.

Chairwoman W ATERS. Thank you. The gentleman's time has expired.

The gentleman from Wisconsin, Mr. Steil, is now recognized for 5 minutes.
Mr. Steil. Thank you, Madam Chairwoman. I appreciate your concern on this topic and the ranking member as well. It has been a robust discussion today.

As some of you may know, I served on the University of Wisconsin Board of Regents prior to coming to Congress. Education has, I think, a really profound opportunity to make sure that everyone in our country has the opportunity for advancement, but in particular advancement of Blacks and Hispanics and lower-income children.

I would love to just go down through our list of panelists. On a scale of one to 10, 10 meaning education is really important for the opportunity for children in our country, in particular Blacks and Hispanics, and one, meaning not so important. And I will just go in the order of the Majority committee list here.

Ms. Gonzalez-Brito, scale of one to 10, the importance of education?

Ms. Gonzalez-Brito. I would say it is a 10.

Mr. Steil. Ten. Perfect.

Ms. Gonzalez-Brito. Public education, well-funded.

Mr. Steil. No. No. I only have so much time. You have a robust Twitter feed. I know you will have the opportunity to comment there when we are done.

Mr. Robinson, scale of one to 10?

Mr. Robinson. It is a 10, sir.

Mr. Steil. And Ms. Bailey?

Ms. Bailey. It is a 10, with the notion that housing determines the quality of opportunities related to education.

Mr. Steil. No. No. I know there are a lot of topics here, and I apologize that I only get 5 minutes. I wish I had more.

Mr. Yang, scale of one to 10?

Mr. Yang. Food, safety, shelter goes first, and then after that, education.

Mr. Steil. And Mr. Rowe?

Mr. Rowe. Ten.

Mr. Steil. Ten. So what we heard, more or less, was 10s across-the-board. I would agree with you. We are at a point in time where we are holding this hearing when many of our schools across the country are still closed, and I have real concerns about that.

This is true, in particular, in the Los Angeles Unified School District, one of our largest school districts in the country, where 80 percent of the students, from the data I have in front of me, live in poverty, and 82 percent are Black and Hispanic.

Yet, the schools are overwhelmingly closed for in-person learning. The vast majority of their students still face shut-outs from their classroom and they have been told to try to learn online at home.

And as we know, there are a lot of struggles in particular for Black and Hispanic families and low-income families. This is difficult.

And it shouldn't be a surprise that school closures have been found to disproportionately hurt kids in minority and low-income neighborhoods, like many of the students at L.A. Unified, and I worry about the lasting impact and effect that this is going to have on our students.
There was a McKinsey study which projected that school closures can increase the existing achievement gap by 10 to 20 percent, and I seek unanimous consent to submit this McKinsey study for the record.

Chairwoman WATERS. Without objection, it is so ordered.

Mr. STEIL. Thank you very much, Madam Chairwoman.

Chairwoman WATERS. You are welcome.

Mr. STEIL. The same article estimates that school closures increase the likelihood of students dropping out by up to 90 percent, and as many of my colleagues have already mentioned, there is a strong relationship between low educational achievement and being unbanked.

According to the FDIC, more than a fifth of those without a high school diploma are unbanked, compared to only 8.1 percent of high school graduates, and if we are concerned about unequal outcome for Black and Hispanic and lower-income Americans, as I am, I think we really need to focus on education, and step one should be about reopening our schools. The science on this is becoming more clear that we can safely reopen our schools.

An article in the Journal of the American Medical Association said that there has been little evidence that schools have contributed meaningfully to the increased community transmission.

The same article noted that the preponderance of available evidence has been reassuring. The New England Journal of Medicine said safely reopening schools full time for, in particular, elementary school children, should be a national top priority.

I think we need to get our kids back in the classroom, and I note that we are moments away from voting on a giant spending bill, a $1.9 trillion bill, where out of the funds going to education only 5 percent are projected to be spent this year.

Zero percent of those funds are tied to reopening our schools, and as we dive into what I think really is an incredibly important topic, I think it is disappointing that we are not spending more time focusing in on what is before us in the short term that is achievable as a policy opportunity to make sure that we are opening schools, in particular, in our most challenged neighborhoods like Los Angeles.

I wish I had more time, but I don’t. I appreciate everybody’s time here and, Madam Chairwoman, I yield back.

Chairwoman WATERS. Thank you very much.

Ms. ADAMS. Thank you, Madam Chairwoman, and to all of our witnesses, thank you for being here. But before I ask my prepared questions, I just want to make a quick comment as a former educator for 40 years, and as a member of the Education and Labor Committee, we have had a lot of talk today about the role an education plays in driving up upward economic mobility.

I believe that education does play an essential role. However, I think we need to be careful about how we discuss the issue. Yes, personal responsibility and hard work are important.

But we can’t ignore the structural and systemic barriers that exist. This committee cannot legislate personal responsibility nor
can this committee work to dismantle barriers to create opportunities for all.

School choice is not a panacea for addressing racial equity and empowering low-income communities. Our public schools are the bedrock of our democracy and they equitably serve all students.

So we should be strengthening and fully robustly funding our public schools that serve all students. We should be proper stewards of taxpayer funds, and that means we have to ensure that our public dollars are producing excellence for all students and we should make sure that our public schools which serve all students are the best option for all students.

And we do not have evidence that unaccountable charter schools produce better outcomes for students. I just wanted to add that, Madam Chairwoman.

In my district of Charlotte and Mecklenburg, a local news outlet analyzed data from 2018 to 2019 in terms of home mortgage disclosures and found disturbing disparities in mortgage lending. Black individuals were being denied 2 to 3 times more than White applicants.

And, Madam Chairwoman, I want to submit an article entitled, “Largest Lenders Deny Home Loans for Black Applicants up to Three Times More Often Than Whites,” for the record.

Mr. SAN NICOLAS, [presiding]. Without objection, it is so ordered.

Ms. ADAMS. Thank you.

And so, here is my question. Can each of you share or recommend no more than one or two ways that Congress should act immediately to help address our persistent issues in lending discrimination and what are some specific tools, processes, and policies or oversight that need to be implemented to truly level the playing field and empower borrowers of color and ensure fairness and rule out discrimination in the lending process?

That is to each of you.

Ms. BAILEY. I would start by saying the use of special purpose credit programs. I know I keep going back to them but they are a tool that really can ignite our economy.

They allow lenders to really look at who it is they are serving and to figure out who it is that they are underserving, and then to create special programs to target those underserved communities.

Again, the reports show that addressing discrimination, including in the housing market, will add trillions of dollars to our economy, thousands of jobs, and billions of dollars in local tax revenues, which actually strengthens the state of education in communities across the nation.

Ms. ADAMS. Great. Another comment? Anyone else?

Ms. GONZALEZ-BRITO. If I can, I would require PPP loan data to collect race and ethnicity and gender. Right now, I think it is optional, and it just doesn’t allow us to evaluate the program and where we are seeing potential discrimination, and on that point, 1071 data, to move that along quicker with the CFPB to allow for that collection across-the-board for small business loans and to make that public.

Thank you.

Ms. ADAMS. Thank you.
Mr. ROBINSON. I would add accountability and transparency of data across-the-board, and then real accountability in terms of the rules when folks violate it, when institutions violate it. Right now, they can write it off.

And then, we should forgive student debt. Forgiving student debt would be a force multiplier for Black, Latinx, and people of color in this country. It would be a racial justice win.

Ms. ADAMS. Great. Thank you.

Mr. ROWE?

Mr. ROWE. I would support, as I have mentioned before, means-tested baby bonds immediately because millions of low-income parents—the most important things that they are concerned about are how are their children going to have opportunities that they may not have had for themselves, and knowing that if I have a child, over time they will be able to have, again, depending on the market, $50,000 to $70,000 of income that could be used for education, tuition, purchasing a home, or starting a business. Those are the kinds of things that fundamentally change the dynamic for low-income families today.

Mr. YANG. Very briefly, to put a finer point of data, to ensure that data is disaggregated so it includes the Asian-American community and the different components of that.

Ms. ADAMS. Great. Thank you. I am out of time.

Mr. Chairman, I yield back.

Mr. SAN NICOLAS. Thank you, Ms. Adams.

The gentleman from Tennessee, Mr. Rose, is recognized for 5 minutes.

Mr. ROSE. Thank you. Thank you, Chairwoman Waters and Ranking Member McHenry. I also want to thank our witnesses for taking time to be with us today.

Throughout the pandemic, we faced not only a coin shortage but businesses were refusing, increasingly, to accept cash as a form of payment at an alarming rate, leaving many consumers unable to purchase necessities.

Cashless policies disproportionately harm seniors, minorities, immigrants, low-income populations, and working-class communities.

I believe that all consumers should have the freedom to choose to pay with cash at grocery stores, restaurants, businesses, or anywhere they choose.

Last Congress, I, along with several other members of this committee, co-sponsored the Payment Choice Act, introduced by Representative Payne, which would require merchants to accept cash. I believe this legislation is critical because parts of the country in both rural and urban areas are more dependent on a cash economy.

Mr. Rowe, can you discuss the importance of access to a cash economy to the underbanked communities across the country?

Mr. ROWE. Yes. That is an example of intervention that penalizes poverty. I think the idea that you would restrict a business, would restrict someone from the ability to actually engage in commerce, to desire to pay for the product, because they have to pay in cash, is a policy that I would not support. That penalizes the poor in a way that pushes them back even more.

Mr. ROSE. Thank you.
In Tennessee’s 6th Congressional District, which I represent, 12.9 percent of total occupied housing units are manufactured homes. Manufactured housing is the most affordable home ownership option available nationwide for minorities, underserved, and low-income borrowers.

According to U.S. Census data, 90 percent of new homes under $75,000 are manufactured housing. Congress has passed legislation directing HUD to require localities to include manufactured housing as part of their comprehensive housing affordability strategies and community development plans.

This legislation was also intended to increase the use of Community Development Block Grants and HUD HOME grant funds for manufactured housing and to ensure that manufactured housing is included in federally funded State and local affordable housing initiatives.

Ms. Gonzalez-Brito, do you agree that manufactured housing should be considered as communities develop strategies to address their affordable housing challenges?

Ms. Gonzalez-Brito. Yes, thank you for that question. I do agree. I think it is an important part of fair housing and serves often rural communities, and so we should ensure that there aren’t any local barriers to producing manufactured housing, and I hope that this is something that can continue to be supported by the committee.

Mr. Rose. Thank you.

For those who are unbanked, it can be difficult if not impossible to obtain a credit score, which can be used in employment decisions and, of course, to get a loan.

Mr. Rowe, will including alternative data sources such as rent, utility, and cell phone payments into credit scoring models increase the predictive value of underwriting for low-income and minority borrowers?

Mr. Rowe. I am not an expert on the issue, but I think that it would. And, again, let me just reiterate that we, obviously, need policies that support people who are unbanked.

But if one of the primary causal reasons that they are unbanked is that they are not graduating from high school or they are under-educated, let us stop focusing solely on the symptoms, which we need to, but spend more time being innovative.

How do we get more low-income communities to graduating not just high school but having that post-secondary success as well?

Ms. Bailey. If I may jump in on that answer, I just wanted to stress one point. We know that predatory products actually push people outside of the banking center and the banking system, and we need to make sure that the innovation that we are talking about is not the kind that really adds on excessive fees and has dangerous practices associated with it.

We actually need sustainable, responsible, innovative products that actually adhere to our fair lending laws but also to our State and our local consumer protection provisions that are critical to helping communities keep their hard-earned savings and not being denuded of their wealth from abusive practices.

Mr. Rose. Thank you.

I see that my time has expired. I yield back.
Mr. San Nicolas. The gentlelady from Michigan, Ms. Tlaib, is recognized for 5 minutes.

Ms. Tlaib. Thank you so much. Thank you all so much for being here, and I think many of you have been talking about investing in people and having government be about people and I think that is critically important in this real conversation.

And I am looking forward to helping fund opening up schools safely. Some of my colleagues who are being genuine about wanting to open up our schools will vote for this package on the House Floor right now.

I want all of you to know that in 2019, the homeownership rate of Black Americans dropped to its lowest levels since the Fair Housing law was enacted in 1968. Just remember that for one moment.

Not only that, firsthand in Michigan, we saw more Black homeownership drop—we lost more Black homeownership than any other State in the country over the last 2 decades.

And so, when I see programs or policies like the Community Reinvestment Act, which was enacted in 1977 with the intent of ending redlining because the private sector continued to discriminate, it is clear, as we see these numbers and these rates, again, among many of our communities of color throughout, that a race-neutral CRA isn't fully fulfilling its promise.

When commercial banks, or as I call them, for-profit banks, shut out Black and Brown people from lending, they are not just closing a door on homeownership. They are actually closing the door on savings for our childrens' education, the opportunity to build a business, and the ability to truly be able to thrive with human dignity in our country.

And so, Ms. Gonzalez-Brito, I want to thank you so much for your courage in standing up and talking about the importance of public banking, and you testified about the importance of that. And my question to you is, in tandem to really important CRA reforms, how would you see these proposals helping communities like mine progress towards homeownership and building wealth?

[No response.]

Ms. Tlaib. This is for Ms. Gonzalez-Brito. Is she still with us?

Ms. Gonzalez-Brito. Yes, I am. Can you hear me?

Ms. Tlaib. Yes.

Mr. San Nicolas. We can hear you now.

Ms. Gonzalez-Brito. Okay.

Ms. Tlaib. You talked really sincerely about the importance of public banking and I wanted to talk about, even beyond homeownership, how can that really, truly build wealth, and really give you some time to talk about that only.

Ms. Gonzalez-Brito. Yes. I think what we are talking about here, and I appreciate the question—thank you so much—is the ability to do consumer banking, the ability to invest in communities in ways that banks have not done.

We are talking about banks that are not in our communities and that have shown no interest in them. We had to sue a bank for redlining in Los Angeles. They literally had a donut around communities of color. So, they had branches all around except in our communities, and so that meant that they weren't investing in our...
communities. They weren’t doing affordable housing in our communities. We had no opportunity to actually be able to bank in those communities because we didn’t see them.

So, if you can do public banking through a local municipality, through the State, have a State public bank, then you have the government invested in the communities that they actually are responsible for instead of a commercial bank that is only there for profit and doesn’t see us as profitable.

I sat at the table with a banker once who said to me, “Well, we can’t make money off of Latinos.” So, that is the situation that we are faced with and that public banking and a government that actually is responsible and invested in us can begin to solve.

Ms. TLAIB. I have introduced the Restoring Communities Left Behind Act, and I would ask everybody on the panel to really take a look at it.

It is about government taking the role of really trying to reverse decades of discriminatory policy and turn homeownership from a possibility to an actual reality for so many of our communities.

It is $5 billion, and Congresswoman Marcy Kaptur and I have been working on this, particularly because we know that the private sector is just not going to move in that direction. We continue to see it in our communities and in the surrounding neighborhoods.

And so, Ms. Gonzalez-Brito, how will rehabbing—part of this bill is also sustaining our current housing and that has been a huge issue, as you know, in our communities—existing housing and reinvesting in our communities empower the people that myself and many others on this committee represent who traditionally face discrimination in the housing market?

Ms. GONZALEZ-BRITO. First, in California, for instance—oh, sorry. Ms. TLAIB. Mr. Chairman, if she can finish answering the question, I really would appreciate that.

Ms. GONZALEZ-BRITO. What we are seeing in California is a real disinvestment in housing and having to compete with corporations, Wall Street Corporations, for housing.

So to have investment from a public bank to be able to rehab destabilized housing, to be able to invest in affordable housing that we can actually afford to live in changes communities and allows us to compete with corporations that have been destabilizing and pushing us out for quite some time now.

Ms. TLAIB. Thank you so much.

Mr. SAN NICOLAS. The gentlelady from Pennsylvania, Ms. Dean, is recognized for 5 minutes.

Ms. DEAN. Thank you to both the Chair and the Vice Chair, and I thank our witnesses for being here.

We all say that diversity is our strength. So I am glad we are talking about the need to recognize that strength and also promote it.

We have to work to ensure that minority communities are corrected from the injustices they have suffered in the financial system, in the housing market, et cetera.

Mr. Robinson, I was really interested in what you wrote and what you said in your testimony. You pointed directly to discrimination that Black and Latinx business owners faced when trying to access PPP loans and other COVID relief.
You said that early on, banks, in some cases, moved favored borrowers to the front of the line, disadvantaging small businesses of color.

Can you be a little more specific on that? And then, I am going to ask you a follow-up to that question.

Mr. ROBINSON. So a little more specific about that is that we heard and we saw in the data sort of a widespread sort of ways in which even when Black and Latinx businesses had relationships with big banks where the money was moved through, they were sort of deprioritized, maybe for businesses that had longer relationships, or maybe for businesses that had other types of relationships with that bank.

Essentially, tax dollars flowed into communities but they were not distributed in a way that had any equity baked in. So in essence, this was not about giving Black and Latinx businesses a leg up. What essentially happened was that White businesses were being subsidized by Black and Latino communities and Black and Latino communities were being left out.

That was the result, and it all happened because of the design of a piece of legislation that moved money through institutions which, from their very beginning, have excluded us.

I said earlier that it is not that Blacks and Latinos are less likely to get a loan from a bank. It is that banks are less likely to give loans to Latinos and Black folks, and as a result, we end up with the results we see.

Ms. DEAN. Thank you for that, and I would ask if you have specific data on that? I know that this committee, as well as the Oversight Committee, would be very interested in that.

I also have spoken with lenders who were very mindful of that, so I am certain it wasn’t all lenders. But I see what you are saying is built into the system.

Mr. ROBINSON. I included in my testimony, in the appendix, some surveys and polling we did that had some statistical significant data really highlighting the problems for Black and Latinx businesses in getting loans.

Ms. DEAN. Thank you for that, and I wanted to point out legislation that I introduced that I think would get at that as well as other problems within the PPP program.

I introduced and will reintroduce the Restore America’s Main Street Act to provide unrestricted direct cash relief to the smallest of businesses through a small business rebate check, so, not through an application process and also not tethered to payroll, direct liquidity to the smallest of borrowers.

I am wondering if you have had a chance to take a look at that legislation? Others have introduced similar pieces. There is another measure in the Senate. Mine is called Restore America’s Main Street, with direct cash liquidity.

Have you had a chance to take a look at that, and wouldn’t that kind of a measure, direct cash check, alleviate and make neutral the minority-owned businesses?

Mr. ROBINSON. I haven’t had a chance to look at the specific legislation. I look forward to it. I do know that getting to the smallest of businesses will be very important in dealing with the equity issues, especially given the rates of employee relationships that
Black and Latinx women-owned businesses, which are some of the fastest growing businesses, in our country, sort of how they are situated.

Ms. DEAN. Terrific. Thank you.

And, Ms. Bailey, if I could go to you. I thank you, too, for your testimony. I was taking a look at the numbers in Pennsylvania—I am from Pennsylvania.

According to Black Knight’s monthly mortgage monitor, as of January of this year, 71,000 homeowners in Pennsylvania were 90-plus days delinquent compared to one year ago, 19,000 homeowners in Pennsylvania who were 90-plus days delinquent at the beginning—just prior to the pandemic.

I am wondering, with the current forbearance on foreclosures, what do you foresee in terms of—I am worried about a very large foreclosure rate. I know my colleague, Ms. Pressley, was talking and recalling the recession of 2008 and what that did to homeownership among people of color.

So can you talk a little bit about what you see as a possibility of foreclosures coming, sadly, in our future?

Ms. BAILEY. Absolutely, and I have to share that the Homeownership Assistance Fund that this committee just supported for passage in the American Rescue Plan is going to go a long way. That $10 billion has been targeted to help address those exact types of potential foreclosures that may happen as a result of low-wage workers being pushed outside of the marketplace.

Ms. DEAN. Thank you very much. I see my time has expired.

Thank you, Mr. Chairman.

Mr. SAN NICOLAS. The gentlelady from New York, Ms. Ocasio-Cortez, is recognized for 5 minutes.

Ms. OCASIO-CORTEZ. Thank you, Mr. Chairman.

Before I kind of get into my line of questioning, we have heard a little bit, a couple of myths, I think, advanced over the course of this hearing and I wanted to dispense with them very quickly.

First is this idea that education is the solution to a wealth gap, and while I appreciate the emphasis on education and it is something that is incredibly important, we know for a fact that is not the solution to our wealth gap here in the United States.

In fact, there is a Demos study which shows that White high school dropouts in the United States are wealthier, on average, than Black and Latino college graduates, and if any of my colleagues want to call any of that into question, I am happy to submit that study for the record.

But that is because what wealth in America is largely predicated on is generational wealth—housing, New Deal investments that created redlining policies that prevented Black, Native, and Latino Americans from buying into this American Dream that was created, in part, with public policy, and that injustice translated into a wealth gap that is inherited generation by generation.

And so, we cannot talk about education as a cure to Jim Crow when it is not Black, Brown, or Native people who need to be educated out of a wealth gap. Policy created this. Policy needs to solve it.

That brings me to a second point where, Ms. Gonzalez-Brito, earlier in this hearing you were kind of jumped on, on the issue of
postal banking, and there was a Member who asked you where has this been successful.

I have an example. How about the United States? Isn’t that right, Ms. Gonzalez-Brito? The United States had a successful postal banking system for about 50 years, didn’t we? In fact, we had it until about 1966, correct?

Ms. GONZALEZ-BRITO. Yes, that is correct.

Ms. OCASIO-CORTEZ. And it was designed to help lower-income people, small savings accounts, not people with tens of thousands of dollars at their disposal, but just a place to park your money where you are not going to get knocked with a $25 fee every month, right?

Ms. GONZALEZ-BRITO. That is right.

Ms. OCASIO-CORTEZ. In fact, it was so successful that the United States postal banking system, a public option in our postal banking system, took up about 10 percent of the consumer banking market at its peak.

It was popular among the American people of all parties, isn’t that right, Ms. Gonzalez-Brito?

Ms. GONZALEZ-BRITO. That is right, Congresswoman.

Ms. OCASIO-CORTEZ. I am happy to submit some of that for the record as well, if my colleagues need a little bit of studying of our history—our rich and beautiful history of postal banking in the United States.

But I will move on to my questions. I wanted to talk a little bit about how private equity groups are gobbling up our housing supply in the United States, so we can build as much as we want but when they are gobbled up by the 1 percent, we still can’t afford rent. People still can’t buy their home.

So I was wondering if you could just explain a little bit how in the post-recession, people got wiped out in foreclosures, and then these corporate groups like, for example, Invitation Homes, which happens to be the country’s largest rental homeowner, scooped up this supply in Black and Latino neighborhoods to translate that wealth gap inherited from redlining and translating it into our market today.

I am sorry you only have a minute, but that is what we have.

Ms. GONZALEZ-BRITO. Is that for me, Congresswoman?

Ms. OCASIO-CORTEZ. Yes, it is.

Ms. GONZALEZ-BRITO. Yes. Thank you for that question. This is the corporate landlords that we are talking about. This is Wall Street that has gobbled up our homes and now owns our communities and doesn’t allow first-time homebuyers to come in.

And our good friends at ACR have put together a great report on this and have put together the amount of money that these companies, these corporations, are now amassing to do the same thing during this pandemic.

The numbers look like this: Invitation Homes has put together a joint venture. They have amassed more than $1 billion for a house hunt that they are now going to be embarking on and they have bought up more than $200 million of homes already per quarter since the pandemic started.

So they are on it, and those real estate investment funds have amassed over $142 billion to spend on pandemic-distressed real es-
tate. Those are homes, those are small businesses that are family-owned and that are going to be gone unless we do something about it.

And what we can do is ensure that banks—if something is foreclosed upon, to turn it over to a community land trust. Turn it over to affordable housing developers so that we keep those properties in community-owned hands.

Chairwoman WATERS. Thank you.

Ms. OCASIO-CORTEZ. Thank you.

Chairwoman WATERS. The gentlelady's time has expired.

Mr. GARCIA OF ILLINOIS. Thank you, Madam Chairwoman, and Ranking Member McHenry, for convening this hearing.

Financial equity is, of course, an urgent issue for communities like mine in Chicago. I represent a working-class predominantly Latino district.

My parents moved to the neighborhood over 50 years ago. I am still there in the barrio. This pandemic has been, of course, very hard on my community. But things weren't easy before.

The fact is that my constituents need the same things that every neighborhood needs. They want good jobs with a living wage. They need a safe home they can afford, and they need affordable housing with good access to public transportation.

What they don't need is a shady loan with sky-high interest rates they can't pay back, and they certainly don't need a brand new luxury condo complex next to the train that they could never afford.

So when we talk about access, I want to be specific about what it is we are trying to access.

Ms. Bailey, the Illinois General Assembly passed a bill earlier this year to put a 36 percent interest cap on loans in my State. If the bill becomes law, my State will be the 18th State to do that.

Last Congress, I introduced the Veterans and Consumers Fair Credit Act to create a 36 percent interest cap nationwide. I plan to reintroduce that bill soon.

Ms. Bailey, do you think that working-class communities like mine benefit from laws that prevent high-interest loans?

Ms. B AILEY. Yes, they actually do, and communities really need to be protected from what we are calling predatory inclusion, where people are pulled into the system to get abusive loans that actually rob them of their hard-earned savings and wealth.

Mr. GARCIA OF ILLINOIS. Great. Thank you so much.

Ms. Gonzalez-Brito, in your testimony, you talked about how lenders aggressively pursue clients who have trouble paying their loans, even suing them in the middle of the pandemic.

What do you hope to see from the Biden Administration regulators to protect clients, and what can Congress do to fix it?

Ms. GONZALEZ-BRITO. Thank you so much for this question, Representative Garcia.

We are seeing, and especially we need to think about when we talk about providing credit and capital in our communities, that it is good capital, and that we are not seeing predatory practices, both on the loan itself and then on the debt collection side. And
when we are seeing—I want to give a specific example. Oportun makes loans to Latino immigrant communities in specific, and they pride themselves on that, and what we have found was that they are actually in Texas, in Florida, and in California with high populations of Latinos like my family, like your family, Congressman, and neighbors.

What they are doing then on the back end is suing in order to collect the loans in small claims court where a borrower can’t even take an attorney, a legal aid attorney, to help defend them, and they are suing.

ProPublica published an article where in Texas there were 47,000 lawsuits filed. Similarly, in California, tens of thousands of lawsuits were filed, many of these during the pandemic. People were being dragged into court at a time when they were losing their jobs.

And so what we need to really focus on is, who are these lenders, how is Oportun getting away with this and calling themselves a responsible lender?

The CFPB is currently investigating them, and we really want to commend the Biden Administration for their strong stance on debt collection through the CFPB and we want to continue to see these types of actions against predatory lenders.

Mr. GARCIA OF ILLINOIS. Great. Thank you so much, Ms. Gonzalez-Brito.

I just have to warn you, I am going to be following up with you offline to compare notes on many of these community development issues. Thank you so much.

Ms. GONZALEZ-BRITO. I look forward to it.

Mr. GARCIA OF ILLINOIS. And thank you to all of the witnesses. Gracias.

Chairwoman WATERS. Thank you.

Mr. GARCIA OF ILLINOIS. I yield back.

Chairwoman WATERS. Thank you.

The gentlewoman from Texas, Ms. Garcia, is now recognized for 5 minutes.

Ms. GARCIA OF TEXAS. Thank you, Madam Chairwoman, and thank you for this critical hearing. As a member of the Subcommittee on Diversity and Inclusion, I know how important this topic is, and I think it is great that we are doing it at the Full Committee level so that we can all benefit from all of the great information.

I wanted to start with Ms. Gonzalez-Brito. You told Representative Tlaib that a banker told you directly that they can’t make money from the Hispanic community and that is why our community isn’t served. The only thing shocking about this is not that the banker would say it, but that he would say it out loud, and not just the hush-hush, because you know how it is. We know there is discrimination. It is just more quiet and more subtle, right?

Ms. GONZALEZ-BRITO. That is right.

Ms. GARCIA OF TEXAS. So, obviously, increasing the diversity of the financial sector—the Federal Reserve, the Home Loan Banks, the corporate board rooms, all of it—helps reduce that type of thinking and fosters more openness and more tolerance and more working together as neighbors.
But what else can we do? Because we can’t just wait for bankers to start changing their tune. We can’t give them a B–12 shot. We can’t give them more vitamins. What can we do to change the way they handle business?

Ms. GONZALEZ-BRITO. First of all, I do want to say that representation matters. It absolutely matters. But representation alone is not going to solve the problem, that anti-Blackness, White supremacy, all of this is held up by policies, practices, and ideology.

So, we need to be able to really take that on head on and be able to start to dismantle that through policies, practices, and ideology. And so we need to be able to, through your work in the committee, and through your work in Congress, make policies that matter, and really innovative policies that are going to be able to move the needle. Enforcement, so policies with enforcement. Canceling student debt, that does matter. I bought a home—I am 47-years-old, and I am not afraid to say that; I am proud of my years.

But I wasn’t able to buy a home until 2 years ago, and I took on a lot of debt to do it, and I don’t know if I will be able to retire and still pay my mortgage.

Ms. GARCIA OF TEXAS. We hope you can, and we hope that we can help you get there.

Ms. GONZALEZ-BRITO. I hope I can, too. But that is the reality of our communities. And so, yes.

Ms. GARCIA OF TEXAS. Right. Because I only have only about 2 more minutes left, you mentioned something that caught my ear in your testimony. You talked about an equity racial audit that all banks should go through and all lending institutions.

What exactly are you talking about, and if you could be brief because I have one more question and I want to ask Mr. Yang a question.

Ms. GONZALEZ-BRITO. Yes. Sorry, I talk a lot.

But this is actually Color of Change, our friends at SEIU, ACR, are working on this project or on this idea that banks should be monitored and this should actually be enforced. It could be a part of CRA. Are banks discriminating?

Are they hiring, what are their diversity practices? We should look at whether they are actually financing White supremacists. Are they working with White supremacist organizations?

So there is a whole host of areas that we can evaluate banks and we actually, after January 6th, began to think about sedition audits as well, and so this is a way that we can evaluate banks and their business practices but, really, how are they serving and lending and investing to Black, Indigenous, and people of color?

Ms. GARCIA OF TEXAS. Right. Like my compadre, Representative Garcia of Illinois, I may follow up with you on some of these questions.

Ms. GONZALEZ-BRITO. Thank you.

Ms. GARCIA OF TEXAS. And, Mr. Yang, I wanted to ask you quickly, in your written testimony, you talk about the limited English proficiency barriers, the language barriers, the lack of information in the language of the person seeking the loan or seeking access.

What more can we do to help? That is a big concern of mine with regard to Spanish-speaking communities.

Mr. YANG. Absolutely. Thank you very much for that question.
Including language, whether it is in a report or in bill text that includes an allocation of funding for translation, an allocation of funding to be directed to the community to get out the word, whether it is ethnic media or the like, to ensure that people understand, people have the materials that they need to understand whether it is PPP or other vaccine rollout—all of these pieces—to make sure that we are not leaving limited English proficient communities behind in the relief efforts in these health and safety efforts.

Ms. GARCIA OF TEXAS. Thank you, and I see I have one second left, so I yield back.

Chairwoman WATERS. Thank you so very much.

The gentlewoman from Georgia, Ms. Williams, is now recognized for 5 minutes.

She is not on the platform, so I am going to go to the gentleman from Massachusetts. Mr. Auchincloss, you are now recognized for 5 minutes.

Mr. AUCHINCLOSS. Thank you, Madam Chairwoman, and thank you all for testifying today as part of this committee’s ongoing effort to close the wealth gap in this country, both across lines of income and across lines of race.

Housing prices are a critical issue in my district. In the northern part of my district, median home prices are above a million dollars. In the southern part of my district, they are a fifth of that.

And while there is incredibly important work to do at the local, State, and Federal levels to liberalize zoning laws that allow for more housing construction as well as provide for the public financing of Section 8 and publicly-owned housing, I think we also need to address the fact that the housing industry has not become more efficient in the production of housing over the last 70 years.

Unlike other industries, whether aerospace or agronomy, that have seen dramatic increases due to R&D in the cost per unit of production, housing has stayed relatively stagnant. Each housing development is done as a snowflake project where services are contracted for and rendered on that site as part of the bespoke process and there is really no incentive nor any investment in R&D because of that.

Fortunately, that does seem to be changing. I know of at least two companies operating on the West Coast that are implementing vertically-integrated production of housing and are seeing results. They are seeing cost per key production of a fifth of what the going rate currently has been.

I want to direct this question to Ms. Bailey, but others should feel welcome to jump in briefly. What can the Federal and State Governments do to create the incentives for innovation in lowering the costs per key for a high-quality sustainable housing production in the private sector?

Ms. BAILEY. Thank you for the question.

I think you are absolutely right that we are struggling with creating additional affordable housing stock. There is some legislation that is being sponsored to really foster and push forward increased efforts around affordable housing stock, so that is one of the key things that we need to do.
We also need to do more to spur access to small balance mortgage loans because that is something that we are not seeing, and we are seeing have a real negative impact on the marketplace overall.

When you look at whole cities like Detroit, for instance, those cities are credit-starved. It is not just individual neighborhoods. It is an entire city and, in some instances, parts of entire regions that are credit-starved and struggling to get access to the kind of credit that they need.

And then, once again, this is where those special purpose loan credit programs factor in. Those loans can be designed to really help those underserved borrowers actually get into communities.

Another thing that we could see is that our Government-Sponsored Enterprises (GSEs) are woefully underperforming in their affordable housing goal requirements.

So, we could see the Federal Housing Finance Agency (FHFA) really increase those goals and pay particular attention to those goals to really help stress for them the need for the kind of innovative products that you talked about earlier, and really facilitate for them the creation and the space for those innovation products to be adopted, things like shared equity appreciation on mortgages and other very innovative things that are designed with the community in mind, but not designed with exploitation at the center and at the root, practices that are going to comply with our fair lending laws and comply with our consumer protection laws, and really help bring in those communities that have been long denied access and opportunity.

Mr. Auchincloss. I appreciate those comments, and I absolutely hear you about the need for better access to credit, especially for would-be homeowners.

There is a tremendous amount of capital that wants to go to work in the private sector to build housing. The housing market is not working, and yet the housing industry is, in some ways, flourishing and that disjunction is deeply concerning to me because the housing industry is not investing in the R&D that would make the housing market work better.

And I wonder if there are criteria that need to be put into any Federal or State funding for new housing developments that require certain efficiencies to be gained over time, and that the cost per key is declining over time, and if you have seen that yet in any nonprofits that are working with HUD housing developers?

Ms. Bailey. I think we have to be honest about what is going on in the housing sector. We actually see a real constriction around the quality of credit and who can get access to loans.

That is part of the fundamental issue here. We see that the industry itself has really stepped away from home ownership, that most of the lenders in the marketplace today are not even our nation’s largest banks.

So we need to do more to really encourage them to step back in and to consider some of those opportunities that they need to be taking advantage of.

I think those are the places that we would start to just really get lenders into making mortgages.
And then, the Federal Reserve is investing about $40 billion in mortgage-backed securities during this time. So, we need to see some rate refinances for low-wealth consumers.

Chairwoman Waters. Thank you. The gentleman’s time has expired.

The gentlewoman from Georgia, Ms. Williams, is now recognized for 5 minutes.

Ms. Williams of Georgia. Thank you, Madam Chairwoman, and thank you to the witnesses for joining us today.

Financial services unlock prosperity but not everyone has the same key. People of color continue to have a harder time obtaining fair housing, getting the capital needed to start a business, and accessing banking and investment services. Our discussion today is an important step toward unlocking these benefits for everyone.

Chairwoman Waters. Did the gentlewoman raise a question?

Ms. Gonzalez-Brito. Did I lose sound?

Chairwoman Waters. Did the gentlewoman raise a question?

Ms. Williams?

Ms. Williams of Georgia. Hello?

Chairwoman Waters. Are you there, Ms. Williams? Hello, can you hear us?

Ms. Williams of Georgia. I am here. Yes.

Chairwoman Waters. Okay. Very good. We are going to roll the clock back so you have your correct amount of time.

Can we roll the clock back? If not, we will move forward and just let it go over. Please proceed.

Oh, there you are. Go right ahead.

Ms. Williams, can you hear me? She can’t.

[Pause.]

Chairwoman Waters. Can you hear me, Ms. Williams? No. So what do we do?

Ms. Williams of Georgia. Yes.

Chairwoman Waters. You can hear me now?

Ms. Williams of Georgia. Yes.

Chairwoman Waters. Okay. Please, we are going to roll the clock back one more time so you will have all of your time. Please roll the clock back.

Ms. Williams of Georgia. Can you hear me?

Chairwoman Waters. I can hear you now. Please, go right ahead.

Ms. Williams of Georgia. Ms. Gonzalez-Brito, in your testimony, one of your recommendations was strengthening protections against evictions during COVID-19. What can HUD do to leverage the Fair Housing Act to stop the epidemic of evictions of people of color?

Ms. Gonzalez-Brito. I think there needs to be one—well, in terms of HUD, I will give it one second. But in terms of the CDC, the moratorium needs to be strengthened. There continues to be evictions despite the moratorium, and so that is one thing that needs to happen.

In terms of HUD, I think there are too many loopholes, and there needs to be continued enforcement of evictions and eviction protections.
Ms. WILLIAMS OF GEORGIA. To follow on that, for Ms. Gonzalez-Brito, what would it mean for tenants to have a go-to in the Federal Government to report any illegal or predatory housing practices, including violations of the eviction moratorium? If more specific staff and resources were dedicated to enforcing tenant protection and conducting investigations for racial justice in housing?

Ms. GONZALEZ-BRITO. Yes. Actually, I would like to add one more thing to what HUD can do, if I may? We need more HUD housing counseling and resources for that. We heard earlier from Mr. Robinson about resources being one of the solutions. So, we need HUD counseling services for tenants and legal services as well. We need more money for legal services, legal aid, so that people have lawyers with them when they have to go into court.

And then, if fair housing counselors can investigate discrimination in communities themselves, that is another way in which tenants can be protected. If we have these kinds of resources, what that means is that people actually can defend themselves and potentially actually stay in their homes.

We are in the middle of a pandemic, with stay-at-home orders, and people, when they hear, “stay at home,” and they are facing housing insecurity, that not only impacts their ability to be safe in the middle of a pandemic, but it impacts mental health. It impacts children.

And we are talking about education and education being a pathway. We are talking about kids who may not even have a place if they have to learn from home. They might not have a place, a home to learn from on top of the mental health anguish and anxiety that comes from having housing insecurity.

Ms. WILLIAMS OF GEORGIA. Thank you. Fair housing, as we know, is critical to unlocking prosperity for people of color. But we also must ensure fairness in how people of color can generate wealth in their work.

Ms. Gonzalez-Brito, in your testimony, you recommended that we can do more to facilitate small business ownership by people of color, and you cited access to capital as a barrier that they face. Would it help if there were staff and resources within the Federal Government dedicated specifically to coordinating programs that help underserved entrepreneurs access capital?

Ms. GONZALEZ-BRITO. Absolutely. And I think access to capital is one of the greatest, if not the greatest barrier to small businesses owned by Black, Indigenous, and people of color. And on this, I would say that banks are not providing the capital. They are not making the loans under $100,000 that many of our small businesses need. And often, this is an area where it is a fair lending issue.

And so, we need the data to be able to really understand what banks are doing, and we need the CFPB to staff up on this issue. We need the enforcement arms to be able to really look at the data and then see where there is discrimination happening.

And as Ms. Bailey said earlier, the special credit programs can actually help solve this issue. So, we need resources in that way as well so we can target lending to communities that have been historically denied these opportunities. That is Black and Latinx communities, and Asian-American communities.
I just want to underline what Mr. Yang said earlier around disaggregating that data. Are banks lending to Cambodian communities? Are they lending to Hmong communities? We don’t know that unless we have that data, and it is disaggregated. And we urge Congress to urge the CFPB to disaggregate that data and make it public so that we know, and then we can be active in enforcing the discrimination as well and coming to Congress and coming to the enforcement agencies to ask for help.

Ms. WILLIAMS OF GEORGIA. Thank you so much.
And I yield back the balance of my time.
Chairwoman WATERS. Thank you very much.
Have all Members been heard?
[No response.]
Chairwoman WATERS. If so, before closing, I have a number of statements to enter into the record. Without objection, the statements from the following organizations will be made a part of the record: Americans for Financial Reform; the Appraisal Institute; the California Association of REALTORS; the Financial Services Forum; Liberation in a Generation; the National Bankers Association; the National Council of Asian Pacific Americans; Prosperity Now; the Real Estate Valuation Advocacy Association; and the Reverend Al Sharpton.
Without objection, it is so ordered.
I would like to take this moment to thank all of our very distinguished witnesses for their testimony today.
The Chair notes that some Members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to these witnesses and to place their responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.
With that, thank you so much, and this hearing is adjourned.
[Whereupon, at 2:17 p.m., the hearing was adjourned.]
A P P E N D I X

March 10, 2021
Testimony of Ms. Nikitra Bailey

Executive Vice President, Center for Responsible Lending

Before the United States House of Representatives

Committee on Financial Services

Justice for All: Achieving Racial Equity Through Fair Access to Housing and Financial Services

March 10, 2021
I. Introduction

Good morning Chairwoman Waters, Ranking Member McHenry, and Members of the United States House Committee on Financial Services. Thank you for the opportunity to testify in today’s hearing on, “Justice for All: Achieving Racial Equity Through Fair Access to Housing and Financial Services.” I am an Executive Vice President of the Center for Responsible Lending (CRL). CRL is a nonprofit, non-partisan research and policy organization dedicated to protecting homeownership and family wealth by working to eliminate abusive financial practices. CRL is an affiliate of Self-Help, one of the nation’s largest nonprofit community development financial institutions. For 40 years, Self-Help has created asset-building opportunities for low-income individuals, rural communities, women, and families of color. In total, Self-Help has provided over $9 billion in financing to 172,000 homebuyers, small businesses, and nonprofit organizations and serves more than 160,000 mostly low-income families through 72 credit union branches in North Carolina, California, Florida, Illinois, South Carolina, Virginia, Washington, and Wisconsin.

Wide access to low-cost, responsible credit is critical for building family wealth, closing the racial wealth gap, and for the housing market overall, which in turn, contributes significantly to our overall economy. Today, far too many Black and brown families find themselves on the outskirts of mainstream financial services leading them to pay more for basic banking services. The system’s structural discrimination robs families of the opportunity to save and build wealth that can be transferred intergenerationally, which in turn could be used to start a business, pay for a college education, fund retirement, or weather a short-term economic set-back. This inequity also contributes to the persistent and growing racial wealth gap.

The devastating impact of COVID-19 on hardest-hit low wealth families, including Black and brown communities highlights the need for targeted solutions to end systemic inequity in society broadly and in financial services particularly. Discrimination hurts families of color and stifles economic growth in the overall economy. Recent studies show that addressing discrimination targeted at Black Americans alone will add trillions of dollars to the economy creating millions of jobs and generating millions for local jurisdictions.1

Policy changes are needed to fix the devastating impact of historic redlining and ongoing discrimination in financial services to move the needle and help achieve racial equity. My testimony draws extensively from remarks delivered to the United States House Financial Services Committee, Subcommittee on Housing, Community Development, and Insurance on, “A Review of the State of and Barriers to Minority Homeownership”, delivered on May 8, 2019.2 It will describe how children today suffer the financial

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consequences of policy choices of past generations, as well as their ongoing, accumulating and compounding burdens. It will also suggest policies that can be implemented today to give these children a fairer shot at the opportunities our country has to offer.

II. Fair Access Requires Equity and Not Equality

A. Federal Policies Created Homeownership Inequity

1. Federally Sponsored Land Grants Exclude Families of Color

Our nation’s painful history of forceful dispossession of land, slavery, racism, and discrimination are well documented. As these ills were targeted racially, rather than spread equally, so too have their accumulated impacts occurred in unequal, racially targeted ways. As such, equity—as opposed to equality—is required for their cure. Discriminatory federal policies are significant contributors to today’s racial wealth inequity. Federal laws such as the Homestead Act of 1862 enacted during the Civil War to encourage western expansion promised 160 acres of public land to settlers. Twenty percent of the families that received Homestead Act land grants can trace their families’ wealth to this single piece of legislation. Most of these families were white Americans.


Moreover, homeownership is the primary way that most middle class families build wealth and economic stability. Yet, the ability to build wealth through homeownership has not been provided equitably throughout most of our country’s history and discrimination remains a pervasive problem. New Deal housing policies established redlining and explicitly discriminated against Black and brown families. At the same time, they created economic subsidies for white families that allowed them to enter homeownership and build financial security. These policies helped to expand the American middle class. These policies bestowed upon white families a crucial measure of financial stability and a cushion against economic setbacks that were denied to families of color. Policies and practices underlying these federal programs included denial of credit for qualified borrowers buying in predominantly Black neighborhoods, thereby depressing the value of homes in those neighborhoods. At the same time, the federal government subsidized mortgages for homes in predominantly white suburbia—where builders included requirements that no homes be sold to Black Americans. These policies granted whites the ability to build wealth through homeownership while denying equal opportunities for Black families and other families of color to build similar home equity over the same period.

This explicit discrimination was not a small matter; it determined the distribution of a massive federal subsidy to spur homeownership. Homeownership, in turn, became the primary way most American families accumulate wealth. These explicitly discriminatory policies did not occur centuries in the past; they directly impacted the parents and grandparents of people in this room today. Perhaps some in this room experienced these impacts themselves.

As a result, whites amassed an economic advantage in the form of home equity over families of color that has been passed on to future generations through intergenerational wealth transfers. Today,

disparities in homeownership are a key driver of the stubborn racial wealth gap and home equity still plays a central role in shaping family wealth for the middle class.

These discriminatory policies were established in the housing finance system starting in 1933 with the underwriting guidelines of the Home Owners Loan Corporation (HOLC) that allowed redlining of African-American and other communities of color, denying them access to mainstream banking services. In FHA’s 1936 Underwriting Manual, a multitude of provisions indicated that “inharmous” racial groups should not live in the same communities. The manual also recommended that “natural and artificially-established barriers will prove effective in protecting a neighborhood and the locations within it from adverse influences.” In other words, barriers such as highways were deemed a beneficial way to separate Black and other families of color from white neighborhoods. Examples of the impact of this structural inequity include the reality that only 2% of FHA insured mortgage loans went to Black and other homebuyers of color during the first 35 years of the program due to redlining. Further, the administration of the GI Bill loan programs enacted by Congress in 1944 continued this discrimination. In the state of Mississippi alone, just 2 out of 3,229 VA insured mortgages went to Black servicemembers seeking to finance a home or business in the first three years of the program.

Moreover, the neighborhoods we live in largely determine the schools our children attend, our proximity to healthy food and well-paying jobs, and, in some cases, the quality of the very air we breathe. It is difficult to overstate the vast and on-going inequities that these discriminatory policies have created.

Consequently, the suburbanization of America following the Great Depression financially benefitted white Americans and excluded people of color. White homeowners were able to gain home equity appreciation, but for decades families of color were not provided the same opportunity. Although discrimination was made unlawful by the Fair Housing Act in 1968, these long-standing discriminatory policies produced segregated housing patterns across the nation and disinvestment from Black communities. This legacy has limited access to traditional low-cost credit for Black families and other families of color, and unduly exposed them to predatory lending sources.

5 Federal Housing Administration, Underwriting Manual, Excerpts (1936).
6 Id.
8 Id.
3. Subprime Lending’s Abuses Cost Black and Latino Families $1 Trillion in Lost Wealth

Families of color were then devastated by the subprime lending boom in the early 2000s, in which lenders sold millions of families abusive loans that were not sustainable. Leading up to the 2008 financial crisis, these dangerous niche products that lenders mass-marketed included interest-only loans, ARM loans that combined “teaser” rates with subsequent large jumps in payments, negative amortization loans, and loans made with limited or no documentation of the borrower’s income or assets. Studies have shown that these products in and of themselves caused about half of the increased risk in mortgage lending that led to the Great Recession.

Center for Responsible Lending research demonstrated that Black and Latino families disproportionately received subprime loans at a greater rate than whites and that borrower credit characteristics did not explain the differences in lending. About half of all mortgages made to Black and Latino families during the run-up to the crisis were subprime loans with patently unsustainable terms. Indeed, much

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9 Moreover, “none of Fannie Mae’s 2004 purchases of subprime or Alt-A securities were ever submitted to HUD to be counted toward the goals.” Id. at 123. Additionally, the Federal Reserve Bank of St. Louis determined that there was “no evidence that the affordable housing goals of the CRA or of the GSEs affected” the volume, pricing, and performance of securitized subprime mortgages originated in the sample studied. Rubén Hernández-Murillo, Andrea C. Ghent, and Michael T. Owony, Federal Reserve Bank of St. Louis, Did Affordable Housing Legislation Contribute to the Subprime Securities Boom? (March 2012). https://research.stlouisfed.org/wp/2012-005.


13 Federal Reserve researchers, using data from 2004 through 2008, have reported that higher-rate conventional mortgages were disproportionately distributed to borrowers of color, including African American, Latino, American Indians, Alaskan Natives, Native Hawaiians, Pacific Islanders, and Hispanic borrowers. See R.B. Avery, K.P. Brevoort, and G.B. Canner, Higher-Priced Home Lending and the 2002 HMDA Data, Federal Reserve Bulletin (September 2006), http://www.federalreserve.gov/pubs/bulletin/2006/hmda/bul06hmda.pdf. For example, in 2006, among consumers who received conventional mortgages for single-family homes, roughly half of African American (53.7 percent) and Hispanic borrowers (46.5 percent) received a higher-rate mortgage compared to about one-fifth of non-Hispanic white borrowers (17.7 percent). According to the researchers, “[f]or higher priced conventional first-lien loans for an owner-occupied site-built home, the mean APR spreads were about 5 percentage points above the yields on comparable Treasury securities both for purchase loans and refinancings”. R.B. Avery, K.P. Brevoort,
evidence indicates that borrowers of color, including higher-income borrowers, were disproportionately steered into toxic mortgages despite qualifying for safer and more responsible loans with lower costs.  

Because of these lending practices, Black and Latino families lost over $1 trillion dollars in wealth during the crisis. Moreover, Black homeownership has been the slowest to recover from the Great Recession. In fact, there would be 770,000 more Black homeowners if the homeownership rate recovered to its pre-crisis level in 2000. 

President Biden has called for acknowledgment and redress of the impacts of this long history of the nation’s and the Federal Government’s housing discrimination including the racial gap in homeownership. He stated in one of his early executive orders: “Throughout much of the 20th century, the Federal Government systematically supported discrimination and exclusion in housing and mortgage lending. While many of the Federal Government’s housing policies and programs expanded homeownership across the country, many knowingly excluded Black people and other persons of color and, promoted and reinforced housing segregation. Federal policies contributed to mortgage redlining and lending discrimination against persons of color.”

4. Post Great Recession Mortgage Lending is Overly Restrictive Limiting Access for Black and Brown Families Today

However, in recent years rather than remediating the damage done by this history of discrimination against families of color, lenders’ overcorrections to lending standards and more restrictive GSE credit policies have instead closed off lending options for these families. Data from the Home Mortgage Disclosure Act and the GSEs themselves continues to demonstrate low levels of conventional mortgage loans to Black and Latino families. For example, in 2019, 4.8% of Fannie Mae and 3.6% of Freddie Mac home purchase loans were from Black borrowers, and 4.1% and 3.7% of refinance loans. Since the financial crisis, many lenders and the GSEs have limited lending and increased prices for borrowers with lower credit scores and/or lower down payments. Borrowers of color, low and moderate-income families, and first-time homebuyers tend to have both lower FICO scores and fewer resources to put towards a down payment due to lower levels of family wealth, which in turn is due in large part to generations of systemic discrimination, including by the federal government.


Discrimination in the mortgage market is also by no means a relic of the past and can manifest in multiple ways. For example, a recent Center for Investigative Reporting Reveal report analyzed 31 million mortgage records and found that, controlling for income and other available characteristics, in 61 U.S. metro areas African Americans and Latinos are more likely to be turned down for a loan than whites in conventional mortgage applications. Furthermore, testing has repeatedly demonstrated housing discrimination. In 2019, Newsday published the results of a three-year undercover investigation which exposed widespread discriminatory home-selling practices by Long Island real estate agents.

Two similarly situated testers of different racial backgrounds independently approached the same agent to test whether they were treated differently based on their race. Black testers experienced disparate treatment 49% of the time, compared with 39% for Latino and 19% for Asian testers. And in 8% of the tests, the agents accommodated white testers while imposing more stringent conditions on other testers.

Moreover, Black Americans pay more to be homeowners. The overall differences in mortgage interest payments ($743 per year), mortgage insurance premiums ($550 per year), and property taxes ($390 per year) total $13,464 over the life of the loan, which amounts to $67,320 in lost retirement savings for Black homeowners. Nearly a quarter of the disparity in homeownership costs for Black homeowners is due to local property tax assessments. A research study relying on a national data set found that Black homeowners bear a 13% higher property tax burden than white homeowners in the same jurisdiction; the study identified large tax assessment areas and an appeal process that tends to benefit white homeowners as the key factors resulting in higher relative property tax burden on Black homeowners.

Furthermore, Black families realize less growth in home equity as homes in Black neighborhoods of similar quality and amenities as other neighborhoods are worth 23% less, $48,000 per home on average, amounting to $156 billion in cumulative losses.

As a result of this troubled history of inequity and continuing discrimination, Black homeownership levels, the primary asset of Black families, is at levels similar to when the Fair Housing Act was passed in 1968. In fact, the gap between white and Black homeownership rates today is the largest it has been.

19 Emmanuel Martinez and Aaron Glantz, Keep Out: For People of Color, Banks Are Shutting the Door to Homeownership, Center for Investigative Reporting (Feb. 15, 2018), https://revealnews.org/article/for-people-of-color-banks-are-shutting-the-door-to-homeownership/ (the study did not have available data on credit scores, but it controlled for nine economic and social factors, including an applicant’s income, the amount of the loan, the ratio of the size of the loan to the applicant’s income, type of lender, racial makeup and median income of the neighborhood where the applicant wanted to purchase the property).


21 Id.

22 Id.


26 Alanna McCargo and Jung Hyun Choi, Closing the Gaps: Building Black Wealth Through Homeownership, Figure 3, Urban Institute (November 2020), https://www.urban.org/sites/default/files/publication/103267/closing-the-
since 1890. The homeownership rate for Black Americans is 42%, compared to white homeownership of 72.1%, and 48.1% for Latinos. In large part because families of color were not afforded the opportunity to build wealth through federally supported investment in homeownership and were later devastated by the financial crisis, the median white family has 10 times the wealth of the median Black family and eight times the wealth of the median Latino family. In fact, the racial wealth gap between Black and white families grew from about $100,000 in 1992 to $154,000 in 2016. The median white family gained significantly more wealth, with the median increasing by $54,000, while median wealth for Black families did not grow in real terms over the same time period. The racial wealth gap contributes to the fact that in the 46 largest housing markets in the country, a median income Black household could only afford 25 percent of homes on the market last year in comparison to the 57 percent that a median income white household could afford. It will require focused and bold action to reverse these inequities.

The future health of the housing market depends on closing these disparities. Demographic projections for the United States point to future increases in the population shares of people of color, making the need to serve these groups increasingly important for the health and future growth of the housing market. For example, over the past decade, Latinos have accounted for over 40% of all household formation growth and 58% of all population growth. Despite representing 18% of the population, Latinos accounted for more than 60% of new homeowner gains over the past decade. Furthermore, a recent study shows that increasing homeownership to Black homeowners as well as addressing other structural discrimination has the potential to grow the economy by at least $1 trillion per year over the

32 Id.
next five years. A further study shows that addressing discrimination in mortgage lending targeted at Black Americans can create 4.9 million more households, 784,000 jobs, and $400 billion in tax revenue.

According to a report by Demos, if homeownership rates were the same for whites and people of color, we would see a decrease in the racial wealth gap by 31% for Black Americans and 28% for Latinos. More targeted aid is required to overcome discrimination in homeownership opportunity. As research from Freddie Mac and Urban Institute demonstrates, there are millions of mortgage-ready borrowers of color, based on borrowers’ current credit scores and debt-to-income ratios, though not funds available for a down payment. In fact, there are 6.3 million mortgage ready Black and Latino millennials in the 31 largest metropolitan statistical areas. Given that many of these borrowers do not have family wealth for a down payment because of the lack of intergenerational wealth, targeted down payment assistance will be critical to enable mortgage-ready borrowers of color to become homeowners.

Thus, a restorative justice homeownership fund of targeted down payment assistance should be created to stimulate growth in the housing markets. This will be a critical first step in helping to build more racial equity through homeownership.

B. Higher Education Inequity

1. Higher Education Is Not a Promise of Opportunity for Black and Hispanic Students

Discrimination faced in the pursuit of higher education is damaging for Black and Hispanic students and has produced disparate outcomes. Rather than lifting people out of poverty and providing access to the middle class, student debt is further entrenching the racial wealth gap and perpetuating the cycle of poverty that results from systemic lack of access to resources, capital, and affordable credit. Bold actions, such as across-the-board student debt cancellation, are needed to help families build wealth and weather the COVID-19 crisis.


The growth of outstanding student loan debt over the last decade has been staggering. Today, more than 44 million people carry over $1.7 trillion of outstanding student loan debt, an amount that exceeds all other types of non-mortgage loan debt. Two out of three graduates in the class of 2017 borrowed federal student loan debt to finance their education. This phenomenon is especially concerning for communities of color, as existing wealth disparities makes the burden of student loan debt particularly heavy for African American and Latino communities.

American institutions of higher education were built on de jure racial segregation. The results of legal segregation in higher education have created an inequitable legacy for communities of color that persists today. Even after Brown v. Board of Education (1954), predominately-white institutions (PWIs) in many states resisted integration and equal treatment for nonwhite students. In addition, institutions such as historically black colleges and universities (HBCUs) have never been adequately funded despite the high-quality opportunities they provide. HBCUs perform a critical function for African American undergraduates. Across the 21 states and territories where they are located, HBCUs comprise only 9% of four-year institutions but awarded 26% of all African American bachelor’s degrees in 2016. A history of unequal treatment and funding, deferred maintenance costs, and financial challenges threatens the important legacy of HBCUs. A Government Accountability Report recently found that almost half of all HBCU buildings need repair or replacement. Further, public HBCUs in many states have historically lagged behind public predominately-white institutions (PWIs) in per student funding. Indeed, the racial wealth and resource gap extends to institutions of higher education. As the funding inequities accumulate for HBCUs, and in the absence of robust federal, state, and institution-level support, students are left to fill gaps in funding with student loans. Thus, students at HBCUs tend to take on more debt than students who are not at HBCUs.

The Higher Education Act was originally meant to expand access to opportunity to all Americans, and major public investment in higher education, from the GI Bill to the creation of the Pell Grant program, are meant to help students pay for the cost of college. But not all students benefited equally from these social investments: Black students did not have access to the GI Bill initially due to segregation in higher

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46 Mitchell et. al., 2016.
48 Saunders et. al., 2016.
education, and many public institutions in many states have a long history of resistance to integration. In more recent decades, just at the time when student bodies were diversifying, policymakers shifted the costs of higher education from the public to the individual student. Today, this pattern persists, and African American and Latino students struggle to fund their college experiences due to broad societal discrimination and a lack of public investment. Unfortunately, in the worst cases, they are also preyed upon by poor quality for-profit institutions that fail to provide reliable educational benefits.

2. States Limit Funding Higher Education Post Great Recession

In the past decade, the higher education landscape has become significantly more perilous for student borrowers. When state legislatures began to tighten their belts in the wake of the Great Recession, investments in public colleges and universities began to decline. In response, public colleges and universities raised tuition, and cut student services. As states slashed budgets and schools raised the cost of a degree, families experienced massive wealth declines from a sinking economy. With foreclosures, job loss, and downturns in the market fracturing family balance sheets, an entire generation of students needed to borrow more than ever before to attend college. Further, a larger number of students than ever before chose to go to college to pursue an education that could help them secure a solid future. Put simply, students of color pursue postsecondary education in a social and economic system built on racist ideologies and infused with hidden, seemingly unconscious bias that creates and perpetuates the racial wealth, income and achievement gaps. This reality means that, on average, students of color have less familial financial support or knowledge about navigating this complex system. Within this context, students and families of color are more likely to need to borrow for higher education and in larger amounts.

3. Discrimination Continues to Burden Black and Hispanic Students Post Graduation

Even after graduation, African American and Latino people face substantial job discrimination and earn far less than their white counterparts. African Americans can also face more difficulty paying off debt and building savings to withstand future financial shocks because of this income gap. Given these disadvantages, these students tend to take longer to pay their loans back compared to their white

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51 Id.
53 The federal National Advisory Commission on Civil Disorders ("Kerner Commission") discussed two "separate and unequal" societies (one black, one white). Fifty years later, we are still struggling with this reality despite the availability of reforms. Fred Harris and Alan Curtis, "The Unmet Promise of Equality," The New York Times (Feb. 28, 2018) https://www.nytimes.com/interactive/2018/02/28/opinion/the-unmet-promise-of-equality.html.
counterparts. In fact, recent research shows that, rather than helping communities of color build wealth, a college education actually deepens the wealth gap due to the high costs and structural issues in our system. For example, after 20 years in repayment, the typical Black borrower still owes 95% of the original balance while their white peers owe only 6% of their original balance after that amount of time. Despite these facts, for most students, especially students of color, the pursuit of higher education is not a choice. Indeed, postsecondary education is a necessity, not a luxury, for today’s workforce.

As a result of their need to borrow more, postsecondary education involves substantial financial consequences for-for-profit institutions and often abusive servicers, a disproportionate percentage of students of color and the majority of black students are unable to pay student debt and will default. Delinquency and defaults on student loans occur disproportionately for students of color as well as for women. A degree is not a shield from racial disparities: African American bachelor’s degree graduates’ default at five times the rate of white bachelor’s degree graduates and are more likely to default than whites who never finish a degree. Latino bachelor’s degree graduates’ default at twice the rate of their white peers. Even those who can pay are struggling. Today, nearly half of African American graduates with a bachelor’s degree owe more on their undergraduate student loan after four years than they did at graduation, compared to 17% of white graduates and approximately 23% of Latinos. This details their financial and personal lives and subjects them to harsh collection practices that can keep them from achieving the wealth gains promised by a college education. Meanwhile, their debt keeps growing due to unlimited interest accrual and no statute of limitations on student debt.

Further entrenching these disparities, according to research from the Bureau of Labor Statistics white college graduates are significantly more likely to receive financial support from their parents for their education and even to purchase a home. This research shows that 32% of white parents contribute large financial gifts of $10,000 or more in comparison to only 9% for Black college educated households. It also shows that even when Black students received some support for higher education, the amount averages to just over $16,000 versus the nearly $73,500 that white students receive on average. Even

60 Id.
61 Id.
more, almost three times as many college educated Black households provide economic support to their parents than white college graduates based on the Bureau’s research.

Further, the interplay between student loan payments and other major life investments and responsibilities is well documented. Research from the National Association of Realtors shows that the usual student loan borrower delays the purchase of their first home by an average of seven years because of student loan debt. Thus, this has serious implications for the housing market as well. Moving forward, the market for new homeownership will be predominately borrowers of color, and long-term student loan debt threatens to shrink the available pool of buyers.

From the inability to save for a down payment due to student debt to the impact of delinquency and default on borrower credit reports, student debt is preventing many Black and brown borrowers from entering the housing market. Borrowers who defaulted on a student loan and then cured the default may nonetheless face challenges when attempting to access federal homeownership and small business support. The perils of default are felt most acutely for Black borrowers as they are particularly at risk of default and also more likely to lack access to affordable credit products even before the additional damage of student loan default to their credit. Black borrowers are also more likely to consolidate their loans to get out of default. While consolidation is a much quicker process than rehabilitation, the default notation and repayment history both remain on the borrower’s credit for years. On the other hand, credit reports for borrowers who successfully rehabilitate their loans will only retain the negative repayment history. Black borrowers are also more likely to rely on Federal Housing Administration (FHA) loans to access homeownership opportunities due to being shut out of the conventional mortgage market. However, student loan default can prevent them from accessing this credit option meaning many borrowers will be denied homeownership altogether. Thus, the impact of this unaffordable and inequitable system is further compounded.

Even for borrowers who are managing their payments, FHA loans can still be inaccessible as FHA improperly factors student loan debt in when calculating DTI. Currently, FHA presumes a monthly payment of 1 percent of the outstanding student loan balance if borrowers are actively participating in a repayment plan resulting in a monthly obligation that does not fully amortize the debt. While Fannie Mae, Freddie Mac, the Department of Veterans Affairs (VA) and the Department of Agriculture (USDA) qualify borrowers using the actual monthly obligation or an alternative that is more closely aligned with a fully amortized payment calculation, FHA continues to assume a monthly payment of 1 percent of the outstanding balance – which is almost always larger than the actual payment being made by potential borrowers in both covered plans and fully amortized plans. This policy may be disqualifying creditworthy borrowers because of the inflated DTI ratios that it produces. As a result, many potential borrowers may have more limited financing options or may be unable to obtain mortgage credit entirely. Black and

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67 Id.
Latino borrowers are more likely to be enrolled in income-based repayment and more likely to have loans that are negatively amortizing.

Unless bold, new actions such as across-the-board cancellation are taken to deal with the student debt crisis, a generation will be trapped in debt undertaken to try to advance their lives.68

C. Small Business Lending Inequity

1. Small Businesses of Color Are Credit Starved

Business ownership is a proven mechanism for wealth-building, with economic benefits that extend beyond the individual business to the entire community. Unfortunately, there are profound disparities in how business owners fund their enterprises with businesses of color having less access to loans from financial institutions. Research from the Federal Reserve found that in the previous five years, 46% of white-owned businesses with employees accessed credit from a bank, and 6% accessed credit from a credit union. During that same time, just 23% of Black-owned employer firms accessed credit from a bank, and 8% from a credit union and 32% of Latino-owned employer firms accessed credit from a bank and 4% from a credit union.69 A recent study by the National Community Reinvestment Coalition found steep reductions in SBA 7(A) lending to Black businesses between 2008 and 2016.70 That same study also found that Black and Hispanic testers when applying for loans were required to produce more documentation to support their loan application and received less information about fees, and less friendly service when visiting a small business lender.71 Additional research found that business owners of color are more likely than white business owners to feel discouraged from seeking loans.72 Research from the Federal Reserve also found that business owners of color were more likely to rely on personal funds and personal credit scores to finance their business. Twenty-eight percent of Black and Asian owners and 29% of Latino owners relied on personal funds as the primary funding source for their business, compared to 16% of white business owners. Black and Latino business owners were also more likely to use their personal credit scores when obtaining financing with 52% and 51% doing so, respectively, compared to 45% of white and 43% of Asian business owners.73 In addition, in SBA’s fiscal

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71 Id.

72 See McManus, 2016. ("Research also finds that minority business owners are more likely to feel discouraged from seeking private loans. In a Census survey, only 16% of nonminorities felt discouraged from seeking a loan, while almost 30% of minorities felt the same way. These, in combination with other reasons, may be why minority business owners have a heavier reliance on personal finances.") (citing Christine Kyn, U.S. Small Business Administration, Office of Advocacy, Access to Capital for Women- and Minority-owned Businesses: Revisiting Key Variables, January 2014, https://www.sba.gov/sites/default/files/issue%20Brief%20Access%20to%20Capital.pdf)

years ending September 30, 2019 and 2018, for all SBA 7(a) loans made, only 5% were made to Black-owned businesses, and only 9% were made to Hispanic-owned businesses. 74

Lack of access to credit can be harmful in the normal course of business, but in the midst of a pandemic, lack of access can have disastrous consequences for microbusinesses, the owners, and employees who depend on them for their livelihoods. The Paycheck Protection Program (PPP) is the most recent example of these disparities. The design of the program, which relied on banks to originate the loans, unfairly put Black, Latino, and Native American business owners at a distinct disadvantage in attempting to access PPP funds when so many were already on precarious financial footing. Banks prioritized customers with whom they had an existing banking relationship; as noted above, Black businesses are less likely to access credit through a bank. Banks also tended to prioritize larger PPP loans to maximize fees, leaving out the smallest of small business from accessing relief. 75 An analysis of the SBA’s PPP data shows that over three-fourths of the 5.2M loans made in 2020 contained no demographic information. Just 9.5% reported proprietor race or ethnicity information, 16.2% reported proprietor gender, and 14.5% reported whether the proprietors were veterans. 76 Collecting such little information, the SBA made it nearly impossible to judge their own success in extending relief to vulnerable communities.

The PPP also highlighted the dearth of data on small business lending that has been a major obstacle for ensuring equity for decades. The limited data masks the lack of equitable investment of taxpayer-supported funds and access to business capital for communities of color and those in rural markets. In fact, in addition to data collection being one of the much-needed improvements to the PPP program, robust data collection is also needed for existing laws enacted to incentivize community investment and job creation through access to business capital. Without publicly available data, it is difficult to prove or disprove, or adequately address, inequities in small business lending. Ten years ago, Congress took steps to address this issue through Section 1071 of the Wall Street Reform and Consumer Protection Act, requiring the collection of key data elements, including demographic data, with respect to applications for small business loans. We are pleased that the CFPB is now moving forward implementing section 1071, having convened the SBREFA panel and released a proposed outline.

Beyond data collection and transparency, it is imperative that SBA, Treasury, CFPB and the prudential regulators establish, monitor, and enforce an affirmative duty to fairly serve all small business borrowers; and establish affordable small business lending goals for all credit providers. The prudential regulators should require banks covered by CRA to include a robust small business community reinvestment requirement that includes loans approved for small businesses and for business owners where the business credit runs through their personal credit profile. It is critical for equitable small business lending to be considered in CRA evaluations.


76 CRL analysis of SBA PPP data.
Finally, while it may seem obvious, it is worth cautioning against measures that will widen the racial wealth gap, and exacerbate the heavy burden struggling families already face. For as long as families of color have faced structural barriers to low-cost, responsible, mainstream credit, there have always been subprime lenders who exploit these barriers by targeting families of color for loans that can worsen these families’ financial struggles, and sometimes make it harder for them to qualify for lower-cost mainstream credit. Such lenders increasingly seek to create or exploit federally-created exemptions from state usury laws applicable to national banks and federally-insured banks, or cite it to press state legislatures for increases in state usury limits. Increasingly, such lenders use the language of racial equity to suggest that making cost loans available is a valid way to redress racial inequities in access to low-cost, mainstream credit. These deceptive claims are a perversion of what real racial economic justice and opportunity entail, and should be decisively rejected.

III. It is Critical to Strengthen and Fully Enforce the Nation’s Fair Lending Laws

The COVID-19 pandemic and economic crisis has laid bare and amplified systemic inequity in our nation. As the National Fair Housing Alliance aptly states in its most recent Fair Housing Trends Report:

This report was not supposed to be about the COVID-19 pandemic. It was supposed to be about fair housing trends in 2019. However, how could we not address the COVID-19 crisis when it illuminated the great disparities at the heart of every fair housing trends report ever released by NFHA? The adverse COVID health outcomes for people of color, and especially for Black Americans, are a manifestation of segregation and absence of opportunity in neighborhoods of color. People of color live in communities with more concrete, toxic facilities, and pollution, but fewer fresh foods or health care facilities. The disparities in economic outcomes reflect the disparities in education and job opportunities linked to differences in school quality, transportation, and employment networks. People of color, especially Latinos, are overrepresented in service industry jobs, those hardest hit by the pandemic. The differences in long-term housing stability relate directly to centuries of differences in housing opportunities—people of color are predominantly renters, while White people are predominantly homeowners.77

Additionally, research from NCRC demonstrates that there are statistically significant correlations between redlining and susceptibility to COVID-19.77 Against this stark backdrop, the Trump administration destroyed critical fair housing protections that are absolutely essential to ensuring that all communities have an opportunity to thrive.

A. HUD’s Disparate Impact and Affirmatively Furthering Fair Housing Rules Must be Restored

Disparate impact theory helps create accountability for entities that unjustifiably engage in practices that have a disproportionately harmful effect based on protected class. Furthermore, by focusing on the consequences of unfair credit practices, the disparate impact standard is frequently able to uncover discrimination that is intentional, but subtle or hidden. Equally important, disparate impact helps to

eliminate practices that are neutral on their face but have an unjustified discriminatory effect. These practices often maintain the effects of prior intentional discrimination and systemic inequality. The Trump administration’s replacement of HUD’s 2013 disparate impact rule would make it virtually impossible to bring fair housing cases based on this theory, allowing unjustified policies to flourish.79

HUD’s 2015 Affirmatively Furthering Fair Housing rule provided HUD program participants with a planning framework and data tools to enable them to take meaningful actions to overcome historic patterns of segregation and foster inclusive communities free from discrimination. The Trump administration’s replacement rule removes all considerations of race and the impact of segregation on communities.

President Biden recently issued a Presidential Memorandum on “Redressing Our Nation’s and the Federal Government’s History of Discriminatory Housing Practices and Policies.”80 The Memorandum directs HUD to reassert these rules. It is critical for the disparate impact and AFFH rules to be fully reinstated. Additionally, HUD, CFPB, and DOJ must revive their fair housing and fair lending enforcement efforts.

B. Credit Should be Helpful, not Harmful, to Borrowers

The Equal Credit Opportunity Act (ECOA) and Regulation B are essential for fair lending and aim to guarantee a financial marketplace that operates in an equitable and inclusive manner free of discrimination. Credit determinations impact every facet of American life from birth to death and must be conducted in a fair, non-discriminatory manner to ensure equal opportunity for all, especially those within protected classes long denied equal access.

Underserved borrowers and borrowers of color should be able to access sustainable and responsible loan options, not shunted into predatory products. Implicit in ECOA’s purpose is an assumption that credit is helpful and not harmful, that it is productive for consumers rather than destructive, that it serves wealth building rather than exploitative savings and wealth extraction. When the law provides that lenders may affirmatively advertise to disadvantaged groups, or that lenders may not discriminate based on source of income, the law assumes that lenders are not targeting communities of color, or those reliant on minimal public benefits for their income, with toxic loans. Rather, ECOA assumes, as its legislative history reflects, “[C]redit should be granted on one basis alone—the ability of the borrower to repay.”81 As we saw during the subprime mortgage crisis, as discussed in section I, toxic products create immense harm to families and communities.

So ECOA, especially as it affirmatively seeks to ensure that those who are underserved access credit, must be grounded in a responsible, safe lending market. Fulfilling the purpose of ECOA requires regulators to vigorously supervise and enforce not just ECOA itself, but all statutes aimed at a fair credit market, including CFPB’s authority to address unfair, deceptive and abusive practices. All lending should

81 Id.
be based on the borrower’s ability to repay – a longstanding banking principle and reflected in ECOA’s legislative history forty-five years ago. Importantly, lending designed to be affordable aligns lender and borrower incentives so that lenders succeed only when borrowers do, and lenders need not engage in aggressive debt collection practices to support their business model.

Yet, high-cost lenders peddling unaffordable loans can cause particular harm to communities of color, often in the same geographic areas that experienced redlining. Storefront high-cost lenders have long targeted borrowers of color, more likely to locate stores even in more affluent communities of color than in less affluent white communities. Online high-cost lenders may focus more on communities with people that have subprime credit score than geography, although we understand that some lenders use zip codes to target online marketing. But historical discrimination against communities of color is also reflected in credit scores. Lenders that focus on subprime borrowers will inevitably disproportionately target borrowers of color. The algorithms and big data that “fintech” lenders use may also result in disparate impacts on these communities.

Moreover, online lenders often promote their models as expanding economic inclusion, which will often put borrowers of color among their target borrowers. Communities of color have historically been disproportionately left out of the traditional banking system, a disparity that persists today. Some defend the high-cost “fintech” loans as bringing communities of color into the economic mainstream. But high-cost loans, particularly with their high association with lost bank accounts, drive borrowers

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82 See CFPB Payday Rule, 82 Fed. Reg. at 54556-57 (African Americans are payday borrowers at three times the rate, and Hispanics at twice the rate, of non-Hispanic whites (citing 2015 FDIC National Survey of Unbanked and Underbanked Households (calculations using custom data tool). Vehicle title borrowers are also disproportionately African American and Hispanic. Id.)
87 CFPB found that about half of borrowers with online payday or other high-cost online loans paid a nonsufficient funds (NSF) or overdraft fee. These borrowers paid an average of $185 in such fees, while 10% paid at least $432.
out of the banking system and exacerbate this disparity. By sustaining and exacerbating an existing precarious financial situation, high-cost lending reinforces and magnifies existing income and wealth gaps — legacies of continuing discrimination — and perpetuates discrimination today.

C. CFPB, HUD, and DOJ Should Encourage Special Purpose Credit Programs (SPCPs)

ECOA permits creditors to create special purpose credit programs to facilitate lending to underserved consumers with the protection that those lenders would not be held in violation of the nation’s fair lending laws. We urge the banking regulatory agencies, CFPB, HUD, and DOJ to more broadly inform lenders of the potential to use special purpose credit programs (SPCPs) in order to facilitate extension of responsible credit favorably designed for underserved communities.88

CFPB should coordinate with HUD and DOJ to ensure lenders have confidence that SPCPs do not conflict with other civil rights laws; rather, they promote the purposes of those laws. To address potential regulatory uncertainty, we point to the recently published work of the NFHA and Relman Colfax PLLC.89 This work explains how ECOA coexists within the regulatory framework with the Fair Housing Act and sections 1981 and 1982 of the Civil Rights Act of 1866.

At the same time, the federal agencies must emphasize that SPCPs are for responsibly designed programs. They are not a license to offer borrowers a slightly less predatory version of a predatory product, which is more likely to extract wealth than to promote financial stability.

D. Federal Regulators and Enforcement Agencies Should Scrutinize Lenders’ Use of Algorithmic Systems

Federal agencies should be vigilant about artificial intelligence and machine learning models and consider the ways in which they can create unjustified outcomes in credit decisions, sometimes without detection. The agencies should be careful not to put forth guidance that suggests support for innovative models and technology without accompanying fair lending inquiry.

As research demonstrates, algorithms are not objective or free of potential bias.90 They are only as good as the data that biased humans program into them. And even when the data itself is not biased, the interactions between the data may produce biased outcomes. Bias in the context of algorithmic analysis can create “outcomes which are systematically less favorable to individuals within a particular group and where there is no relevant difference between groups that justifies such harms.”91 In 2018, the New

88 See, e.g., Lisa Rice, President and CEO, Using Special Purpose Credit Programs to Expand Equality, Nov. 4, 2020, https://nationalfairhousing.org/using-special-purpose-credit-programs-to-expand-equality/.
York Times published a study finding artificial intelligence — in particular, facial recognition technology — was much less effective when the subject of the analysis was not a white male.\textsuperscript{51} While the software was correct 99 percent of the time when the subject in the photo was a white man, when the subject was a darker skinned female, the software was wrong 35 percent of the time.\textsuperscript{53} This is because the data set used in artificial intelligence is often reflective of those creating it, who are disproportionately white and male.\textsuperscript{54} As Joy Buolamwini, MIT professor, stated “[y]ou can’t have ethical A.I. that’s not inclusive” and “[w]hoever is creating the technology is setting the standards.”\textsuperscript{55} This is a fundamental issue with algorithms.

Furthermore, divining a model’s intent is challenging and often impossible. The complex interactions that AI engages in to form a decision can be so opaque that they prevent any party from being able to divine the intent of the machine’s creator.\textsuperscript{56} When AI programs are black boxes, they are able to form predictions and decisions in the same way as humans, but they are not able to communicate their reasons for making these conclusions.\textsuperscript{57} This situation has been analogized to a human attempting to communicate with another highly intelligent species, with both species able to reason and understand but not able to communicate with each other.\textsuperscript{58} Scholars have stated that this difficulty in communication “means that little can be inferred about the intent or conduct of the humans that created or deployed the AI, since even they may not be able to foresee what solutions the AI will reach or what decisions it will make.”\textsuperscript{59} Indeed, a recent paper argues that artificial intelligence is inherently structured in a manner that makes “proxy discrimination” a likely possibility.\textsuperscript{60} Consumers have no way of knowing what data is fed into the models, which factors the algorithm used in making the determination, whether there are proxies for protected classes, or whether the algorithm denied credit based on erroneous or biased data.

Artificial intelligence and algorithms have been exposed as problematic in various sectors, including employment and criminal justice.\textsuperscript{61} Potential discrimination claims are shielded due to the black-box nature of algorithms plus the fact that companies claim the algorithm is a trade secret. This creates an insurmountable and unjust obstacle for disparate impact claimants. Federal Reserve Bank Governor Lael Brainard gives a disturbing example taken from a hiring firm’s AI algorithm: “the AI developed a bias against female applicants, going so far as to exclude resumes of graduates from two women’s


\textsuperscript{53} Id.

\textsuperscript{54} Id.

\textsuperscript{55} Id.


\textsuperscript{57} Id. at 907.

\textsuperscript{58} Id. at 893.

\textsuperscript{59} Id.


colleges." Brookings' Aaron Klein expanded on this example by stating "[o]ne can imagine a lender being aghast at finding out their AI was making credit decisions on a similar basis, simply rejecting everyone from a woman’s college or a historically black college or university."

Moreover, non-traditional variables increase the likelihood that conclusions will be biased as well as increase the likelihood that AI will draw a conclusion that there is causation where there is only correlation. Nontraditional variables include data obtained from internet search histories, shopping patterns, social media activity, and various other consumer-related inputs. This non-traditional information can be fed into machines, which can draw conclusions based on the patterns it observes in the dataset. This is a major concern because financial technology companies are using nontraditional data more and more to make consumer credit decisions. As one article put it: "If there are data out there on you, there is probably a way to integrate it into a credit model. But just because there is a statistical relationship does not mean that it is predictive, or even that it is legally allowable to be incorporated into a credit decision."

Rather than shield algorithms from examination, a recent research article urges us to create an "auditing imperative" for algorithmic systems. It is critical that regulators do not permit algorithmic models to bypass fair lending scrutiny.

E. HMDA is Critical to Shedding Light on Discrimination in the Mortgage Market

When it was enacted in 1975, the Home Mortgage Disclosure Act (HMDA) marked an important change in the way race and ethnicity were treated within consumer financial data. Instead of prohibiting banks and lenders from maintaining records around customer demographics, HMDA required the collection of race data in connection with mortgage lending. Beginning in 1989, HMDA began to require mortgage lenders to report the borrower race for each loan they made. This approach to fighting financial discrimination represented a change in tactics from race-blindness to transparency, and has been instrumental ever since, in allowing elected officials, regulators, advocates, and the public to detect patterns of unfair lending.

Throughout the subprime mortgage crisis and Great Recession, HMDA data was key for demonstrating disparities and reforming practices in the mortgage market. Moreover, the Dodd-Frank Act and

102 Aaron Klein, Credit Denial in the Age of AI, Brookings Institute, April 11, 2019, https://www.brookings.edu/research/credit-denial-in-the-age-of-ai/.
103 Id.
105 Id.
106 Id.
subsequent CFPB rulemaking required further transparency by requiring financial institutions to report additional data points, including borrower credit scores.\textsuperscript{113}

In recent years, however, CFPB has weakened HMDA. CFPB finalized a rule that would increase the HMDA reporting threshold for mortgages, which means that some smaller lenders may not have to report at all.\textsuperscript{112} CFPB also announced an advance notice of proposed rulemaking that would solicit feedback on the costs and benefits of collecting and reporting the additional data points in the 2015 HMDA rule.\textsuperscript{112} Additionally, in 2019, CFPB announced it would no longer host or maintain the HMDA Explorer, a vital and user-friendly tool to provide a clear view of the mortgage market and who it serves. It is essential that CFPB replace the data access tool and address the gap in accessibility that will have occurred between the release of the 2018 HMDA data and the launch of a replacement to HMDA Explorer.

We further urge CFPB to conduct research into the racial disparities in mortgage approvals and mortgage pricing, including controlling for FICO, which the CFPB’s initial 2019 HMDA report failed to do. Only the Bureau can do this as FICO is not publicly released. We also urge CFPB to immediately cease work on the HMDA rules listed in the Unified Agenda which would narrow data collected under HMDA and codify the privacy policy into Regulation B; create a “trusted researcher” program to allow others to access the full set of HMDA data; and reinstate the requirement for lenders to submit quarterly data so CFPB can observe and report on trends in closer to real time.

\textbf{F. CFPB Should Promulgate a Robust Section 1071 Rule to Shed Light on Discrimination and Unmet Credit Needs of Small Businesses}

The data collection envisioned by section 1071 can provide the insights needed to address discrimination in small business lending. It can shed light on discrimination by individual lenders and practices with racially disparate effects; indeed, the first purpose of the section is “to facilitate enforcement of fair lending laws.” At the same time, these data can identify unmet credit needs, especially among women-owned and people of color-owned businesses which is the second stated purpose of Section 1071.

We are pleased that CFPB is now moving forward implementing section 1071, having convened the SBREFA panel and released a proposed outline. We have urged CFPB to ensure robust data collection that covers lenders representing at least 95% of small business loans, including depositories, credit card providers, and other lenders. We urge a proposed rule that achieves the following:

1) Limits any exemption from reporting to financial institutions that fall below an activity-based threshold geared to assuring that the loss of data resulting from such exemption does not undermine the purposes of Section 1071
2) Defines “small business” in a manner that is easy to implement and that is consonant with the approach taken with the SBA
3) Covers merchant cash advances as a form of open-end credit
4) Requires the collection and reporting of the key components of pricing
5) Provides for quarterly reporting of data by larger financial institutions

\textsuperscript{111} 85 Fed. Reg. 28364 (May 12, 2020).
\textsuperscript{112} Id.
Detailed recommendations may be found in our comment letter to the CFPB on the outline of proposal.\footnote{C. F. R. Comment to CFPB, CFPB Outline of Proposals Under Consideration and Alternatives Considered for Section 1071 (Dec. 14, 2020), https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/comment-cfpb-outline-of-proposal-for-section1071-feb2021.pdf} Assuming the CFPB incorporates these priorities in the final section 1071 rule, we urge the Federal Reserve Board, OCC, FDIC, CFPB, SBA, and CDFI Fund to coordinate small business data collection via section 1071. The agencies should determine on an interagency basis whether section 1071 is comprehensive enough to replace CRA, SBA, and CDFI Fund data collection and reporting requirements. Similar to the Home Mortgage Disclosure Act, section 1071 data could become the data source that CRA exams and other analyses use in the future. Once section 1071 is implemented, CRA exams could utilize the more granular section 1071 data to measure whether the smallest of businesses and businesses owned by people of color are receiving loans. Use of this data will help ensure that small business lending is provided on an equitable basis and is sufficiently reaching underserved communities, particularly communities of color.

G. The Community Reinvestment Act Should Incorporate Consideration of Race and Ethnicity to Address Lending and Investment Gaps

Although the Fair Housing Act made housing discrimination—including redlining in lending—unlawful, discrimination targeted at Black and brown families in the nation’s lending markets persisted. Nearly a decade after the Fair Housing Act passed, Congress passed CRA to address the urgent credit needs of low- and moderate-income (LMI) communities. This was intended to include the credits needs of people of color. CRA was designed to open up access to credit for those to whom it had previously been denied and address systemic inequities in financial services. Congress recognized that many banks were serving the convenience and needs of some parts of their communities, but not others.

Indeed, racial equity is inextricable from CRA’s history and purpose. We appreciate the Federal Reserve Board’s recent request for input in its ANPR on how to better address “ongoing systemic inequity in credit access for minority individuals and communities.”\footnote{Federal Reserve Board Advance Notice of Proposed Rulemaking, Question 2.} Among other recommendations detailed in our comment letter, we urged the Board to explore and consider proposals which embed increasing access to credit to communities of color into the CRA exam and subtests.

First, the CRA statutory framework permits consideration of race. The statute includes references to race, including allowing investments in Minority Depository Institutions (MDIs), women-owned financial institutions, or low-income credit unions in minority communities to count for CRA credit. The statute further requires reporting to Congress comparing residential, small business, and commercial lending by banks in low-income, minority, and distressed neighborhoods to such lending in other neighborhoods.\footnote{See, e.g., Michelle Aронowitz, Edward L. Goldberg and Jung Hyun Choi, The Unequal Costs of Black Homeownership, MIT Golub Center for Finance and Policy (Oct. 1, 2020). http://gcfb.mit.edu/wpcontent/uploads/2020/10/Mortgage-Cost-for-Black-Homeowners-10.1.pdf; Jung Hyun Choi, Alanna McCargo, Michael Neal, Laurie Goodman and Caitlin Young, Explaining the Black-White} The law emphasizes banks meeting credit needs in all communities, but particularly underserved ones. Extensive data indicates that banks are not meeting the credit needs of Black and brown families.\footnote{Pub. L. 102-550, Title IX, § 910 (Oct. 28, 1992).} To
ameliorate these gaps, CRA exams could include performance measures assessing responsible lending, investing, branching and services to people of color and communities of color. In addition, CRA exams could include racial and ethnic demographic data in performance context analysis and require banks to affirmatively include communities of color in their assessment areas. The banking agencies could consider ways to incentivize lenders to participate in Special Purpose Credit Programs targeted at underserved borrowers. The banking agencies could also provide CRA consideration for lending and investing in census tracts that are majority people of color outside of assessment areas, just as the Board is considering for Federal Native Areas (such as Federally Designated Indian reservations) and other underserved areas. NCRC released an analysis exploring where and whether regulators could insert race into the CRA framework from a statutory and constitutional perspective. These proposals should be given robust consideration.

H. FHFA Must Strengthen the GSEs Affordable Housing Goals Which is Critical to Ensuring Access for LMI Families and Families of Color

FHFA must prioritize strengthening the GSEs’ affordable housing goals as outlined in our comment submitted on February 28, 2021. The GSEs have woefully unfulfilled their statutory obligations to ensure adequate activity to Black, Latino, and other communities of color since the Great Recession. Therefore, FHFA must take swift and bold action now in creating affordable housing goals that can help return the GSEs to former periods when their activity was much stronger. A key goal of the affordable housing goals must be to help to build toward more racial equity in homeownership. The GSEs should focus explicitly on addressing racial homeownership gaps; marginal improvements are insufficient given the GSEs’ charters that cite the GSEs’ responsibility to underserved communities and borrowers of color, including to “minority census tracts.”

IV. Targeted Down Payment Assistance is a Critical First Step Toward Building Racial Equity in Homeownership

According to the 2019 American Community Survey, homeownership among Black families is thirty percentage points below that of white families – a larger gap than existed in 1968 when the Fair Housing Act was passed. The disparity in homeownership rates is a large driver of the enormous racial wealth gap, with the median Black family having thirteen cents in net worth for every dollar of net worth held by the median white family.

For a Down Payment Assistance (DPA) program to reduce barriers to home ownership in a way that advances the Biden-Harris Administration’s commitment to racial equity and puts the nation on a firm


trajectory to closing the wealth and home ownership gaps between whites and people of color, we recommend the following:

1. Eligibility should be limited to first-generation homebuyers whose income is within 120% of the Area Median Income (AMI). This will create an eligible pool of 12.8 million families, 72% of whom will be families of color, including 42% Black families.
2. Half of the funds should be set aside for state Housing Finance Agencies that have adopted Affirmatively Furthering Fair Housing (AFFH) Plans, awarded based on the size of the renter population in each state. The other 50% should be awarded through a competitive bidding process run by the CDFI Fund to select Administrators committed to and capable of delivering funds to socially and economically disadvantaged individuals.
3. The DFA should be a minimum of $20,000 per applicant (could be increased for high cost markets) to provide sufficient funds to make homeownership affordable.

In addition, strong reporting and evaluation requirements should be included to ensure transparency and efficacy.

Finally, the Departments of Justice and Housing and Urban Development should be directed to conduct a study to determine whether this program, in conjunction with any other extant efforts, will succeed in remedying the effects of past and present discrimination and closing the racial homeownership gap. If the study finds that more is needed, the Administrators shall be authorized to use race-conscious remedies to overcome discriminatory barriers to serving socially and economically disadvantaged people, using a rebuttable presumption that people of color are socially and economically disadvantaged.

See Appendix 1 for more detailed information on the proposal.

V. Mortgage Servicing Reforms are Critical to Preventing a Foreclosure Crisis

The COVID-19 crisis is having a disproportionate impact on families of color, by nearly every metric. Data has shown that the virus is infecting and killing people of color at a much higher rate. People of color are overrepresented among essential workers who are generally not able to work from home and are more likely to encounter the virus. From February to April 2020, the number of Black business owners dropped by 440,000 or 41%, compared to a 17% decline in white small business owners. Families of color who are hardest hit by COVID-19 are the same families long denied equity in homeownership opportunities. Indeed, there are statistically significant correlations between redlining and

susceptibility to COVID-19. The same low-income neighborhoods of color that were intentionally cut off from lending and investment today suffer from reduced wealth, greater poverty, lower life expectancy, and higher incidence of chronic disease that are risk factors for poor outcomes from the coronavirus.

According to the Bureau of Labor Statistics, while the unemployment rate of whites, which peaked at 14% in April, has dropped to 5.8%, the reported unemployment rate of Blacks stands at 9.9% and actually increased in February, even while the economy added over 350,000 new jobs. And a recent report from the Center for Economic and Policy Research demonstrates that BLS’ surveys systematically underestimate the unemployment rate for Blacks relative to whites.

Further, the unemployment rate captures only those who are still deemed to be within the labor force and thus misses the decline in workforce participation. That has been especially pronounced for Blacks women and Latinas: there are 9.9% fewer Black women and 8.6% fewer Latinas in the workforce today than at the start of the pandemic.

Not surprisingly given their employment situation, Black and brown families are struggling to make ends meet. The most recent Household Pulse Survey from the Bureau of the Census found that 44% of Blacks and 43% of Hispanics reported that they were finding it difficult to pay their usual household expenses, a rate more than 60% higher than for whites. Moreover, according to a CFPB report, as of December, almost one in five Black homeowners and one in seven Hispanic homeowners reported being behind on their mortgage compared to only one in twenty white homeowners.

Fortunately, the CARES Act – coupled with actions taken by FHA, FHFA and the GSEs, as well as many private lenders – have provided a lifeline to many struggling homeowners. Under the CARES Act, those with a federally-backed mortgage suffering a COVID-19 related hardship were granted the right to obtain up to twelve months of forbearance on their mortgage payments. Many private lenders appear to have extended similar rights to borrowers whose mortgages are not federally backed. And in February both FHA and FHFA announced that they would allow those who have obtained forbearance to extend forbearance by up to six additional months and also announced that they would extend the CARES Act moratorium on foreclosures, which lasted only six months, through the end of June.

To date, 6.9 million borrowers – 13% of all borrowers – have obtained forbearance. Those in forbearance experienced significant drops in income; indeed, fully 85% received unemployment benefits. Over 60% of those who obtained forbearance have since exited forbearance, leaving 2.7 million borrowers in forbearance as of the end of January. Importantly, a much smaller share of FHA borrowers have been able to exit forbearance.

124 Institution (March 20, 2020), https://www.brookings.edu/blog/the-avenue/2020/03/20/black-americans-were-forced-into-social-distancing-long-before-the-coronavirus/.
126 Id.
However, there is a significant number of borrowers who are struggling with their mortgage obligations. There are approximately 500,000 borrowers who are now at least three months past due who are not in forbearance. Many of these borrowers never obtained forbearance in the first place; others exited forbearance but have been unable to resume making their regular payments. Indeed, of those who have exited forbearance, more than one in ten have fallen behind on their mortgages and for FHA borrowers the number is closer to one in five. Moreover, whereas those who were able to exit forbearance last summer have low levels of delinquencies, among those exiting more recently the subsequent delinquency rates have been two to three times higher.

For those still in forbearance, the most significant question is what happens to them once their forbearance period ends. Fortunately, the mortgage market is in a much better position than it was entering the last crisis. The government agencies, led by FHA, as well as FHFA and the GSEs, acted quickly to develop post-forbearance policies to help affected borrowers. As a result, mortgage servicers have much better tools than during the Great Recession to help borrowers struggling to repay.

For federally-backed mortgages, borrowers can exit forbearance and simply resume their regular monthly payments and then repay the arrearages — that is, the amounts that they would have paid but for the forbearance — without interest, when they pay off the loan. And borrowers who are not able to resume their regular payments can receive a streamlined loan modification that reduces the monthly payments required. If the borrower needs more payment relief than the streamlined offer provides, they may be eligible for greater payment reduction if they provide income documentation.

In addition, servicer capacity is much greater than during the housing crisis, when few were set up to work with borrowers to obtain a modification. However, servicers may be sorely tested when forbearance comes to an end as upwards of two million borrowers may need assistance in a limited time frame, and execution by large organizations is always a challenge, particularly with something as complicated, and important, as a mortgage. Housing counselors have reported instances of borrowers not receiving correct information from servicers, and counselors’ support will be essential.

Moreover, when forbearance ends there will be many borrowers — especially Black and brown families — who will need further relief if they are not to lose their homes. Even though many borrowers have equity in their houses today, positive equity alone does not prevent homeowners from losing their home to foreclosure; depending on the time period and associated home price appreciation, between 30% and 80% of foreclosed-upon homeowners had positive equity at the time of default.128

Foreclosure is costly to society and comes with significant negative after-effects for the household and their neighbors. The average foreclosure costs society between $51,000 (HUD) and $70,000 (U.S. Congress Joint Economic Committee) and is borne by the foreclosed-upon household, their neighbors, the lender, and local governments.129 Foreclosed upon households are likely to move more frequently,


129 United States Department of Housing and Urban Development, Economic Impact Analysis of the FHA Refinance Program for Borrowers in Negative Equity Positions (2010) and U.S. Congress Joint Economic Committee, Report of
less likely to own a home in the future, and some move to neighborhoods with lower incomes and school test scores and are more likely to get divorced.105 Foreclosed-upon homeowners also suffer from negative physical health consequences resulting in increased incidences of unscheduled hospital visits131 as well as a range of mental health issues, including depression, anxiety, alcohol use, and even suicide.132 Unfortunately, foreclosure is also contagious. Studies show that foreclosure reduces the value of neighboring properties by nearly $15,000 and leads to an additional 0.5 foreclosures in the neighboring area.133 Foreclosure alternatives (i.e. short sales and deed-in-lieu of foreclosure) and forced sales may be less costly to lenders, but the end result for the homeowner may be equally negative.

As a result, it is incumbent on policymakers at all levels to do everything in their power to reduce the number of needless foreclosures that occur. The following are our suggestions to accomplish this goal.

Congress

Congress should extend the protections that FHFA and FHA provide to private loans, which comprise about 30 percent of the mortgage market. While many servicers of private loans are voluntarily adopting GSE policies, and forbearance rates for private loans are higher than the market as a whole, some are not providing comparable assistance. In addition, the lack of standardization and specificity in forbearance and post-forbearance terms limits servicers in some cases from offering this relief.134 Congress should not attempt to spell out these policies in detail in legislation since government policies change as policymakers adjust as circumstances do and in accord with lessons learned.

Therefore, Congress should simply require private loans to adopt the foreclosure moratorium and forbearance policies offered by one of the GSEs or FHA, as well to mirror the federally-backed loans in providing a post-forbearance solution that does not increase borrowers’ monthly payments. In addition, Congress should provide servicers of private-label securities a safe harbor from investor lawsuits when they follow these provisions.

Additionally, the $10 billion dollar Homeowner Assistance Fund is a critical component of the American Rescue Plan bill. It will help protect struggling homeowners and communities by preventing avoidable foreclosures, evictions, and utility shut offs. The Fund would provide a flexible source of federal aid to housing finance agencies to help people who have experienced COVID-19 hardships maintain their housing payments so they can stay in their homes. A critical lesson of the Great Recession is that the communities most impacted need aggressive, targeted, early intervention. Once the Homeowner Assistance Fund is enacted, the Department of Treasury must ensure an equitable distribution of

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funding to ensure the families hardest hit by the COVID crisis – Black and brown families – are able to access relief.

**Consumer Financial Protection Bureau**

First, if Congress doesn’t enact the 120-day foreclosure pause, CFPB should require it using its RESPA authority. Second, if Congress doesn’t require private loans to follow federally-backed requirements after forbearance, CFPB should prohibit servicers from requiring borrowers to repay their arrearages from COVID-related forbearance without first evaluating the borrower for all loss mitigation options the borrower is eligible for. Third, CFPB should facilitate servicers offering streamlined payment reduction modifications to borrowers who indicate that they cannot afford their previous monthly payments, as it did with its interim final rule on deferrals and partial claims, with appropriate consumer protections. Fourth, CFPB should supervise servicer conduct when transitioning borrowers out of forbearance and take appropriate action against servicers who revert to previous bad practices. Fifth, CFPB should continue its good work providing information to borrowers to explain their options in dealing with COVID-19 hardships, and in particular it should provide outreach to borrowers who are delinquent but not in forbearance. Finally, CFPB should help servicers in conducting effective communications with their borrowers by establishing best practices for servicer communications, including websites and emails.

**Federal Housing Finance Agency**

The modification provided by the GSEs, called the Flex Mod, is commendable. It is streamlined for borrowers 90 days or more delinquent, which reduces frictions and increases take-up rates, and provides substantial payment relief for borrowers with loan-to-value (LTV) ratios above 80%. When the Flex Mod was developed, the expectation was that if there were another crisis, it would look like the last one and housing values would fall, which would push up borrowers’ LTVs over 80% and most would get this payment relief. However, the current crisis is accompanied by continued rapid house price appreciation in many communities, and so roughly 75 percent of GSE borrowers exiting forbearance will have LTVs below 80 percent.106 As a result, the only modification step these borrowers are eligible for under the Flex Mod is extension of the mortgage term to 40 years. The GSEs target 20 percent reduction in principal and interest (P&I) payments, which equates to about a 14 percent reduction in the overall monthly payment. After receiving the term extension, some borrowers below 80% LTV will receive this level of payment relief but some others will not, depending largely on how old the loan was. However, even if they receive this amount of payment relief, it will not be enough for many borrowers given the economic dislocations they face and they will lose their house to foreclosure, or in the best case, through a forced sale.

The GSEs should target a higher level of payment reduction with their Flex Mod, providing a 25% or 30% reduction in the P&I payments. For their below 80% LTV borrowers, the GSEs should reduce the interest rate as much as necessary to reach the target, although no lower than the market interest rate, or simply provide the market interest rate as they do with their above 80% LTV borrowers. The GSEs and wealthier borrowers benefit from current low mortgage rates, which is in significant part due to Federal Reserve purchases of their MBS, and these benefits should be shared with the GSEs’ most distressed

106 Black Knight (https://cdn.blackknightinc.com/wp-content/uploads/2020/10/BK_MakeUp2020_Report.pdf) indicates that 84% of homeowners with a GSE-backed mortgage have a current CLTV below 80%. After capitalizing arrearages, roughly 75% of homeowners with a GSE-backed mortgage have a current CLTV below 80%. 

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borrowers. The 20% P&I target for reductions should be compared with the FHA-HAMP target of a 20% reduction in the full monthly payment, which equates to a 31% reduction in P&I for the average borrower in forbearance with a Government-backed mortgage. Greater payment relief would also bring the Flex Mod payment reduction target closer to that offered by private modifications; those offered by Chase in the 2011-2014 period targeted a 30% P&I reduction.\textsuperscript{136}

Second, the GSEs should provide streamlined refinances for low-wealth borrowers. Especially now, during the COVID-19 crisis and at a time of historic low interest rates, more borrowers should be able to benefit from the current refinance boom to save money on their mortgage payment. Unfortunately, the refinance surge is not reaching lower-income, lower-wealth, or Black and Hispanic families adequately, particularly borrowers with smaller loan balances.\textsuperscript{137} Refinance activity for higher FICO borrowers accelerated significantly in 2020, boosting the average FICO score for GSE refinances to 775, well above credit scores for communities of color due to less family wealth.\textsuperscript{128}

At a time that the Federal Reserve is purchasing $40 billion in agency mortgage-backed securities per month to help reduce the cost of buying or refinancing a home and to stimulate the economy, FHFA and the GSEs should ensure rate term refinances are more available, not more costly, for lower-income, Black, or Hispanic families who would benefit greatly from the savings on their mortgage payment. We urge the GSEs to create a streamline refinance program to ensure that affordable refinances are more accessible to borrowers, particularly borrowers of color. By doing so, the GSEs would be taking a positive step toward helping the Federal Reserve undo the disproportionate benefits of monetary policy that accrue to the wealthy. Moreover, the GSEs should not charge any LLPAs on a streamline refinance, as LLPAs were already paid at purchase.

**Federal Housing Administration**

FHA acted quickly as the economic effects of the pandemic began to be felt to create its COVID-19 home retention options. Its waterfall of post-forbearance options is significantly more streamlined than FHA’s standard waterfall, and therefore can accommodate the hundreds of thousands of FHA borrowers all needing assistance in a compressed timeframe to help them remain in their homes. HUD should be commended for its swift and effective action. However, given the stakes involved for FHA borrowers, their families’ futures, and the neighborhoods in which they live, it is worth continuing to evaluate the FHA COVID waterfall to determine whether further improvements could provide greater payment relief to borrowers and permit more to qualify for modifications, while taking into account any effects on the MMIF.


VI. Diversity in Executive Ranks and Boards

It is well settled that diverse companies outperform those that lack diversity, inclusion, and equity. According to a report from McKinsey & Company, for every 10 percent more racially or ethnically diverse a company’s senior team is, earnings before interest and taxes (EBIT) is nearly 1 percent higher.\textsuperscript{138} Simply put, diversity is good for business.

The racial reckoning ignited during the summer of 2020 make clear that broad structural reforms are necessary to eliminate systemic oppression, including throughout financial services. In response to the people-led protests demanding change, many financial services firms issued broad racial justice promises. As stated earlier, eliminating discrimination is good for Black and brown communities that held back by the harmful practices and the economy overall. Now, is the time to ensure that the financial services system mirrors the rich diversity of our nation, including in the C-suites and boardrooms. A report from McKinsey & Company notes that at the entry level US financial services firms employ around 40 percent people of color, which is in line with the representation of people of color in society generally. However, these figures drop substantially as an employee reaches the C-suite by 75 percent.\textsuperscript{140} Nine out of ten C-suite financial services leaders are white.\textsuperscript{141} The numbers show that women of color face some of the greatest obstacles climbing the corporate ladder in the financial services industry with Latina women the least likely to reach the top level of an organization.\textsuperscript{142} Further, employees that identify as an “only” report high levels of isolation and missed career opportunities because of discrimination.\textsuperscript{143} The report shows that 75 percent of Black employees above entry level are only, compared with 40 percent of Latinx, 31 percent of Asian, and 4 percent of white employees.\textsuperscript{144}

Much remains to be done to change established practices of exploitation. It is long past time for firms to establish stronger pipelines to our nation’s Historically Black Colleges and Universities and other Minority Serving Institutions. They can also create partnerships with minority depository institutions and community development financial institutions that have successful track records of serving communities of color. Further, financial services firms would benefit from taking a long-term view of the financial needs of communities of color, especially as projected growth in areas such as the mortgage market will be comprised mostly of Black and brown consumers. Our nation’s fair lending laws empower firms with the tools that they need to reach underserved communities and help to bring them into the economic mainstream.

Moreover, federal banking regulators should also do the same. It was recently reported by the New York Times that only 2 out of more than 400 economists at the Federal Reserve in DC are Black.\textsuperscript{145} Diverse staff members bring lived experience that can be an asset in the workplace, as President Biden stated in his recent orders on racial equity, “[b]y advancing equity across the Federal Government, we

\textsuperscript{139} Id.
\textsuperscript{140} Id.
\textsuperscript{141} See id. The proportion of white men in the C-suite is 112 percent higher than at entry level, but this proportion is 80 percent lower for white women, 60 percent lower for men of color, and 90 percent lower for women of color.
\textsuperscript{142} Id.
\textsuperscript{143} Id.
\textsuperscript{144} Id.
can create opportunities for the improvement of communities that have been historically underserved, which benefits everyone.”

Conclusion

Present-day homeownership disparities did not occur by happenstance. Bold new ideas are needed to create equity in mortgage lending and ensure that all credit worthy borrowers have access to the safe and affordable mortgage loans they deserve. Acting now will benefit underserved Black and brown communities and the economy overall.

Appendix 1
First Generation Down Payment Assistance Program Proposal

Homeownership is the primary way that most families build wealth and achieve economic stability. But buying a home is an expensive proposition, and the upfront costs stand as a significant impediment, especially for those who cannot fall back on their families for help with a down payment and closing costs. Accordingly, we welcome and applaud the efforts to develop a new DPA program to complement existing programs and put homeownership in reach of those currently excluded from the market.

For people of color, homeownership is especially elusive. For decades, federally-sanctioned discrimination in the housing finance system denied them access to homeownership opportunity on parity with Whites as discussed in Section I above. As a result of this and other forms of long-standing institutional discrimination, Black and Hispanic families have less wealth and lower homeownership rates, and thus less ability to provide financial assistance to their children. At the same time, broader societal discrimination, including in education and employment, have produced a massive income gap that makes it more difficult for Black and Hispanic families to accumulate sufficient savings. For those and other reasons, access to homeownership and its wealth-building benefits continue to be delayed or denied to far too many people of color and other low-wealth families, and the wealth gap continues to grow.

The numbers tell the story. The homeownership rate for Blacks under age 35 is below 20%—less than half the rate for Whites. The gap closes some over the lifecycle, but even for those aged 35-54, the Black homeownership rate is just 50% compared to over 70% for Whites. Overall, the gap—more precisely, the chasm—today is even higher than it was in 1968 when the Fair Housing Act was enacted. Bringing the Black homeownership rate up to the level of Whites would require increasing the number of Black homeowners by roughly five million, which would represent approximately a 66% increase.

Even more troubling, the Urban Institute projects that over the next twenty years all net new household growth will be from families of color, but that the homeownership rate, left unaddressed, will continue to fall for every age group. Even more starkly, the same study projects that the Black homeownership rate will fall even further by 2040, with the decline particularly pronounced for households age 45-74. This is an economic disaster for the Black families who will be unable to achieve homeownership, but it is also a moral and economic problem for the country. The safety and soundness of the future mortgage market depends on there being consumers who can access safe and responsible loans. Acting now to increase homeownership among underserved communities is a cost-effective solution to strengthen the middle-class and grow the economy.

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147 The proposal is a joint project of the Center for Responsible Lending, National Fair Housing Alliance, and Self-Help. Appreciations to the Urban Institute Housing Finance Policy Center for its research and data analysis on this proposal.

148 Bhutta et al., Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances

149 Urban Institute, By 2080, the US Will Experience Modest Homeownership Declines, But for Black Households, the Impact Will Be Dramatic

Further, even those Black families who eventually are able to assemble a down payment and money for closing costs are able to afford less home and must take out more debt at a higher cost than whites; that plus the delay in entering the market depresses Black families’ ability to accumulate wealth through their investment.\footnote{Urban Institute. “Those differences between black and white homeownership that add to the housing wealth gap.”}

A robust and sustained federally-funded DPA program is a proven strategy that can begin to address these barriers and facilitate new homeownership. Although there undoubtedly are millions of young families for whom down payment assistance could accelerate their path to homeownership, given limited resources, it is essential that this program be targeted in a way that delivers on President Biden’s promise to address the long-term discrimination and racial inequities that continue to plague our society, especially those rooted in exclusionary housing policies.\footnote{See Executive Order 13985 Advancing Racial Equity and Support for Underserved Communities Through the Federal Government; January 20, 2021. 86 FR 7009. See also Presidential Memorandum Addressing Our Nation’s and the Federal Government’s History of Discriminatory Housing Practices and Policies; January 20, 2021. 86 FR 7487.}

It is also critical that the program reaches potential homebuyers who bear the burdens of past discrimination and who may never be able to achieve the dream of homeownership without this assistance. The following proposal is recommended to target a DPA program to accomplish these objectives.

**Part 1: Core Program Elements**

The group most in need of DPA assistance are those who neither have the income to accumulate money for a down payment nor family resources to draw upon for these purposes but are able to afford the monthly payments for a mortgage. Accordingly, drawing on the approach in the educational arena in which there are special programs targeting first-generation college students, we recommend that the core program be limited to first-generation, first-time homebuyers within certain income limits. We would add to this a house price limit as an additional safeguard to assure the money is well targeted.

**Eligibility Criteria**

The following table summarizes the criteria that recipients of the DPA would have to meet. Appendix 1a has an analysis of the number and percent of eligible individuals based on these criteria.

<table>
<thead>
<tr>
<th>Eligibility Criteria</th>
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<tr>
<td>Borrower Status</td>
<td>First-Generation Homebuyer\footnote{Urban Institute. “Those differences between black and white homeownership that add to the housing wealth gap.”}</td>
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<tr>
<td>First Home Requirement</td>
<td>First-Time Homebuyer\footnote{We include within the category of “first generation homebuyer” those whose parents never owned a home, those whose parents owned a home but lost it to foreclosure, and those who grew up in foster care. Modeled on the first generation homebuyer assistance program of the Massachusetts Affordable Housing Alliance, borrowers would self-certify, as first generation college students currently do. In particular, at least one of the borrowers would certify to the best of their knowledge via affidavit that: (1) their parents never owned a home while the borrower was alive; (2) their parents owned a home while the borrower was alive but lost it through foreclosure, deed-in-lieu, or short sale; or (3) they were in foster care for some period of time as a minor. If the borrower is found to have provided false information, they must return the money (without criminal or civil penalties). Applicants may be required to provide their parents’ full names and most recent addresses.)}</td>
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\footnote{We include within the category of “first generation homebuyer” those whose parents never owned a home, those whose parents owned a home but lost it to foreclosure, and those who grew up in foster care. Modeled on the first generation homebuyer assistance program of the Massachusetts Affordable Housing Alliance, borrowers would self-certify, as first generation college students currently do. In particular, at least one of the borrowers would certify to the best of their knowledge via affidavit that: (1) their parents never owned a home while the borrower was alive; (2) their parents owned a home while the borrower was alive but lost it through foreclosure, deed-in-lieu, or short sale; or (3) they were in foster care for some period of time as a minor. If the borrower is found to have provided false information, they must return the money (without criminal or civil penalties). Applicants may be required to provide their parents’ full names and most recent addresses.)}

\footnote{All borrowers (and spouse of a borrower if not a co-borrower) must certify to being First Time Homebuyers. An individual is to be considered a first-time homebuyer who (1) is purchasing the security property; (2) will reside in the security property as a principal residence; and (3) had no ownership interest (sole or joint) in a residential property during the three-year period preceding the date of the purchase of the security property. In addition, an}
The rationale for targeting first-generation homebuyers is clear: those whose parents were the victims of exclusionary housing policies or otherwise unable to become homeowners are unlikely to have the benefit of intergenerational wealth and thus are most likely to be limited in their ability to purchase by the long-standing and massive racial wealth gap. Given that first-generation homebuyers almost certainly cannot turn to their parents for assistance with a home purchase and must rely on whatever savings they have been able to accumulate, we also recommend an income limit above the traditional line defining low-income families — 80% of Area Median Income (AMI) — in recognition of the fact that families with incomes above that level (which translates to roughly $62,000 on a national basis), but without the benefit of intergenerational wealth, face severe challenges in achieving homeownership.

Our recommended income limit of 120% of AMI (approximately $94,000 on a national basis) would create an eligible universe of 12.8 million first-generation homebuyer households nationwide. Importantly, although not surprisingly, precisely because it has been so difficult for Black and Hispanic families to obtain homes in the past and because of the large income gap between white families and families of color, the first generation homebuying population with incomes below 120% of the AMI is disproportionately comprised of people of color. Indeed, fully 60% of this population are Black (42%) or Hispanic (24%), although the percentage drops to 60% (32% Black, 27% Hispanic) if we were to assume that those with incomes below 40% of AMI and younger than 25 or over age 54 as a practical matter are unlikely to participate in this first-time homebuyer program. See Appendix 1 for a detailed analysis of targeting First Generation, First Time Homebuyers.

Many programs aimed at first-time homebuyers provide eligibility for all low-income households, i.e. for all families with income up to 80% of AMI. We recognize that obtaining homeownership is a struggle for low-income families generally. However, we estimate that there would be 28.8 million eligible households if the DPA program were open to all such households, of whom roughly half have incomes above 40% of AMI. Among that group, further limited to the age range of 25 – 54, 45% would be white compared to just 23% Black and 23% Hispanic (with the rest falling in the “other” category). Moreover, with an eligible universe of 28.8 million families, the almost inevitable result would be that those best able to work the system would succeed in getting the available DPA dollars. Such a result would not begin to shrink disparities — and could even increase — the Black-white homeownership gap. See Appendix 1b for a detailed analysis of targeting Low-Income, First Time Homebuyers.

Focused Delivery Channel Criteria

Even with the eligibility limitations recommended above, the universe of eligible and likely participants, i.e. those meeting the eligibility criteria who are likely participants, with incomes above 40% of AMI and between the ages of 25 and 54, would be large (5.4 million). It would take over $100 billion dollars to serve all those households. Although we believe that the size of the program should be commensurate to the need, we recognize that there likely will be substantially more eligible would be buyers than funds available for DPA. For that reason, the channels through which DPA will be delivered are every bit

individual who is a displaced homemaker or single parent also will be considered a first-time homebuyer if he or she had no ownership interest in a principal residence (other than a joint ownership interest with a spouse) during the preceding three-year time period.
as important as the eligibility criteria to assure that the program works as intended. Previous experience with homeownership assistance funds, specifically the Hardest Hit Fund, have demonstrated that without targeting, resources will not equitably reach Black and brown communities. Black and Hispanic communities lost $1 trillion in wealth during the Great Recession as much of the relief came too late and lacked the programmatic designs necessary to reach the needs of Black and Latino communities. 113

Specifically, we recommend the following approach to allocating funds and to selecting recipient agencies to administer the funds. The DPA funds should be appropriated to the CDFI Fund for it to disburse as set forth below and subject to the requirement that the Treasury Department and CDFI Fund must explicitly acknowledge that the CDFI Fund is subject to the Fair Housing Act’s Affirmatively Furthering Fair Housing mandate. The CDFI Fund would be responsible for disbursing 50% of the funds through a competitive grant process to “Targeted DPA Administrators” who would be organizations with the capabilities and commitments to administer funds to achieve the Program’s overall objectives. The Targeted DPA Administrators would, in turn, provide DPA to eligible mortgage applicants sourced through retail and wholesale channels. Although CDFIs could apply for funding through this competitive process, they would be judged by the same criteria as all other bidders and would not be provided with any competitive advantage.

A Consumer Advisory Board will be established to advise and consult with the CDFI Fund in the exercise of its functions in administering the DPA and will help ensure compliance with the requirements laid out in the legislation establishing the DPA. The Consumer Advisory Board will be composed of experts in civil rights, fair housing, fair lending, consumer protection, housing counseling, consumer financial products or services; representatives of financial institutions that primarily serve underserved communities; representatives of communities that have been under-served by the financial services mainstream industry; and real estate housing professionals drawn from and serving underserved communities. Geographic diversity will be a criterion for selection, including allocating at least one seat for a community representative from the Deep South.

We recommend that the remaining 50% of the funds (plus any of the first 50% not delivered through the competitive process) be disbursed to state Housing Finance Agencies (HFAs) in accordance with a formula based on the number of renters in each state but with the requirement that to obtain a disbursement the HFA must meet certain criteria as set forth below.

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### Channel Summary Table:

<table>
<thead>
<tr>
<th>DPA Delivery Channel</th>
<th>Allocation</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Targeted DPA Administrators</td>
<td>50%</td>
<td>Annual competitive process that awards allocations based on the criteria set forth below. If the selected Targeted DPA Administrators do not have sufficient capacity to deploy this 50%, remaining unallocated funds can be distributed via state HFAs.</td>
</tr>
<tr>
<td>State Housing Finance Agencies</td>
<td>50%</td>
<td>Allocation methodology to State HFAs based on number of renters in each state; requirement that to be eligible to receive funds HFAs (1) have an AFFH Plan and (2) have existing partnerships with federally-insured depositories, mortgage banks, non-profit loan funds, and/or mortgage brokers that serve underserved groups, nonprofit intermediaries, including local fair housing organizations and/or community development corporations.</td>
</tr>
</tbody>
</table>

**Targeted DPA Administrators may include:**
- Federal Home Loan Banks;
- Community Development Financial Institutions;
- Community Development Credit Unions;
- Non-profit community lenders;
- Minority Depository Institutions; and
- Depository and non-depository mortgage lenders for use in conjunction with Special Purpose Credit programs.

**Criteria used to select Targeted DPA Administrators in the competitive process described above should include:**
- Strong track record of serving first-time Black, Hispanic, Asian American and Pacific Islander, and Native homebuyers and other underserved populations;
- Affirmative outreach plan to reach underserved populations, including existing and/or new partnerships with mortgage brokers that serve underserved communities;
- Partnerships with nonprofit intermediaries, including local fair housing organizations and community development corporations;
- Adoption of an Affirmatively Furthering Fair Housing Plan;
- Relationship with HUD-approved housing counseling agencies to prepare potential homebuyers; and
- Use of innovative products and programs that address barriers to attaining and sustaining homeownership.

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136 This section incorporates recommendations from the Black Homeownership Collaborative.
Amount of Assistance

In determining how much assistance should be available to eligible participants it is important to recognize the challenges first-generation homebuyers face in accumulating sufficient savings to purchase a home. We estimate that it would take nine years for a household earning the median income to save sufficient money to be able to make even a 3% down payment and cover the closing costs on a median-priced home. The table below shows a simplified calculation of the minimum cash required to purchase the median home in 2020. Given this reality, we recommend that the program provide a minimum of $20,000 of DPA to eligible families (could be adjusted up for high cost markets). That would significantly reduce the number of years of savings required to purchase their first home to three years. Further, for those able to accumulate some savings, a $20,000 DPA grant could be used to reduce the mortgage amount, which would make the housing payment more affordable for lower income families and help the family create wealth faster. A $20,000 DPA also would enable at least some families to preserve some of their own money for a critical reserve to maintain the home or manage through unforeseen life events.

Additional Requirements

Liquidity: The DPA program should include a requirement that the Government Sponsored Enterprises (Fannie Mae, Freddie Mac, and Federal Home Loan Banks) provide ongoing assistance and liquidity instruments to support this program.

Accountability and Transparency: Every administrator that receives funds under the DPA program, including each HFA recipient, should be required to report program results to the CDFI Fund in a timely manner in an electronically accessible format specified by the CDFI Fund and at intervals specified by the CDFI Fund but initially no less frequently than annually. The report should include applicant and loan-level data sufficient to assess the extent to which the program is adequately and safely closing homeownership and wealth gaps between and among racial and ethnic groups (including but not limited to applicant demographic information, application outcomes, terms of the DPA assistance), and property information (including geography, property value and type, and first mortgage type and investor). The loan-level data should be made publicly available by the CDFI Fund subject to modifications made by CDFI Fund to protect the privacy of borrowers in a manner consistent with the accountability purposes of this section.

Program Evaluation: The program should be evaluated 24 months after the initial disbursement of funds under this program. The CDFI Fund shall issue a report evaluating the program’s effectiveness in achieving its objectives, including closing homeownership and wealth gaps between and among racial

<table>
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<tr>
<th>Funds Needed</th>
<th>$</th>
<th>% of Home Price</th>
<th>Funds Required</th>
<th>$</th>
<th>% of Home Price</th>
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<tr>
<td>Median Home</td>
<td>334,700</td>
<td>100.0%</td>
<td>Mortgage</td>
<td>324,659</td>
<td>97.0%</td>
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<tr>
<td>Closing Costs</td>
<td>10,941</td>
<td>3.3%</td>
<td>Borrower Cash</td>
<td>29,201</td>
<td>8.7%</td>
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<tr>
<td>Moving Costs</td>
<td>1,250</td>
<td>0.4%</td>
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<tr>
<td>Reserves</td>
<td>5,494</td>
<td>1.6%</td>
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<td>First Year Taxes</td>
<td>2,375</td>
<td>0.7%</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Total Required</td>
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<td>105.7%</td>
<td>Total Required</td>
<td>353,860</td>
<td>105.7%</td>
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</table>

157 Calculations on file with Center for Responsible Lending; available on request.
158 CNBC, Here’s how much you will really need to buy your first home (Hint: It’s more than you think)
and ethnic groups and enabling socially and economically disadvantaged households to become homeowners in a manner that is likely to enable them to sustainably remain homeowners and to build their family’s assets. The program will be re-evaluated every 12 months after the initial 24-month initial evaluation.

**Part 2: Program Element to Enhance Targeting**

Within 60 days after enactment of the legislation, the Department of Housing and Urban Development and the Department of Justice should be required to jointly prepare and release a report analyzing the evidence of the existence and continuing effects of discrimination in the mortgage lending market that precludes certain classes of consumers from fairly obtaining credit. The report should also analyze evidence of structural or other barriers, such as policies, systems, technologies, practices, or other impediments that restrict the ability of socially and economically disadvantaged groups to fairly access mortgage credit.

The report must evaluate the extent to which there exists a significant gap in mortgage credit access for socially and economically disadvantaged groups, including Black, Hispanic, Native American, Asian American, and other groups. The analysis must also examine whether existing race-neutral lending programs, including the program established in Part 1 by this legislation, will be sufficient to cause a significant decline in the access gap such that the nation is put on a firm trajectory toward homeownership parity among advantaged and disadvantaged groups.

The purpose of this report shall be to determine whether adding the consideration of race to the DPA program, along with other modifications, are necessary to achieve the compelling governmental interest of eliminating the effects of past and present discrimination in the mortgage lending market so that all people, including underserved communities, have equal access.

In the event the Department of Housing and Urban Development and Department of Justice determine that the gap in access to mortgage credit is unlikely to be closed by the Core Program Elements as set forth in Part 1, Administrators shall establish programs—including a modification to the program in Part 1—that use race-conscious remedies to overcome discriminatory barriers to serving socially and economically disadvantaged people, using a rebuttable presumption that people of color are socially and economically disadvantaged.

**Conclusion**

Homeownership is the primary way that most Americans build wealth. Unfortunately, historic and ongoing discriminatory housing policies result in Black families and other people of color being excluded from having access to owning a home. As a result, persistent and growing racial wealth gaps continue with many hardworking families lacking the resources to save for a down payment to purchase their first home. A targeted down payment assistance program will serve as a critical first step in addressing these disparities, strengthening the wealth building capacity for millions while also growing the economy.
### Appendix 3a: Targeting of First Generation, First Time Homebuyers with <120% AMI

<table>
<thead>
<tr>
<th>Race</th>
<th>Total Households (Millions)</th>
<th>White</th>
<th>Black</th>
<th>Latino</th>
<th>Other</th>
<th>Total</th>
<th>Black &amp; Latino</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>84.9</td>
<td>17.1</td>
<td>17.7</td>
<td>8.6</td>
<td>128.5</td>
<td>34.7</td>
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<tr>
<td></td>
<td>% of Total Households</td>
<td>66%</td>
<td>13%</td>
<td>14%</td>
<td>7%</td>
<td>100%</td>
<td>27%</td>
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<table>
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<th>Race</th>
<th>Eligible Households</th>
<th>% of All Above, First Generation Homebuyer</th>
<th>20%</th>
<th>40%</th>
<th>60%</th>
<th>Total</th>
<th>Black &amp; Latino</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>9%</td>
<td>18%</td>
<td>27%</td>
<td>74%</td>
<td>39%</td>
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<td></td>
<td></td>
<td></td>
<td>3%</td>
<td>9%</td>
<td>27%</td>
<td>36%</td>
<td>54%</td>
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<th>Race</th>
<th>Likely Program Participants</th>
<th>% of Total Likely Program Participants</th>
<th>20%</th>
<th>40%</th>
<th>60%</th>
<th>Total</th>
<th>Black &amp; Latino</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>10%</td>
<td>20%</td>
<td>30%</td>
<td>54%</td>
<td>44%</td>
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(1) Census Bureau “Historical Households Tables”, calculated using 2020 estimates for number of households by race from Table HH-7.

### Appendix 3b: Targeting of First Time Homebuyers with <80% AMI

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<tr>
<th>Race</th>
<th>Total Households (Millions)</th>
<th>White</th>
<th>Black</th>
<th>Latino</th>
<th>Other</th>
<th>Total</th>
<th>Black &amp; Latino</th>
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<tbody>
<tr>
<td></td>
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<td>84.9</td>
<td>17.1</td>
<td>17.7</td>
<td>8.6</td>
<td>128.5</td>
<td>34.7</td>
</tr>
<tr>
<td></td>
<td>% of Total Households</td>
<td>66%</td>
<td>13%</td>
<td>14%</td>
<td>7%</td>
<td>100%</td>
<td>27%</td>
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<table>
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<tr>
<th>Race</th>
<th>Eligible Households</th>
<th>% of All Above, Eligible Income Above 40% AMI</th>
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<th>8%</th>
<th>16%</th>
<th>Total</th>
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<td></td>
<td></td>
<td></td>
<td>3%</td>
<td>6%</td>
<td>9%</td>
<td>19%</td>
<td>54%</td>
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<table>
<thead>
<tr>
<th>Race</th>
<th>Likely Program Participants</th>
<th>% of Total Likely Program Participants</th>
<th>10%</th>
<th>20%</th>
<th>30%</th>
<th>Total</th>
<th>Black &amp; Latino</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>10%</td>
<td>20%</td>
<td>30%</td>
<td>54%</td>
<td>44%</td>
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(1) Census Bureau “Historical Households Tables”, calculated using 2020 estimates for number of households by race from Table HH-7.

(2) From the “Quarterly Residential Vacancies and Homeownership, Fourth Quarter 2020” report published by the Census Bureau.

(3) Urban Institute calculations using PDF data.
Introduction

Good morning, my name is Paulina Gonzalez-Brito. I’m the Executive Director of the California Reinvestment Coalition. I am purepecha, mestiza, chicana, my people come from the original people of Michoacan and Zacatecas, Mexico. My grandfather repatriated to the US after being deported from Arizona, even as a US citizen in the 1930s. He was then lucky enough to buy a home in South East Los Angeles, only after my mother and my aunts and uncles were old enough to work and help pay the down payment and mortgage. The neighborhood where he was going to buy the house was designated in the HUD redlining maps as yellow. The legend on the map described this yellow area as “under threat of infiltration by Mexicans.” We were the Mexicans they were worried about.

Serial Wealth Extraction and Denial of Opportunity Set in Policies, Practices, and Ideology of the US Banking System

The US banking system has failed to serve Black, Indigenous, and People of Color. This failure is not an accident, but a deliberate structural and systemic design baked in white supremacy and fully backed by the US government. Through housing, lending, and financial product policies bolstered by practices of exclusion, anti-Black ideology, and extraction from Black people first and foremost and People of Color generally, the US has profited from our labor while denying us wealth. Disparities in wealth by race and ethnicity are stark and point to their origins in historical policies and practices. The most recent data from the Federal Reserve Consumer Data Survey shows that white families have a median household wealth of $184,000, while a Black family has $23,000 and a Latinx family has $38,000. The Federal Reserve recognizes that this disparity for Black families has resulted from historical barriers that include the Homestead Act, the Social Security Act of 1935, the GI Bill of 1944, redlining, and
discrimination in the criminal justice system. The Social Security Act, as an example, excluded domestic workers and farmworkers; these jobs were often held by Black men and women. The Social Security Act, like the National Labor Relations Act, still excludes domestic workers and farmworkers, continuing the exclusion of many Black and Latinx women and men.

The murder of George Floyd, and the murder of countless Black men and women before and after him, and the Movement for Black Lives has forced a reckoning with racism and white supremacy. The financial system is not immune to this call to action.

To finally achieve equity and true justice for all in housing and financial services, we must dismantle white supremacy throughout the banking system, recognize past harms, and acknowledge that these harmful and racist policies continue to this day and contribute to compounding harm. This will require bold and targeted policies with or without federal reparation policies, noted Angela Glover-Blackwell and Michael McFie in their New York Times Op-Ed in June of 2020. The two continued, "This will require more than taking a knee, it will require taking a stand."

A Housing Market Built to Extract and Deny

HUD redlining maps are an example of the nation’s federal housing policy that declared that Black, Mexican, and "foreign" residents were "high risk." Standards were written for lending that favored those who were deemed "less risky," and deprived homeownership and wealth-building opportunities to Black and Brown Americans. This is what we think of when we think of racism, a relic of the past that no longer impacts the economic opportunities of Black and Brown Americans today. But, the practices put in place within the housing market set the stage for predetermining the socio-economic status of BIPOC for years to come, and these policies and practices within the housing market continue to compound the harm from generations past.

For example, Latinx households experienced a 44.3 percent loss of wealth from the foreclosure crisis of 2008. Black households saw a 47.6 percent loss of wealth during that time period, while white households saw just a 26.1 percent loss of wealth. That massive extraction of wealth continues through the policies the housing industry practices to this day.

Corporate landlords quickly swooped in and bought foreclosed properties from banks in the wake of the 2008 foreclosure crisis, completing the greatest wealth transfer in history. The compounding harm continues.

The largest corporate landlords today control more than two million apartment units across the US.\(^5\) These corporations, which are often owned or led by white\(^6\) male mega-millionaires and billionaires, have amassed $300 billion for pandemic-hit real estate\(^7\) and have filed to evict more than 16,000 people in the first two months of 2021, even with a nationwide eviction moratorium ordered by the Centers for Disease Control and Prevention in place.\(^8\)

We are concerned investors are stockpiling cash, as they did during the last economic crisis, to once again increase their holdings,\(^7\) while raising rents\(^9\) and evicting tenants in distress.\(^9\)

Invitation Homes Inc., the country’s largest rental-home owner, recently disclosed a joint venture that will result in more than $1 billion for the landlord’s ongoing house hunt. Invitation Homes, which owns about 80,000 houses, has been buying at a clip of roughly $200 million a quarter since a pause at the onset of the pandemic. It sold $448 million of new shares in June to fuel its expansion, and the agreement will add enough cash to buy about 3,500 more homes. Landlords including Invitation Homes and American Homes 4 Rent have reported record occupancy and rising rents despite widespread job loss and economic upheaval.\(^10\) According to the Action Center on Race and the Economy (ACRE), real estate investment funds have amassed $142

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\(^5\) https://www.nmhc.org/research-insight/the-nmhc-50/top-50-lists/2020-top-owners-list/

\(^6\) Roughly 75% of landlords across the U.S. are white, according to a survey by Foremost Insurance Group. https://time.com/?s%202020/06/04/housing-crisis-

\(^7\) https://www.cpiece.com/articles/invitation-rockpoint-force-1-billion-rental-home-venture-1160209/5909

\(^8\) Private Equity Has $300 Billion for Pandemic-Hit Real Estate (Bloomberg 3/1/21)

\(^9\) https://poststechholder.org/despite-cdc-eviction-moratorium-private-equity-firms-and-other-large-landlords-have-filed-to-evict-more-than-16000-peop...

\(^10\) https://www.wsj.com/articles/invitation-rockpoint-force-1-billion-rental-home-venture-1160209/5909
billion that it is ready to spend on distressed and opportunistic real estate investments,\textsuperscript{13} all the while having profited to the tune of $470 billion from federal tax breaks\textsuperscript{12} and while exerting undue influence on state and local politics to further their extractive agendas.\textsuperscript{13}

While Wall Street profits from the pandemic, homeowners of color and first-time homebuyers are facing racism in home appraisals as well as other unfair practices that carry potentially huge implications for closing the racial wealth gap. California Reinvestment Coalition members are reporting deflated home appraisals for borrowers of color, which depletes hard-earned wealth. Working-class families, too, are being asked to waive appraisal contingencies in order to place competitive bids in tight markets, like Los Angeles.

Low-ball appraisals deprive homebuyers of the full benefits of homeownership, requiring them to take out higher rate loans or preventing them from accessing the entire equity in their homes to make home repairs, start a business, or put a child through school. They can even frustrate home sales if a buyer’s deflated appraisal comes in below the negotiated sales price, resulting in a buyer’s loan falling through, requiring buyers to come up cash to fill the gap, and possibly forcing the seller to accept less to sell the home. This translates directly into less wealth to pass on to the next generation. One study found that the difference in average home appraisals between majority-white neighborhoods and those that are majority-Black/Latino has doubled since 1980.\textsuperscript{14}

At the same time, homeownership remains out of reach for many people of color. The National Community Reinvestment Coalition reports that in the past 15 years, Black homeownership has seen the most dramatic drop of any racial or ethnic group, and the Black homeownership rate in 2019 had descended to nearly as low as it was when discrimination was legal.\textsuperscript{15} Currently, the average Black homeowner likely owes more in

\textsuperscript{14} https://www.bloomberg.com/news/articles/2021-02-03/appraisers-acknowledge-bias-in-homevaluations?mc_cid=7f6d6eb7b0&mc_eid=d6d00a5e2f
mortgage debt than their white counterparts on a house with less value.\textsuperscript{14} This represents yet another example of compounding racial harm, where inequity builds upon inequity.

The pandemic has layered housing insecurity on top of a protracted and only partial recovery from the financial crisis for BIPOC communities where government and health mandates require families to stay safely at home. According to the Consumer Financial Protection Bureau (CFPB or Bureau), as of December 2020, more than 11 million households were overdue on their rent or mortgage payments, placing them at heightened risk of losing their homes to foreclosure or eviction. Of these households, the Bureau noted that Black and Latinx households bear a disproportionate financial burden and were more than twice as likely to report being behind on housing payments than white families.\textsuperscript{17} Households of color were twice as likely to be behind on rent than white households, according to the Joint Center for Housing Studies of Harvard, which found nearly 23 percent of Black, 20 percent of Latinx and 19 percent of Asian renter households reported they were behind on rent, compared with only 9.8 percent of white households.\textsuperscript{18} Eighty-six percent (86\%) of participating families in CRC’s Economic Health Promotora program, mostly Latinx families, reported difficulty making rental payments.

“\textit{No Blacks and Mexicans Allowed}?” Yet Extractive Products Abound

Black and Brown consumers continue to be shut out of mainstream banking and forced to rely on high-cost payday lenders, pawnshops, Merchant Cash Advance lenders, and check cashers. Nearly one-third of Latinx families are unbanked or underbanked, and the figure is an astounding 46 percent of African American households that are without a bank account or that have a bank account but use alternative and higher cost financial services.\textsuperscript{19} Due to a legacy of discrimination and redlining, banks are often seen as hostile and unwelcoming by communities. They often do not have leadership or staff that look like or speak the languages of their customers, and many have policies in place to exclude and deny. According to a McKinsey study in August of 2019, “... banks in predominantly black neighborhoods require higher minimum balances (5871) than banks in white neighborhoods do (5626). Unsurprisingly, 30 percent of black families are underserved by

\textsuperscript{14} \url{https://nccrc.org/62-black-homeownership-a-radical-goal-for-black-wealth-development?sec_id=096e4156&mc_cid=aeodeb0e2e8}
\textsuperscript{15} \url{https://files.consumerfinance.gov/f/documents/cfpb_Housing_insecurity_and_the_COVID-19_pandemic.pdf}
\textsuperscript{16} Additional statistics include: (i) 2.1 million households are more than 90 days behind on their payments; (ii) roughly 263,000 families noted as being “seriously behind” on their mortgages (and not enrolled in forbearance plans) will have limited options to avoid foreclosure once relief programs end; and (iii) an estimated 8.8 million tenant households are behind on their rent, with 9 percent of renters reporting that they are likely to be evicted in the next two months.
\textsuperscript{17} \url{https://www.chs.harvard.edu/blog/black-and-hispanic-renters-face-greatest-threat-eviction-pandemic}
their banks, and 17 percent are completely disconnected from the mainstream banking system because of a lack of assets and a lack of trust in financial institutions.”20 In addition, there aren’t enough banks in neighborhoods of color. On average, there are 41 financial institutions in majority-white counties for every 100,000 people, compared to 27 in non-white majority neighborhoods.21

CRC’s Promotora program works with hundreds of predominantly Latinx families. Responding to a survey from CRC, nearly all families reported taking out payday loans, which can carry Annual Percentage Rates (APRs) of 400 percent in California. Likewise, several respondents said they are afraid to open bank accounts or feel that banks treat them differently because they speak Spanish.22

While banks avoid serving communities of color in an act of modern-day redlining, high-cost lenders have targeted our communities in a predation model centered on selling cycles of debt and/or aggressive and possibly illegal debt collection practices. A report by the Lawyers Committee for Civil Rights on the geographic locations of high-cost loans in several states found evidence of higher concentrations of high-cost lenders in communities with high concentrations of low-income individuals/households, Black, Latinx, immigrants, and other people less likely to speak English.23

This model of aggressive debt collection practices, made worse by the pandemic, is exemplified by consumer finance lender Oportun. Oportun, which focuses its higher-cost lending products in Latinx and Latinx immigrant communities, has been the subject of media coverage for its aggressive and abusive debt collection practices;24 as well as a recent CFPB Civil Investigative Demand.25 The targeting of higher-cost products in Latinx communities is troubling and raises fair lending concerns. Late last year, Oportun applied for a national bank charter. CRC, along with its members and allies, joined the Center for Responsible Lending to oppose this application.26

22 California Reinvestment Coalition’s Economic Health Promotora Program, internal survey on file, forthcoming.
25 https://www.consumerfinance.gov/test-files/9646543_0400-4888_aave-62925e78023

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Big Banks Doing Less while Making More

At the same time that financial institutions are failing to help customers in distress and engaging in abusive practices, they are also failing to lend to homeowners, small businesses, and consumers in need of credit. The biggest U.S. banks reduced the portion of their collective balance sheets dedicated to loans to a new low, extending a trend that’s seen the largest lenders committing fewer resources to everyday borrowers. In 2020, loans from the country’s 25 largest banks decreased over 1% from this time last year, and the share of total assets devoted to loans is the lowest in 36 years.²⁷ These loans include those backed by the US Small Business Administration. As Americans struggle to pay rent and mortgages, put food on the table, and face record high unemployment—all of which was especially true for BIPOC communities—banks were granting fewer loans to help small businesses and households.

Wealth Absorbs Harm: The Disproportionate Impact of COVID 19

As noted wealth disparities amongst Black, Latinx, and white households have resulted from policies and practices that have predetermined our socio-economic status through generations. As our communities have lost income as the economy shut down in an attempt to save lives, the wealth disparities have caused devastating health and economic impacts. When a family member loses their job, they may be able to draw upon wealth from savings or equity in a home—if they have the ability to do so—in order to weather the financial storm. If they do not have wealth, the family may lose its home, forcing it to move in with another family or become homeless. In the middle of a pandemic, these are potentially devastating decisions and consequences.

Latinx people are suffering huge losses in employment due to COVID-19. We are two times more likely to contract COVID-19 than whites, and nearly three times more likely to die from it.²⁸ Latinx households, along with other communities of color, have also been disproportionately harmed by the economic fallout. We accounted for 23 percent of the initial job loss. Latinx women, in particular, have seen disproportionate economic impacts. Women accounted for 100 percent of U.S. job losses in December, with Hispanic or Latina

²⁸ The vaccination rate for Black Americans is half that of white people, and the gap for Hispanic people is even larger, according to a New York Times analysis of state-reported race and ethnicity information. https://www.nytimes.com/interactive/2021/03/05/us/covid-vaccine-racial-disparities.html?smid=fb-share&reqid=2779d6e4-ea5e-5e73-9f0e-9a91c33f925b
women alone accounting for 45 percent of that job loss.\textsuperscript{29} An astonishing 92 percent of CRC Promotoras participants have lost income or jobs due to the pandemic.\textsuperscript{30} Black and Latinx renter households have been particularly and disproportionately impacted by the pandemic downturn, with 59 percent of Latinx and 53 percent of Black renter households reporting income losses since mid-March 2020—far higher than the 45 percent of white households.\textsuperscript{31}

As COVID-19 disproportionately impacts Blacks and Latinx communities, banks are failing to help those in economic distress. A joint report by CRC and the San Francisco Office of Financial Empowerment, based on separate surveys of bank COVID-19 responses, found that banking relief was inconsistent, insufficiently transparent, and inadequate. After the release of our report, we called on banks and credit unions to work with local governments and consumer advocates and take bolder action to support account-holders, borrowers and their communities as a whole.\textsuperscript{32}

**Black and Latinx Small Businesses, Past Inequities Compound Harm**

Small Business Majority reports that Black and Latinx small businesses are more likely to close their small businesses permanently over the next few months than white-owned small businesses (18 percent compared to 14 percent), and Black, Latinx, and Asian owned small businesses (32, 29, and 25 percent respectively) are more likely to lay off employees permanently than white-owned small businesses (14 percent).\textsuperscript{33}

If wealth absorbs harm in preventing eviction and foreclosure, it also absorbs harm for small business owners in preventing business closures. Access to capital is the form in which a small business’s ability to withstand a crisis is measured. BIPOC-owned small businesses have less capital due to historical inequities related to structural barriers put in place that have prevented homeownership for BIPOC for generations. Without equity to pull from an owned home, little savings or collateral, BIPOC small businesses are especially vulnerable. In addition, white businesses not only have five times the amount of equity as Black businesses, they also have 10 times the income.\textsuperscript{34}

\textsuperscript{29} https://www.americanprogress.org/issues/economy/reports/2021/03/05/496733/latinos-face-disproportionate-health-economic-impacts-covid-19/
\textsuperscript{30} California Reinvestment Coalition’s Economic Health Promotora Program, internal survey on file, forthcoming.
\textsuperscript{31} https://www.hsph.harvard.edu/blog/black-and-hispanic-renters-face-greatest-threat-eviction-pandemic
\textsuperscript{33} https://smallbusinessmajority.org/our-research/small-businesses-continue-face-closures-2021
\textsuperscript{34} https://www.georgetown.edu/economics/2021/03/04/pandemic-black-hispanic-small-business/
Although federal recovery efforts were meant to help small business owners weather the economic impacts of COVID-19, they replicated past disparities by relying on a banking system that has yet to rectify the structural racism baked into its system. As a result, the Paycheck Protection Program (PPP), run primarily through banks, prioritized existing customers, which, as noted earlier, leaves a large part of the Black and Latinx population unbanked and underbanked. In the critical first round of loans, the PPP program reinforced the redlining patterns that have plagued past lending programs. The result was Black-owned small businesses received only 2 percent of PPP loans and Latino-owned businesses received 7 percent of PPP loans.  

The Brookings Institute found other devastating disparities in its analysis of US Treasury PPP lending data. On average, it took 31 days for small businesses with paid employees in majority-Black ZIP codes to receive a PPP loan, 7 days longer than small businesses in majority-white neighborhoods. For self-employed businesses, the loan delay between majoriy-Black and majority-white neighborhoods was nearly three weeks. As a result of the lack of access to big banks, BIPOC-owned small businesses had to rely on online and fintech lenders, which often have less favorable repayment terms and interest rates and may be unregulated.

Similar disparities were found amongst Latinx owned small businesses. The UCLA Latino Policy & Politics Initiative and the Center for Neighborhood Knowledge study on disparities in PPP lending released in March of this year found that in LA County, predominantly Latino neighborhoods got $367 in PPP loan money per resident, compared to $666 per resident in white neighborhoods. The same study found that although the Latinx population is the largest ethnic group in California, none of the majority-Latinx congressional districts in the state were in the top quintile of districts that received the greatest amount of PPP loan dollars.

Some might ask what factors might result in these disparities. In addition to the lack of banks in communities of color, the resulting high rates of unbanked and underbanked in Black and Latinx communities, and the impact of generations of barriers to homeownership drive the disparities. And, there is discrimination. Matched-paired testing by NCRC found discrimination in lending in the PPP program also led to fewer loans being made to Black small business owners. They found significant disparities between Black and white small business borrowers with similar credit profiles. Findings included: Black borrowers experienced a difference in

https://www.businessofbusiness.com/articles/black-owned-businesses-received-less-than-2-of-ppp-loans-while-whites-received-93/


https://www.latimes.com/california/story/2021-03-03/majority-white-areas-got-more-ppp-business-loan-money-than-latinx-areas-ucd-study


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levels of encouragement in applying for a loan, a difference in the products offered, and a difference in the information provided by the bank representative. 19

Dismantling White Supremacy: Changing Policies and Practices

We urge Congress, financial institutions, and regulators to aggressively pursue the following five anti-racist strategies:

1. Racial equity and redlining audits
2. Race-conscious remedies and Special Purpose Credit Programs
3. A strong Community Reinvestment Act (CRA)
4. Housing security
5. Increased BIPOC small business ownership

1. Racial Equity Audits

We believe all financial institutions should be subject to periodic racial equity audits, given their ignoble and devastating history of systemic racism and the profound impact this has had on intergenerational wealth building for BIPOC communities. In this, we acknowledge, appreciate and hope to build on the great work of Color of Change, SEIU Change to Win40, the National Community Reinvestment Coalition41, and others.

Just as no investor, partner, regulator or customer would want to evaluate a financial institution without the benefit of relying on a financial audit, we believe the time has come for all bank stakeholders to demand and rely upon a racial equity audit to evaluate whether a bank is, in fact, doing more than just engaging in symbolic gestures like “taking a knee” and is actually “taking a stand” to right past wrongs.

Banks should be subject to scrutiny as to their policies and practices relating to:

- Board, executive leadership, management and staff diversity
- Contracting with BIPOC, women, veteran, disabled, and LGBTQ+ owned businesses
- The volume and impact of CRA lending and investment in neighborhoods of color
- The mitigation and reparation for discrimination and harm that has a disproportionate impact Black, Indigenous, and People of Color

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19 https://www.nrrc.org/lending-discrimination-within-the-paycheck-protection-program/
40 https://calreinvestmentgroup.com/racial-equity-audit---text-%20on%20non%20white%20stakeholders
Policy matters, such as lobbying efforts at the federal, state, and local levels. Do banks’ practices in their lobbying efforts advance racial equity or do they continue to widen the racial wealth gap? Are banks financing, doing business with, or supporting the political fortunes of those who encourage and give comfort to white supremacists.

2. Race Conscious Remedies and Special Purpose Credit Programs

To remedy race-conscious discrimination, redlining and abuse, we need race-conscious remedies. One important vehicle for doing so is the Special Purpose Credit Program, or SPCP. The Equal Credit Opportunity Act identifies SPCPs as a way to protect a broad array of programs “specifically designed to prefer members of economically disadvantaged classes” and “to increase access to the credit market by persons previously foreclosed from it.”

In December of 2020, the CFPB issued a helpful advisory opinion to clarify the requirements for SPCPs. It noted that, “in designing a special purpose credit program, a for-profit organization must determine that the program will benefit a class of persons who would otherwise be denied credit or would receive it on less favorable terms...For example, if need is determined in accordance with (the rule), a for-profit organization’s written plan might identify a class of persons as minority residents of low-to moderate-income census tracts, residents of majority-Black census tracts, operators of small farms in rural counties, minority- or woman-owned small business owners, consumers with limited English proficiency, or residents living on tribal lands.”

SPCPs related to housing can play an essential role in reducing discrimination and promoting residential integration, and can advance wealth building through the promotion of small business ownership in underserved communities of color.

Just this year, CRC was pleased to join NROC in negotiating a $16 billion Community Benefits Agreement with First Citizens Bank as it seeks to acquire CIT Bank. First Citizens Bank agreed to honor the fair lending and reinvestment commitments made by CIT. In addition, First Citizens Bank agreed to additional measures, including a $5 million fund to subsidize BIPOC homeownership and to target these efforts, possibly through a

[Insert offset folio 51 here]

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63 Equal Credit Opportunity (Regulation B): Special Purpose Credit Programs (consumerfinance.gov)
64 https://www.norc.org/press/20191113/Special-Purpose-Credit-Programs.pdf

special purpose credit program. All banks should look to develop SCPs to target needed products to underserved groups, including homeowners, small businesses and consumers of color.

3. A Strong Community Reinvestment Act (CRA)

We need a strong CRA to ensure people and communities have access to the financial mainstream and pathways to economic stability and wealth building. This impacts both housing security and small business ownership for BIPOC communities. In recent years, the Office of the Comptroller of the Currency has moved recklessly yet deliberately to gut the CRA rules. CRC joined NAR and Democracy Forward in challenging that rulemaking process as arbitrary and contrary to law. Whether through litigation or policy changes from the new Administration, the OCC CRA rule must go. We look forward to a new Comptroller being confirmed soon, and we support Chair Waters’ proposed House Resolution of Disapproval on the OCC’s Community Reinvestment Act Final Rule.

We appreciate that the Federal Reserve Board did not join the OCC in adopting its harmful rule, and we are hopeful that the Board’s rulemaking process, begun with the recent Advanced Notice of Proposed Rulemaking, will allow the three banking regulatory agencies to come together in a unified way. But we urge the regulators to be more ambitious with the rulemaking to ensure that banks will begin to right the wrongs of the past and to provide redress. To that end, a strong CRA rule must adhere to the following principles:

- Enshrine Race-conscious CRA*
- End CRA grade inflation and ensure greater reinvestment.
- Imose consequences for discrimination, displacement and harm caused.
- Expand scrutiny of financial services such as branches and bank accounts.
- Increase community participation, scrutiny of bank merger applications, and incentives for banks to enter into Community Benefits Agreements.
- Tie reinvestment obligations to bank presence and where banks seek to profit.
- Encourage reinvestment in poorly served areas like rural and Native American communities and investigate any failure to serve tribal lands for possible fair housing or fair lending violations.

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To see CRC’s comment letter on the Board’s ANPR, visit: https://www.federalreserve.gov/SECRS/2021/February/20210225/R-17233R-17233.022621.127935.444225610539.1.pdf

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On the issue of a race-conscious CRA, this would seem a no-brainer. CRA came into being to directly address the racist history of redlining, but has been interpreted to focus only on income. To finally address redlining as was intended, CRA must take into account how banks are meeting the needs of their communities by evaluating how they are meeting credit and financial service needs by race and ethnicity, and by incorporating racial equity audits into the analysis.

Given the history of private commercial banks not adequately serving BIPOC communities, it is imperative that we pursue and support bold strategies such as the formation of public banks, including postal banking (Thalib, Ocasio Cortez)\(^5\), and public bank accounts as an alternative to Wall Street banks.\(^6\)

4. Strengthen Housing Security

Financial institutions have always had an outsized influence on housing security, often pushing borrowers of color away from homeownership, and to high-cost lenders that make financial independence and housing stability a challenge. This makes it impossible for families to build intergenerational wealth. But this influence is magnified during the COVID-19 pandemic, when millions are at risk of losing their homes. A multi-pronged policy approach is needed to stabilize and nurture families at this time.

Preserve and Build BIPOC Homeownership

Homeownership remains the primary path to asset building and wealth for American families, and the homeownership gap between white residents and everyone else is a continuing travesty. Housing counseling and preservation funds, and strong loss mitigation protocols are needed to keep families, especially Latinx and BIPOC families, in their homes. All homeowners should have the right to seek forbearance until the pandemic is over, and be subject to reasonable, non-lump sum repayment upon expiration of the health emergency and the return of the economy. It makes no sense and is grossly unfair to condition forbearance protections on whether a borrower’s lender sold their loan to the Government Sponsored Entities or the Federal Housing Administration. We know that borrowers of color have less access to mainstream lenders and may therefore be less likely to receive federally backed loans – another example of harm upon harm for BIPOC residents. And even where protections are in place, we must ensure the rules are followed.

\(^6\) CRC, the California Public Bank Alliance and SEIU are co-sponsoring AB 1177 (Santiago) in the California Legislature, available at: [https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=20212020ab1177](https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=20212020ab1177)
During the last crisis, housing counselors in California continually confirmed that loan servicers were not following the rules. Congress should expand, and the CFPB should vigorously enforce, homeowner protections. And we must do more to dramatically expand BIPOC homeownership. CRC supports bills to provide targeted funding for down payment assistance to support first-time homebuyers, especially those historically excluded from homeownership opportunities, as well as bills that would address discrimination in appraisals of homes in communities of color and owned by people of color.

**Protect Tenants and Mom and Pop Landlords**

As noted above, over eight million renter households are fearful of eviction. This is a national crisis. As families face difficulty making rental payments, large unscrupulous landlords are moving to clear them out whatever it takes, as the ranks of the homeless population grow.

Renters need stronger protections, including a tightening of the CDC eviction “moratorium.” The most impactful form of relief Congress can provide is to cancel rent for all who struggle through absolutely no fault of their own. At the same time, mom and pop landlords should be supported as well so they can weather this crisis, including by expanding forbearance and post forbearance protections for them.

**Protect Our Neighborhoods from Corporate Speculators**

Despite all of the moratoria, evictions and foreclosures are happening and increasing. As with the foreclosure crisis, our priority should be to keep people in their homes. But we cannot ignore the lessons of the past and fail to put in place mechanisms to ensure that the inevitable foreclosures that will occur will not unnecessarily displace tenant occupants or remove properties from community control.

Federal agencies and banks should develop policies that prioritize home preservation, but where foreclosure cannot be avoided, they should favor property donations or discounted sales to Community Land Trusts and nonprofit affordable housing developers. California has created a right to purchase foreclosure properties at auction for tenants and community land trust that match high bids by investors. CRC is also co-sponsoring a bill, AB 1199 (Gipson), that will require Limited Liability Corporations and similar corporate entities to disclose who the beneficial owners of properties are, and impose a tax on large corporate landlords that could

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55 See https://www.latimes.com/opinion/story/2021-02-24/rental-housing-shell-companies-landlord

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discourage large investors from snatching homes away from families, as well as support homeownership education and counseling, tenant protection, and affordable housing.\textsuperscript{56}

To Fight Discrimination and Redlining, Enhance Transparency

The Home Mortgage Disclosure Act (HMDA) remains a critical tool for fighting mortgage discrimination. Yet Congress and the CFPB under the past Administration\textsuperscript{57} rolled back HMDA’s coverage, delivering a blow to anti-discrimination efforts as well as rural communities where small lenders can be prominent. HMDA coverage should be expanded back to 2015 reporting thresholds to achieve HMDA’s statutory goals of identifying whether discrimination is occurring, identifying housing needs, and helping local governments allocate resources. CRC strongly supports the Home Loan Quality Transparency Act (Velaquez) to reverse the rollback of the Home Mortgage Disclosure Act so that financial institutions provide adequate data on loans to minority borrowers.

Protect Immigrant and LEP Families

California is home to millions of immigrant families. And these families are often the most victimized, as predators take advantage of limited English proficiency to scam working families by promising one thing in one language, and delivering another in English only contracts. All manner of hardships are more acutely felt by LEP consumers. CRC strongly supports any bill to promote language access in mortgage servicing by requiring federal housing agencies to put forward requirements for mortgage servicers to identify borrowers who need language assistance. CRC also strongly supports the LEPI Data Acquisition in Mortgage Lending Act (Green) that would require Fannie Mae and Freddie Mac to include a preferred language question in the Uniform Residential Loan Application.

Fair Housing and Fair Lending

To fight discrimination effectively, we need strong fair housing and fair lending enforcement by CFPB, HUD, DOJ and the banking agencies, utilizing disparate impact analysis. We lament that over the last few years, federal agencies moved to gut anti-discrimination rules, weaken the role of internal fair housing and fair lending enforcement teams, and decreased the number of discrimination-related claims referred and brought. And yet, we know discrimination and redlining have persisted, if not worsened. CRC filed a redlining complaint

\textsuperscript{56} https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=20212020AB1199
with HUD in 2017 against OneWest/CIT for failure to locate branches and make mortgages in neighborhoods of color. Over a several-year period, we found that OneWest/CIT was 9x as likely to foreclosure in neighborhoods of color as make a home loan. During this time, OneWest/CIT received Satisfactory CRA ratings. In 2019, we were pleased to settle this case.58 But, we cannot allow banks to redline communities. And when they do, we certainly cannot then give them passing CRA reinvestment grades.

CRC strongly supports a Resolution of Disapproval on HUD’s Disparate Impact Rule (85 FR 60288) to nullify HUD’s final Disparate Impact Rule (85 FR 60288) under the Fair Housing Act. And CRC strongly supports a Resolution of Disapproval on HUD’s Preserving Community and Neighborhood Choice Rule (85 FR 47899) to nullify HUD’s final Affirmatively Furthering Fair Housing rule (85 FR 47899) under the Fair Housing Act.

Strengthen BIPOC Small Business Ownership

In 2020, CRC settled59 a lawsuit against the CFPB for failing to implement Section 1071 of the Dodd-Frank Act, which requires the Bureau to collect and disclose data on lending to BIPOC- and women-owned businesses. The settlement will result in the development of a proposed rule this year. The Section 1071 rule should require that CFPB make all data available to the public and:

- Cover all financial institutions (Banks of all sizes, community banks, credit unions, Merchant Cash Advance, credit card banks, non-bank online lenders, etc.)
- Define a small business as one with a maximum of 500 employees for manufacturing and wholesale industries, and a maximum of $8 million in gross annual revenue for all other industries, in order to capture the greatest number of small business credit applications. Note that it is critically important that data fields be created to allow for analysis looking at smaller buckets of small businesses based on gross revenue, number of employees, etc., such as businesses with revenue of $1 million or less or receiving loans of $1 million or less
- Capture all loan sizes and loan types (credit cards, lines of credit, etc.), repayment terms, collateral required,
- Require detailed and disaggregated data collection for factors such as pricing (APR) credit score (FICO) and underwriting (Reasons for Denial)
- Disaggregate race and ethnicity data for Asian and Latino borrowers, as with HMDA

• Include actions taken, such as applications, denials, originations, applications withdrawn, etc., by race and ethnicity

Conclusion

In conclusion, BIPOC communities have long been victimized by the exclusionary, exploitative and discriminatory practices of our financial system. I have seen firsthand the devastation wrought by both financial abuse and neglect. The struggle for financial security has been worsened by this pandemic. Even with the rollout of a vaccine that promises recovery, BIPOC communities know distribution will be uneven and that it will be just a matter of time before we once again bear the brunt of the harm. We must end the cycle of compounding racial harm perpetuated by the financial system where every indignity and offense exacerbates pre-existing indignities and offenses. It’s time to take a stand.

Thank you for this invitation and your consideration of my views.
COLOR OF CHANGE

TESTIMONY OF
RASHAD ROBINSON, PRESIDENT OF COLOR OF CHANGE
U.S. HOUSE COMMITTEE ON FINANCIAL SERVICES
HEARING ON “JUSTICE FOR ALL: ACHIEVING RACIAL EQUITY THROUGH FAIR ACCESS TO HOUSING AND FINANCIAL SERVICES”
MARCH 10, 2021

I. Introduction

Chairman Waters, Ranking Member McHenry, and members of the Committee, thank you for holding this critical hearing on one of the most enduring challenges this nation faces: making racial justice a priority in our economic and political systems. My name is Rashad Robinson, and I serve as the president of Color Of Change, the nation’s largest online racial justice organization. At Color Of Change, we pride ourselves on helping people respond effectively to injustice in the world around us. With over 7 million members, we move leaders in both corporations and governments to create a more just, human, and less hostile world for Black people and all people in America.

Today’s hearing could not be more timely. Last year, the majority of Americans agreed that racial justice is a majoritarian issue — an issue that the majority of Americans not only understand but urgently want to see addressed in a deep and lasting way. Three months into Americans’ isolation due to the COVID-19 pandemic, racial justice brought people of all backgrounds into the streets of cities across the country. Yes, they were protesting police violence and the lack of accountability for violence against Black people, but they were also crying out for attention to the disparate impact of COVID-19, and registering exhaustion with systems that do not care for all people.

2020 showed that racial justice brings people together. With the majority of Americans now believing that racial justice is an important marker of well-being, they are now demanding

that people in power focus on it. Given the critical role Congressional action plays in people’s lives, concern for racial justice informed the choices millions of people made about who should sit in these seats. I want to be clear, however, that racial justice is not just the hot topic of today; it is the code to unlocking the best future for all of us, and every community. Whenever we hold on to racism and its legacy in government and society, we hold everyone in this country back.

II. Dismantling Racism Is A Majoritarian Issue — In Terms of Both Popular Support and Universal Impact — That Congress Must Fully Prioritize When Addressing The Economic Crises The Country Is Facing This Decade

We are in a vicious cycle that we can and must break: racism leads to disaster for Black people and the whole country, and then the racism that defines the response to that disaster only serves to drive up inequality, reinforce bias across society, and set up the next disaster.

Nowhere is this disaster more evident than in the growing racial wealth gap. A study by The National Asset Scorecard and Communities of Color found that even with college degrees, Black Americans still had “about 33 percent less wealth than white families whose heads dropped out of high school.”

The tools to break this cycle are in your hands. Elected officials can either manufacture racial inequality every day, with inequitable policies and responses to societal needs, or they can work intentionally to understand and remove the barriers that were erected and persist, which systematically and destructively exclude Black communities from opportunity and security. Those affected by systemic injustice know what needs to be done but do not have the tools that Congress has to do it.

Today is a hopeful moment in the disruption of systemic racism. As one of many important steps, we are here to better understand the ways in which racial oppression is a documented, measurable, obvious fact of life in our financial and housing systems. Corporations and politicians uphold structural racism in these sectors — thwarting change in the system so they can continue to profit from it. It is going to take bold thinking and action to undo the policies that keep this system going, and to replace them with more just and fair policies — interventions that benefit all Americans.

III. The COVID-19 Pandemic Laid Bare How The Racial Inequities In Our Financial System Have Manufactured A Disaster For Black People

Let me speak to what I know well about this cycle of racism, which, let’s make no mistake, is what it is by design. Let’s take the example of Black small business owners. For decades, the capital flow to businesses has been racially biased, leading to gross racial disparities in the financial lending markets. The COVID-19 pandemic further exposed the systemic racial inequities that exist in America’s financial systems, making it even harder for Black-owned businesses to compete.

Last year, Color Of Change partnered with other organizations to conduct several widely reported studies that examined how the so-called relief for small businesses was racially discriminatory. The first study, conducted between April and May 2020, showed that just slightly more than 1 in 5 Black small business owners and just over 1 in 10 Latinx small business owners actually received the financial assistance they requested. Approximately two-thirds of all Black and Latinx small business owners surveyed reported they either received no assistance from any of the relief programs they applied for, or were still waiting to hear whether they would receive any help at all. At the time of the first study, almost half of all Black and Latinx small business owners expected to close their doors within six months.

The second study, which was conducted between August and September 2020, showed that not much had improved in the administration of the program with respect to Black small business owners. Despite being more likely to apply for relief from the Paycheck Protection Program (PPP) and similar type programs, only 37% of Black small business owners actually received the amount of assistance requested. At the time of the second study, almost 40% of Black small business owners reported being in danger of closing in less than six months. Additionally, after applying for relief, only 33% of Black small business applicants received a response back from the PPP within two weeks, whereas 44% of white small business owners received a response in two weeks.

These studies, along with key data from investigative reports, showed that this was no accident — whether official or not, this was bank policy. And no Congressional policy or oversight was there to prevent this ruinous discrimination. When it came to processing loan applications and providing the other services required to gain assistance through the program, banks served white business owners first and best, to the exclusion of Black business owners. Banks routinely denied, or even just plain ignored, the majority of Black businesses that sought

9 See id.
10 See id.
11 See Joyce M. Rosenberg and Justin Myers, Minority-owned companies waited months for loans, data shows, Associated Press (Dec. 31, 2020) (explaining that “[t]housands of minority-owned small businesses were at the end of the line in the government’s coronavirus relief program as many struggled to find banks that would accept their applications or were disadvantaged by the terms of the program.”), https://apnews.com/article/technology-small-business-new-york-coronavirus-pandemic-7613e9462759b85367b5f8c9c9464e3u.
their help, denying them their share of a government protection funding program that was drawn from their very own tax dollars. That is, not only did banks practice widespread discrimination and leave Black businesses out to dry, they forced Black businesses to subsidize the recovery for white business owners at their own expense. And the government enabled them to do it.

There is a lot of talk about financial innovation in this country, and too often this is exactly what it looks like: exploitation posing as innovation. You might ask yourself how the banks were able to get away with this. It’s simple: under our current financial system, the banks get to pick and choose their favorite borrowers and move them to the front, while no one is watching. They are pushing Black people to the back of the bus of financing.

IV. The Structural Barriers In Our Financial System Have Long Operated To Deny Black Business Owners Their Fair Share

This is how America still works right now: at every level and in every sector, Black people are set up to fail and then blamed for their failure. And when a few people do succeed or make it through, their success is cited as evidence that nothing is wrong. So even our success is used against us, to justify policies, practices and systems that continue to set people up to fail.

The truth is that there is nothing a Black loan applicant can do in a situation where a bank denies services or refuses to even look at their application, simply based on their race. That’s called a structural barrier: a barrier that personal effort cannot get around.

A lack of congressional recognition to this reality amounts to tacit agreement. It is the business of Members of Congress to ensure that those they represent have equitable access to tools for building opportunity and wealth in this country — to remove these barriers.

Those barriers were laid bare most recently during the pandemic by means of the racially discriminatory manner that the PPP funds were disbursed. But those barriers were rooted in place well before the pandemic; in fact, they were planted in history right alongside the thousands of Confederate monuments that still exist today. And like most of these Confederate statues, the structural barriers that manifest themselves in many of the nation’s economic statutes and policies are still standing.

V. The Need for Racially Just Policymaking To Ensure That Our Financial Systems Are Working To Achieve Racial Equity

At Color Of Change, we believe that a fundamental rethinking in how the country approaches, rules, regulations, and policies are needed to improve Black people’s lives, and strengthen Black communities, as well as all communities as a whole. For those reasons, we recommend that Congress adopt a racially just policymaking approach when evaluating and determining which laws and regulations to enact, implement, or revoke.

Racially just policymaking is centered on three things. The first involves the use of resources to help achieve equity. The data are clear: to help repair decades of systemic racism in our financial system, we need to target more funds to Black and Brown people. For example, a
Color Of Change study with UnidosUS found that among the Black and Latinx small business owners polled, 57% reported that direct cash assistance in the form of grants would be most beneficial to them. The use of federal grants is a preferred approach given how essential this funding stream has proven to be for Black business owners’ retention and rehiring of their employees. Similarly, a recent Color Of Change study found that for the 56% of Black voters who struggle with student loan debt, the overwhelming majority indicated they were significantly more likely to move forward with major life events, such as buying a home or saving for retirement, if they were not carrying these balances.

The second key feature racially just policymaking requires is an evaluation of metrics to determine whether the laws or regulations are achieving the goal of reducing racial inequities. It is not enough for Congress to say it wants to achieve racial equity and hope that the policies it enacts fulfills its stated promise. It is essential that every policy that distributes federal dollars is evaluated and measured for its impact on racial inequality.

Finally, the third component needed for racially just policymaking is a strong commitment to enforcement. The inclusion of civil rights protections in many of our financial services laws are of little consequence if federal regulators do not have the tools and resources to hold violators accountable. Having nondiscrimination laws in lending on the books is meaningless when there’s no one to stop banks from engaging in modern day redlining to deny Black people homeownership.

VI. Conclusion

Thank you for the opportunity to testify today. I look forward to your questions about the most effective way to end the racism that defines so much of people’s lives in our country, and is holding all of us back.

Addendums

- Color Of Change Student Loan Debt Elimination Survey (Feb 2021)
- Small Business Owner Survey - Color Of Change & Main Street Alliance (October 2020)
- Small Business Owner Survey - Color Of Change & UnidosUs (May 2020)
- Telling the Right Story on Race During COVID-19 (May 2020)

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13 See id.
Statement before the House Committee on Financial Services

on Hearing Title: Justice for All: Achieving Racial Equity Through Fair Access to Housing and Financial Services

Title: Creating an opportunity society and upward mobility for people of all races.

AUTHOR Ian V. Rowe
Title: Co-Founder & CEO, Vertex Partnership Academies

Date of Testimony: March 10, 2021

The American Enterprise Institute (AEI) is a nonpartisan, nonprofit, 501(c)(3) educational organization and does not take institutional positions on any issues. The views expressed in this testimony are those of the author.
“Creating an opportunity society and upward mobility for people of all races.”

Testimony for U.S. House of Representatives Committee on Financial Services

Washington, DC., March 10, 2021

Ian V. Rowe, Co-Founder & CEO, Vertex Partnership Academies

To the distinguished members of the House of Representatives Committee on Financial Services, good morning. My name is Ian Rowe.

I submit my testimony today as a proud product of the New York City public school system kindergarten through 12th grade, and a graduate of Brooklyn Tech High School, Cornell University College of Engineering and Harvard Business School. I am the founder and CEO of Vertex Partnership Academies, a new network of character-based, International Baccalaureate high schools, with the first campus to open in the Bronx in 2022. For the past 10 years, I was CEO of a non-profit network of public charter elementary and middle schools in the heart of the South Bronx and the Lower East Side of Manhattan. Our faculty had the solemn responsibility to educate more than 2,000 students—primarily low-income, black and Hispanic kids. We had nearly 5,000 families on our waiting list, all desperate for their kids to receive a high quality education.

Many of our parents faced racial discrimination and other challenges in their own lives and feared that their children might as well. But these parents chose our schools because they wanted their children to develop the skills and habits to become agents of their own uplift and build a better life, even in the face of structural barriers. In District 8, of the nearly 2,000 public school students beginning high school in the South Bronx in 2015, only 2 percent graduated ready for college four years later. A shocking 98 percent of students either dropped out of high school before completing their senior year—or if they did manage to graduate, would still be required to take remedial, catch-up classes in community college due to low math and reading scores on state exams. By contrast, at our all-boys school at 151st Street and Grand Concourse in the South Bronx, in
2018-19, the last year state tests were administered, nearly 70 percent of our students passed the state math exam.

I share this data point because as we as a country are having crucial conversations about race, it is easy to forget that the racial disparities we are seeking to close originated long before they show up as statistical gaps in financial wealth, home ownership or educational achievement. If only 2% of mostly black and brown kids are graduating from high school capable of doing even basic reading and math, why would we reasonably expect these same kids as adults to be flourishing in higher education and the workplace, starting businesses, getting married, having children within marriage, or any of the other behaviors that typically mark passage into young adulthood and likely entry into the middle class or beyond?

And if we are focused on upward mobility, we should also be wary of the goal to achieve “racial equity.” Consider that in 2019, only one third of all eighth grade students scored “Proficient” on the National Assessment of Progress in reading. In each year since the Nation’s Report Card was first administered in 1992, less than half of the nation’s white students in the fourth, eighth, and 12th grades scored NAEP proficient in reading. The sad irony is that closing the black-white achievement gap, achieving racial equity, would mean black student outcomes would grow from sub-mediocrity in terms of reading performance to full mediocrity.

So as we consider strategies to create an opportunity society and upward mobility for people of all races, I ask you to follow the philosophy we practiced in our schools: start early with the end in mind; and to study the success of those who have achieved excellence, not just equity.

Now as this committee knows so well, a range of studies have identified “toxic levels of wealth inequality,“ particularly between black and white Americans. According to the 2016 Survey of Consumer Finances, the median African American family possessed approximately $17,000 in net wealth, while the median white family had amassed
$171,000 in net wealth. For some, this gap is vibrant proof of a permanent and
insurmountable legacy of racial discrimination.

As a result, today’s public discourse is dominated by the disempowering narrative that
unless institutional barriers are removed, black Americans are trapped in a perpetual
cycle of economic victimhood. The Institute for Policy Studies notes, “Changes in
individual behavior will not close the racial wealth divide, only structural systemic policy
change can do that.” In What We Get Wrong About Closing the Racial Wealth Gap,
William Darity Jr. et al. assert, “There are no actions that black Americans can take
unilaterally that will have much of an effect on reducing the racial wealth gap.” New York
Times reporter Nikole Hannah Jones argues: “None of the actions we are told black
people must take if they want to ‘lift themselves’ out of poverty and gain financial
stability—not marrying, not getting educated, not saving more, not owning a home—can
mitigate 400 years of racialized plundering.”

Imagine you are a 12-year-old black boy living in the South Bronx, with aspirations to
work hard to achieve the American dream. Yet you are repeatedly told there is nothing
you can do individually to achieve that goal. Imagine further that this message comes
from adults who claim to advocate on your behalf, and yet they tell you it is pointless to
even try, simply because you are black and have no individual ability to close the racial
wealth divide.

As someone who has run public charter schools in low-income communities in the
Bronx, I know how debilitating such a narrative can be for a student’s hopes and
aspirations. Rather than helping that young man develop personal agency and an
understanding of the behaviors most likely to propel him into success, this message will
only teach what psychologists term “learned helplessness.”

Not only does this notion that individual effort is worthless depress human motivation,
but it is also demonstrably wrong. There are decisions within the control of black kids—and
children of all races—that increase their likelihood to improve their economic
outcomes within a single generation and thus their ability to transfer wealth across generations.

For example, while strengthening family structure would not single-handedly close the racial wealth gap, it is a controllable factor that heavily influences economic outcomes. The same 2016 Survey of Consumer Finances that shows the average black family has 10 times less wealth than the average white family shows the reverse when family structure is considered. Indeed, black households headed by two married parents have nearly twice the median net worth of the typical white, single-parent household (Figure 1).

Figure 1. Median Net Worth of Two-Parent Black Households vs. Single-Parent White Households with Children

![Bar chart comparing median net worth of two-parent black households vs. single-parent white households with children.]


The 2017 report *The Millennial Success Sequence* finds that a stunning 91 percent of black people avoided poverty when they reached their prime young adult years (age 28–34), if they followed the “success sequence”—that is, they earned at least a high school degree, worked full-time so they learned the dignity and discipline of work, and married before having any children, in that order. In his study “Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States,” Raj Chetty studied the intergenerational mobility of more than 40 million children and their
parents. They found that hyper-local factors—most notably measures of father presence and marriage rates in a given location—drive upward (or downward) mobility and thus the intergenerational transfer of wealth.

In closing, there is no silver bullet intervention that will magically close gaps in racial outcomes, especially when those gaps have causal factors that begin much earlier in life.

That is why policy interventions such as widespread school choice are so important to ensure every parent, regardless of race, income level or ZIP code, should have the power to choose a great public school for their child. I also see a lot of promise in race-neutral policy interventions such as means-tested baby bonds, which would essentially create a trust fund for kids born into low-income families and build a nest egg that by age 18 could be used to pay college tuition, make a down payment on a house or start a business. Such interventions that level the playing field and are tied to building wealth would shape a strong policy portfolio.

In addition to policy levers, we have a moral imperative to encourage young people of all races to adopt a new cultural norm around education, work, and responsible parenthood: the success sequence. Educators and philanthropists should develop evidence-based curricula that help young people build agency by descriptively (versus prescriptively) teaching the success sequence in schools, encourage wealth creation by improving access to venture capital, and organize social and mass media campaigns to normalize a new set of behavioral expectations around family formation.

I look forward to answering your questions.

Thank you.

Ian Rowe
Co-Founder & CEO, Vertex Partnership Academies
Testimony of John C. Yang  
President and Executive Director  
Asian Americans Advancing Justice | AAJC  

Before the United States House of Representatives  
Committee on Financial Services  

Hearing On  
“Justice for All: Achieving Racial Equity Through Fair Access to Housing and Financial Services”  

March 10, 2021

Asian Americans Advancing Justice | AAJC (Advancing Justice | AAJC) submits this written testimony to the House of Representative’s Committee on Financial Services for its hearing entitled “Justice for All: Achieving Racial Equity Through Fair Access to Housing and Financial Services” on March 10, 2021. With the dual pandemics of COVID-19 and anti-Asian hate and violence sweeping through Asian American communities nationwide, Advancing Justice | AAJC urges policymakers see the true diversity and disparities within our communities and ensure policies and actions take into account the diverse linguistic, cultural, and economic needs in addressing the pandemic and the rise in anti-Asian hate.

Organizational Background

Asian Americans Advancing Justice | AAJC (Advancing Justice | AAJC) is a national non-profit, non-partisan organization that works through policy advocacy, community education, and litigation to advance the civil and human rights of Asian Americans and to build and promote a fair and equitable society for all. Founded in 1991, Advancing Justice | AAJC is one of the nation’s leading experts on civil rights issues of importance to the Asian American community.

Through our anti-hate work, Advancing Justice | AAJC strives to ensure that the civil rights and human rights of Asian Americans are protected. Advancing Justice | AAJC works to advance laws and policies that address anti-Asian hate, including improvements to hate crimes laws and government data collection, and advocating for increased resources to respond to hate crimes and hate incidents. Advancing Justice | AAJC works with policy makers on the Hill, in the White House, and in executive agencies; with civil rights advocates, including the Leadership Conference on Civil and Human Rights Hate Crimes Task Force; community leaders, including our Community Partners Network of 150+ Asian American and Pacific Islander (AAPI)-serving community-based organizations; and the media to address anti-Asian racism and xenophobia.
The Diversity of Asian American and Pacific Islander Communities

As in all other areas, AAPIs cannot be treated as a monolith when discussing racial and economic justice. In fact, the economic needs of our community are hidden by the myth of the model minority. Our community is bi-modal – with high concentrations at the high and low end of the economic spectrum, but lower numbers in the middle. This economic disparity within the AAPI community is hidden when data is not disaggregated.

Often viewed as homogenous, these communities include more than 50 ethnicities1 speaking over 100 languages², and can differ dramatically across key social and economic indicators. Among Asian Americans, only 6% of Filipino Americans nationwide live below the poverty line, compared to 26% of Hmong Americans³. Among Native Hawaiian and Pacific Islanders (NHPIs), about 49% of Marshallese Americans live below the poverty line, compared to only 5% of Fijian Americans.⁴ Roughly 73% of Taiwanese Americans hold a bachelor’s degree, yet only 12% of Laotian Americans do.⁵ Similarly, while almost 18% of NHPI adults overall have a bachelor’s degree, only 3% of Marshallese Americans do.⁶ Another example is pay equity. While AANHPI women are paid an average of 86 cents for every dollar a white man is paid, disaggregated data demonstrate that, for example, Native Hawaiian women are paid only 66 cents for every dollar a white man is paid; for Vietnamese, Laotian, and Samoan American women, 61 cents; for Burmese American women, 53 cents; and for Bhutanese American women, only 38 cents.⁷

Not surprisingly, then, Asian Americans have the greatest income disparity amongst all racial groups in the United States. While income inequality has grown in the United States overall in the past half century, the Asian Americans at the top of the income distribution experienced more growth than any other group in the U.S., while Asian Americans at the bottom experienced the least growth, less than any other group in the U.S. – resulting in the top 10% of Asian American income earners making over 10 times what Asian Americans in the bottom 10% make – the biggest disparity amongst all racial groups in the U.S.⁸

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These disparities are often reflective of the circumstances under which different communities settled in the United States – as students seeking higher education, as professionals and investors, as families seeking democracy and a better life for their children, as refugees of war – or in prior centuries, as laborers who built this nation’s continental railroad, or indigenous peoples whose roots preexist by centuries America’s annexation of their sovereign land. These roots, whether new or centuries old, are varied, myriad, and equally American – and the needs and disparities emerging from these roots should not be erased by the so-called myth of the model minority.

Often lost in the broad brush of the model minority myth are the inequities created by lack of language access. Nearly two-thirds of the Asian American population are immigrants, with 52% of Asian American immigrants having limited English proficiency (LEP). LEP rates vary sharply across Asian American communities.

The top languages spoken among Asian immigrants are Chinese, Tagalog, Vietnamese, Korean, and Hindi. The rates of limited English proficiency among these groups vary: 66% of immigrants from China are LEP, as are 35% of immigrants from the Philippines, 72% of immigrants from Vietnam, 64% of immigrants from Korea, and 29% of immigrants from India. At 79%, immigrants from Burma have the highest LEP rates among Asian Americans, and it is notable that even among the Asian American immigrant groups with lower LEP rates, about one-third of the population face challenges communicating in English.9

Even prior to the pandemic, LEP Individuals have limited employment opportunities and often have difficulty accessing educational and training opportunities, as well as other critical services. During the pandemic, we heard many stories of peoples’ inability to access unemployment benefits – these access issues were compounded for people with limited proficiency in English. Furthermore, information about relief programs may have been slow to be relayed to LEP individuals – if the information reached them at all. Even assuming they were able to access information about such programs, navigating application processes would be challenging for LEP individuals. Furthermore, contrary to popular perception, there are segments of the Asian American community that lack reliable internet access or may not know how to navigate online platforms.10

The Dual Pandemics of COVID-19 and Anti-Asian Hate

The lives and livelihoods of Asian Americans, just as all Americans, have been hit hard by the COVID-19 pandemic. Despite popular misconceptions, including misleading surveys that excluded LEP Asian Americans,11 Asian Americans have suffered tremendous financial hardships during the course of the pandemic. For example, in New York city, in a report by our

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11 See, e.g., NPR/Robert Wood Johnson Foundation/Harvard T.H. Chan School of Public Health, The Impact of Coronavirus on Households by Race/Ethnicity, 24 (Survey methodology: “Data collection was conducted in English and Spanish”).
community partner Asian American Federation, the pandemic has created record job losses for Asian American New Yorkers, with a 6000% increase in unemployment benefit applications in February through June 2020.\textsuperscript{12} In fact, Asian Americans suffered the largest increase in unemployment amongst all racial groups, going from 3.4% in February 2020 to 25.6% in May 2020.\textsuperscript{13} Furthermore, the pandemic has had an immense negative impact on Asian Americans who were already socioeconomically disadvantaged. In California, according to a UCLA report, 83% of Asian Americans with a high school education or less filed unemployment claims, a rate more than twice the rest of California’s labor force at the same education level.\textsuperscript{14}

And while the lack of disaggregated data on Asian Americans clouds the true health impact of the COVID-19 pandemic, data at the state and local level show a glimpse of the disparities across our communities. In California, the Los Angeles Times reported that “Native Hawaiian and other Pacific Islanders are dying the most disproportionately — at four times their share of the state’s population. They are followed by black and Asian Californians.”\textsuperscript{15} This is particularly devastating given California has the highest number of Pacific Islanders in the contiguous U.S. In Nevada, the death rate of Asian Americans is twice that of Whites.\textsuperscript{16} At the local level, in San Francisco, Asian Americans accounted for 13.7% of cases but 52% of deaths.\textsuperscript{17} Furthermore, Asian American workers hold “high-contact essential jobs” with higher health risk at a disproportionately higher rate.\textsuperscript{18}

Compounding the devastating health and financial impacts on the Asian American community is the onslaught of anti-Asian hate, directing racist harassment and violence toward Asian Americans who are wrongly blamed for the COVID-19 pandemic. While hate incidents targeting Asian Americans sharply rose with the onset of the pandemic and has been ongoing over the past year, the recent spate of violent attacks against elderly Asian Americans captured on video\textsuperscript{19} has drawn previously unseen media attention.

Since February 2020, over 3,200 hate incidents targeting Asian Americans have been reported to Stop AAPI Hate (https://stopaapihate.org/) and the Asian American Advancing Justice affiliation’s Stand Against Hatred reporting site (https://www.standagainsthated.org/) since the beginning of the pandemic. But it is important to note that the anti-Asian racism and hate is not

\begin{footnotes}
\item[13] Id.
\item[17] Id.
\item[18] Id. at 2
\end{footnotes}
a new phenomenon,\textsuperscript{20} and comes on the heels of years of attacks on immigrant communities by the Trump administration. In fact, the Advancing Justice affiliation launched the Stand Against Hatred website\textsuperscript{21} in January 2017 in response to the increase in hate incidents against Asian Americans connected to the xenophobic, anti-immigrant, and racist rhetoric of Trump’s presidential campaign in the 2016 election cycle. It comes as no surprise that Trump and other elected officials’ racist rhetoric blaming China for COVID, and calling it the “Chinese Virus” and “Kung Flu” poured fuel on the fire of anti-immigrant and anti-Asian sentiment that was slowly burning for years.

In fact, anti-Asian hate and discrimination has impacted almost every aspect of life for Asian Americans during the pandemic, including housing, employment, and places of public accommodation like restaurants, stores, and so much more.\textsuperscript{22} In Indiana, two Hmong men were denied lodging by a motel employee who asked if they were Chinese and refused to give them a room.\textsuperscript{23} Other reports include Asian American renters being refused housing based on their race. In New York City alone, between February and April 2020, there were 105 reports of anti-Asian incidents reported to the New York Commission on Human Rights, including 5 reports of housing discrimination, 9 reports discrimination in public accommodation, and 91 reports of harassment.\textsuperscript{24}

This same anti-Asian hate has expectedly impacted Asian American-owned businesses. As noted in a report by McKinsey & Company, “misguided fears of the virus effectively shuttered businesses in many Asian American cultural districts” a full month before lockdowns began nationwide.\textsuperscript{25} Adding to the hit to Asian American-owned businesses, they are overrepresented in some of the sectors that have suffered the worst economic effects of the pandemic, including accommodations and food service (26%), retail (17%), and education-services (11%).\textsuperscript{26} And with the hateful acts of anti-Asian violence instilling fear in business owners, employees,\textsuperscript{27} and customers, Asian Americans are doubly threatened with both their physical and financial security at risk.

\textsuperscript{20} The current wave of anti-Asian racism and xenophobia is part of the deep structural racism that has long impacted communities of color. Anti-Asian racism has manifested itself at many points throughout U.S. history, including with the “Yellow Peril” and the Chinese Exclusion Act of 1882, the incarceration of over 120,000 Japanese Americans during World War II; the murder of Vincent Chin in 1982 at the height of trade tensions with Japan, and the scapegoating and violence directed against Arab, Middle Eastern, Muslim, and South Asian communities after 9/11.

\textsuperscript{21} Asian Americans Advancing Justice, www.standagainsthated.org


\textsuperscript{25} McKinsey Report at 8.

\textsuperscript{26} Id.

Working Together Toward Solutions

While there are no easy solutions, there are a few steps that different sectors could take to collectively to minimize harm in the short term and create broader institutional changes in the longer term.

Awareness, Training (Prevention), and Support (Response)

While we have been raising awareness through documenting hate incidents and lifting up stories of impacted individuals to policymakers and the media, more work must be done to ensure that within local communities, the issue of anti-Asian racism, hate, and violence are understood by those in a position to help prevent anti-Asian hate incidents and provide support if and when it occurs. This includes local governments and government services, landlords, businesses, and other places of public accommodation working together with the local advocacy and service organizations that serve these impacted communities. For instance, what reporting and support mechanisms can a property manager offer if a tenant experiences anti-Asian racism? Is information available in Asian languages? Is a bank teller equipped to respond if they see an act of anti-Asian hate? Are employees trained to identify hate incidents and intervene? What is the local government doing to prevent anti-Asian hate incidents and provide support services that are linguistically accessible and culturally appropriate?

Trainings and engagement with Asian American community organizations will be essential to help businesses and landlords understand the issue and equip themselves with the tools to prevent, de-escalate, or provide support when customers, employees, or tenants become targets of hate incidents. For larger businesses or financial institutions, they can engage further in and devote resources to practices to support the local Asian American communities they are located in, including providing linguistically accessible staff and services and working directly with and supporting local community organizations, some of whom provide volunteer services to escort elderly Asian Americans to banks or grocery stores, as well as culturally competent victim’s advocacy and mental health services.

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28 Hate crimes and hate incidents are chronically underreported, which is one of the reasons why we encourage people who have experienced hate and harassment to share their experiences through the StandAgainstHate.org site and other AAPI community data collection efforts. Lifting up accounts that are shared with us helps us bring greater visibility to the issue of anti-Asian hate before policymakers, the media, and the general public. The collective data and personal stories of Asian Americans targeted by hate helps Advancing Justice | AAJC in our advocacy to advance laws and policies that address anti-Asian hate, including improvements to hate crimes laws and government data collection, and advocating for increased resources to respond to hate crimes and hate incidents.

29 E.g., Bystander intervention and conflict de-escalation trainings. Advancing Justice | AAJC has partnered with Hollaback! Inc., an organization dedicated to ending harassment in all its forms, to adapt their bystander intervention training to address anti-Asian harassment connected to COVID-19. This training, developed to build the knowledge and capacity of our community partners and ally networks to respond to hate includes a primer on the long history of anti-Asian xenophobia and racism in this country. In addition to this first training module focused on strategies for safe intervention, we developed a second module focusing on direct intervention and conflict de-escalation, and a third module for impacted community members experiencing hate and harassment focused on resilience and healing.
Institutional Change

These awareness, training, and support practices may help stem immediate harm, but we will not see lasting positive impact without broader institutional changes in both the public and private sectors.

Language Access

In accessing essential government services, Asian American communities need to know about services that are available to them and that language support is available to help them access services. In-language outreach and education are critical, as are ensuring that translated materials are readily available and agency staff are trained to assist individuals with limited English proficiency.

Under Executive Order 13166, federal agencies, and entities receiving federal funding, are required to provide “meaningful access” to agency services for LEP individuals. While the expectation under this requirement is that federally-funded agencies have robust language access plans and self-monitor for compliance with EO 13166 and their obligation under Title VI to provide meaningful access to LEP individuals, in practice, we have seen significant gaps leaving LEP populations underserved.

Especially during this pandemic, LEP Asian Americans have faced language barriers to accessing financial relief programs. According to an August 2020 report by McKinsey & Company, none of the four financial-relief services offered by the U.S. Small Business Administration provided translations in any Asian languages on their websites. Only the Paycheck Protection Plan enacted last year offered translated application forms for 7 Asian languages, but without sufficient and linguistically accessible outreach to Asian American businesses, Asian Americans lost out on critical business aid. In fact, a survey by the Asian/Pacific Islander American Chamber of Commerce & Entrepreneurship (ACE) found that 61 percent of Asian American businesses did not apply for federal relief because they did not know they were eligible.

The federal government must ensure compliance with Executive Order 13166 to ensure that critical government services reach Asian American communities in a linguistically accessible way.

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32 Id.
34 The challenges facing the AAPI community in language access needs is not limited to government services. In fact, this “dual pandemic” of COVID and anti-Asian hate has had a significant impact on the Asian American community’s mental health. However, many are unable to access mental health services as many providers do not offer services in Asian languages. (McKinsey Report at 6)
Investments in Local Asian American Community Organizations

Long term solutions cannot take hold without fully engaging and increasing the capacity of local Asian American community organizations working directly with impacted communities. Federal agencies must engage in outreach and community education focused on Asian American communities, including investing in community resources and working directly with community-based organizations for both prevention and response to anti-Asian hate incidents.

We lift up this recommendation in particular in the implementation of the recent Presidential Memorandum Condemning and Combating Racism, Xenophobia, and Intolerance Against Asian Americans and Pacific Islanders in the United States.\(^{35}\) In supporting state and local efforts to prevent discrimination, bullying, harassment, and hate crimes against Asian Americans, federal agencies should engage fully with national Asian American advocacy organizations and AAPI-serving local community-based organizations, to ensure approaches are culturally competent, linguistically accessible, and reflect the diverse and specific needs of the local communities.

For all government programs, whether it is the Community Relations Services of the U.S. Department of Justice that is tasked with community outreach, or the Office of Justice Programs which may offer grant opportunities for local communities, or the many others tasked with engaging diverse communities, these agencies should be proactive about outreach to and engagement with AAPI communities to share information about the work they do and the services they provide. In light of the Biden Administration’s commitment to equity and better supporting underserved communities, we would expect greater effort to ensure that AAPI communities receive vital information that is linguistically accessible so that they are aware of key programs and funding, and that they are provided support in order to better access government programs and services. It is important that federal agencies hold community roundtables, listening sessions, and other engagements focused on AAPI communities – and it is equally important that these programs are accessible for LEP individuals.

Calling Out Hate Across Platforms

Just as anti-Asian hate was fomented across multiple media and governmental platforms, moving forward, we must call out anti-Asian hate on all of these platforms. That includes the continued good work of journalists who have covered this issue in recent weeks, and the longstanding work of the Asian American Journalists Association issuing guidance against the use of language fueling xenophobia and racism from the outset of the pandemic\(^{36}\) and calling on the prioritization


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of coverage of anti-Asian racism and violence. 37 This includes the welcome efforts of the Biden Administration in condemning anti-Asian hate and violence in no uncertain terms. 38 This also includes the participation of industry and celebrities, calling out anti-Asian hate from the platforms they hold. And this includes, in particular, the cooperation of online platforms in developing and enforcing policies against content fomenting racism, xenophobia, and violence.

CONCLUSION

Given the immense diversity of the AAPI community, and the extreme disparity in needs across socioeconomic status, language, geography, and much more, any efforts to address racial and economic inequities in this nation must address the true needs of the AAPI community that are masked by the model minority myth. The other myth is that of “perpetual foreigner” – that we, no matter the centuries of American history we have been part of building – do not belong. These dual myths have, in this moment of the COVID-19 pandemic, resulted in a lack of access to critical government services for many AAPIs across this country at the exact time we are suffering from vicious acts of racist and xenophobic hate. While we urgently work with communities, businesses, and government to raise awareness, provide trainings, and create support systems for our communities targeted by anti-Asian hate, we also call on policymakers to enact long-term institutional change to address not only the crises at hand, but to focus on changing the systems and environment that have allowed these inequities to thrive.

March 9, 2021

Dear Chairwoman Waters and Representative Green,

The Americans for Financial Reform (AFR) Language Access Task Force¹ and the undersigned organizations write in support of the LEP Data Acquisition in Mortgage Lending Act and the bill to promote language access in mortgage servicing. LEP borrowers face many challenges that impede their full participation in the consumer marketplace, including, specifically, their ability to obtain and preserve ownership of a home. Together, these bills will make important strides in improving access to the mortgage market and awareness of the availability of assistance for homeowners who are struggling to keep up with their mortgage payments, which is especially critical during the ongoing COVID-19 pandemic. The U.S. Census Bureau’s Household Pulse Survey reports that over half of the homeowners behind on their mortgages are people of color, and that 19% of Black borrowers, 14% of Hispanic borrowers, and 14% of Asian borrowers are not current on their mortgage payments, compared to 8% of white borrowers.

In 2017, approximately 25.6 million individuals in the United States were considered limited English proficient (LEP), making up nearly 9% of the total U.S. population. About 64% of the LEP population speaks Spanish, and over 83% of all LEP individuals speak one of the top eight languages. Despite this sizable need and opportunity, the language needs of many current and potential homeowners are left unmet in the mortgage marketplace. Language barriers continue to limit LEP consumers’ access to affordable homeownership opportunities and hinder lenders’ ability to serve this market effectively. LEP individuals need access to information in their preferred language before, during, and after a financial transaction. While marketing may occur in the person’s preferred language, too often the financial transaction documents and any subsequent contact (oral or written) is English-only. The inability of borrowers to speak English at all or well enough to complete a complicated financial transaction has a wider impact on their participation in the housing market because it exposes them to potential abuse and fraud. LEP consumers continue to be denied sufficient access to language services in mortgage origination and servicing. This lack of access is a significant barrier to homeownership and creates an elevated risk of foreclosure among immigrant homeowners.

The first step toward expanding access to homeownership for consumers with limited English proficiency is to create a standardized method to identify their preferred language and have this information travel with their loan file to subsequent servicers. Asking about a consumer’s language preference is a gateway to greater access to services in-language when they are available. It allows lenders and servicers to connect consumers to already-available services, and

¹ Americans for Financial Reform (AFR) is a nonpartisan and nonprofit coalition of more than 200 civil rights, consumer, labor, business, investor, faith-based, and civic and community groups. AFR’s Language Access Task Force was convened to advocate for improved language access for borrowers with limited English proficiency as they navigate the financial marketplace. Members of the AFR Language Access Task Force include Center for Responsible Lending, Connecticut Fair Housing Center, Consumer Action, Empire Justice Center, National Fair Housing Alliance, National Consumer Law Center (on behalf of its low-income clients), The National Council of Asian Pacific Americans, and UnidosUS.
prompts the industry to expand those services when the data and resources support such an effort. As technology improves and more in-language resources become available, knowing a borrower’s preferred language will allow lenders to easily connect LEP consumers to those resources, which will benefit both the borrower and the lender.

The Federal Housing Finance Agency finalized its language preference question after careful consideration of over 200 public comments and conducting research of its own, including focus groups with non-English-speaking consumers, before suddenly deciding to eliminate this question without explanation. The LEP Data Acquisition in Mortgage Lending Act restores the previously vetted language preference question, as well as a question regarding housing counseling, on the Uniform Residential Loan Application (URLA). The URLA is used for loans backed by the Government-Sponsored Enterprises, Fannie Mae and Freddie Mac, and including these questions is a critical step toward improving language access in the mortgage market and expanding the opportunity for borrowers with limited English proficiency, immigrants, and other underserved borrowers to access sustainable, affordable homeownership. Moreover, the bill to promote language access in mortgage servicing’s directive to the Consumer Financial Protection Bureau to create a standardized language preference form for most mortgage transactions, translated into the top LEP languages spoken in the United States, will enable creditors and servicers to better serve LEP consumers across the entire mortgage market. The individual’s language preference will be collected and recorded, and the information will travel as part of the borrower’s loan file throughout the life of the loan, allowing subsequent servicers to connect the borrower to available in-language resources.

More in-language resources are needed to better serve LEP borrowers, and the bill to promote language access in mortgage servicing facilitates the use of in-language resources after the borrower’s preferred language has been ascertained. First, the bill requires creditors and servicers to provide translated documents if they are available in the borrower’s preferred language, allowing the borrower to understand the details of their transaction. Second, it requires creditors and servicers to provide oral interpretation services if the borrower’s preferred language is one of the top eight LEP languages or otherwise reasonably available, which will provide LEP borrowers with real-time information and the ability to communicate any questions about the loan to the creditor or servicer in the preferred language. Lastly, the bill requires creditors and servicers to provide a notice of available language services in a borrower’s preferred language, which will make borrowers aware of how to access such services.

Housing counselors play a critical role in helping all borrowers with their mortgage process, including preparation to purchase a home and support for homeowners if they experience difficulties in making their mortgage payments. They play an especially essential role in helping LEP borrowers navigate their mortgage transactions. The LEP Data Acquisition in Mortgage Lending Act includes housing counseling data fields in the URLA which will integrate counseling agencies in the mortgage process, provide opportunities for counselors to assist borrowers when there are problems, and generate data on the housing counseling performance. The bill to promote language access in mortgage servicing also provides training for housing counseling agencies to expand the availability of housing counseling services for LEP borrowers and making it easier to find this type of assistance.
Tracking and transferring the language preference of LEP borrowers and enhancing the availability and use of services and resources in their preferred languages will significantly improve market access for LEP borrowers at all stages of a mortgage loan. We look forward to working with you to pass these bills to allow more LEP borrowers to access affordable homeownership opportunities and the assistance they need to maintain long-term homeownership.

Sincerely,

AFR Language Access Task Force
Americans for Financial Reform
California Reinvestment Coalition
Center for Responsible Lending
Community Legal Services of Philadelphia
Connecticut Fair Housing Center
Consumer Action
Consumer Federation of America
Empire Justice Center
Faith in Action
Integrated Community Solutions, Inc.
MICAH- Metropolitan Interfaith Council on Affordable Housing
Mountain State Justice
National Association for Latino Community Asset Builders
National Association of Consumer Advocates
National CAPACD
National Community Stabilization Trust
National Consumer Law Center (on behalf of its low-income clients)
National Council of Asian Pacific Americans (NCAPA)
National Fair Housing Alliance
National Housing Law Project
National Housing Resource Center
National Urban League
New Jersey Citizen Action
Philadelphia Unemployment Project
Prosperity Now
UnidosUS
Woodstock Institute
March 9, 2021

The Honorable Maxine Waters
Chairwoman
House Committee on Financial Services
2128 Rayburn House Office Building
Washington, DC 20510

The Honorable Patrick McHenry
Ranking Member
House Committee on Financial Services
2128 Rayburn House Office Building
Washington, DC 20510

Dear Chairwoman Waters and Ranking Member McHenry:

On behalf of the nearly 17,000 Designated members, candidates, and affiliates of the Appraisal Institute, this is to express our support for the Real Estate Valuation Fairness and Improvement Act of 2021. This legislation, among other things, would establish an interagency task force to analyze federal collateral underwriting standards and guidance and provide resources for promoting diversity in the real estate appraisal profession.

Diversity in appraisal is a major focus of the legislation. It would provide vast financing resources for promoting greater diversity in the appraisal profession. Over the last two years, the Appraisal Institute has been amplying and accelerating internal initiatives and partnerships to bring about positive changes in this area, including improving diversity within the profession through the Appraisal Diversity Initiative in collaboration with Fannie Mae and the National Urban League, and with our Minorities and Women Course Scholarship Initiative. There is more work to do, and this legislation would give a boost to this priority.

Further, the legislation attempts to tackle - head-on – many lending, underwriting, and valuation challenges, recognizing these issues cannot be addressed in isolation. We firmly believe that dealing with issues such as promoting liquidity in “lending deserts,” or collectively promoting sustainable development and financing, extends far beyond appraisal policy to include lender underwriting, loan approval, and agency and enterprise policies and procedures. Collateral underwriting is appropriately given strong focus in the draft legislation.

We also encourage the development of increased flexibility for mortgage underwriting criteria, as proposed by the legislation. Specifically, these flexibilities should include market analysis techniques that consider the impact of inactive lending and infrequent home sales, where traditional underwriting criteria may have aggravated the problems of infrequent home sales, low loan approval rates, and low property valuations. Such increased flexibilities could include alternative borrower underwriting beyond traditional credit scoring and risk modeling, expanding the ability for appraisers to research sales transactions farther back in time in underserved markets, and also consider current market transactions in alternative geographic markets that feature similar overall housing stock, considering the full dollar value of proposed improvements to housing in underserved markets, and considering range of values for collateral rather than a single point valuation. Care should be taken to protect safe and sound lending; but we believe increased flexibilities have the potential to benefit communities that have experienced chronic low loan activity and inactive sale markets.

Another challenge that is thoughtfully contemplated by the legislation are processes relating to reconsideration of value (or appraisal appeals) by borrowers and others. Such policies can vary greatly by institution – including the processes of reviewing appraisals, procedures for accepting data for consideration by consumers, the engagement of second appraisals, and procedures for accepting the second appraisal as a basis for a lending decision after a full review determines it is more reliable than the original appraisal. Any matters determined to be violations of appraisal standards should be reported to the appropriate state appraiser regulatory agency. Secondary market guidelines offer guidance on this issue, which might serve as the basis for interagency awareness and adoption. This legislation would
Real Estate Valuation Fairness and Improvement Act of 2021
March 9, 2021

bring relevant stakeholders together to identify best practices and help develop more consistent policies and procedures.

Real Estate Valuation Fairness and Improvement Act targets solutions to several challenging and thought-provoking issues, but it does so knowing all relevant parties must be at the table, collectively solving problems. For these reasons, we support the bill, and look forward to working with you on any necessary refinements to promote its swift enactment into law.

Thank you for this opportunity to offer this statement of support. Please contact Bill Garber, Director of Government and External Relations at 202-298-5586, bgarber@appraisalinstitute.org or Brian Rodgers, Manager of Federal Affairs, at 202-298-5597, brodgers@appraisalinstitute.org should have any questions.

Sincerely,

Rodman Schley, MAI, SRA
President
March 9, 2021

House Financial Services Committee
2129 Rayburn House Office Building
Washington, DC 20515

Re: Comments for HFSC Hearing, “Justice for All: Achieving Racial Equity Through Fair Access to Housing and Financial Services”

Dear Chairwoman Waters and Ranking Member McHenry,

On behalf of the more than 200,000 members of the California Association of REALTORS® (C.A.R.), I am writing to provide comments to the House Financial Services Committee (HFSC) for its hearing on “Justice for All: Achieving Racial Equity Through Fair Access to Housing and Financial Services.” C.A.R. wants to thank you for holding this important hearing. Discrimination and the homeownership gap for underserved communities necessitates a serious discussion of the issue and the proposed bills put forward today. There is no one single factor that is the cause of racial inequity in housing, and because of that, there is no one single solution that will address the issue. Hearings, such as this one, can shine a light on many of the problems and what possible solutions are needed.

The Importance of Homeownership

Homeownership is the foundation for households to build wealth and move up the socio-economic ladder. According to the Federal Reserve, the median net worth of homeowners is $255,000 and the median net worth of renters is $6,300. This wealth benefits not just the homeowners directly but also creates generational wealth that provides greater opportunity for subsequent generations. This can be through financing higher education by using home equity, so children are not burdened with student debt. Properties may be passed down to future generations to use as a residence, rental property, or to sell for other investments.

COVID-19 has highlighted an additional benefit of homeownership. Through Fannie Mae, Freddie Mac, FHA, VA, and Rural Housing programs the federal government is able to ensure tens of millions of households are protected against foreclosure because of the economic fallout of COVID. Federal regulators had direct control and regulation of these mortgages and could easily prevent evictions and implement mortgage forbearance programs intended to avoid foreclosure.

Sadly, these benefits are not shared equally among all ethnicities and races. Past laws, regulations, and practices in real estate kept Black, Latinx and other under-resourced communities from becoming homeowners. Post-World War II when the federal government was expanding homeownership opportunities by providing government backed mortgages, Black and Latinx communities were denied participation in many of the programs. New developments and suburbs sprouted up in response to homebuyers qualifying for affordable...
government backed mortgages, benefitting only some. Redlining, restrictive covenants, steering by real estate agents (including REALTORS®), discrimination by sellers, Jim Crow laws and other practices kept most non-White households as renters. The result is Black and Latinx communities are two, three, even four generations behind their White counterparts in building wealth. These inequities have been well documented and the negative impact on communities have been equally well documented. C.A.R. is hopeful this hearing will not only continue to shine a light on the problem, but also discuss solutions.

**What Else Can Be Done?**

There is no “silver bullet” for this problem. However, there are actions Congress and regulators can take to address the issue and increase homeownership opportunities for communities that have been historically excluded. In addition to many of the proposed bills being considered by the committee, C.A.R. would ask you also consider:

1. **Risk Based Pricing by Fannie Mae and Freddie Mac (Enterprises):** Implemented in the wake of the Great Recession to shore up the financial stability of Fannie Mae and Freddie Mac, their risk-based pricing (also known as loan level price adjustments) has turned into a tax on Black, Latinx, and low- and moderate-income homebuyers. Prior to this, the Enterprises charged a flat guarantee fee. The new risk-based pricing disproportionately impacts Latinx, Black, and low- and moderate-income homebuyers because of the heavy weight placed on FICO scores in determining the fee of the mortgage.

   ![Chart of Average Credit Score by Race and Economic Class](chart.png)

   Due to risk based pricing, Fannie Mae and Freddie Mac do not serve affordable, first-time, or Black and Latinx homebuyers as well as they should. The chart below demonstrates the impact risk based pricing has had on their average FICO score. It is important to note, risk based pricing has done nothing to shift the guarantee of these mortgages from taxpayers. Homebuyers with lower FICO scores are simply forced into the costlier FHA mortgage
product, still guaranteed by the government.

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Fannie Mae FICO Score</th>
<th>Average Freddie Mac FICO Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>714</td>
<td>718</td>
</tr>
<tr>
<td>2012</td>
<td>751</td>
<td>755</td>
</tr>
<tr>
<td>2019</td>
<td>749</td>
<td>751</td>
</tr>
<tr>
<td>July 2020 Combined Average Purchase Loans</td>
<td>758</td>
<td>758</td>
</tr>
</tbody>
</table>

Fannie Mae and Freddie Mac were created by Congress with a public role and mission to support homeownership and housing. That must be their first priority in their decision making.

2. **Use Technology to Better Collect HMDA Data:** The collection of HMDA data is imperative to discovering and measuring lender discrimination. However, currently the collection of HMDA data is done by the lender who is in charge of approving and pricing the mortgage. C.A.R. believes with technology and automated underwriting HMDA data can be collected by a regulator and/or the Enterprises. Results would ensure the lender would never know the gender, ethnicity, or race of the borrower.

According to a 2018 study by Berkeley study, Consumer Lending Discrimination in the FinTech Era

“We find that lenders charge otherwise-equivalent Latinx/African-American borrowers 7.9 (3.6) bps higher rates for purchase (refinance) mortgages, costing $765M yearly. FinTechs fail to eliminate impermissible discrimination, possibly because algorithms extract rents in weaker competitive environments and/or profile borrowers on low-shopping behavior. Yet algorithmic lenders do reduce rate disparities by more than a third and show no discrimination in rejection rates.”

The study points out, blind underwriting can measurably reduce the difference in fees between White homebuyers, and Black and Latinx homebuyers. As important, it eliminated the difference in loan rejections due to discrimination. This discrimination is not lost on REALTORS® and their clients. C.A.R. has been told by some members that they advise Black, Latinx, and women homebuyers to apply for loans online or over the phone and to NOT fill out HMDA data.

3. **Reduce FHA Premiums:** The FHA should quickly move to reduce costs to borrowers and increase homeownership opportunities. FHA financing is disproportionately used by Black and Latinx homebuyers, often priced out of conforming mortgages due to the Enterprises’ risk-based pricing. The FHA should reimplement Mortgagee Letter 2017-001, which would
reduce the mortgage insurance premium (MIP) 25 bps and eliminate the jumbo loan MIP penalty for loans above $625,500. Implementing this change would save homebuyers of a $500,000 home $100 per month. Homebuyers of a California median price home ($699,890) could save $253 per month under Mortgagee Letter 2017-001.

The FHA reserves are well above 6 percent and quickly approaching 7 percent according to many experts. This is well above the statutory 2 percent minimum and demonstrates a clear imbalance between the MIP rate and the actual risk of FHA borrowers.

4. **Training**: The real estate industry must increase training on fair housing and discrimination. This includes, but is not limited to, lenders, appraisers and real estate agents. To address this in California, C.A.R. has sponsored SB 263 (Rubio). SB 263 would require a California real estate licensee’s continuing education requirement to include a two-hour course on implicit bias training, including actionable steps licensees can take to prevent implicit bias. It would also require the current fair housing training to include participation in interactive training where role-play scenarios are used to illustrate live experiences from the perspective of both a consumer and a licensee.

5. **Alternative Credit**: Regulators, credit reporting agencies and Congress should continue to pursue ways to expand a homebuyer’s credit file beyond traditional items. A buyer with a thin to no credit history may be as safe of a credit risk as a buyer with a 680+ FICO. However, it is difficult to quantify this with current credit reports. Utility payments would be one way to show responsible payment history. Another way is rental payments. Reporting rental payments to credit reporting agencies could prove difficult given the number of small “mom-and-pop” housing providers and the financial burden of reporting. However, an alternative could be a voluntary affidavit of rent payment history furnished by the housing provider to the underwriter of a prospective borrower.

6. **Continue the Discussion**: Fair Access to Housing must be an ongoing discussion. The Fair Housing Act passed over 50 years ago and the homeownership rate for Black and Latinx homebuyers has not improved. This is a failure of the industry and policy makers that must be addressed with a hearing such as this and action at every level of government.

C.A.R. applauds the HFSC for holding this hearing and hopes to be a partner in efforts to address issues that have led to housing inequality and the homeownership gap. Thank you for taking into consideration C.A.R.’s comments on this important issue. If you would like to further discuss any of the information provided in this paper or the broader issue, please contact C.A.R.’s Federal Government Affairs Manager, Matt Roberts at matthewr@car.org or 213-739-8284.

Sincerely,

Dave Walsh
President, California Association of REALTORS®
March 10, 2021

The Honorable Maxine Waters  The Honorable Patrick McHenry
Chairwoman  Ranking Member
House Committee on Financial Services  House Committee on Financial Services
U.S. House of Representatives  U.S. House of Representatives
Washington, DC 20515  Washington, DC 20515

Dear Chairwoman Waters and Ranking Member McHenry,

On behalf of America’s credit unions, I am writing regarding the hearing entitled, “Justice for All: Achieving Racial Equity Through Fair Access to Housing and Financial Services.” The Credit Union National Association (CUNA) represents America’s credit unions and their more than 120 million members.

It is well documented that women- and minority-owned businesses (MWBEs) face barriers when it comes to access to credit and financial services, more generally. These inequities are connected to a history of structural racism and discrimination. As a result, MWBEs typically turn to friends and family for financing, impeding their ability to compete and grow.

Weak banking relationships and lack of access to capital makes MWBEs more vulnerable during periods of financial disruption. The COVID-19 recession is no exception. Indeed, women- and minority-owned businesses have been among the hardest hit. The COVID-19 pandemic reinforces the urgency of addressing financial well-being by ensuring access to financial services are inclusive and financial solutions are equitable, especially for women- and minority-owned businesses.

Credit Unions are Mission-driven and Well-positioned to Address Inequity and Advance Financial Inclusion and in the Financial Services Sector

Credit unions recognize that financial inclusion and access to capital are critical to ensuring the survival of many of our nation’s most vulnerable small businesses, especially women- and minority-owned businesses, which together represent approximately 66% of U.S. small businesses. 1 As not-for-profit, consumer-owned financial cooperatives credit unions have a laser-focus on our mission of financial inclusion and serving our members.

During economic and financial crises, credit unions have stood out with their focus on mission and we have continued lending to help members navigate through tough times while banks were more concerned with preserving capital. Indeed, credit unions are more likely than other lenders to continue to lend during recessions. 2

2  See https://www.cuna.org/uploadedFiles/Advocacy/Staff.documents/A10320-IP_Philad_ME.pdf

CUNA.org
Significantly, we know that credit union lending is also more inclusive; SBA research specifically shows that roughly 90% of credit union business loans are loans that banks would not make. In addition, despite field of membership restrictions, credit unions advance financial inclusion and access by locating roughly 70% of credit union branches are in racially/ethnically diverse areas compared to roughly 60% of bank branches.

The way that credit unions execute their mission puts them in a good position to address inequity in the financial services sector affecting MWBEs. In their own way and based on the needs of their membership, all credit unions work toward this. However, given the vulnerabilities of MWBEs, Minority Depository Institution (MDI) and Community Development Financial Institution (CDFI) credit unions are often on the front lines of this critical work.

As of May 14, 2020, there are 324 CDFI credit unions (more than two times the number of CDFI banks), representing nearly 30% of all CDFIs and serving nearly 12 million members. In addition, as of December 31, 2019, there were 521 MDI credit unions (over three and a half times the number of MDI banks), representing 10% of all credit unions and serving 4 million memberships.

Both MDI and CDFI credit unions form an integral part of the credit union movement and enhance our ability to serve MWBEs and other underserved groups during this crisis.

How Congress Can Help Credit Unions Do More
Credit unions are committed to financial inclusion and access. MDI and CDFI credit unions play a critical role in advancing financial inclusion and the economic well-being of their members, including MWBEs. We are pulling together as a movement to support our members and make a difference in their lives during this difficult moment, but we know that, given the opportunity, we could do more, especially when it comes to providing access to capital to America’s small businesses.

While all small businesses have been affected by the COVID-19 recession, MWBEs and their employees are most at risk during the COVID-19 crisis. According to the Federal Reserve, minority-owned businesses are twice as likely to be “at risk” or “distressed” than non-minority owned businesses and at significantly higher risk of closing as a result. More needs to be done to ensure that these businesses survive the economic crisis that the COVID-19 pandemic has created.

We offer two suggestions for how Congress can use credit unions to make a bigger difference for MWBEs and their communities:
1. Ensure that all available small business credit is deployable during the recovery.
2. Facilitate the addition of underserved areas to credit unions’ fields of membership.

Deploy All Available Small Business Credit
The Paycheck Protection Program, which credit unions were proud to partner with Congress on, is not as much as small business lending program as it is an unemployment prevention program. It will help many businesses survive. It is not designed to not help businesses recover and thrive in the future.

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2. ACUA, FDIC, and U.S. Census, University of Wisconsin, applied Population Lab and CUNA analysis and calculations.
3. CDFI Fund, “List of Certified Community Development Financial Institutions (CDFIs) with Contact Information as of May 14, 2020,” available at https://www.cdfifund.gov/programs/training-certifications/cdfis/Pages/final-list.aspx
4. National Credit Union Administration (NCUA), Credit Union Call Report, Mid-Year 2019, CUNA calculations and FDIC. Following the NCUA’s definition, we use the term “Minority Depository Institution” for credit unions that have reported that over 50% of their current membership, in total membership, and board members are Hispanic American, Black American, Asian American, Native American, or a combination of multiple groups. We include both federally chartered and state-chartered credit unions.
As we enter recovery and for the foreseeable future, access to capital will continue to be a major issue for all small businesses, and particularly women- and minority-owned businesses. There is absolutely no sound policy reason for credit union business lending to be restricted during this time.

- Credit unions have a history of lending to small businesses. Some of the first loans credit unions made more than a century ago went to members operating small businesses. For the first 50 years of credit unions’ existence, there was no statutory cap on credit union business lending.

- SBA data shows that 90 percent of the small business loans credit unions make are loans that small banks will not make. Permitting credit unions to do more small business lending will not rob banks of lending opportunity; holding credit unions back will rob small businesses, including minority-owned businesses of access to critically needed credit.7

- We conservatively estimate that temporarily removing the MBL cap will provide over $5 billion in capital to small and informal business ventures, creating nearly 50,000 jobs over the course of the next year - at no expense to the federal government. 70

CUNA encourages the committee to include H.R. 1471, the Access to Credit for Small Businesses Impacted by the COVID–19 Crisis Act of 2021, in the next phase of recovery legislation. The bill sponsored by Representatives Sherman and Fitzpatrick would lift the credit union MBL cap during the pandemic and one year after the pandemic ends for loans specific to COVID-19.

**Field of Membership**

One of the most important things that Congress could do to promote financial inclusion and ensure that access to financial services is equitable would be to ensure that Federal law permits all Federal credit unions to serve underserved areas. Under current law, only multiple common bond credit unions are eligible to add underserved areas to their field of membership. If the policy goal is to ensure that all have access to affordable financial services, then the policy should not restrict a subset of member-owned, not-for-profit financial institutions from providing service to these communities. We hope the Committee will consider legislation that expands the opportunity to serve underserved communities to all Federal credit unions.

**Conclusion**

We appreciate your holding this important hearing today. Credit unions are mission driven to advance financial inclusion and address inequity in access to financial services. They are working to serve their members and they are ready to do more if Congress permits them to do so.

On behalf of America’s credit unions and their 120 million members, thank you for considering our views.

Sincerely,

Jim Nussle
President & CEO

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70 Id.
Economic Policy Institute

Economic Policy Institute (EPI) Statement for the Record,
U.S. House of Representatives Financial Services Committee Hearing:
"Justice for All: Achieving Racial Equity Through Fair Access to Housing and Financial Services"

To reiterate EPI’s view that addressing racial inequities in the nation’s housing and financial services sectors is of paramount importance, we submit this statement, demonstrating that these inequities were driven by public policy, and so must be addressed by public policy.

SUPPRESSED HISTORY: THE INTENTIONAL SEGREGATION OF U.S. CITIES
Richard Rothstein, reprinted from the Spring 2021 edition of The American Educator

In 2014, police killed Michael Brown, a young African American man in Ferguson, a suburb of St. Louis. Protests followed, some violent, and subsequent investigations uncovered systematic police and government abuse of residents in the city’s African American neighborhoods. The reporting made me wonder how the St. Louis metropolitan area became so segregated.

Most of us think we know how segregated neighborhoods in places like Ferguson—with their crime, violence, anger, and poverty—came to be. We say they are “de facto segregated,” that they result from private practices. That has some truth, but it remains a small part of the truth, submerged by a far more important one: until the last quarter of the 20th century, racially explicit policies of federal, state, and local governments defined where whites and African Americans should live. Today’s residential segregation in the North, South, Midwest, and West is not the unintended consequence of individual choices and of otherwise well-meaning law or regulation but is the result of unhidden public policy that explicitly segregated every metropolitan area in the United States.

The policy was so systematic and forceful that its effects endure to the present time. Segregation by intentional government action is not de facto. Rather, it is what courts call de jure: segregation by law and public policy. To prevent lower-income African Americans from living in neighborhoods where middle-class whites resided, local and federal officials began in the 1910s to promote zoning ordinances to reserve middle-class neighborhoods for single-family homes that lower-income families of all races could not afford.

Certainly, an important and perhaps primary motivation of zoning rules that kept apartment buildings out of single-family neighborhoods was a social class elitism that was not itself racially biased. But there was also enough open racial intent
behind exclusionary zoning that it is integral to the story of de jure segregation. St.
Louis appointed its first plan commission in 1911 and five years later hired Harland
Bartholomew as its full-time planning engineer. His assignment was to categorize
every structure in the city—single-family residential, multifamily residential,
commercial, or industrial—and then to propose rules and maps to prevent future
multifamily, commercial, or industrial structures from impinging on single-family
neighborhoods. If a neighborhood was covered with single-family houses with
deeds that prohibited African American occupancy, this was taken into
consideration at plan commission meetings and made it almost certain that the
neighborhood would be zoned "first-residential," prohibiting future construction of
anything but single-family units and helping to preserve its all-white character.

According to Bartholomew, an important goal of St. Louis zoning was to prevent
movement into "finer residential districts... by colored people." He noted that
without a previous zoning law, such neighborhoods have become run-down: "Where
values have depreciated, homes are either vacant or occupied by colored people."
The survey Bartholomew supervised before drafting the zoning ordinance listed the
race of each building's occupants. Bartholomew attempted to estimate where
African Americans might encroach so the commission could respond with
restrictions to control their spread. The St. Louis zoning ordinance was adopted in
1919. Guided by Bartholomew's survey, it designated land for future industrial
development if it was in or adjacent to neighborhoods with substantial African
American populations.

Once such rules were in force, plan commission meetings were consumed with
requests for variances. Race was frequently a factor. For example, one meeting in
1919 debated a proposal to reclassify a single-family property from first-residential
to commercial because the area to the south had been "invaded by negroes." On
other occasions, the commission changed an area's zoning from residential to
industrial if African American families had begun to move into it. In 1927, violating
its normal policy, the commission authorized a park and playground in an industrial,
not residential, area in hopes that this would draw African American families to seek
housing nearby.

Similar decision making continued through the middle of the 20th century. In 1948,
commissioners explained they were designating a U-shaped industrial zone to
create a buffer between African Americans inside the U and whites outside. In
addition to promoting segregation, zoning decisions contributed to degrading St.
Louis's African American neighborhoods into slums. Not only were these
neighborhoods zoned to permit industry, even polluting industry, but the plan
commission permitted taverns, liquor stores, nightclubs, and houses of prostitution
to open in African American neighborhoods but prohibited these as zoning
violations in neighborhoods where whites lived. Residences in single-family districts
could not legally be subdivided, but those in industrial districts could be, and with

Economic Policy Institute
African Americans restricted from all but a few neighborhoods, rooming houses sprang up to accommodate the overcrowded population.

**FEDERAL SUPPORT FOR SEGREGATIONIST ZONING**

Local officials elsewhere, like those in St. Louis, did not experiment with zoning in isolation. In 1921, President Warren G. Harding’s secretary of commerce, Herbert Hoover, organized an Advisory Committee on Zoning to develop a manual explaining why every municipality should develop a zoning ordinance. The advisory committee distributed thousands of copies to officials nationwide.

A few months later, the committee published a model zoning law. The manual did not give the creation of racially homogenous neighborhoods as the reason why zoning should become such an important priority for cities, but the advisory committee was composed of outspoken segregationists whose speeches and writings demonstrated that race was one basis of their zoning advocacy.

The segregationist consensus of the Hoover committee was reinforced by members who held positions of leadership in the National Association of Real Estate Boards, including its president, Irving B. Hiett. In 1924, two years after the advisory committee had published its first manual and model zoning ordinance, the association followed up by adopting a code of ethics that included this warning: "A realtor should never be instrumental in introducing into a neighborhood ... members of any race or nationality ... whose presence will clearly be detrimental to property values in that neighborhood."

Secretary Hoover, his committee members, and city planners across the nation believed that zoning rules that made no open reference to race would be legally sustainable—and they were right. In 1926, the Supreme Court for the first time considered the constitutionality of zoning rules that prohibited apartment buildings in single-family neighborhoods. The decision, arising from a zoning ordinance in a Cleveland suburb, was a conspicuous exception to the Court’s previous rejection of regulations that restricted what an owner could do with his property.

Justice George Sutherland, speaking for the Court, explained that "very often the apartment house is a mere parasite, constructed in order to take advantage of the open spaces and attractive surroundings created by the residential character of the district," and that apartment houses in single-family districts "come very near to being nuisances." In the years since the 1926 Supreme Court ruling, numerous white suburbs in towns across the country adopted exclusionary zoning ordinances to prevent low-income families from residing in their midst.

Frequently, class snobbishness and racial prejudice were so intertwined that when suburbs adopted such ordinances, it was impossible to disentangle their motives and to prove that the zoning rules violated constitutional prohibitions of racial discrimination. In many cases, however, like Secretary Hoover’s experts, localities...
were not always fastidious in hiding their racial motivations. The use of industrial, even toxic waste zoning to turn African American neighborhoods into slums was not restricted to St. Louis. It became increasingly common as the 20th century proceeded and manufacturing operations grew in urban areas. The pattern was confirmed in a 1983 analysis by the US General Accounting Office, concluding that, across the nation, commercial waste treatment facilities or uncontrolled waste dumps were more likely to be found near African American than white residential areas.

A NEW HOUSING DEAL FOR WHITES ONLY
Even before the Great Depression, homeownership was prohibitively expensive for working- and middle-class families: bank mortgages typically required 50 percent down, interest-only payments, and repayment in full after five to seven years. The Depression made the housing crisis even worse. Many property-owning families with mortgages couldn’t make their payments and were subject to foreclosure. With most others unable to afford homes at all, the construction industry was stalled. The New Deal designed one program to support existing homeowners who couldn’t make payments, and another to make first-time homeownership possible for the middle class.

In 1933, to rescue households that were about to default, the Franklin D. Roosevelt administration created the Home Owners’ Loan Corporation (HOLC). It purchased existing mortgages that were subject to imminent foreclosure and then issued new mortgages with repayment schedules of up to 15 years (later extended to 25 years). In addition, HOLC mortgages were amortized, meaning that each month’s payment included some principal as well as interest, so when the loan was paid off, the borrower would own the home. Thus, for the first time, working- and middle-class homeowners could gradually gain equity while their properties were still mortgaged. HOLC mortgages had low interest rates, but the borrowers still were obligated to make regular payments. The HOLC, therefore, had to exercise prudence about its borrowers’ abilities to avoid default.

To assess risk, the HOLC wanted to know something about the condition of the house and of surrounding houses in the neighborhood to see whether the property would likely maintain its value. The HOLC hired local real estate agents to make the appraisals on which refinancing decisions could be based. With these agents required by their national ethics code to maintain segregation, it’s not surprising that in gauging risk, the HOLC considered the racial composition of neighborhoods. The HOLC created color-coded maps of every metropolitan area in the nation, with the safest neighborhoods colored green and the riskiest colored red.

A neighborhood earned a red color if African Americans lived in it, even if it was a solid middle-class neighborhood of single-family homes. Although the HOLC did not always decline to rescue homeowners in neighborhoods colored red on its maps (i.e., redlined neighborhoods), the maps had a huge impact and put the federal
government on record as judging that African Americans, simply because of their race, were poor risks.

To solve the inability of middle-class renters to purchase single-family homes for the first time, Congress and President Roosevelt created the Federal Housing Administration (FHA) in 1934. The FHA insured bank mortgages that covered 80 percent of purchase prices, had terms of 20 years, and were fully amortized. To be eligible for such insurance, the FHA insisted on doing its own appraisal of the property to make certain that the loan had a low risk of default. Because the FHA’s appraisal standards included a whites-only requirement, racial segregation now became an official requirement of the federal mortgage insurance program.

The FHA judged that properties would probably be too risky for insurance if they were in racially mixed neighborhoods or even in white neighborhoods near Black ones that might possibly integrate in the future. When a bank applied to the FHA for insurance on a prospective loan, the agency conducted a property appraisal, which was also likely performed by a local real estate agent hired by the agency. As the volume of applications increased, the agency hired its own appraisers, usually from the ranks of the private real estate agents who had previously been working as contractors for the FHA.

To guide their work, the FHA provided them with an Underwriting Manual. The first, issued in 1935, gave this instruction: "If a neighborhood is to retain stability, it is necessary that properties shall continue to be occupied by the same social and racial classes. A change in social or racial occupancy generally leads to instability and a reduction in values." Appraisers were told to give higher ratings where "protection against some adverse influences is obtained," and that "important among adverse influences ... are infiltration of inharmonious racial or nationality groups."

The manual concluded that "all mortgages on properties protected against [such] unfavorable influences, to the extent such protection is possible, will obtain a high rating." The FHA was particularly concerned with preventing school desegregation. Its manual warned that if children "are compelled to attend school where the majority or a considerable number of the pupils represent a far lower level of society or an incompatible racial element, the neighborhood under consideration will prove far less stable and desirable than if this condition did not exist," and mortgage lending in such neighborhoods would be risky.

Subsequent editions of the Underwriting Manual through the 1940s repeated these guidelines. In 1947, the FHA removed words like "inharmonious racial groups" from the manual but barely pretended that this represented a policy change. The manual still specified lower valuation when "compatibility among the neighborhood occupants" was lacking, and to make sure there was no misunderstanding, the FHA’s head told Congress that the agency had no right to require nondiscrimination in its mortgage insurance program.
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The 1952 Underwriting Manual continued to base property valuations, in part, on whether properties were located in neighborhoods where there was "compatibility among the neighborhood occupants." After World War II, the newly established Veterans Administration (VA) also began to guarantee mortgages for returning servicemen. It adopted FHA housing policies, and VA appraisers relied on the FHA's Underwriting Manual. By 1950, the FHA and VA together were insuring half of all new mortgages nationwide.

EXCLUSIVE ENCLAVES

The FHA had its biggest impact on segregation not in its discriminatory evaluations of individual mortgage applicants, but in its financing of entire subdivisions, in many cases entire suburbs, as racially exclusive white enclaves. Mass-production builders created these suburbs with the FHA- or VA-imposed condition that they be all white.

Levittown, New York, for example, was a massive undertaking, a development of 17,500 homes. It was a visionary solution to the housing problems of returning war veterans—mass-produced two-bedroom houses of 750 square feet sold for about $8,000 each, with no down payment required.

William Levitt constructed the project on speculation; it was not a case in which prospective purchasers gave the company funds with which to construct houses. Instead, Levitt built the houses and then sought customers. He could never have amassed the capital for such an enormous undertaking without the FHA and the VA. But during the World War II years and after, the government had congressional authority to guarantee bank loans to mass-production builders like Levitt for nearly the full cost of their proposed subdivisions. By 1948, most housing nationwide was being constructed with this government financing.

Once Levitt had planned and designed Levittown, his company submitted drawings and specifications to the FHA for approval. After the agency endorsed the plans, he could use this approval to negotiate low-interest loans from banks to finance its construction and land-acquisition costs. The banks were willing to give these concessionary loans to Levitt and to other mass production builders because FHA preapproval meant that the banks could subsequently issue mortgages to the actual buyers without further property appraisals needed. For Levittown and scores of such developments across the nation, the plans reviewed by the FHA included the approved construction materials, the design specifications, the proposed sale price, the neighborhood's zoning restrictions (for example, a prohibition of industry or commercial development), and a commitment not to sell to African Americans. The FHA even withheld approval if the presence of African Americans in nearby neighborhoods threatened integration. In short, the FHA financed Levittown on condition that it be all white, with no foreseeable change in its racial composition.

Economic Policy Institute
Although Levittown came to symbolize postwar suburbanization, Levittown was neither the first nor the only such development financed by the FHA and VA for white families. Metropolitan areas nationwide were suburbanized by this government policy. Only in 1962, when President John F. Kennedy issued an executive order prohibiting the use of federal funds to support racial discrimination in housing, did the FHA cease financing subdivision developments whose builders openly refused to sell to Black buyers.

By the time the federal government decided finally to allow African Americans into the suburbs, the window of opportunity for an integrated nation had mostly closed. In 1948, for example, Levittown homes sold for about $8,000, or about $90,000 in today’s dollars. Now, properties in Levittown without major remodeling (i.e., one-bath houses) sell for $350,000 and up. White working-class families who bought those homes in 1948 have gained, over three generations, more than $200,000 in wealth. Most African American families—who were denied the opportunity to buy into Levittown or into the thousands of subdivisions like it across the country—remained renters, often in depressed neighborhoods, and gained no equity. Others bought into less desirable neighborhoods.

Consider the example of one African American World War II veteran, Vince Mereday, who worked for his family-owned trucking company that helped to build Levittown. He was prohibited from living there, so he bought a home in the nearby, almost all-Black suburb of Lakeview. It remains 74 percent African American today. One-bath homes in Lakeview currently sell for $90,000 to $120,000. At most, the Mereday family gained $45,000 in equity appreciation over three generations, perhaps 20 percent of the wealth gained by white veterans in Levittown.

Making matters worse, it was lower-middle-class African American communities like Lakeview that mortgage brokers targeted for subprime lending during the pre-2000 housing bubble, leaving many more African American families subject to default and foreclosure than economically similar white families.

Seventy years ago, many working- and lower-middle-class African American families could have afforded suburban single-family homes that cost about $90,000 (in today’s currency) with no down payment. Millions of whites did so. But working- and lower-middle-class African American families (indeed, working-class families of any race) cannot now buy homes for $350,000 and more with down payments of 20 percent, or $70,000. By the time the federal government decided finally to allow African Americans into the suburbs, the window of opportunity for an integrated nation had mostly closed.

The Fair Housing Act of 1968 prohibited future discrimination, but it was not primarily discrimination (although this still contributed) that kept African Americans out of most white suburbs after the law was passed. It was primarily unaffordability.

Economic Policy Institute
The right that was unconstitutionally denied to African Americans in the late 1940s cannot be restored by passing a fair housing law that tells their descendants they can now buy homes in the suburbs, if only they can afford it. The advantage that FHA and VA loans gave the white lower-middle class in the 1940s and ’50s has become permanent. We as a nation have avoided contemplating remedies because we’ve indulged in the comfortable delusion that our segregation has not resulted primarily from state action and so, we conclude, there is not much we are required to do about it.

It’s not that private choices haven’t also been involved. Many Americans had discriminatory beliefs and engaged in activities that contributed to separating the races. Without the support of these private beliefs and actions, our democratically elected governments might not have discriminated either. But under our constitutional system, government has not merely the option but the responsibility to resist racially discriminatory views, even when—especially when—a majority holds them. In the 20th century, federal, state, and local officials did not resist majority opinion with regard to race. Instead, they endorsed and reinforced it, actively and aggressively.

Racially discriminatory government activities did not end 50 years ago. On the contrary, some have continued into the 21st century. One of the more troubling has been the regulatory tolerance of banks’ “reverse redlining”—excessive marketing of exploitative loans in African American communities. This was an important cause of the 2008 financial collapse because these loans, called subprime mortgages, were bound to go into default. When they did, lower-middle-class African American neighborhoods were devastated, and their residents, with their homes foreclosed, were forced back into lower-income areas.

In 2000, 41 percent of all borrowers with subprime loans would have qualified for conventional financing with lower rates, a figure that increased to 61 percent in 2006. By then, African American mortgage recipients had subprime loans at three times the rate of white borrowers. Higher-income African Americans had subprime mortgages at four times the rate of higher-income whites. Even though its own survey in 2005 revealed a similar racial discrepancy, the Federal Reserve did not take action. By failing to curb discrimination that its own data disclosed, the Federal Reserve violated African Americans’ legal and constitutional rights. In 2010, the Justice Department agreed that “the more segregated a community of color is, the more likely it is that homeowners will face foreclosure because the lenders who peddled the most toxic loans targeted those communities.” For those dispossessed after foreclosures, there has been greater homelessness, more doubling up with relatives, and more apartment rental in less stable neighborhoods where poor and minority families are more tightly concentrated.
Undoing the effects of de jure segregation will be incomparably difficult. To make a start, we will first have to contemplate what we have collectively done and, on behalf of our government, accept responsibility.
March 19, 2021

The Honorable Maxine Waters  The Honorable Patrick McHenry
Chairwoman  Ranking Member
Committee on Financial Services  Committee on Financial Services
U.S. House of Representatives  U.S. House of Representatives
Washington D.C. 20515  Washington D.C. 20515

Dear Chairwoman Waters and Ranking Member McHenry:

On behalf of Groundwork Action (Groundwork), I write in support of the Committee’s efforts to center racial equity and strengthen the economy by removing barriers for people and communities of color in the financial services industry and our economy as a whole. Groundwork is dedicated to advancing a progressive economic worldview that enables broadly shared growth and prosperity for everyone, not just a wealthy few. Our work is driven by a core guiding principle: We are the economy. We thank Chair Waters and the Committee members for their leadership in addressing how our economic and financial system has disadvantaged communities of color, and for proposing policy solutions, in particular the “Federal Reserve Racial and Economic Equity Act,” that will make lasting structural reforms that address racial inequities and, as a result, strengthen our economy.

I. The Groundwork Collaborative Worldview On Reducing Racial Inequity In The Economy

After the Great Recession, structural racism in our economic systems and public policies reinforced racial disparities, leaving communities of color more vulnerable to a disproportionate impact by the COVID-induced health and economic crises. Since the start of the COVID-19 pandemic, Black and brown communities have experienced a widening of existing health and economic disparities. Research on the impact of the COVID-19 recession have shown that “on every indicator of economic well-being, racial and ethnic minorities have larger-than-average responses” and that on indicators like unemployment rates they have seen faster and further deterioration and will likely take longer to make up lost ground, as compared to their white counterparts.1 As a result, even as economists now predict robust GDP growth2 in the United States this year due to the success of bold fiscal stimulus and vaccination campaigns, without significant structural reforms to address the disparities that remain for workers of color, and Black women in particular,3 these communities will continue to struggle and face an inequitable and limited recovery, which will undermine economic growth and stability for everyone.

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II. Reducing Racial Inequity through the “Federal Reserve Racial and Economic Equity Act”

Research shows that the Black unemployment rate has consistently been twice that of the white rate. Economist Valerie Wilson has shown that this racial disparity exists across education groups, meaning that at every level of education, black workers are more likely to be unemployed than white workers. The Federal Reserve’s mandate to maintain maximum sustainable employment does not account for this long-standing inequity. As economists Jared Bernstein and Janelle Jones wrote in June 2020 when they argued for the Fed’s mandate to be broadened to make it more racially inclusive, “While we do not at all discount the Fed’s dual mandate and its role in setting and ‘anchoring’ inflationary expectations, we do not accept that this role must consign people of color to permanently slack labor markets.” It is unacceptable and harmful to our economy to be governed by economic policies that accept that the Black unemployment rate is always twice as high as that of white Americans. In light of the COVID-19 recession, it becomes even more urgent to make our economic policies more equitable so that growth is broadly shared and our recovery is sustainable in the long-term. We believe that broadening the scope of the Fed’s mandate to be racially inclusive, through Chairwoman Water’s “Federal Reserve Racial and Economic Equity Act,” will help to correct these persistent disparities that undermine economic recovery and strengthen the economy as a whole.

III. Conclusion

Thank you for the opportunity to submit a statement to this Committee. We support the committee’s efforts to center racial equity in financial services and to address the ongoing structural racism exacerbated by the COVID-19 pandemic and economic recession. An economy that recognizes that the well-being of people—including power, security, dignity and prosperity for the most vulnerable and marginalized people—will also be a stronger, more stable economy for all.

Thank you for your consideration.

Sincerely,

Lindsay Owens, PhD
Interim Executive Director
Groundwork Action

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Statement from Junia Howell, PhD and Elizabeth Korver-Glenn, PhD regarding U.S. House of Representatives Financial Services Committee’s Hearing on Justice for All: Achieving Racial Equity Through Fair Access to Housing and Financial Services

Introduction

Racial inequalities in household wealth, educational attainment, physical wellbeing, homeownership, and incarceration not only persist but are increasing. For example, the gap between White and Black family wealth has grown three-fold in the last three decades, with average White families now having $236,000 per family member more than Black families.1 Although multiple factors contribute to this growing inequality, research has repeatedly shown housing and finance policies are key mechanisms driving racial disparities.2 Thus, we appreciate and applaud the U.S. House of Representatives Financial Services Committee for putting together this hearing that seeks to address the injustices related to historical and contemporary housing and finance policies.

Across these 26 proposed bills, the Committee has sought to address a wide range of racially discriminatory policies—some enacted a century ago and others enacted by the previous administration. Many of these actions are critical for ensuring Fair Housing is enforced and properly regulated. Yet, as currently written, these 26 bills do not address the foundational policies that created and sustain racial inequality in housing and finance. In what follows, we provide a historical overview of these foundational policies, their contemporary influence on inequality, and how the 26 bills might be revised to better address persistent inequality.

Historical Racialized Housing and Finance Policies

Among academic scholars and federal legislators there is widespread consensus that the New Deal policies of the 1930s play a critical role in shaping the contemporary housing and mortgage markets as well as their persistent racial disparities. Yet, the ideologies that informed these laws trace even further back into the nation’s history. Understanding this historical legacy is essential for grasping how our contemporary policies uphold racial hierarchies.

1 Based off calculations using the Panel Study of Income Dynamics Core Family Sample.
Starting in the early 1600s, European settler colonists in North America assessed property, both land and enslaved humans, based on its usefulness to the White settlers and their ways of life. As a result, land inhabited by Indigenous peoples was deemed virtually worthless because White settlers did not have dominion over it. This provided legal justification for treaties and land exchanges that displaced Indigenous nations with limited or no compensation. However, as soon as colonial powers displaced Indigenous communities and allotted the land to White settlers, the property appreciated in value because it was now inhabited by and thus useful to Europeans. Likewise, enslaved Africans were literally appraised and exchanged based on their usefulness to White Europeans’ businesses. Evaluating property based on its usefulness to White people allowed settler colonists to acquire resources at limited cost while extracting vast economic wealth and political domination from these resources.

Through the powerful resistance and uprisings of enslaved and freed Black and Indigenous activists, Whites’ acceptance of enslavement, genocide, and displacement began to wane. However, racialized property evaluation persisted. In rural areas, sharecropping enabled the exploitation of Black people and labor to continue. In urban areas, local zoning ordinances were enacted to segregate and formally devalue communities of color. Spaces that White residents inhabited were still deemed more valuable simply because of White residents used them.

After the 1929 stock market crash and the subsequent housing crisis, the presidential election centered around proposals to spearhead economic recovery and restructure the housing market. Franklin D. Roosevelt galvanized widespread support for his transformative proposals, propelling him to the presidency and providing the political backing for his administration’s legislative agenda. A key piece of this agenda was the 1934 National Housing Act. This act was built upon the notion that enhanced mortgage financing options would enable working-class families to buy their own homes which in turn would increase housing stability and wealth accumulation.

Specifically, the National Housing Act sought to transform the 2-5 year non-amortizing mortgages that required large down payments into 15-year fixed-rate mortgages with small down payments. To incentivize banks to provide these longer, fixed rate loans, the National Housing Act promised to insure mortgages through the newly created Federal Housing Administration (FHA). Additionally, the federal government created a secondary market for residential

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mortgages, Fannie Mae, increasing banks’ lending capacity. Combined, these changes provided
millions of families with capital to purchase homes. Yet, these same changes also
institutionalized a national system of racialized property evaluation.

Desiring to ensure the newly formed federally insured mortgages were not granted to overpriced
properties, the federal government partnered with the newly emerging appraisal industry to
create a uniform appraising system. Central to this new system was the idea that properties
should be evaluated based on their usefulness to the White population. This idea was formalized
through two mechanisms: the Federal Housing Administration’s Underwriting Manual of 1936
and the Home Owners’ Loan Corporation neighborhood rankings. Both mechanisms centralized
neighborhood racial and class composition as the key factors driving value. White and middle-
and upper-class neighborhoods were deemed most valuable where as Black, Indigenous, and
Latixx communities were classified as “undesirable” and “unstable.” Additionally, the FHA’s
Underwriting Manual recommended a new way of determining value. Instead of using the most
common approach at the time, which evaluated properties based on the amount it would take to
rebuild them in their current condition, the Underwriting Manual elevated the sales comparison
approach. This approach relies on past sales within the neighborhood to determine the value of
property. Consequently, the racialized evaluation of the neighborhood became a larger factor in
determining home values than the quality of the structure itself.

Noting the devastating implications that these policies had on Black, Indigenous, and Latixx
communities, activists and Civil Rights organizations began documenting and litigating the
racially discriminatory practices within the housing market industry. Their diligent efforts led to
a series of legislative acts and lawsuits from 1968 to 1977 that outlawed the explicit use of racial
demographics as a justification for value and provided new avenues for borrowers and
communities of color to receive credit. However, these legal changes did not include any
alterations to the appraising approach. Thus, appraisers continued to use past racialized property
evaluations as justifications for current sales alongside their subjective evaluations of
neighborhood demographics and appeal. Consequently, racialized property evaluations persisted
as communities of color were offered predatory mortgages to gain ownership of devalued and
dilapidated housing. This predatory inclusion combined with the ongoing racialized appraisal
system fostered growing devaluation and disrepair in communities of color.10

Contemporary Racialized Appraisal and Lending Practices

After Fair Housing legislation increased Black, Indigenous, and Latixx individuals’ access to
housing, home values in White communities began to skyrocket. Property in White
neighborhoods accelerated seven times faster than comparably sized, aged, and quality property
in communities of color with the same socioeconomic status, amenities, and homeownership


rates. In other words, even when we set aside the historical racialized processes that created the socioeconomic and geographic inequalities, the mere presence of White people still elevates appraisers’ perceptions of a property’s value.

The acceleration of home values in White neighborhoods has had a cascading effect on racial inequality in housing quality, household wealth, educational attainment, and physical wellbeing. Most directly, it has affected housing wealth accumulation. The accelerating home values in White neighborhoods led to White families’ average housing wealth increasing $170,000 in real dollars. Black families, on the other hand, have only seen their average home wealth increase by $40,000 in real dollars. This has resulted in the racial home wealth gap increasing 17-fold since 1969. The growing inequality has accelerated in the last decade and even more dramatically since the beginning of the coronavirus pandemic. Since March 2020, home prices have seen unprecedented appreciation rates. These quickly accelerating prices are growing faster in Whiter zip codes than Black and Latinx zip codes. The increasing bifurcation as well as the overall increases in home prices are further concentrating the wealth into the hands of those who owned property before the pandemic.

The persistent use of racialized property evaluation that has led to the growing racial home wealth inequality is due to three interlocking mechanisms: appraisers’ individual racialized evaluations, racialized assumptions built into appraising practices, and federally created economic incentives that perpetuate inequality.

Appraisers’ Racialized Evaluations. Like any governmentally regulated industry, appraisers have general guidelines regarding how they should determine property value. Since the release of the Federal Housing Administration’s 1936 Underwriting Manual, these standards have included using the sales comparison approach to assess the value of a property based on recently sold comparable properties within the neighborhood. Within these general guidelines, appraisers have a large amount of discretionary power to define neighborhood boundaries and characteristics, evaluate property characteristics and condition, and calculate adjusted comparable sale prices. Research demonstrates this discretion results in many appraisers pulling on racialized assumptions to define the worth of properties. That is, even though appraisers do not formally report racial demographics, these demographics still play a central role in how appraisers define neighborhood boundaries, evaluate neighborhood characteristics, perceive neighborhood trends, select comparable sales, measure property characteristics, assess property “appeal” and “marketability,” and create adjusted sale values. Consequently, White homes in White

13 Based off calculations using the Panel Study of Income Dynamics Core Family Sample.
14 Based off calculations using Zillow Home Price Sales for all zip codes in metropolitan areas with over 400,000 in population.
communities are deemed as more valuable, even when property and neighborhood characteristics
are held constant.

Racialized Assumptions within Appraising Practices. The primary appraisal method, the sales
comparison approach, uses 3-5 nearby recently sold comparable properties to establish a base
price for the subject property being appraised. This method centralizes the importance of location
and pulling historical prices to justify appraised values. Using historical sales without adjusting
for their racialized determinations has resulted in contemporary appraisals that are also
racialized. Additionally, the majority of appraisers continue to view "appropriate" comparable
sales as those in racially similar neighborhoods, even when these communities have distinct
socioeconomic statuses, physical locations, amenities, or real estate demand.16 Thus, as
neighborhoods undergo demographic changes, appraisers pull comparable sales from
neighborhoods that reflect the changing racial demographics, ensuring that the racial hierarchy in
home values persists.17 For appraisers who are trying to subvert these racialized patterns, they are
constrained by the fact that they are still required to use comparable sales that are based on the
assumption that White communities are more desirable and valuable.

Federally Created Economic Incentives. To increase the number of mortgages available,
Roosevelt also introduced the secondary housing market. The speculative financing market
diverted the exchange of property from the supply and demand of housing and replaced it with
the supply and demand of credit—credit that was allocated by the federal government based on
the assumption that White spaces were more valuable and would appreciate quicker. The
legislative changes of the late 1960s and 1970s did not address these racialized assumptions.
Instead, they further entrenched them by privatizing Fannie Mae and authorizing Fannie Mae to
purchase conventional mortgages. These changes alongside changes to savings and loan
associations increased the capital available for mortgages while delocalizing the distribution of
these mortgages. In turn, White communities could access even more capital, which drove up
their housing prices, while communities of color were extended predatory loans for subpar
housing.18 Additionally, after the 2008 housing crash, the influx of Federal Reserve capital into
the secondary housing market has further exacerbated racial inequality in home values.

Cambridge, Massachusetts: Harvard University Press.
Massachusetts: Belknap Press.
Proposed Revisions to the Justice for All Bills

As currently written, the proposed 26 bills begin to address the need for more regulatory enforcement of the Fair Housing legislation, more diversity within the appraising and banking industries, more capital for first time low-income homebuyers, more research on housing discrimination and racialized appraisals. These are all important steps. Yet, without addressing the racialized assumptions about the value of property and its potential to accumulate wealth, this legislation will not curtail the growing racial inequality in housing and financial services. Recognizing this, we propose the following changes to the proposed bills.

1. **Include Additional Critical Voices.** A key part of these bills is introducing new task forces, advisory committees, and hiring procedures for various components of the housing and finance industries. We applaud these efforts but encourage Congress to consider adding the following categories/experts who would bring much needed perspectives.

   a. **Real Estate Valuation Task Force.** Both the historical and contemporary racialized appraising practices have considerable implications on the United States’ colonized populations. This includes both our tribal nations within the 50 States and our territories. As equally governing partners, each tribal nation and territory should be granted the opportunity to appoint a person to the real estate valuation Task Force. Ensuring each tribal nation and territory has representation on the task force will enable the task force to consider the diversity of experiences with property appraising and attempt to address the needs and concerns of all nations within the United States. [Bill—“Real Estate Valuation Fairness and Improvement Act of 2021” Section 3]

   b. **Real Estate Valuation Advisory Committee.** Even though the purpose of this advisory committee is to assist the Task Force in understanding the historical and contemporary racialized patterns within the appraisal industry, no historians or race scholars are currently included as committee members. It would greatly enhance the ability of this committee to advise the task force if it also included: (a) at least 1 historian who specializes in racialized housing policy, (b) at least 1 Africana or Black studies scholar, (c) at least 1 Indigenous studies scholar, and (d) at least 1 social scientist who studies appraisals. [Bill—“Real Estate Valuation Fairness and Improvement Act of 2021” Section 3, Part G]

   c. **Diversity Federal Reserve Bank President Appointees.** In addition to the need for racial and gender diversity with the Federal Reserve Bank system, there is also a need for disciplinary diversity. Research has demonstrated the monolithic macroeconomic perspectives within the Federal Reserve has contributed to them not recognizing and addressing how their policies contribute to racial inequality within the economy. Given that the economics profession is also disproportionately White and male and continues to primarily use theories created by White men, qualified experts on the economy from other fields (e.g. history, anthropology, sociology, Africana studies, Indigenous studies) could assist the

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demographic and ideological diversity within the Federal Reserve system. Thus, this bill should also require at least 1 interviewee be trained in a non-economic discipline. [Bill—H.R. 281, “Ensuring Diverse Leadership of 2019”]

2. **Specify Aims Based on Existing Research.** Another key aspect of the proposed bills is conducting additional research on racial disparities and discrimination. The federal government, academics, and nonprofit organizations have already conducted thousands of studies on these topics. Although there is still more to be known, these bills should more explicitly build off the existing knowledge to ensure the new research and investigations provide new information that can be used to create innovative solutions.

   a. **Grants to Private Entities to Study Housing Discrimination.** The existing research on the causes and effects of housing discrimination and segregation demonstrate federal policies and regulatory processes are the main drivers of persistent inequality in housing. Key mechanisms include the federal government’s role in racialized property appraisals and the secondary mortgage market (discussed above). To address these issues, Congress alongside FHFA and the Federal Reserve system needs to transform the appraisal and financial services industries. Local nonprofit organizations could not address these concerns with a small pilot project. As currently specified, this grant forces organizations to identify discrimination that can be addressed through a localized intervention which limits the effectiveness and innovation of their research and proposed solutions. This grant money could be more transformative if used to assist the federal government with identifying how real estate agent, developer, and appraisal financial incentive structures could be altered to stop incentivizing investment in White communities and disincentivizing investment in communities of color. This work could build on the existing academic, industry, and governmental research on these topics. [Bill—H.R. 68, “Housing Fairness Act of 2021” Section 5]

   b. **Identify Specific Causes of Racial Disparities in Appraisals.** More research is needed to help identify all the ways that appraisals continue to perpetuate racial inequality. Yet, the task force work would be more efficient if they built upon the existing research done by appraisal companies (e.g., Clear Capital) and academic research. This research shows that the lack of consistency within the industry and the sales comparison approach leads to racial inequality. The task force should be explicitly encouraged to use the Uniform Appraisal Dataset as well as ethnographic research to examine how the sales comparison approach and the lack of uniform measurements reinforce racialized property appraisals. [Bill—“Real Estate Valuation Fairness and Improvement Act of 2021” Section 3, Part c5]

   c. **Barriers to Entry for Appraisers of Color.** Existing research on the lack of diversity within the appraisal industry illuminates a key barrier of entry for people of color is the network-based apprenticeship training model. Currently, the bill suggests that the task force examine whether there are barriers to entry in the requirements, educational cost, exam questions, and training time requirements. Although investigating these components is important, most states’ formal requirements (e.g., academic diploma, test, etc.) are minimal. Thus, focusing on
these components in the investigation and providing financial resources for schooling does not address the current racialized barriers—namely that the entry into the appraisal profession is through one’s social networks, and these networks themselves are racially segregated. This section and the proposed financial support for education should be revised with the specifics of the apprentice model in mind. [Bill—“Real Estate Valuation Fairness and Improvement Act of 2021” Section 3, Part c6 and Section 4]

d. Downpayment Assistance. The 1930s housing policies and the World War II G.I. Bill enabled millions of White middle-class families to purchase property at federally subsidized prices and benefit from its racialized appreciation. Yet, these programs were not available to most Americans of color. These policy decisions continue to reverberate today. Thus, addressing these past inequalities is a critical piece of seeking justice for all in the housing and finance markets. However, as currently written, the proposed program will not address the inequities illuminated by research. First, these policies not only prevented residents from obtaining mortgages, they also constrained the appreciation of homes in communities of color. This depreciation has resulted in families of color having less capital to assist their children with university costs and home downpayments. To account for this inequity, the proposed policy should not only be based on a borrowers’ income and parental homeownership but their personal and generational wealth. Second, if appraisal and financial services concerns are not addressed first, this program will likely recreate the predatory inclusion of the 1980s and 1990s that has only exacerbated inequality. This program should be done in connection to broader changes and use measures of wealth (assets minus debt) instead of solely using income and family’s homeownership. [Bill—“Downpayment Toward Equity Act of 2021”]
March 10, 2021

The Honorable Maxine Waters  
Chairwoman  
Committee on Financial Services  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Patrick McHenry  
Ranking Member  
Committee on Financial Services  
U.S. House of Representatives  
Washington, D.C. 20515


Dear Chairwoman Waters and Ranking Member McHenry:

On behalf of Liberation in a Generation, we thank you for the opportunity to submit a statement for the record for the U.S. House Committee on Financial Services Hearing on "Justice for All: Achieving Racial Equity Through Fair Access to Housing and Financial Services," held on March 10, 2021.

As a national movement support organization working to build the power of people of color to totally transform the economy—who controls it, how it works, and most importantly, for whom—we believe that historic systemic racism embedded into the design of our current economic systems is a key driver of the racial wealth gap that today sees Black and Latinx families owning less than 20 cents in wealth for every dollar of wealth owned by white families.1 Over generations, this embedded racism has created dual housing and financial systems that have served to suppress the wealth-building potential of communities of color.

In housing, for example, the origins of our current dual housing system can be traced back to a series of actions undertaken by the federal government and private actors (e.g., banks) throughout the mid-20th century. For more than three decades, those actions systematically denied, or "redlined," countless families of color—particularly Black families—from buying a home.2 Today, the vestiges of the systematic racism that fueled these efforts are not only evident in the vast and persistent racial homeownership gap3 that continues to this day but also across a range of other areas, including:

• **Unequal access to mortgage credit** - Despite decades-long federal efforts to curb discrimination in the housing and credit markets (e.g., the Fair Housing Act, the Equal Credit Opportunity Act, the Community Reinvestment Act), Black and Latinx communities continue to face more significant challenges than white consumers in accessing a mortgage. A recent analysis of Home Mortgage Disclosure Act (HMDA) data

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2 According to an analysis by George Lipsitz, a Professor of Black Studies and Sociology at the University of California, Santa Barbara, the result of this systematic effort resulted in 98% of all government-backed mortgages issued between 1934 and 1968 going to white homebuyers.


4 According to recent estimates compiled by the U.S. Census Bureau, as of the fourth quarter of 2020, the homeownership rate among white households was 74.5% while that of Black households was 44.1%.
data by the Consumer Financial Bureau (CFPB) found that in 2019 Latinx and Black borrowers were 1.7x and 2.6x more likely than white borrowers to be denied a conventional mortgage loan (10.8% and 16%, respectively, compared to 6.1%).

Although the CFPB noted that the increase in denial rates among Latinx and Black borrowers could be due, in part, to “factors related to credit risk,” it fails to acknowledge that race plays a significant role in credit decisions. For example, history has shown us that even when communities of color have “good credit” and are eligible to be offered prime credit products, they are more likely to be steered to high-cost and predatory lending products. Such was the case in the 2007-2010 subprime mortgage crisis, and in the enforcement actions the CFPB took against several large auto lenders between 2011 and 2016.

Unequal home appraisal and tax assessment process - When it comes to the valuation of Black and Brown homes, homeowners of color can too often face a dual edge sword solely because of their race. On one side, they can have their homes significantly under-appraised for selling/refinancing, and on the other, they can have their homes significantly overvalued for property tax assessments. In the end, such unfair and discriminatory practices can potentially leave homeowners of color to lose tens of thousands in home value or to pay higher property taxes than their similarly situated white peers.

• Unequal cost burdens and evictions in the rental market – Today, more than one in every two households of color (54.2%) pays 30% or more of their income on rent. Simultaneously, Black and Latinx communities generally, and Black and Latinx women specifically, also face higher evicton filings and judgments than their white peers. Even in the middle of a pandemic with moratoriums in place to protect residents from eviction, Black renters generally, and Black women specifically, are being hit the hardest by evictions currently being filed. Further, research has shown that perspective Black renters, especially those aiming to use a Housing Choice Voucher, face significantly higher discrimination instances than their white peers in their search to secure a rental property.

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6 Emily Stewart, “Trump just scrapped safeguards that stop auto lenders from discriminating based on race,” Vox, May 2018.
8 Andrew Van Dam, “Black families pay significantly higher property taxes than white families, new analysis shows,” The Washington Post, July 2020.
10 Emily Lemmerman, Renee Louis, Joe Fish, and Peter Hepburn, “Preliminary Analysis: Who is being filed against during the pandemic?,” The Eviction Lab at Princeton University, December 2020.
Unfortunately, when it comes to the financial services industry, a similar pattern emerges. For example, according to the FDIC, in 2017 nearly half of Black and Latinx households were either unbanked or underbanked.\textsuperscript{12} In part, this is because Black, Latinx, and Indigenous People often live in “banking deserts.”\textsuperscript{13} Additionally, it is also because these predatory products and services are often actively marketed to communities of color. For example, there are more storefront payday locations than McDonald’s restaurants.\textsuperscript{14} And the vast majority are in Black and Brown communities.\textsuperscript{16}

Ultimately, the systemic inequities that too often leaves communities of color vulnerable to and reliant on alternative financial services, like payday lenders, to transact and make ends meet ends up stripping them of what little wealth they have. To this point, in 2017 the fees and interest associated with using alternative financial services by unbanked and underbanked consumers ended up siphoning $173 billion from the pockets of these households alone.\textsuperscript{16} In the end, these and countless other aspects of our financial system have served to widen the growing racial wealth gap.

As stark as these realities are, there is a silver lining that we should not ignore. That is that these issues are the result of intentional private and public choices, including those made by the federal government. As a result, Congress can choose to end the dual housing and financial system that has long facilitated rampant financial predation against communities of color. Considering these choices, we urge Congress and relevant federal agencies to take the most decisive actions possible. Though not a comprehensive list, these actions should include:

- Reforming the Community Reinvestment Act to ensure that people of color have access to mainstream financial products and services (including checking and savings products, mortgages, small-business loans, and other financial services);
- Bolstering the Consumer Financial Protection Bureau’s ability to enforce fair lending laws;
- Putting an end to predatory products like payday loans that only serve to trap consumers in a cycle of debt;
- Reinstating the U.S. Housing and Urban Development (HUD)’s 2015 Affirmatively Furthering Fair Housing rule;

\textsuperscript{12} “2017 National Survey of Unbanked and Underbanked Households,” Federal Deposit Insurance Corporation, October 2018.
- Curbing the corporate power of institutions that have used their influence to strip wealth from communities of color and have become gatekeepers to the essential financial products people need to navigate the economy; and
- Encouraging and empowering the Federal Housing Finance Agency (FHFA) to use its authority in administering the National Housing Trust Fund (NHTF) to build 12 million new social housing units over ten years to begin de-commodifying the nation's rental housing.\(^\text{17}\)

The hearing on March 10 is a critical step in ending the dual housing and financial systems that communities of color face. We urge the Committee to take all necessary actions to address the various ways that systematic racism permeates throughout these systems.

Thank you again for the opportunity to express our views for the record on this important hearing.

Sincerely,

Jeremie Greer
Co-Founder, Co-Executive Director

Solana Rice
Co-Founder, Co-Executive Director

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\(^{17}\) *A National Homes Guarantee Briefing Book,* People's Action, September 2019.
Statement of Support for the Downpayment Toward Equity Act of 2021

by Thomas Callahan, Executive Director and Symone Crawford, Director of Homeownership
Education, Massachusetts Affordable Housing Alliance
March 9, 2021

We are submitting this statement in strong support of the draft legislation to provide downpayment assistance to first-generation homebuyers to address multigenerational inequities in access to homeownership, and to narrow and ultimately close the racial homeownership gap in the United States. On behalf of the thousands of first-generation homebuyers who have taken our homeownership education classes in Massachusetts and the millions more nationwide, we applaud the Chairwoman Maxine Waters and the House Financial Services Committee for proposing this vital and historic initiative.

Our indefensible racial wealth and homeownership gaps in the United States did not happen by accident. It is the result of intentional policies by government and the private sector that created these gaps and we can only narrow and close those gaps with equally intentional efforts. Supporting first-generation homebuying, those without the so-called Bank of Mom and Dad, is an important vehicle for achieving those goals. In Massachusetts our white homeownership rate is nearly 70% while the rate for Black, Latinx and Asian households is approximately 35%, a 2:1 ratio that is one of the nation’s widest gaps.

In 2019, the Massachusetts Affordable Housing Alliance (MAHA) launched what we believe to be the nation’s first program to support first-generation homebuyers. Our Saving Toward Affordable Sustainable Homeownership (STASH) program has enrolled 187 participants to date thanks to funding received from private sources and recently from Boston Mayor Marty Walsh and the City of Boston. To date, 57 participants have met both savings and education goals and 14 have already purchased.

We are pleased by these early results. MAHA will look to expand STASH in the coming months and years to serve more first-generation homebuyers with savings matches as high as $25,000. STASH is succeeding as a model race-conscious program with 97% of its participants persons of color with 74% Black; 16% Latinx; 4% Multiple race; 3% white; and 1% Asian. To date, all of the purchasers and all of the participants who have completed the savings and education goals are persons of color.

We thank Chairwoman Maxine Waters and her staff for drafting and championing this timely legislation and we look forward to help shape it moving forward. We also thank Congresswomen Ayanna Pressley (MA-7) and Katherine Clark (MA-5) and Senator Elizabeth Warren for their support of MAHA’s Homeownership Justice Vision and its focus on closing the large racial homeownership gap in our home state.
The Mortgage Bankers Association (MBA)\(^1\) appreciates the opportunity to comment on legislative proposals noticed by the House Financial Services Committee that were the focus of the March 10, 2021 hearing titled, “Justice for All: Achieving Racial Equity through Fair Access to Housing and Financial Services.” MBA strongly supports policies and legislation designed to broaden and diversify homeownership as well as enhance housing affordability. In order for the proposed legislation to have its intended effect, which is to maximize sustainable homeownership and help consumers achieve that goal, MBA offers these comments.

**H.R. ____ , a bill to provide down payment assistance**

MBA commends the Committee for addressing this critical issue and is supportive of efforts to assist qualified homebuyers overcome barriers to homeownership, such as the lack of generational wealth and challenges building resources for down payments. MBA recommends the changes below for clarification in several areas of the bill to encourage widespread lender participation and provide for a more seamless process for borrowers.

**Hold Harmless / Safe Harbor for Lenders**

During the loan application and underwriting process, lenders comply with a multitude of federal and state laws and regulations to ensure that borrowers are treated fairly and that mortgages are underwritten in accordance with safety and soundness standards and, where applicable, agency or investor program guidelines. Lenders have established rigorous compliance processes to ensure that borrowers meet underwriting guidelines and program eligibility standards, and are held accountable for compliance by investors and agencies overseeing federal mortgage programs.

MBA fully understands and appreciates the intentions of the proposal’s “First Generation Homebuyer” requirement. The current construct of the bill, however, allows the borrower to self-certify his or her eligibility with no clear or viable remedy should the information be inaccurate.

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\(^1\) The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 330,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation’s residential and commercial real estate markets, to expand homeownership, and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 1,700 companies includes all elements of real estate finance: independent mortgage banks, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies, credit unions, and others in the mortgage lending field. For additional information, visit MBA’s website: [www.mba.org](http://www.mba.org).
The bill further provides that only mortgages eligible for insurance or guarantees from the Federal Housing Administration (FHA) or the Department of Agriculture (USDA), or for sale to Fannie Mae and Freddie Mac (the government-sponsored enterprises, or GSEs), are eligible for this down payment assistance. Lender verification that a borrower meets the minimum investment, or down payment, requirement is a critical component when determining a mortgage’s eligibility to be insured or guaranteed by, or sold to, these entities. In many cases, the assistance provided in this bill will be used to meet the minimum investment requirement necessary to satisfy the down payment conditions provided by the government agencies and GSEs.

While it is worthwhile to target this assistance to First Generation Homebuyers, in practice it is extraordinarily difficult to determine with reasonable certainty whether any particular borrower would qualify as a First Generation Homebuyer. If lenders were required to perform this due diligence, they would incur substantial costs for information of uncertain accuracy. As such, the requirement that a borrower simply attest to his or her First Generation Homebuyer status is a far more practical approach.

Under a self-certification regime, it is critical that lenders not be penalized for reliance on these borrower attestations. Should a mortgage be closed, funded, and sold into the secondary market using this assistance and it is later determined that the funds were not acceptable because the borrower did not accurately represent his or her First Generation Homebuyer status, lenders could be required to repurchase the loan, indemnify the agency/GSE, or remedy the associated shortfall. If lenders cannot certify the accuracy of the information provided by the borrowers participating in the program and are not protected in the event that this information is inaccurate, they will be highly unlikely to participate in this offering. It is for this reason that the Committee should make explicit in the legislation that lenders be held harmless or granted safe harbor from any recourse should borrowers self-certify their First Generation Homebuyer status and later be determined ineligible. Without this protection, the lender participation so critical to this program’s success will not be attained.

**Hardship Protections for Borrowers**

MBA supports the incorporation of the five-year affordability period clause to deter borrowers from prematurely profiting from the equity created by the down payment assistance. It would be advisable, however, that a provision be included in the text to protect borrowers from unforeseen circumstances that would require them to sell the property within the affordability period — such as the death of a borrower or military deployment. These hardship policies will ensure that borrowers facing extenuating circumstances that require the sale of their homes will not be penalized for doing so.

**Preserving Funding Streams for Existing Programs**

MBA traditionally has opposed utilizing GSE guarantee fees (g-fees) as a source of funding offsets for other programs not directly related to housing. G-fees are a critical risk management tool used by the GSEs to cover operating costs and losses that occur in their operations. It is important to note that g-fees are included within the cost structure of all mortgages in securities backed by the GSEs and are paid by borrowers over the entire life of their loans, meaning they
are priced in from the time of origination. We look forward to continuing this dialogue with members of the committee about the use of fees derived from the GSEs as a funding stream to assist with housing affordability.

Uniformity in Administering the Down Payment Assistance

MBA recognizes that the legislation allows for variances in program guidelines and parameters from state to state. While federal legislation cannot specify all details of a program of this scope, the bill should encourage a uniform process in program administration in order to enhance its effectiveness. Greater uniformity, for example, would reduce the burdens on state housing agencies in designing their programs to identify and distribute funds. Less variation across states also would enable lenders operating in multiple jurisdictions to more easily navigate the program and therefore lead to more robust participation. Finally, a more uniform process should reduce errors and result in a faster implementation of this program, thereby providing aid to borrowers as accurately and as quickly as possible.

H.R. _____, Making FHA Work for Borrowers with Student Debt Act

MBA supports the Committee’s efforts to address the issue of student loan debt and the ways in which it impacts borrowers’ ability to qualify for mortgage credit, specifically in regard to FHA-insured financing. For several years, MBA has expressed concern that current FHA requirements may disqualify otherwise creditworthy borrowers by presuming overly conservative student loan payments in lieu of the actual monthly obligation that appears on the credit report when that payment does not fully amortize the debt — a situation often found in income-based repayment plans. The use of this calculation frequently results in an artificially inflated debt-to-income (DTI) ratio that could cause some borrowers to become ineligible for FHA financing. FHA’s approach to underwriting student debt also is misaligned with other federal agencies and the GSEs.

MBA acknowledges that FHA’s appropriate consideration of student loan debt during the qualification process is imperative to promote access to credit while also protecting borrowers, lenders, and the Mutual Mortgage Insurance Fund (MMIF) from potential risk. We believe, however, the experience of the other agencies suggests FHA could align with their approach without undue risk. MBA looks forward to working with Congress and FHA leadership to properly calibrate the student loan debt calculation methodology without sacrificing the safety and soundness of the program.

Conclusion

Thank you in advance for your consideration of the views expressed within this letter. We stand ready to work with Members of the Committee to ensure a robust housing market that is accessible, affordable, and works to benefit borrowers, renters, and other critical stakeholders.
Statement for the Record

Submitted to the House Financial Services Committee

Justice for All: Achieving Racial Equity Through Fair Access to Housing and Financial Services

March 10th, 2021

The Asian/Pacific Islander American Chamber of Commerce and Entrepreneurship (National ACE) respectfully submits the following statement for the record in response to the Committee hearing held on Wednesday, March 10th, 2021 entitled “Justice for All: Achieving Racial Equity Through Fair Access to Housing and Financial Services”.

Despite being an incredibly diverse segment of the population, Asian Americans and Pacific Islanders (AAPIs) are often mistakenly perceived as a homogenous population. In fact, AAPI communities represent more than 50 ethnicities from around the world and speak over 100 languages. In spite of this, economic narratives often fall short of capturing the complex income and employment disparities that exist within this demographic. Across all AAPI communities there are a plethora of varying socioeconomic challenges, including inadequate access to healthcare, housing, economic opportunities, language barriers, and xenophobia that cannot be ignored during conversations around racial and ethnic inequities.

While it is true that AAPIs have a higher median household income ($87,194 in 2018) than the national average ($63,179 in 2018). It is also true that the income inequality gap among AAPIs is the largest of any ethnic group in America. Indian Americans are among the highest earning AAPIs, earning on average $100,000 per year, while Burmese Americans earn just $36,000 on average1. Top earning AAPIs experience growth in their wealth at a much faster rate than the bottom earning AAPIs, resulting in those at the top earning as much as 10x more than those at the bottom.

There are several factors that contribute to such disparities, one of which is language barriers. The top languages spoken among the AAPI community are Chinese, Tagalog, Korean, Vietnamese and Hindi. Language barriers create major challenges for AAPIs who are seeking

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employment, medical care, applying for federal or state aid, and navigating day to day activities. As of 2017, 34% of all AAPIs were considered “Limited English Proficient” (LEP)\(^2\). Rates of LEP vary among different subgroups of AAPIs, with those immigrating from Burma (79%) and Vietnam (64%) experiencing the highest rates of LEP among AAPIs\(^3\).

Low income AAPIs who are LEP are also at particularly high risk of losing their housing, and this has only been exacerbated by the onset of the pandemic. As with many issues within the AAPI community, access to affordable housing widely varies among subgroups of AAPIs. A 2019-2020 State of Asia America Report, published by The Asian Real Estate Association of America, found that the homeownership rate for Japanese Americans is 65%, while it is less than 30% for Nepalese Americans\(^4\).

In 2020, AAPI-owned businesses were the most negatively impacted by the Covid-19 pandemic, compared to all other demographic groups. The number of active AAPI business owners fell by 20% from February to December, compared to 3% of Black businesses and 3% of Hispanic businesses\(^5\). In addition, 54% of firms overall described their financial condition as “fair” or “poor.” But that share rose to 75% for Asian-owned businesses, compared to 77% for Black-owned firms and to 66% for Hispanic-owned businesses\(^6\).

AAPIs have also experienced the highest level of long-term unemployment, with roughly half of unemployed AAPIs remaining unemployed for 27 weeks\(^7\). Unemployment numbers remain even higher among Asian American women, with 44% of unemployed Asian American women remaining unemployed for 6 months or longer\(^8\).

In addition to the challenges presented in applying for federal aid and keeping their businesses afloat through the pandemic, AAPIs also face increased levels of discrimination in their communities, businesses, and workplaces. This is due in part to misinformation spread about the

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\(^7\) Pickert, Read: “Jobless for Longer: How the Pandemic Has Hit Asian Americans” Bloomberg, 27 January 2021

Covid-19 pandemic. According to a New Center for Public Integrity/Ipsos poll released last year, 3 in 10 Americans blame China or Chinese people for the pandemic. And 60% of AAPIs have witnessed someone blaming AAPIs for the pandemic9. Additionally, Stop AAPI Hate has received almost 3,000 self-reported incidents of violence, ranging from verbal to physical assault10.

AAPIs face significant challenges to achieving financial resiliency and many of those challenges are systemic. AAPIs continue to be underrepresented in conversations around inequities and are often not included in initiatives to uplift and empower marginalized communities. AAPIs face many of the same obstacles to affordable housing, healthcare, economic opportunities and growth as other marginalized communities and viewing the AAPI community as a model minority only dilutes those obstacles.

National ACE encourages Congress to ensure that AAPIs are considered when engaging in conversations around equity on the Committee floor and within their communities. AAPIs make great contributions to our local and national economies and communities and it would be a great disservice to all AAPIs if they are not granted a seat at the table.

National ACE believes that there are solutions to these challenges and stands ready to work with Congress, the Biden Administration, and the private sector to increase racial equity across all communities. National ACE has already unveiled programs to increase access to language services for API entrepreneurs, assist API business owners with applying for federal and local aid, and has conducted over 100 virtual events for small businesses and nonprofits to help minority and API businesses remain resilient during Covid-19 and operate safely in the changing economy.

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U.S. House Committee on Financial Services Hearing

Justice for All: Achieving Racial Equity Through Fair Access to Housing and Financial Services

Date: Wednesday, March 10, 2021

STATEMENT OF ROBERT L. GREENE, President & CEO of The National Association of Investment Companies.

Congresswoman and Chairwoman of the U.S. House Committee on Financial Services Maxine Waters, Congresswoman and Chairwoman of the Financial Services Diversity and Inclusion (D&I) Subcommittee Joyce Beatty, and Members of the U.S. House Committee on Financial Services and Diversity and Inclusion Subcommittee, thank you for the opportunity to engage with you on this critical topic of achieving racial equity through fair access to housing and financial services.

This issue of systemic racism in America has led to the exclusion of people and communities of color in the housing and financial services industries, as well as the consumer financial marketplace, and we welcome your leadership in making it a priority and holding a hearing on the topic on March 10, 2021.

NAIC, a 501(c)(6) founded in 1971, is a thought leader and the largest network of diverse and emerging private equity firms and hedge funds. Comprised of over 110 member firms representing over $175 billion in assets under management and thousands of portfolio companies, in the aggregate, NAIC member firms generate superior returns that help drive the growth in pension and other investment assets under management in the U.S. and abroad.

U.S. President Joseph R. Biden’s Build Back Better plan has set forth an agenda to lead our country through multiple crises, including systematic racism, and build a stronger, resilient, and more inclusive economy. The NAIC has established what we propose as Economic Priorities for People of Color in support of that plan and to drive economic activity through investments in a more inclusive and equitable manner.
Introduction

For over 50 years, the National Association of Investment Companies (NAIC), the largest network of diverse private equity, hedge funds, and other alternative investment funds, has advocated for diverse, experienced, and top-performing investment managers to have fair access to manage capital.

The Biden Plan to Build Back Better by Advancing Racial Equity Across the American Economy accurately highlights: “Reviews of the performance of asset management firms owned by Black and Brown people are consistently equal to or better than “blue chip” asset management firms, yet government-led investment pools consistently fail to utilize them.” As many U.S. institutional investors have taken deliberate steps to ensure the allocation of assets to diverse managers, there continues to be a disproportionately lower level of commitments to diverse managers versus their peers despite the documented outperformance of these managers.

The NAIC fully supports the Biden plan to ensure that federal government-led pension funds, endowments, and other agencies allocate their assets in a manner that reflects the diversity of the country, including to asset management firms owned by diverse investors. The alternative investment industry, which includes private equity, venture capital, and other asset classes, helps fuel the economy via investments in emerging, innovative companies with high growth potential. The businesses these fund managers invest in have the potential to create jobs, generate wealth, and improve communities across this country and in other parts of the world.

The NAIC would like to propose four Economic Priorities for People of Color, which we believe will be most impactful in driving economic growth and productivity while ensuring more diverse and inclusive asset manager selection processes:

1. Increasing the access diverse managers of institutional alternative investment funds have to manage the assets of the federal government (the 11 pools of capital listed below)
2. Funding the $1 billion NAIC Minority Growth Equity Funds Initiative, an essential effort, supported by the Minority Business Development Agency (MBDA)
3. Increasing the stature of the MBDA by making it a permanent agency with appropriate funding
4. Re-establishing the SBIC patient capital programs and increasing the number of licensees

Increasing the Access Diverse Managers of Institutional Alternative Investment Funds Have to Manage the Assets of the Federal Government
The U.S. Government Accountability Office reported that asset management firms registered in the U.S. manage more than $70 trillion and that minority- and women-owned firms manage less than 1 percent of those assets. The GAO study highlighted that diverse- and women-owned asset managers face challenges when competing for investment management opportunities with institutional investors and raised questions about how often federal entities use diverse asset managers and the transparency of their selection processes.

Two of the main challenges referenced include:
- Institutional investors and their consultants often prefer to contract with large, majority-owned asset managers with brand recognition and with whom they are familiar, and
- Small firms, including many diverse and women-owned firms, are often unable to meet minimum requirements set by institutional investors, such as size (assets under management) and past experience (length of track record).

Diverse managers have not been provided fair and equal consideration for access to manage capital for institutions across this country, including the U.S. federal agencies, public and corporate pension plans, endowments, foundations, and other asset managers. The federal government has 11 pools of investment capital, including pension funds and endowments, which are actively managed by numerous external asset managers. They include Pension Benefit Guarantee Corporation, National Railroad Retirement Investment Trust, The Federal Reserve Retirement Fund, The Army Air Force Exchange, The Smithsonian, Federal Retirement Thrift, Tennessee Valley Authority Retirement System, Navy Exchange Service Command, US Army NAF Retirement, Federal Home Loan Mortgage Corp Pension, and Fannie Mae Pension.

Pension assets under management by the federal government agencies and endowments exceed one trillion dollars and belong to a diverse group of beneficiaries and dependents, a majority of which are women and ethnic minorities. Despite the high performance of diverse managers, the federal government invests very little with women and ethnic minority-owned firms. Additionally, the federal plans’ assets are highly concentrated and managed by a small number of large, majority-owned firms. The largest federal pension plan, Federal Retirement Thrift, recently gave a sole source contract to BlackRock to manage all $400 billion of its assets. The Federal Retirement Thrift’s request for proposal was written so that only firms with assets in excess of $50 billion could apply.

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Successful investment outcomes tend to come from manager selection, and many diverse firms are generating top quartile and decile returns. The Biden administration’s Build Back Better program calls for "opening the door for asset managers owned by Black and Brown people to boost retirement security and financial wealth for Black, Brown, and Native Families.” To do so, the plan underscores how the Biden administration will "ensure that federal government-led investment pools, including pension funds and endowments, allocate their assets in a manner that reflects the diversity of the country, including to asset management firms owned by Black and Brown people.” The NAIC strongly supports this element of the plan and believes, given the well-documented outperformance of diverse managers, this initiative will not only boost retirement security and financial wealth for Black, Brown, and Native Families, but for all Americans who have contributed to and are beneficiaries of the federal government’s pensions and endowment assets.

The NAIC would like to propose substantive legislature to ensure a fair and equal manager selection process for the retirement, pension, and other assets under management by the federal government. First, legislature should require the creation of Diverse Manager programs within each of the pools of capital allocated to external managers with a goal to increase assets to diverse managers to represent twenty percent (20%) of each asset class (venture capital, hedge funds, etc.) by 2030.

Secondly, the NAIC strongly advocates for the "Rooney Rule" to be employed in the manager selection process of each federal plan to require that a diverse manager be considered for every external manager mandate. The "Rooney Rule" is named after Dan Rooney, the Pittsburgh Steelers owner who established a process for seeking out a diverse pool of candidates to be interviewed for open Head Coach positions. The rule did not dictate who should be hired or mandate an outcome; it merely provided a process to allow for a representative set of candidates to be considered. A "Rooney Rule" within the federal pools of capital would require that the managers of those federal pensions and endowments interview at least one qualified firm owned by a person of color, among others, when searching for a manager of a particular investment mandate. This would ensure that systemic biases in the investment industry do not unnecessarily limit the pool of candidates from which to choose or the returns for the federal plans resulting from bringing in a less diverse pool of candidates.

Thirdly, the investment consultants, who advise and select managers on behalf of each of the federal plans, should be required to immediately begin annual reporting regarding the number of diverse managers they have reviewed and selected for their federal pension clients’ within each asset class, as well as the diversity of each of their own firm’s leadership and investment consultant staff.
There is a longstanding precedent of legislative action in the State of Illinois, which has provided managers of color with access to manage the billions of dollars of the state’s public retirement and pension assets. The State of Illinois launched its emerging manager mandate nearly two decades ago. The initial legislation only required the reporting of the numbers of emerging managers managing the respective public funds in the state. An “Emerging investment manager” was defined as a qualified investment adviser that managed an investment portfolio of at least $10 million but less than $10 billion and was a “minority-owned business,” “female-owned business,” or “business of a person with a disability.”

In response to initial low numbers reported by the Illinois public funds, a Senate Select Committee on Pensions and Investments was formed, which required the public funds to report publicly on their emerging manager numbers and respond to questions from the Committee at annual Diversity Hearings. The Committee also requested that each of the public funds set goals for certain asset classes. The managers of the state pension funds initially questioned whether focusing intentionally on diversity would be a breach of their fiduciary duty and where to find qualified diverse managers. The Committee countered this pushback, informing the funds that investing with diverse managers would help fulfill fiduciary obligations and working with the funds to create lists of qualified diverse managers.

Under a 2010 state law, the Illinois policy encouraged trustees of public employee retirement systems, pension funds, and investment boards to use emerging investment managers, increase the racial, ethnic, and gender diversity of its fiduciaries to the greatest extent feasible, and remove any barriers to the full participation in investment opportunities afforded. The law further directed funds to adopt the “Rooney Rule,” whereby any emerging investment manager that meets the criteria established by a board and consultant for a specific search shall receive an invitation to present his or her firm for consideration.²

In 2016, the law was amended to require funds to set an aspirational goal of using emerging investment managers for no less than 20% of the total funds under management. It also set an aspirational goal that no less than 20% of investment consultants utilized be minorities, females, and persons with disabilities. As a result of state legislative actions, Illinois public plans in have done the largest hiring relative to total assets of minority- and women-owned firms over other state plans.³

In January 2021, Massachusetts Governor Charlie Baker signed into law a bill requiring the $80 billion Massachusetts Pension Reserves Investment Management Board (MassPRIM) to increase the diversity of the investment managers and consultants it hires. The amendment to the recently signed bill, H.4887/S.2842, requires MassPRIM to increase to at least 20% the diversity of both investment managers and consultants the state trust fund hires. In addition to increasing the diversity of the firms with which it does business, MassPRIM must also report its progress on these efforts to the state Legislature. The state pension system must also consider whether its current investment policy discourages the use of minority investment managers through such restrictions as their years in operation, track record and minimum assets under management.4

Legislative actions, such as those taken in Illinois and Massachusetts, should be taken to diversify the managers of federal pensions assets. The aforementioned recommended actions related to the trillion dollars of federal government assets could be adopted by other U.S. public pension plans with nearly $5 trillion of public pension and retirement assets in the aggregate, and establish policies that trickle down to corporate pensions, endowments and other privately managed assets. The NAIC believes that the federal government’s leadership in this area the lowest hanging fruit to change the fact that ninety-nine percent (99%) of investment assets in this country are managed by firms owned by white men.

**Funding the $1 Billion Dollar NAIC Minority Growth Equity Funds Initiative**

As part of the plan to increase the funding of the MBDA, the NAIC would like to propose that the MBDA fully fund the NAIC Minority Growth Equity Funds Initiative (MGEFI). The NAIC Growth Equity Funds Initiative was established in October 2019 and supported by the MBDA and the National Association of Investment Companies (NAIC) with the intent to aggregate billions of dollars of growth equity capital to invest in ethnically diverse and women-owned business enterprises (DWBEs). With the generous support of a $1.4 million grant from the MBDA, the NAIC is leading and managing this initiative with the goal of financing DWBEs, while creating greater wealth in their communities.

As stated in the 2017 National Minority Supplier Development Council (NMSDC) annual report, ethnically diverse-owned and NMSDC certified businesses produced more than $400 billion in annual revenue and actively employed, either directly or indirectly, more than 2.5 million people. Yet, based on commonly available research, despite being a fast-growing and critical segment of the U.S. economy, ethnically diverse and women entrepreneurs have

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5 [http://nmsdc.org/about-nmsdc/annual-reports/](http://nmsdc.org/about-nmsdc/annual-reports/)
long struggled with attracting growth capital, including those that are in attractive market segments. Through the MGEFI initiative, growth capital will be made available to these businesses, allowing them to scale while providing institutional investors with attractive risk-adjusted rates of return.

The MGEFI will enable the NAIC to provide information to Fortune 500 corporations, endowments, foundations and other institutional investors as potential investors in a series of fund of funds (FOFs). The FOF managers allocate the capital to a series of growth equity funds, whose managers subsequently invest directly in DWBEs. To receive capital, the DWBEs will be required to demonstrate they can leverage the capital investment to deliver agreed upon performance metrics. By fully funding the initial $1.4 billion MGEFI, the MBDA will help mobilize billions of dollars of growth equity capital to be invested, over the next three to four years, in ethnically diverse and women entrepreneurs, creating a path for investing growth equity in DWBEs into the future.

**Increasing the Stature of the Minority Business Development Agency by Making it a Permanent Agency with Additional Funding**

The MBDA was originally established as the Office of Minority Business Enterprise by President Richard M. Nixon in 1969 when the U.S. was facing a national reckoning with racial inequity. When President Nixon signed the Executive Order to establish the predecessor of the MBDA he signaled a recognition of the impact minority-owned businesses have on the nation’s economy and on the general welfare of the country.

We are at a tipping point in this country where a requirement exists for higher economic productivity. Given U.S. Census projections that the country will be a ‘majority-minority’ nation by 2045, it is more essential than ever today that this future new ‘majority’ not be under-represented in entrepreneurial circles. This new ‘majority’ will need to be the economic drivers in order to preserve the standing the U.S. has as a market leader and producer. The need for investment in minority entrepreneurs is vital to the survival of the U.S. economy. Otherwise, talent around business innovation will shrink, as this nation’s demographics shift toward this majority of minority individuals.

According to the Kauffman Foundation, minority entrepreneurs, especially Black and Hispanic business owners, are still underrepresented among U.S. business owners, and they also underperform compared to non-minority owners. According to the U.S. Small Business Administration (SBA), as of 2013, Black-owned firms represented 7% of all U.S. businesses, Asian-owned firms represent only 4.3%, and Hispanic-owned firms’ share was only 10.6%.^6

Given that broad economic productivity is critical to strengthening the economic foundation of the country, the growth in minority-owned businesses is being severely limited.

The NAIC strongly supports the Build Back Better plan to increase the funding and stature of the MBDA. The plan states, "President Biden will protect the MBDA, elevate the Director of the MBDA to the Assistant Secretary level, instruct the MBDA to coordinate all federal offices charged with reducing barriers to procurement for underrepresented groups, and importantly, provide MBDA with $5 billion in annual lending and investment authority to ensure capital flows directly to minority-owned businesses and investments in critical infrastructure in Black, Latino, AAPI, and Native American communities."

During the prior presidential administration, the MBDA was at risk of being eliminated. The NAIC would like to propose actions to make the MBDA a permanent agency, so that the only federal agency responsible for addressing racial disparities in small business ownership, is protected from the will of any future U.S. presidential administration to eradicate it.

**Re-Establishing the SBIC Patient Capital Programs and Increasing the Number of Licensees**

The Small Business Investment Company (SBIC) program, administered by the SBA, has a 60-year history of helping U.S. small businesses access long-term capital for growth and job creation. The SBIC program utilizes the talent of experienced private investment fund managers to achieve critical public policy objectives. Fund management teams, meeting the SBA’s minimum requirements and successfully complete the application process, access low cost leverage up to two times the private capital they raise. These funds are then able to invest in a portfolio of U.S. small businesses, creating jobs, fostering innovation, and fueling economic growth.

The NAIC was established in 1971 as the American Association of MESBICs (Minority Enterprise Small Business Investment Companies), with a diverse set of members including those from Asian, Hasidic Jewish, Orthodox Jewish, African-American and Latin-American communities, who all managed SBIC funds. In the 1990s, many members began to reduce their dependence on the SBA programs to launch independent private equity firms. The American Association of MESBICs was subsequently renamed the NAIC, and today, NAIC’s 112 independent member firms manage over $175 billion in the aggregate.

Over the last several decades, there has been significant growth in the number and diversity of investment firms. Talented diverse managers have been launching their own firms with established teams, degrees from top universities, and track records after gaining years of experience at large asset management platforms. Numerous diverse firms are no longer
emerging, have raised multiple oversubscribed funds in excess of one billion dollars, and have generated top-quartile returns for retirement and investment programs globally.

The SBA’s SBIC program stimulates and supplements the flow of private equity capital and long-term loan funds to small businesses, which they require for the financing of their operations, growth, and expansion, especially when such capital is not available in adequate supply. Inadequate access to financial capital is a particularly important constraint limiting the growth of minority-owned businesses. The most recent nationally representative data on the financing of minority firms indicates large disparities in access to financial capital. Minority-owned businesses pay higher interest rates on loans, face higher rejection rates for credit, and are less likely to apply for loans because they fear their applications will be denied. Minority-owned firms are found to have less than half the average amount of equity investments and loans than non-minority firms, and they invest substantially less capital at start-up and in the first few years of existence than majority firms.

The SBIC provides critical equity financing for businesses, including minority businesses with less financial backing and the resources to build companies that are poised for economic growth. In January 2020, there were nearly 300 licensed SBIC funds representing nearly $30 billion in domestic capital invested or to be invested in American small businesses. The NAIC would like to see an expansion in the number of licenses and the re-establishment of a true patient capital program, whereby fund managers invest equity over a longer time horizon to grow the businesses they invest in without the burden of regular debt service. The impact of reinstituting an SBIC patient capital program and increasing the number of SBIC licenses should expand vital funding to small businesses as well as facilitate sustainable economic growth.

Numerous independent private equity fund managers have built their track records investing SBIC funds. An increase in SBIC funding should also help increase the diversity of top-performing managers who launch successful firms building upon their track records with SBIC funds. The Library of Congress Federal Research Division conducted a study to find out whether SBICs are more diverse in terms of having women and/or ethnic or racial minorities in leadership positions than the overall venture capital and private equity (VCPE) sectors. The authors found that SBIC funds are more gender diverse than the broader VCPE community. In the broader VCPE community, only 7.9 percent of firms had any female investment professionals on their staffs, which was four percent higher for SBIC funds with 11.9 percent of firms with women on their investment teams.7

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The SBIC data also showed that 10.2 percent of SBICs have at least one ethnic or racial minority on their investment teams. However, the authors did not compare the figure with the overall private equity community, which other studies have quantified. The 2019 Bella Private Markets and Harvard Business School study provides statistics, which support that SBIC funds are more diverse than the overall private equity industry. The Bella Markets study reviewed 6,585 US-based PE funds with vintage years spanning 2006–2017. It found that 106 firms (3.8 percent) were minority-owned and 146 firms (5.2 percent) were owned by women.8

To conclude, the NAIC believes the Economic Priorities for People of Color we have proposed should remove barriers to participation, expand access to opportunities for high-performing diverse entrepreneurs and investment fund managers, and spur U.S. economic growth. We look forward to working with the Members of this Committee on specific steps you can take as legislative leaders in support of these priorities.

Best regards,

Robert L. Greene, President & CEO

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U.S. HOUSE COMMITTEE ON FINANCIAL SERVICES

HEARING ENTITLED

"JUSTICE FOR ALL: ACHIEVING RACIAL EQUITY THROUGH FAIR ACCESS TO HOUSING AND FINANCIAL SERVICES"

STATEMENT FOR THE RECORD OF
THE NATIONAL ASSOCIATION OF REALTORS®

MARCH 10, 2021
Thank you for holding this important hearing on “Justice for All: Achieving Racial Equity Through Fair Access to Housing and Financial Services.” The National Association of REALTORS® represents 1.4 million members involved in all aspects of the residential real estate industry.

We believe that our livelihood and business as REALTORS® depend upon making the American Dream of homeownership accessible to as many people as possible. Broad access to homeownership requires an open housing market that is free from discrimination. Discrimination distorts the marketplace, prevents qualified buyers from accessing housing opportunities, and denies neighborhoods the benefit of integration. Our economy, our communities, and the American people suffer when discrimination and segregation artificially constrain homeownership and limit the intergenerational wealth it builds. Conversely, when strong fair housing laws and practices are in place and segregation is addressed, all boats are lifted. Homeowners, communities, REALTORS®, and our economy can thrive.

More than a half-century after passage of the federal Fair Housing Act, homeownership rates for Black, Hispanic, and Asian Americans continue to lag behind the white homeownership rate. Today, the Black-white homeownership gap is the same as it was when housing discrimination was legal. The Black homeownership rate has not fully recovered from the 2008 recession, which impacted communities of color disproportionately. Now, the disproportionate health and economic impacts of COVID-19 threaten to open the gap even wider. Compounding the challenge, limited housing inventory is pushing prices upward and out of reach for many families.

The racial homeownership gap and residential segregation did not happen by accident. They are the result of decades of public and private policies explicitly denying homeownership to millions of qualified Americans because of their race or national origin. Our industry continues to reckon with the historic role it played in segregating our communities and denying homeownership opportunities to qualified buyers of color. Racial dividing lines that our industry helped create decades ago remain in place in many communities. Those lines undergird the challenges people of color face in nearly every facet of American life, from health, to employment, to education, to access to credit, to federal programs and services. In one of his first acts after being installed as NAR’s 2021 President, Charlie Oppler issued a formal apology in November 2020, for the role the industry played in contributing to racial segregation and inequality in America. Oppler noted that “Because of our past mistakes, the real estate industry has a special role to play in the fight for fair housing.”

NAR strongly supports public policies that help redress the legacy of the past and combat the systemic barriers to homeownership resulting from it. We firmly support the Fair Housing Act’s directive that the federal government and its funding recipients affirmatively further fair housing, and we look forward to working with HUD to develop a new AFFH rule that will restore its focus on examining and addressing segregation in our communities. Working in collaboration with nonprofit, community, and industry partners, NAR has identified and advocated for policy reforms to make homeownership more attainable for those for whom it has been out of reach for too long. In 2019, NAR worked with the Urban Institute and the National Association of Real Estate Brokers to develop a framework to address the Black homeownership gap. That plan called on the nation to promote an equitable and accessible housing finance system, including the use of alternative credit scoring models; tackle housing supply constraints and affordability; expand outreach and counseling initiatives for renters and mortgage-ready millennials; and shore up sustainable homeownership and preservation. NAR continues its work addressing the racial homeownership gap in 2021 with the Black Homeownership Collaborative, convened by the National Housing

Conference and including partners such as the National Fair Housing Alliance and the Mortgage Bankers Association. The Collaborative will soon present recommendations to the administration and Congress that our large and diverse group of partners agree can advance homeownership for Black buyers.

NAR also supports strong enforcement of fair housing laws to eliminate the ongoing discrimination that the 2019 Newsday investigation reminds us still exists. Last July, we called on HUD to withdraw its proposed rule weakening the agency’s interpretation of the disparate impact theory of liability under the Fair Housing Act. We support increased funding for HUD’s Office of Fair Housing and Equal Opportunity, and encourage that office to make greater use of its Secretary-initiated complaint authority to undertake investigations of systemic practices that deny homeownership to large groups of Americans. We support increased funding for discrimination testing, and strengthening the capacity of the nation’s private fair housing groups receiving funds under HUD’s Fair Housing Initiatives Program to carry out impactful fair housing enforcement activity.

NAR also has led industry efforts to stamp out discrimination in real estate. In early 2020, NAR launched its “ACT! Initiative,” a fair housing action plan emphasizing accountability, culture change, and training. As part of “ACT!,” we are launching a self-testing program for brokerages to assess their agents’ compliance with fair housing laws and correct fair housing problems. We are engaged in efforts to strengthen fair housing education and enforcement provisions in state real estate licensing laws. We have created implicit bias training customized for the real estate context, and a new fair housing training simulation that puts agents in the role of consumers experiencing discrimination, along with video testimonial’s of real people who have been impacted by housing discrimination. We are producing films about REALTOR® fair housing champions to inspire and motivate our members to lead the charge in advancing fair housing in their businesses and communities.

NAR stands ready to work with Congress, the administration, industry and community partners to continue tackling systemic barriers to homeownership, redress past harms, and eliminate present-day discrimination.
Statement for the Record  
Robert James II  
Chairman  
The National Bankers Association  

House Financial Services Committee Hearing  

“Justice for All: Achieving Racial Equity Through Fair Access to Housing and Financial Services”  

March 10, 2021

Chairwoman Waters and Ranking Member McHenry thank you for the opportunity to share the views of the National Bankers Association (NBA), the leading trade association for the country’s 148 Minority Depository Institutions (MDIs), on the important topics being explored at today’s hearing. The NBA supports the “Ensuring Diversity in Community Banking Act” and the “Expanding Opportunity for Minority Depository Institutions Act.” The Acts are a historic and important step in the Congress more fully embracing its role in supporting MDIs and creating a regulatory and operating environment that will help to ensure that MDIs continue to play a vital role in meeting the banking and credit needs of communities of color throughout the country.

Many of our member institutions are also Community Development Financial Institutions (“CDFIs”) and have become banks of last resort for consumers and businesses who are underserved by traditional banks and financial service providers. Members of our association are on the front lines, trying to reduce the economic hardship in minority communities, which are historically the most vulnerable during any slowdown. The COVID-19 pandemic has made the economic situation in our communities dire and we all need to do our part to ensure individuals in the middle of the health crisis, principally minority communities that have accounted for ~50% of the deaths, have equal access to financial services.

The “Ensuring Diversity in Community Banking Act” includes a number of important provisions that the NBA has advocated on for some time. The NBA has long sought to enhance federal agency participation in the Department of Treasury’s Minority Bank Deposit Program (MBDP). The Act brings about much-needed reforms to the MBDP by codifying it, expanding federal agency participation in the MBDP, and lowering the barriers to participation for MDIs. Current rules
require that federal agency deposits in MDIs must be fully collateralized, which has proven an insurmountable hurdle to implementation of the Minority Deposits Program, as doing so locks-up capital that could be mobilized for lending.

The Act clarifies that any such deposits may also be insured, including through reciprocal deposits. Doing so will ensure that any such deposits do not pose any financial risk to the federal government, while also allowing the deposits to be mobilized for lending and therefore having a positive multiplier effect in the communities in which our member banks operate.

The NBA supports the establishment of a program whereby the Treasury Department will deposit into MDIs funds up to the FDIC insured amount, from funds under management by the Treasury Department. This initiative will help mobilize stable deposits into MDIs, which will have a multiplier effect on the communities we serve without creating any new exposures or loss risks for the Treasury Department.

The NBA also recognizes its unique voice in advocating on behalf of both MDIs as well as the communities our institutions serve. We commend the Act’s inclusion of language supporting the establishment of a loan-loss reserve fund for small dollar loans at the CDFI Fund – a provision that allows mission-oriented lenders to provide alternatives to high-cost, small-dollar loans that disproportionately target the communities that our member institutions serve. As you know, the vast majority of U.S. economic activity is ultimately driven by consumer spending, and this activity is severely threatened by protocols to protect the public health and slow the progression of the virus. As a result, wage earners in the service sector across many industries are losing their livelihoods.

Many of our banks’ customers live from “check-to-check”. These are hard-working, low- to moderate-income wage earners, who typically have low balance ($1,000 or less), high-transaction checking accounts. While we fully support policy proposals to immediately transmit cash to consumers and offer our banks as vehicles to efficiently and effectively deliver that cash to our customers, we also welcome additional support in the form of a Treasury-backed consumer loan loss pool or other credit enhancement mechanism for MDIs that would allow us to offer our customers small-dollar loans that would essentially look like overdraft protection, allowing them to continue to afford essentials like food, shelter, and medicine, without having to resort to expensive, predatory lenders.

We also support the Act’s establishment of a task force to encourage more Small Business Administration lending through our member institutions and CDFIs given the role that inadequate access to capital continues to play in stifling the growth of minority-owned businesses.

The NBA has long viewed Treasury’s Financial Agent Mentor-Protégé Program as an underutilized vehicle for MDI-majority bank partnerships, and we therefore enthusiastically support the “Expanding Opportunity for Minority Depository Institutions Act” expansion of the Program’s reach to include more MDI-majority partnerships in administering programs through the Bureau of the Fiscal Service.
The NBA again applauds the Committee for holding this important hearing and for the ongoing efforts to ensure equity for communities in the country. While we commend Congress on its leadership to date in responding to the COVID-19 pandemic, we firmly believe much work remains to be done in supporting the MDI sector as we respond to the credit needs of the communities that our member institutions serve that will disproportionately shoulder the burden of any economic downturn attributable to the COVID-19 pandemic. In this regard, the NBA and its members banks look forward to working closely with the Committee on the types of workable solutions being considered at this hearing that ensures LMI communities do not just simply survive but ultimately thrive. Thank you again for the opportunity to comment.
March 17, 2021

The Honorable Maxine Waters
Chair, Financial Services Committee
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

RE: “Justice for All: Achieving Racial Equity through Fair Access to Housing and Financial Services”

Dear Chairwoman Waters:

Thank you so much for the opportunity to provide a letter for the record related to the hearing entitled, “Justice for All: Achieving Racial Equity through Fair Access to Housing and Financial Services” that took place on March 10, 2021. The National Community Stabilization Trust and the Homeownership Alliance commend you for considering a broad and powerful array of legislation to address the pervasive and long-standing racial inequities in our housing and financial systems.

Founded in 2008 in response to the foreclosure crisis, The National Community Stabilization Trust (NCST) strengthens communities by facilitating the redevelopment and reuse of vacant, single-family (1-4 unit) homes. This work has a double bottom line: it prevents neighborhood blight while increasing the supply of high-quality properties available for affordable homeownership or responsible rental.

NCST also develops sources of affordable capital for community-based developers, conducts original research related to property disposition, blight, rehab, and homeownership, and advocates for better policies in these issue areas.

Additionally, NCST sponsors the Homeownership Alliance, whose members are some of the leading nonprofit, mission-focused homeownership lenders and developers from across the country. These organizations prepare families to become successful homeowners and finance, renovate, and develop affordable homes that are assets for communities and the families that live in them.1

NCST and the Homeownership Alliance are firmly committed to strengthening neighborhoods of color and promoting racial equity in homeownership. It is clear that the vast difference in homeownership rates between white families and families of color is a key driver of the racial wealth gap. These homeownership and wealth inequities are likely to widen as a result of COVID-19.

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1 The Homeownership Alliance has 22 Founding Members. They are: Atlanta Neighborhood Development Partnership (GA); cdcb (TX); Center for Community Self-Help (NC); Champlain Housing Trust (VT); CHN Housing Partners (Ohio); Cimnaire (MI); Community Housing Capital (GA); Fahe (KY); Homewise (NM); Hogar Hispano (DC); Housing Development Fund (CT); Indianapolis Neighborhood Housing Partnership (IN); MaineStream Finance (ME); Michigan Habitat for Humanity (MI); Neighborhood Housing Services of Chicago (IL); NeighborWorks Columbus (GA); NeighborWorks Southern Colorado (CO); NeighborWorks Western Vermont (VT); New Jersey Community Capital (NJ); Renaissance Community Loan Fund (MS); The Housing Partnership, Inc. (KY); and The Resurrection Project (IL).
As the witnesses at the “Justice for All” hearing so eloquently described, there are many obstacles to homeownership in communities of color. These include lower appraisals, higher tax bills, language barriers, discriminatory credit scoring models, and other obstacles stemming from disparate impact of policies or racial discrimination by lenders, brokers, realtors, or appraisers.

A particularly significant obstacle to accessing credit is the down payment requirement. Many homebuyers obtain assistance from family members or other sources in obtaining that first down payment, but families of color tend to have lower family wealth (especially intergenerational wealth), which makes it harder for them to meet even modest down payment requirements.

An equally intractable problem is the inequitable impact of high home values and low inventory of affordable housing in many geographies. In those higher cost communities, which are often areas with the greatest access to jobs and other opportunities, the low supply of homes results in ever-increasing home values, and even down payment assistance cannot enable many families to achieve homeownership under these circumstances. At the same time, in other areas of this country where more homes are affordable, obstacles to homeownership include lack of access to mortgage lending for smaller mortgages as well as blight and disinvestment in many communities that discourages homeownership there.

NCST and the Homeownership Alliance look forward to engaging with you and the staff of the Financial Services Committee to build out and move forward these critical pieces of legislation, especially the proposed bills related to down payment assistance, appraisal bias, borrowers with Limited English Proficiency, and ensuring access to sustainable Federal Housing Administration-backed loans. NCST also has joined other organizations in more detailed letters related specifically to the LEP and appraisal bills.

Thank you again for the opportunity to comment. Please let us know how we can be of assistance in your important work to advance racial equity, decrease the racial wealth gap, and ensure fairness in our nation’s housing markets.

Sincerely yours,

Julia Gordon
President, National Community Stabilization Trust
March 17, 2021

House Committee on Financial Services
3340 O’Neill Federal Building
Washington, D.C.

Re: Real Estate Valuation Fairness and Improvement Act of 2021

Dear Chairwoman Waters and Representative Green:

We write to support the Real Estate Valuation Fairness and Improvement Act of 2021. This bill addresses issues of racial equity in the procedures and techniques used to value residential real estate. It also directs money to historically Black colleges and universities for the purpose of training more appraisers of color.

This bill is necessary because there are indications that homes owned by people of color are not being valued fairly and that historic redlining is still harming communities of color. People of color are also significantly under-represented in the appraisal field. These problems likely result from the lingering consequences of institutional racism, current bias by individual appraisers, under-representation of people of color in the appraisal industry, and new automated valuation models (AVMs) that may incorporate biased assumptions.

In addition to funding appraiser training, this bill will require the relevant appraisal regulators and entities to cooperate on necessary research into the causes of racial disparities in real estate valuation.

While traditional appraisals are the best known valuation tool, other methods are allowed and are becoming more popular. These include computer systems known as automated valuation models (AVMs), hybrids combining the work of a fully qualified appraiser with a nonappraiser or AVM, and ill-defined “evaluations” permitted by federal bank regulators.¹

Real estate valuation is critical to the sale, financing, and taxation of homes across the nation. Banks need accurate valuations for safety and soundness reasons. Insurers, guarantors, and investors need to know how much properties are worth to protect their assets. Municipalities depend on accurate valuation for assessment and budgeting purposes. And consumers need to know the true value of a property when buying, selling, or mortgaging a home.

A valuation that is too high or too low can have serious, practical consequences for consumers, especially those in communities of color:

- Entire neighborhoods may be undervalued, preventing entire communities from growing wealth and discouraging outside investment.

¹ See 83 Fed. Reg. 63,110 (December 7, 2019) (discussing proposal to increase the threshold at which an appraisal becomes mandatory).
• Potential buyers may refuse to purchase and lenders may refuse to finance a home if the valuation does not support the home price.\(^2\)

• If an appraisal undervalues a home so that lenders refuse to finance it, the buyer may be driven to a more expensive and risky land-installment or rent-to-own contract.\(^3\)

• A lender might make an incorrectly low bid at a foreclosure auction, causing the homeowner to owe a larger deficiency.

• Undervaluation may lead homeowners to sell for less than their home is worth.

• Loan applicants may be offered a rate that is too high or charged for unnecessary mortgage insurance because the lender mistakenly believes the loan will have an LTV over 80%.

• Undervaluation may also prevent homeowners from refinancing, thereby missing out on lower interest rates or be prevented from making needed repairs.

• Overvaluation may discourage potential buyers from purchasing a home in the mistaken belief that their down payment is too small to achieve the necessary LTV.

• Buyers may be tricked by speculators flipping overvalued dilapidated properties or developing shoddy new construction for sale at huge markups—leaving buyers unable to sell or get a loan for repairs.

• A distressed homeowner may be denied a loan modification entirely because an inaccurate AVM leads the servicer to believe that foreclosure is better for the investor. Or the AVM may negatively affect which modification programs the borrower is evaluated for. Notably, the Enterprises have different loan modification rules for loans below 80% LTV. Such loans are not eligible for interest-rate reductions or principal forbearance.

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\(^2\) See Alexander N. Bogin & Jessica Shui, Appraisal Accuracy and Automated Valuation Models in Rural Areas, 60 J. of Real Estate Fin. & Econ. 40, 41 (2020) (citing research finding that about a third of negative appraisals result in cancellation of sale).

• A homeowner may find herself underwater after purchasing an overvalued home. If the homeowner later wants to sell to avoid foreclosure or take up a new job, doing so will be difficult or—for most people—impossible.

• A high LTV is also associated with an increased risk of foreclosure—which harms both the homeowner and the investor.\(^4\)

• Homes and entire neighborhoods may be overvalued for property tax purposes, draining wealth from a community.

As this list illustrates, home buyers, sellers, and owners have just as much interest in getting an accurate valuation as do other, larger industry participants. The real estate industry is a multi-billion dollar component of the American economy and accurate valuations are a critical underpinning. This bill is an important step toward ensuring that people of color have a fair opportunity to achieve the American dream of homeownership. We encourage Congress to pass this bill as written.

Sincerely,

National Consumer Law Center (on behalf of our low-income clients)
Americans for Financial Reform
California Reinvestment Coalition
Center for Community Progress
Center for Responsible Lending
Color of Change
Consumer Action
Consumer Federation of America
Empire Justice Center (New York)
Faith in Action
Legal Action Chicago
Massachusetts Communities Action Network (MCAN)
MICAH- Metropolitan Interfaith Council on Affordable Housing
National Community Reinvestment Coalition (NCRC)
National Community Stabilization Trust
National Disability Rights Network.
National Fair Housing Alliance.
National Housing Resource Center
Prosperity Now
Public Citizen
Woodstock Institute

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Written Statement For the Hearing Entitled, “Justice for All: Achieving Racial Equity Through Fair Access to Housing and Financial Services” on March 10, 2021 at 10:00 AM
Testimony from the National Council of Asian Pacific Americans (NCAPA)

Dear Chairwoman Waters, Ranking Member McHenry, and Members of the House Financial Services Committee,

On behalf of our 37 member organizations, the National Council of Asian Pacific Americans (NCAPA) is pleased to submit this written statement to the U.S. House Committee on Financial Services for the March 10, 2021 hearing titled “Justice for All: Achieving Racial Equity Through Fair Access to Housing and Financial Services.”

Established in 1996, NCAPA is a coalition of some of the largest national Asian American Pacific Islander (AAPI) organizations around the country. Based in Washington, D.C., NCAPA serves to represent the interests of the greater AAPI community, including the East Asian, South Asian, Southeast Asian, Native Hawaiian and Pacific Islander communities. We strive for equity and justice by organizing our diverse strengths to influence policy and shape public narratives. We envision a world where Asian Americans, Native Hawaiians, and Pacific Islanders work together to shape our own future as part of the broader racial justice movement and advance our communities and country towards a common purpose of progress, prosperity, and well-being for all.

NCAPA’s members include organizations that work in civil rights, immigration, health, education, and housing and economic justice, and have constituencies across the diverse AAPI community. We thank the Committee for conducting this hearing to understand the effect COVID-19 has on different communities of color, including Asian Americans, Native Hawaiians, and Pacific Islanders and we welcome the opportunity to share the experiences of the communities that we serve.
The Impact of COVID-19 on the AAPI Community

This month marks the anniversary of quarantine and the one-year mark of the impact that COVID-19 has on all Americans; it also marks the time to review and analyze the disproportionate impact faced by the members of the AAPI community.

Health Impacts

One of the ways that the AAPI community was disproportionately harmed during the pandemic is through health disparities. Even before the pandemic, AA and NHPIs have faced persistent health disparities due to unequal access to quality health care services and a lack of understanding regarding communities’ unique health needs. When looking at disaggregated data of AA and NHPIs, significant disparities become apparent. For example, Asian Americans accounted for 52 percent of deaths and about 14 percent of COVID-19 cases in San Francisco, while Pacific Islanders are two to three times more likely to be diagnosed with the virus than the average population in three states.\(^1\) In addition, AA and NHPIs, many who are fighting in the front lines, are experiencing disproportionate health impacts, all while fighting hate and discrimination.\(^2\) While Filipino nurses make up just 4 percent of the nursing population nationwide, they make up 31.5 percent or nearly a third of the nurses who have died of COVID-19.\(^3\) Despite being disproportionately impacted by COVID-19, for many in the AAPI community, the health impacts are only a part of the challenges that the pandemic has brought.

Rise of Anti-Asian Hate

The pandemic has also forced many Asian Americans to navigate a reemergent wave of anti-Asian racism and hate, many of which range from public glares and spitting, to verbal and physical assaults. Some of these attacks ended fatally—Vichar Ratanapakdee, an 84-year-old immigrant from Thailand died from a deadly assault in San Francisco just last month. Between March 19 and December 31, 2020, there have been 2,808 reported incidents of hate and discrimination targeting Asian Americans across the U.S.\(^4\) Hate crimes targeting Asian Americans spiked by 150 percent in major US cities, New York City

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2. https://www.washingtonpost.com/business/2020/05/19/asian-american-discrimination/
in particular have seen a massive 833 percent hike in hate crimes compared to last year.\(^5\) While the national media have covered anti-Asian hate briefly, blatant attacks and discrimination continue to occur. Running parallel to the anti-Asian hate and discrimination, AAPIs are also experiencing untold economic hardship.

**Impact on AAPI Workers**

COVID-19’s impact on AAPI workers has received little national attention, likely driven by the myth that AAPI community as a whole are relatively economically well-off. A 2021 Federal Reserve Board report indicated that there had been a 450 percent Increase in Asian American unemployment rate between February to June 2020.\(^6\) In fact, while national unemployment rates dropped in May 2020, Asian American and Black unemployment rate rose by 0.5 percent and by 0.1 percent respectively, indicating slower recoveries from the unemployment shock created by the pandemic. While national unemployment rates showed a weak recovery, local data suggest clear economic devastation. In California, 83 percent of Asian Americans with high school degrees or less filed unemployment claims, compared to 37 percent for non-Asians.\(^7\) In a similar vein, unemployment claims by Asian Americans in New York grew faster than any other group; in May 2020, Asian American unemployment rose by more than 25 percent, compared to the jobless rate of 3.4 percent in February 2020– the largest increase in all major racial groups.\(^8\) In fact, by the fourth quarter of 2020, almost half of jobless Asian Americans had been out of work for at least 27 weeks, a bigger share than other groups.\(^9\) Statistics on Native Hawaiian and Pacific Islander are visibly absent from these reports, highlighting the need for disaggregated data on the AAPI community.

\(^6\) https://www.bls.gov/news.release/empsit.t02.htm
\(^7\) https://newsroom.ucla.edu/releases/report-shows-major-effects-of-covid-19-on-asian-american-labor-force
\(^8\) https://aafcovid19resourcecenter.org/unemployment-report/?mc_cid=6ffdf5c0b&mc_eid=dd4dd683c8
\(^9\) https://www.bls.gov/web/empsit/cpsge_e18.htm
Impact on Small businesses and Homeowners

The pandemic has incurred major harm to many AAPI small businesses and homeowners. Some highlights include:

- 79 percent of Asian American owned small businesses described financial conditions as "fair" or "poor," compared to 54 percent of white-owned businesses.\(^1\)
- A New York Federal Reserve report found the number of overall U.S. small business owners plummeted by 22 percent between February and August.\(^1\) But there were massive racial disparities. Black-owned businesses dropped by 41 percent, Latino-owned businesses fell by 32 percent and Asian American owned businesses decreased by one-quarter (25 percent).
- According to a study by McKinsey, 91 percent of Native Hawaiian or Pacific Islander owned businesses and 75 percent of Asian American owned businesses "have little chance of obtaining a Paycheck Protection Program (PPP) loan."\(^1\)
- 14 percent of Asian American borrowers are not current on their mortgage payments, compared to 8 percent of white borrowers.\(^1\)

AAPI Issues for the House Financial Services Committee to Consider

The AAPI community faces many challenges when it comes to equitable access to affordable housing and financial services. Many of these barriers are rooted in history: as Chinese immigrants began to become a part of American history 150 years ago with the construction of the transcontinental railroad, they were met with violence and xenophobia. With lawmakers prohibiting employment opportunities, voting rights, and even property purchases, Chinese Americans were forced to be concentrated in ethnic ghettos for safety and survival-- generally, the creation of ethnic ghettos were not created by choice, but by systemic exclusion akin to that of segregation and redlining faced by the African American community.\(^14\)

\(^{1}\) [https://www.reuters.com/article/us-fed-smallbusiness-idUSKBN2J8016](https://www.reuters.com/article/us-fed-smallbusiness-idUSKBN2J8016)


\(^{14}\) [https://www.census.gov/data/tables/2021/demo/hhchhp24.html](https://www.census.gov/data/tables/2021/demo/hhchhp24.html)

During the run up to the mortgage crisis in 2008, many within the AAPI community were targeted by predatory lenders. In the subsequent foreclosure crisis, even more AAPIs lost their homes, or watched as the home equity they had worked hard to build, evaporated. AAPIs experienced some of the steepest declines in wealth during the housing market collapse and financial crisis.

Today, discrimination continues to play a part as a barrier to AAPI access to financial services and housing. A recent investigation by The Center for Investigative Reporting found that Asian American applicants, along with Black and Latino applicants, were turned away for loans at a higher rate than whites in many U.S. cities. In addition, Asian Americans and other people of color continue to endure rampant discrimination in the housing market: 25 percent of Asian Americans, 31 percent of Latinos, and 45 percent of African Americans report experiencing discrimination when trying to rent or buy housing. We urge the Committee to acknowledge that the barriers faced by other communities of color also similarly impact the AAPI community, and work with the Consumer Financial Protection Bureau (CFPB), prudential financial regulators and other agencies related to protect AAPIs from discrimination and predatory consumer practices.

**Improving Data Collection and Disaggregated AAPI Data**

One of the most critical issues for the Asian American and Pacific Islander community is the lack of adequate data collection. Without properly disaggregated data, it is difficult to truly assess the impact of COVID-19 within the larger population. Advocates have been relying on the few, largely aggregate data available to stress the need for targeted and equitable support for AAPIs, especially in light of the damage caused by the pandemic. Income inequality is rapidly rising the most among Asian Americans, which indicates that improving data collection, particularly by increasing the range of data collected and by disaggregating the data for the various groups within the AAPI community is necessary. In addition to expanding data collection and data disaggregation related to financial services, we urge you to support a government-wide disaggregated AA and NHPI data plan for all relevant federal programs. More specifically,

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we urge the Committee to strengthen disaggregated data collection under the Home Mortgage Disclosure Act (HMDA).

AAPIs face a number of additional barriers to accessing credit and affordable housing. Language access is a more obvious and persistent barrier that AAPIs face. About 5.6 million AAPIs are considered Limited English Proficient (LEP), and many AAPIs speak dozens of different languages in their homes. The absence of translated materials and resources are significant barriers to equitable access to virtually all relief efforts, including access to credit, affordable housing, and small business relief. To provide meaningful relief for AAPIs, providing culturally appropriate language assistance is critical.

AAPIs are affected disproportionately by the lack of affordable housing--nearly three-quarters (73 percent) of poor AAPIs live in the most expensive housing markets, highest of any racial or ethnic groups. Close to two-thirds of poor AAPIs live in the most expensive neighborhoods, a rate that is nearly double that of the national poverty population. This creates an environment where poor AAPIs experience a perpetual state of attempting to find affordable homes to buy or find affordable rental housing in high-demand markets with short supply, while being burdened by disproportionately high cost of rent and other living costs. In fact, many members of the AAPI community, similar to the experience of other majority communities of color neighborhoods, are experiencing gentrification and are being displaced from historic neighborhoods. For AAPIs aiming to become homeowners, or jumpstart their businesses, credit history remains a barrier. Almost a million AAPIs are considered “mortgage weak” due to their relatively short credit history.

While aggregate homeownership may hint that Asian Americans are making strides in homeownership, it is a multigenerational effort for many. 22 percent of Asian American buyers receive help from family and/or friends when they’re putting together a down payment. While concentrating generational wealth for a home may be helpful in the short term, others in the family may not be able to receive other loans from conventional lenders, making credit building even more difficult. It is also important to note that Asian Indian and Chinese borrowers were often welcomed by banks that

21 https://www.zillow.com/research/asians-homeownership-divide/
offered low interest rates and closing fees. Meanwhile, other AAPI groups such as Native Hawaiians, Filipinos and Vietnamese often found themselves with higher-cost loans offered by mortgage companies\(^2\)-- exemplifying the need for disaggregated federal data collection on borrowers.

Lastly, with regards to AAPI access to credit, solutions must acknowledge that many immigrant-owned small businesses rely more on Consumer Financial Development Institutions (CDFIs) than traditional banks, and are cash-operated or unbanked. We also urge you to create incentives for commercial real estate owners to not displace AA and NHPI small businesses that have been forced to close due to COVID-19. In addition to the displacement of low-income AAPI renters and homeowners, the AA and NHPI community risks losing even more Chinatowns, or other cultural business centers.

**Additional Recommendations**

- Include AAPIs in policies that support expanding access to homeownership and housing finance through:
  - Mortgage forgiveness programs for homeowners who have lost work during the pandemic.
  - Direct support for nonprofit affordable housing owners to mitigate their loss of rental income and their increased expenses (e.g., increased cleaning costs, increased hazard pay for frontline workers) during the pandemic.
  - Linguistically and culturally appropriate homeownership assistance and counseling programs delivered by community organizations that assist potential and current homeowners in navigating mortgage transactions.
  - Defending the Consumer Financial Protection Bureau so that it can continue enforcing strong consumer protections, ensuring the availability of fair and sustainable mortgages and other consumer products.
  - Continued expansion of collecting disaggregated data on AAPIs on mortgage originsations, successful loan modifications, refinances, principal reductions, short sales, and other foreclosure prevention efforts.

- Support funding and protections for policies that support expanding access to affordable housing through:
  - Supporting linguistically and culturally appropriate housing counseling programs delivered by community organizations that address fair housing, tenant’s rights, homelessness/displacement counseling, and rental search and assistance.

- Developing tenant protection legislation including Just Cause eviction, national Right to Counsel, and other anti-eviction legislation.
- Expanding of Section 8 and other forms of affordable housing for those more vulnerable
- Providing additional funding in emergency rent relief to all tenants, regardless of immigration status.
- Issuing separate relief funding for those who are already experiencing homelessness.
- Expanding and enforcing tenant protections for renters in hot markets.
- The full and immediate capitalization of the National Housing Trust Fund that will generate resources for the production, rehabilitation and preservation of rental homes that are affordable for extremely and very low-income households.
- Funding federal programs such as: the HOME Investment Partnership Program, Community Development Block Grant, Native Hawaiian Housing Block Grant, Section 202 elderly housing, public housing, and housing vouchers programs.
- Restoring Affirmatively Furthering Fair Housing with renewed emphasis on facilitating investments in preserving historic ethnic neighborhoods.

- Support small business and access to capital through:
  - Ensuring all COVID-19 relief programs are translated into AAPI and other LEP languages.
  - Creating incentives for commercial real estate owners to not displace AA and NHPi small businesses that have been forced to close due to COVID-19.
  - Recognizing the importance of community based organizations (CBO) – invest in capacity building of local organizations.
  - Increasing federal funding and eligibility of United States Pacific Island territories for economic development programs to better serve AA and NHPis, including the Community Services Block Grants, Community Development Financial Institutions (CDFI) Fund, Small Business Association’s (SBA) Microloan Program, 7(a) and 504 guaranteed loan programs, Social Services Block Grants, the Office of Community Services’ Economic Discretionary grants, the Job Opportunities for Low Income Individuals program, and the Workforce Investment Act program.
  - Establishing a set-aside within the U.S. Department of Health and Human Services (HHS) Administration for Native Americans program to support the impact of the federal government’s plan to place 4,000 marines in Guam on the cultural, social and economic well-being of the Chamorro peoples.
  - Strengthening AAPI participation in public minority contracting programs like the SBA 8(a) Business Development Program and build a record of evidence that
accurately depicts AA and NHPI participation in these programs and include technical assistance resources and other improvements to increase the economic and small business success of eligible AA and NHPI organizations.

- Supporting increased federal funding for programs that support minority entrepreneurs, including the Minority Business Development Agency at the United States Department of Commerce and the SBA’s PRIME, Microloan and Women’s Business Centers programs.
- Supporting access to capital for alternative financing entities such as community development corporations (CDCs), CDFIs, credit unions, and nonprofit loan funds to invest in small business and social ventures.
- Supporting rural development and outreach programs that will assist AA and NHPIs enter the farming industry, including the Beginning Farmer and Rancher Development Program, Rural Microentrepreneur Assistance Program, Value-Added Producer Grants, Beginning Farmer and Rancher Individual Development Accounts, and the Outreach and Technical Assistance for Socially Disadvantaged Farmers and Ranchers.

Conclusion

NCAPA thanks the House Financial Services Committee for highlighting the importance of the disparate impacts that COVID-19 has had on communities of color and for holding this hearing. We urge members of this committee to bear in mind that the AAPI community is not a monolith, but has a diverse set of experiences and needs. Additionally, we hope you will continue to use the power of this committee to address the specific needs of communities of color, including AAPIs, during this global pandemic.

Sincerely,

Gregg Orton
National Director
National Council of Asian Pacific Americans (NCAPA)
Dear Chairwoman Waters and Representative Green,

The National Housing Resource Center (NHRC) writes to thank the House Financial Services Committee for proposing the LEP Data Acquisition in Mortgage Lending Act, which promotes language access in mortgage servicing and establishes a method for tracking housing counseling services. This important legislation would require the Director of the Federal Housing Finance Agency to require each enterprise to include an optional preferred language question on the form known as the Uniform Residential Loan Application (URLA), and for other purposes. Identifying language preference for lenders and servicers is a critical step in the process of solving the language access problems in the home buying and home retention processes. The legislation also adds data fields to the URLA form to capture which HUD-approved housing counseling agencies delivered services, the types of services delivered (education, counseling or both), and the mode of services delivered.

Housing counseling agencies are working hard to improve the electronic information data transfer processes and integrating these electronic identifiers in the URLA will be a valuable step toward accomplishing this. If housing counseling data are entered in the URLA, the lender will know that housing counseling services were delivered and this information will be included permanently and easily accessed in the loan file. Local downpayment assistance programs, mortgage lending programs, and programs to compensate agencies for services delivered are often dependent on the delivery of counseling services by HUD-approved counseling agencies and this legislation makes that information easily obtained in any point in the mortgage origination and servicing process. Furthermore, after mortgage closing, the mortgage may be sold and servicing responsibilities transferred. With this legislation, the information will travel with the other mortgage data fields. If the borrower has difficulty making mortgage payments, the servicer can identify the counseling agency which provided the services and refer the borrower to that agency for post-closing counseling and foreclosure mitigation counseling. In the future, collected housing counseling data can be used to evaluate performance and potentially be used to impact investor pricing of mortgages that might be seen as higher risk without counseling support.

As described in the bill, housing counseling and homeownership education programs are offered by independent third parties to help Borrowers understand the rights and responsibilities of homeownership. Research has consistently demonstrated that loans made to Borrowers who have received pre-purchase counseling perform better than loans made to comparable Borrowers who did not receive pre-purchase counseling. For those Borrowers who received pre-purchase counseling and struggle to pay their mortgage, as it currently stands, there is no direct link for lenders and servicers to refer them back to the housing counseling agency. These data fields would provide the direct link between lenders and servicers and housing counseling agencies. This data also allows for the performance evaluation of housing counseling, as it will be an indication that there was a benefit. We also strongly support the language preference portion of the legislation. LEP (Limited English Proficient) mortgage applicants and borrowers need to understand the communications sent to them.
by lenders and servicers. One of the heart breaking parts of the foreclosure crisis was non-English speaking homeowners receiving affordable offers in writing in English that they could not understand, they missed deadlines, and they lost opportunities and sometimes their homes as a result. Servicers regularly told us that they did not send communications in other languages because they did not know what language was preferred by the borrower. This legislation systematically solves that problem. Housing counseling agencies play a critical role in assisting borrowers in preparation to purchase a home and during the home retention process. This legislation will identify language preference and improve the electronic information data transfer processes for borrowers at all stages of homeownership.

Again, we thank the committee and we are in full support of the legislation.

Sincerely,

Bruce L. Dorpalen
Dear Chairwoman Waters and Representative McHenry,

The National Housing Resource Center (NHRC) writes to thank the House Financial Services Committee for proposing legislation to provide downpayment assistance to first-generation homebuyers to address multigenerational inequities in access to homeownership and to narrow and ultimately close the racial homeownership gap in the United States, and for other purposes.

One of the biggest obstacles for prospective homebuyers is the downpayment requirement, especially for Black and Brown people. Being financially strapped and struggling to save for a downpayment often hinder their opportunities to become homeowners. The amount of assistance provided, $20,000, or $25,000, in the case of a qualified homebuyer who is a socially and economically disadvantaged individual can make homeownership possible. Numerous studies have shown that homeownership leads to greater wealth accumulation. The fourth quarter 2020 homeownership rate for non-Hispanic White households was highest at 74.5 percent, 30.4 percentage points higher than the rate for Black households at 44.1 percent. Outreach to, and downpayment assistance, for First-Generation Homebuyers, will likely reach more Black and Brown people who have not benefited from generational wealth accumulation via homeownership.

We strongly support the requirement of housing counseling concerning the responsibilities and financial management involved in homeownership, provided through a HUD-approved housing counseling agency. Housing counselors will provide the support needed for first-generation homebuyers, including homebuyer education, income and debt analysis, credit review, student loan assistance, access to other downpayment and closing cost assistance programs, and action plans to resolve any problems. As important, housing counselors provide independent assistance for homebuyers through the intimidating process of the mortgage application. Housing counselors do not have a financial stake in the transaction, unlike other key players, and can provide helpful support on affordability, loan product, Fair Housing, homebuying basics, and protection against predatory or scam initiatives. Downpayment assistance programs, mortgage lending programs, and programs to compensate agencies for services delivered are often dependent on the delivery of counseling services by HUD-approved counseling agencies. Pre-purchase counseling remains critically important for preparing first-time homebuyers for safe, sustainable homeownership, and counseled households are significantly less likely to ever become delinquent.

We understand that while many people of color do not come from generational wealth, their goals of achieving financial freedom starts with careers and business ventures. Many obtain these but still struggle to save due to debt amassed and high rents, and some are excluded from downpayment programs that

1 https://blog.firstam.com/economics/homeownership-remains-strongly-linked-to-wealth-building
3 See, e.g., Neil S. Mayer & Kenneth Temkin, Pre-Purchase Counseling Impacts on Mortgage Performance: Empirical Analysis of NeighborWorks America’s Experience (p. iii) (March 7, 2013); Marvin M. Smith et al., The Effectiveness of Pre-Purchase Homeownership Counseling and Financial Management Skills (April 2014).
cap income limits at 80% AMI (Area Median Income) or less. This legislation ensures that low and middle-income earning up to 120 percent AMI or 180 percent AMI for the high-demand areas can participate in this program. The opportunity to afford homes even in high-cost areas like Washington, DC, New York, and San Francisco will be more attainable with the help of these grants.

The legislation mandates that the downpayment assistance is in the form of a five year repayable grant. Twenty percent of the grant is forgiven for every 12 months the occupancy requirement is met until the expiration of the 60 months. This repayable feature of the programs encourages long-term homeownership and discourages property flipping.

This program can also be used to keep homes affordable, as assistance from grant amounts under this Act may be provided for eligible homes made available through a community land trust or shared equity homeownership program. These innovative programs provide homeownership opportunities and maintain long-term homeownership affordability.

Again, we thank the committee and we are in full support of the legislation.

Sincerely,

Bruce L. Dorpalen
March 9, 2021

TRANSMITTED VIA ELECTRONIC MAIL

The Honorable Maxine Waters  
House Committee on Financial Services  
2129 Rayburn House Office Building Washington, D.C. 20515

The Honorable Patrick McHenry  
House Committee on Financial Services  
4346 O’Neill House Office Building Washington, D.C. 20524

Dear Chairwoman Waters and Ranking Member McHenry:

Prosperity Now is a national, nonpartisan nonprofit organization based in Washington, D.C. that works to expand economic opportunity for all Americans by promoting and advocating for asset-building policies and programs. A part of our work focuses on housing and homeownership, which has long been the primary way for families to build wealth in the United States. Owning an affordable home can offer families stability, security, and a legacy to pass on to the next generation. Unfortunately, in too many communities across the United States, families face discrimination, disparate rental and credit terms and other unfair treatment. The impediments disproportionately impact families and communities of color, further exacerbating the racial wealth divide and inequities in the United States. We are pleased to offer these comments in advance of the March 10, 2021 hearing before the House Financial Services Committee.

The fair housing proposals that are the subject of the hearing underscore how important these issues are as we continue to confront both the pandemic and the housing inequities it has exacerbated. Prosperity Now congratulates Chairwoman Waters for bringing these matters to forefront of our national conversation.

The Committee and its witnesses will discuss proposals to expand downpayment assistance, diversify regulatory bodies, improve transparency and data collection, build out a fair lending testing program, and confront the discrimination that is plaguing home appraisals, which is stripping home equity from communities across the nation.

On their own, each measure would help address housing inequities we must confront. As whole, the bill confronts the crisis in a way that the United States has not in generations. We look forward to working with Chairwoman Waters and the committee to advance housing equity in the 117th Congress.

Sincerely,

Gary Cunningham  
President & CEO

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March 10, 2021

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

RE: Real Estate Valuation Advocacy Association (REVAA) Statement for the Record for the House Committee on Financial Services hearing entitled, "Justice for All: Achieving Racial Equity Through Fair Access to Housing and Financial Services"

Dear Chairwoman Waters and Ranking Member McHenry,

Thank you for the opportunity to provide a statement for the record to the House Committee on Financial Services hearing, entitled, "Justice for All: Achieving Racial Equity Through Fair Access to Housing and Financial Services."

Over the past several years, anecdotes and reports from across the country have become prevalent in the media in which homeowners experienced discrimination in the valuation of their homes. Incidents of bias in lending and home ownership have no place in our society.

The Real Estate Valuation Advocacy Association (REVAA) serves as the leading advocate for the residential real estate valuation industry and its members, appraisal management companies (AMCs). AMCs are third party service providers engaged by bank/non-bank lenders to facilitate residential appraisals and valuations in compliance with federal appraisal requirements.

As stated in our 2019 testimony to the Committee, REVAA strongly supports and wishes to partner in efforts to help sustain and diversify the appraiser profession. To this end, we are pleased the Committee engaged with us on their efforts to examine and advance a more diverse appraiser workforce. Specifically, we appreciate and support the drafting of the “Real Estate Valuation Fairness and Improvement Act of 2021.” We believe that this legislation is timely and measured in 1) establishing a task force that is appropriate and capable of examining fairness in real estate valuation, with input from an industry advisory committee, and 2) establishing a grant program to promote diversity in the appraisal profession while acknowledging needed assistance by private industry to ensure the training of new appraisers.

Both the task force and grant program included in the Real Estate Valuation Fairness and Improvement Act are critical to examining and improving disparities in valuation. The task force, as constructed, will provide a thorough and thoughtful format for federal regulators to engage with industry and chart a path forward. The grant program will help improve and diversify the pipeline for new appraisers and bridge the gap between education and becoming a certified appraiser. REVAA looks forward to being a partner with the task force and the Appraisal Subcommittee (ASC) as they build out this grant program.

Thank you for considering our comments.

Respectfully,

Mark A. Schiffman
Executive Director
STATEMENT FROM REV. AL SHARPTON & NATIONAL ACTION NETWORK (NAN) ON RACIAL EQUITY HEARINGS

In the last year, social unrest and the pandemic have put a giant spotlight on the widening disparity gaps in our country - specifically the lack of economic opportunities for minorities on Wall Street and in Government along with access to banking in underserved communities. Economic Justice is one of the most important civil rights issues of our time and not only do we need more capital in African American communities, we need more access to capital.

NAN has been vocal about how minority owned Financial Services firms have been historically marginalized and blocked from participating in the lucrative economic stage of pension funds. This is especially true of federal and the largest corporate government contractor pension funds, which the minority-majority working class population contributes their paychecks to every two weeks, helping these pension fund systems assets grow. Yet, minorities are excluded from competing and reaping the full economic opportunities of the billions of dollars paid each year in fees to investment managers, investment banks, and broker dealers. This is the greatest opportunity for wealth creation in any demographic. Leaders have talked about and studied this for far too long. This Administration must act now. Passing legislation like the “Diversity Data Accountability Act” and the “Diverse Investment Advisers Act” will result in significant wealth creation for minority owned businesses, minority professionals and minority communities.

Another concern is that underserved communities are underbanked and while America has 5,114 banks with $20 trillion in assets, only 18 are owned by African Americans and have only $4.4 billion in assets. More than 40% of black small businesses were lost in COVID because our communities are disconnected from large banks and served primarily by MDIs, CDFIs, and fintech solutions. Dismantling institutionalized inequality requires investing more capital in the MDIs and CDFIs led, or primarily serving Black communities.

About National Action Network
National Action Network is one of the leading civil rights organizations in the Nation with chapters throughout the entire United States. Founded in 1991 by Reverend Al Sharpton, NAN works within the spirit and tradition of Dr. Martin Luther King, Jr. to promote a modern civil rights agenda that includes the fight for one standard of justice, decency, and equal opportunities for all people regardless of race, religion, nationality or gender.
Statement of the U.S. Chamber of Commerce

ON: “Justice for All: Achieving Racial Equity Through Fair Access to Housing and Financial Services”

TO: U.S. House of Representatives Committee on Financial Services

BY: Center for Capital Markets Competitiveness, U.S. Chamber of Commerce

DATE: March 10, 2021
The U.S. Chamber of Commerce (“the Chamber”) is committed to addressing systemic racism in America and removing barriers that make it more difficult to move up the economic ladder. All Americans should have the opportunity to earn their success, rise on their merit, and live their own American Dream. But far too often, the opportunity to obtain an education, secure a job, start a business, and provide for your family is determined by your skin color. These systemic inequalities hurt individuals, communities, our economy, and our society.

Last year, the U.S. Chamber of Commerce launched the Equality of Opportunity Initiative to develop real, sustainable solutions to help close race-based opportunity gaps in six areas: education, employment, entrepreneurship, criminal justice, health, and wealth disparity. Systemic inequalities in these six areas perpetuate broader inequalities in our society, hold back individual and business success, and hinder economic growth.

Driven by data and informed by conversations with business, government, academic, and civic leaders, we developed the Equality of Opportunity Agenda to advance private sector solutions and best practices, scale impactful programs, and drive policy action at the federal, state, and local level. In early 2021, we launched task forces around our six main pillars: education, employment, entrepreneurship, criminal justice, health, and wealth disparity, as well as access to capital and supplier diversity. These conversations will bring together business, policy experts, and others to share and discuss strategies to advance progress on these issues and solutions in the years to come.

The Chamber has views on many of the bills being considered as part of the Financial Services Committee’s hearing on “Justice for All: Achieving Racial Equity Through Fair Access to Housing and Financial Services.” The Chamber supports some of these bills, especially those that shed light on the lack of diversity in parts of our economy and has actively worked to advance them. The Chamber is concerned with some of the bills, especially those that impose new mandates on businesses and that we believe would have the unintended consequence of decreasing access to capital and credit for underserved communities. Finally, we have questions about the many new legislative proposals that have yet-to-be introduced, and we are eager to work with the Committee on these bills.

The Chamber supports the H.R. 1277, Improving Corporate Governance Through Diversity Act (Rep. Greg Meeks). This bill would require public companies to annually disclose the voluntarily, self-identified gender, race, ethnicity and veteran status of their board directors.

The U.S. Chamber of Commerce supports the Improving Corporate Governance Through Diversity Act (S. 347 / H.R. 1277). This legislation has a strong record of bipartisan support and is an important step for promoting board diversity. The legislation would establish a model to organically boost diversity on boards through disclosure, rather than the counterproductive quota-driven strategies and establish an advisory group to provide recommendations on private sector strategies to increase diversity on boards of directors.

The Chamber supports the following bills designed to strengthen Minority Depository Institutions
The Chamber strongly supports strengthening existing minority depository institutions and believes the creation of additional MDIs will contribute to increased economic opportunity for underserved communities. The Chamber underscored the importance of strengthening MDIs in a report released in November 2020, “The Growth Engine,” which detailed dozens of proposals for strengthening America’s financial system.

MDIs are defined as any federally insured depository institution where 51% or more of the voting stock is owned by minority individuals. MDIs have a strong record of serving underprivileged communities given their commitments to increase economic opportunity. Support from both the public and private sector is critical to MDIs assisting their customers with access to the banking system and affordable access to credit.

The Chamber supports private sector initiatives designed to strengthen MDIs. The business community is stepping up with significant investments to strengthen these financial institutions including through major placements of deposits. MDIs can then lend out these deposits to their customers at affordable rates.

The Chamber also appreciates steps taken by the Federal Deposit Insurance Corporation (FDIC) to coordinate further investment through the creation of a Mission Driven Fund. This initiative will permit MDIs and CDFIs to receive equity investments, that can be leveraged into lending capacity, without foregoing any control of the financial institution. The FDIC is creating the framework for the initiative but will play no role in fund management or equity investments in MDIs and CDFIs. The fund will be capitalized by corporations, philanthropic organizations, and other financial institutions. We are pleased to state that many members of the Chamber have expressed initial support for participation in the FDIC’s Mission Driven Fund.

H.R. ___, Ensuring Diversity in Community Banking Act (Meeks). This bill would strengthen minority depository institutions through partnerships, technical assistance, and deposits.

The Chamber supports H.R. ___, the Ensuring Diversity in Community Banking Act (Meeks). This bill was introduced as HR 5322 in the 116th Congress. The legislation includes a number of important provisions for expanding the number of Minority Depository Institutions (MDIs) and providing them the tools they need to succeed. For example, the bill requires committees be established at the Federal Reserve Board, FDIC, and National Credit Union Administration, to provide advice regarding preservation of the number and character of MDIs. The legislation also provides support and flexibility for the financing of MDIs by giving them priority to hold deposits of the federal government, additional time to meet initial capital requirements, and a streamlined process for FDIC review of applications to serve as a CDFI.

H.R. ___, Expanding Opportunity for MDIs Act (Beatty). This bill would codify the Financial Agent Mentor-Protégé Program within the Department of the Treasury.

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The Chamber supports H.R. _, Expanding Opportunity for MDIs Act (Beatty). This bill was introduced as H.R. 5315 in the 116th Congress. The legislation would codify the Financial Agent Mentor Protégé Program within the Department of the Treasury. This will ensure that smaller financial institutions have greater opportunity to serve as a financial agent of the Treasury Department and otherwise increase their business opportunities.

The Chamber has concerns with the following bills:

**H.R. __, Home Loan Quality Transparency Act (Velázquez).** This bill would reverse the rollback of the Home Mortgage Disclosure Act so that financial institutions provide adequate data on loans to minority borrowers.

We are concerned about this legislation given that it would expand reporting requirements under the Home Mortgage Disclosure Act (HMDA). The Dodd-Frank Act required the Consumer Financial Protection Bureau (CFPB) to issue a rule, with specifically enumerated data points, that would be reported under HMDA by covered financial institutions. The HMDA Rule issued by the CFPB in 2015 went beyond the number of reporting requirements stipulated under the Dodd-Frank Act, thus introducing compliance burdens on financial institutions not called for by Congress. These compliance burdens are especially challenging for community banks and credit unions.

The exemptions for smaller financial institutions received bipartisan support via inclusion in Economic Growth, Regulatory Relief, and Consumer Protection Act (S. 2155 – 115th) that was enacted into law. The bill also calls for a study by the Government Accountability Office “to evaluate the impact of the Amendments … on the amount of data available under the Home Mortgage Disclosure Act.” It would be premature to consider amending this law without the opportunity to review the GAO’s findings.

**H.R. __, Promoting Diversity and Inclusion in Banking Act (Green).** This bill would require Federal banking regulators to include a diversity and inclusion component in the Uniform Financial Institutions Rating System and require mandatory reporting of diversity and inclusion assessments.

The Chamber agrees with the objective on increasing diversity and inclusion in the banking system but is concerned with the Information Financial Institutions Rating System (UFIRS) being used to accomplish this. Leveraging UFIRS for objectives other than achieving safety and soundness could have unintended consequences for the stability of the banking system by erroneously suggesting some banks could fail or opening the door to additional changes to UFIRS to achieve social objectives.

According to the FDIC, “Under this system, the supervisory agencies endeavor to ensure that all financial institutions are evaluated in a comprehensive and uniform manner, and that supervisory attention is appropriately focused on the financial institutions exhibiting financial and operational weaknesses or adverse trends. … Further, the rating system assists Congress in
following safety and soundness trends and in assessing the aggregate strength and soundness of the financial industry.”

H.R. ___, the Federal Reserve Racial and Economic Equity Act (Waters), would require the Federal Reserve to carry out its duties in a manner that supports the elimination of racial and ethnic disparities in employment, income, wealth, and access to affordable credit. The Board would be required to report on disparities in labor force trends as well as on plans and activities of the Board to minimize and eliminate these disparities.

The Chamber supports the independence of the Federal Reserve from Congress as it relates to carrying out its responsibilities for conducting monetary policy. The monetary goals of the Federal Reserve are to foster economic conditions that achieve both stable prices and maximum sustainable employment.

The Chamber has opposed other efforts initiated by Congress that would exert undue influence on the conduct of monetary policy by the Federal Reserve. On May 1, 2017, the Chamber wrote a letter to the House Financial Services Committee which noted concern about monetary policy provisions in The Financial CHOICE Act (H.R. 10); “the Chamber strongly opposes the inclusion of any requirements that infringe upon the independent monetary powers of the Federal Reserve, specifically provisions that impose new procedures beyond the normal audit for financial statement and reporting purposes, and any rules that impede the independence and impartiality of the Federal Open Market Committee.”


This bill would nullify HUD’s final Disparate Impact Rule (85 FR 60288) under the Fair Housing Act.

The business community strongly supports effective anti-discrimination policies in the housing market, including under the Fair Housing Act. Responsible companies work hard—and invest substantial resources in compliance systems—to ensure compliance with the law. Uncertainty about the availability of disparate impact claims under the Fair Housing Act and the contours of any such liability make it challenging for companies to understand their compliance obligations in this context.

The Chamber is opposed to Congress nullifying HUD’s recent clarifications to its Disparate Impact Rule (85 FR 60288) under the Fair Housing Act. Importantly, HUD’s Disparate Impact Rule aligns its interpretation of the Fair Housing Act with the Supreme Court decision on Texas Department of Housing and Community Affairs v. Inclusive Communities Project, Inc. Additionally, HUD’s Disparate Impact Final Rule recognizes the McCarran-Ferguson Act, and the primacy of state regulation, by embracing existing state statutory standards of “unfairly discriminatory” rates and “unfair discrimination.”

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Thank you for considering our views on this legislation. We look forward to working with the House Financial Services Committee on reducing barriers in our financial system.
March 17, 2021

The Honorable Maxine Waters
Chairwoman
House Committee on Financial Services
Room 2221, Rayburn House Office Building
Washington, DC 20515

The Honorable Patrick McHenry
Ranking Member
House Committee on Financial Services
Room 2004, Rayburn House Office Building
Washington, DC 20515

Dear Chairwoman Waters and Ranking Member McHenry,

Thank you, Chairwoman Waters and Members of this Committee, for the opportunity to share a written statement on behalf of our 4.7 million Hispanic Business Enterprises (HBEs) that contribute an estimated $800 billion to the U.S. economy annually. The USHCC, through our programming and network of more than 250 Hispanic chambers across our country have been providing necessary resources and technical assistance to ensure that all Small and Minority-Owned Businesses can access the Government economic relief programs and climb out of this economic crisis.

The USHCC’s ongoing advocacy during the COVID-19 pandemic and after is focused on three driving pillars: increasing public and private sector procurement opportunities for Hispanic Business Enterprises (HBEs), advocating for issues affecting Hispanic business and the more than 61 million Hispanics living in America, and creating synergies of strategic collaboration with our network of more than 250 local Hispanic chambers across our country. Furthermore, we strive to do this work under three overarching goals which are: influence policy makers to adopt recommendations into stimulus related legislation and administration policies, expand Hispanic and minority-owned small business access to government and private sector procurement, and secure inclusion of the Hispanic community with decision and policy makers throughout the process.

In our USHCC 2020-2021 Policy Platform we talk about the urgent need for equity in financial services. While there are various lenders including large and small banks, corporations, pension funds, insurance companies, credit unions, venture capital funds, angel investors, and family offices, minority-owned businesses still have less access to capital than White-owned businesses.

According to the Minority Business Development Agency (MBDA), the average loan amount for minority-owned firms with more than $500,000 in gross receipts was $49,000, while the average for non-minority firms was more than twice that amount at $310,000. Furthermore, minority-owned firms are less likely to receive loans than nonminority firms and, in fact, are more likely not to apply for loans due to rejection fears. If they do get loans, minority-owned firms are more likely to receive lower loan amounts than nonminority firms and pay higher interest rates on business loans. That is why we make a call to the establishment of a new fair playing field, as well as increasing access to capital, at reasonable interest rates, in order to overcome the disparities between minority and nonminority business owners in our country.
The main component of individual capital for the United States middle class has historically been property ownership. Access to affordable housing is vital to the American economy. According to the Harvard Joint Center for Housing studies, affordable housing contributes to significant economic impacts, including increases in local purchasing power, job creation, and new tax revenues. To support both the national economy and lower income workers who contribute to the American economy, we propose major reform to make housing more affordable and accessible. The USHCC is a strong advocate for an increase in housing credits, as we recognize that equitable access to home ownership is a critical pathway towards building wealth and equity which provide access to loans which can be used start or scale businesses in our community. The approval of bipartisan legislation to strengthen the Low-Income Housing Tax Credit is essential to ensure a controlled expansion of the United States economy.

The Affordable Housing Credit Improvement Act of 2019 (AHCHA) represented a bipartisan effort to modernize the backbone of the American household economy. This bill, if passed, would provide a tremendous economic opportunity to SMBs through the building of over 550,000 affordable homes within ten years and generate $48.5 billion in new wages and business income. Moreover, this legislation would directly generate $19.1 billion in additional tax revenue and over 500,000 jobs. The correct implementation of a comprehensive Housing Credit reform can be extremely beneficial to the American economy. Furthermore, it can protect future investments by guaranteeing the stable development of our labor force.

Furthermore, Congress needs to consider the creation of debt and equity options to ensure that all financial institutions, especially FinTech’s, asset managers, and diverse capital funds, are treated fairly in the lending process and that financial facilities allocated to the U.S. Treasury, the U.S. Small Business Administration (SBA), and the Federal Reserve Bank be granted to these groups to help with our economic recovery. Action is needed to expand lending for minority and community banks, debt, and equity capital for minority asset managers. Moreover, we need to address the capital needs and lending abilities of Minority Depository Institutions (MDIs), Small Business Investment Companies (SBICs), community banks, smaller regional banks, minority asset managers, and Community Development Financial Institutions (CDFIs) that serve minority and low-income communities who represent some of the most vulnerable businesses as it pertains to cash flow and liquidity. Legislative action is needed to expand the $30 billion under the CARES Act funding that was allocated so that these financial institutions can continue to serve their customers, including businesses who may not have existing relationships with traditional financial institutions or lenders, to get them the necessary operating capital.

Thank you for your service and partnership in supporting America’s Hispanic and minority owned businesses. If you have any questions please do not hesitate to reach out to C. LeRoy Cazavas-Reyna, Vice President of Government and International Affairs via phone at 956-844-9628 or email at LCazavas@ushcc.com. We look forward to a positive response and outcome on this important legislative matter.

Respectfully,

Ramiro A. Cazavas
President and CEO

Requesting Member: Congressman Bill Foster (IL-11)

Witnesses:

Paulina Gonzalez-Brito, Executive Director, California Reinvestment Coalition

Rashad Robinson, President, Color of Change

Nikitra Bailey, Executive Vice President, Center for Responsible Lending

John C. Yang, President and Executive Director, Asian Americans Advancing Justice, AAJC

Ian Rowe, President and Co-Founder of Vertex Partnership Academies

Responses from Nikitra Bailey to Questions for the Record:

1. Mr. Robinson and Ms. Bailey, a recent lawsuit filed by the National Fair Housing Alliance against Redfin, a largely online real estate brokerage platform, highlights the risk of technology platforms perpetuating discriminatory impacts and thereby exacerbating racial wealth disparities. After a two-year investigation from 2018 to 2020, NAHA and its co-plaintiffs argue that Redfin’s minimum home price policy, which requires homes to meet a minimum price threshold in order for buyers and sellers to qualify to receive brokerage services, has resulted in discriminatory provision of services and disparate levels of service across neighborhoods in at least ten metropolitan areas, including the Chicagoland area, based on the racial composition of the neighborhood. It’s clear that the role of tech in housing transactions, whether it’s to rent or purchase a home, is growing at a rapid pace.

   a. Does the law treat a Redfin differently than it would a Long & Foster (e.g., any traditional real estate brokerage)? Are there more difficulties in proving a fair housing violation if you’re dealing with a tech company?

   b. From your perspective, how can Congress ensure that housing technology companies comply with fair housing laws in the same way as traditional brokerages do?

The Fair Housing Act applies broadly and to all types of companies – whether a traditional real estate brokerage or a housing technology company such as Redfin. Indeed, the allegations in the case against Redfin are reminiscent of cases brought against insurance companies that refused to insure homes worth less than a certain amount, or homes of a certain age. See, e.g., Toledo Fair Hous. Ctr. v. Nationwide Mut. Ins. Co., 704 N.E.2d 667, 674 (Ct. C.P. Ohio 1997) (describing evidence showing that minimum-value requirement excluded 83 percent of homeowners in majority Black neighborhoods, compared with 31 percent in white neighborhoods). Although technology has created new digital mechanisms for discriminatory redlining to occur, the impact is the same.

The Fair Housing Act and Equal Credit Opportunity Act applies to algorithmic decisions. Technology has also introduced additional challenges to prove a fair housing violation. For
example, many technology companies utilize opaque “black box” algorithmic systems that drive decision-making, and which make it difficult to discern discrimination. Artificial intelligence and machine learning models can create unjustified outcomes, often without detection. My written testimony discusses this issue in greater detail and urges federal regulators to ensure algorithmic systems do not bypass fair lending scrutiny.

Congress should coordinate with federal regulators and enforcement agencies to ensure that they are monitoring and addressing the increasing role of technology in the housing sector and the discriminatory effects that these technologies can create. In addition, Congress should increase funding for the Fair Housing Initiatives Program to bolster fair housing organizations’ expertise and capacity to pursue these types of cases.
COLOR OF CHANGE

ANSWERS TO QUESTIONS FOR THE RECORD
OF THE U.S. HOUSE COMMITTEE ON FINANCIAL SERVICES

RASHAD ROBINSON
PRESIDENT OF COLOR OF CHANGE

HEARING ON “JUSTICE FOR ALL: ACHIEVING RACIAL EQUITY THROUGH FAIR ACCESS TO HOUSING AND FINANCIAL SERVICES”

MARCH 10, 2021
QUESTION FROM REP. BILL FOSTER

Question for the Record

Mr. Robinson and Ms. Bailey, a recent lawsuit filed by the National Fair Housing Alliance against Redfin, a largely online real estate brokerage platform, highlights the risk of technology platforms perpetuating discriminatory impacts and thereby exacerbating racial wealth disparities. After a two-year investigation from 2018 to 2020, NFHA and its co-plaintiffs argue that Redfin’s minimum home price policy, which requires homes to meet a minimum price threshold in order for buyers and sellers to qualify to receive brokerage services, has resulted in discriminatory provision of services and disparate levels of service across neighborhoods in at least ten metropolitan areas, including the Chicagoland area, based on the racial composition of the neighborhood. It’s clear that the role of tech in housing transactions, whether it’s to rent or purchase a home, is growing at a rapid pace.

a. Does the law treat a Redfin differently than it would a Long & Foster (e.g., any traditional real estate brokerage)? Are there more difficulties in proving a fair housing violation if you’re dealing with a tech company?

b. From your perspective, how can Congress ensure that housing technology companies comply with fair housing laws in the same way as traditional brokerages do?

Reply

a. While the use of technology (tech) platforms to perpetuate housing discrimination may seem new, the underlining practice at issue has been used against Black people for decades. At its core, the discriminatory policies NFHA alleges that Redfin has been engaging in is a modern day form of redlining, a practice that has historically been used to deny Black people homeownership. Regardless of who’s behind the redlining --- whether it is a tech platform or a brick and mortar real estate company --- this practice violates the nation’s civil rights and fair housing laws, and the prohibition against such policies should be strongly enforced by regulators in all contexts. Further, to better ensure that tech companies are held accountable for fair housing violations, it is essential that Congress: (1) increase the budgets of federal regulators to make much needed investments in expertise that is at the intersection of technology and civil rights; and (2) increase the amount of grants to support State and local fair housing enforcement organizations.

b. One of the main ways Congress can address the systemic racial inequities in housing is by adopting a racially just policymaking approach when evaluating and deciding which laws and regulations to enact, implement, or revoke. During the hearing, I outlined what Congressional adoption of a racially just policymaking approach should entail: (1) the use of resources to help achieve
equity; (2) an evaluation of metrics; and (3) a strong commitment to enforcement.

In addition, there are currently two key bills Congress has been working on that would go a long way in holding tech platforms more accountable for using technologies that violate fair housing laws. The first is the Safeguarding Against Fraud, Exploitation, Threats, Extremism and Consumer Harms (SAFE TECH) Act, S. 299, which was introduced by Senators Warner, Hirono, and Klobuchar this past February. The SAFE TECH Act would, among other things, make clear that even where tech companies provide services like housing on their platforms, the sweeping immunity they receive under Section 230 of the Communications Act cannot be used to evade enforcement of the nation’s civil rights laws. The second key bill is the Civil Rights Modernization Act of 2021 that is being developed by Rep. Yvette Clarke, and will be introduced this Congress. The Civil Rights Modernization Act would amend Section 230 by expressely holding tech platforms accountable for the discriminatory targeting of advertisements that has too often been used to perpetuate inequities in areas like housing. Both of these bills Color Of Change strongly supports and would help ensure that platforms that provide housing services can be held fully accountable for complying with the nation’s fair housing laws.


April 19, 2021

Congressman Kustoff
560 Cannon House Office Building
Washington, DC 20515
Via: House Financial Services Committee

Re: Response of Paulina Gonzalez-Brito to QFR from Congressman Kustoff in relation to the hearing before the House Financial Services Committee entitled, “JUSTICE FOR ALL: ACHIEVING RACIAL EQUITY THROUGH FAIR ACCESS TO HOUSING AND FINANCIAL SERVICES,” held on March 10, 2021

Dear Congressman Kustoff,

Thank you for raising the following QFR in relation to the above referenced hearing:

Rep. Kustoff QFR

Question:

Manufactured housing has proved to be an affordable homeownership option for minorities, underserved, and low-income borrowers nationwide.

Over 22 million Americans live in manufactured homes, and based on U.S. census data, the cost of manufactured homes are 10 – 35% less than site-built homes of comparable size.

Unfortunately, we are seeing scenarios where localities are increasingly using zoning ordinances to exclude affordable manufactured homes in their communities.

Ms. Gonzalez-Brito,

Is this an issue you’re aware of? And if so, can you speak upon how this has specifically harmed minorities and other underserved borrowers?

[Follow Up] Do you think HUD should make it a priority to prevent localities from using zoning laws to exclude manufactured housing?
We appreciate your important question. As you note, manufactured housing provides an important source of affordable housing for BIPOC communities and other underserved households. The Consumer Financial Protection Bureau estimates that 11 million Americans are at risk of foreclosure or eviction. Any impediments to the creation, development or preservation of affordable housing, such as manufactured housing, disproportionately deprives communities of color the financial, physical and mental stability that all families deserve and need, especially during this pandemic. Yes, we do agree that HUD should use its authority to ensure that local governments are not discriminating against protected classes and depriving community members of affordable housing options, like manufactured housing.

Manufactured housing is an important part of the solution to housing security, especially in rural California and rural America. And this housing well serves communities of color. According to analysis by our friends at the Housing Assistance Council, 87% of loans for manufactured housing in non-urban areas goes to people of color (non-white), including 20% for “Hispanic” Latinos, 39% for Black or African American, and 18% for American Indian or Alaska Native households. Local jurisdictions should not be able to zone or otherwise create barriers to manufactured housing in communities. This is a fair housing issue.

Further, the Government Sponsored Enterprises (GSEs) should do more to support manufactured housing as part of their Duty to Serve obligations.

Finally, the Community Reinvestment Act (CRA) rules should encourage banks to support this housing by giving CRA credit to banks that offer manufactured home loan products in a market which is currently comprised of only a few lenders, and by giving CRA credit for investments in Community Development Financial Institutions (CDFIs) that develop, preserve and maintain manufactured housing and manufactured housing parks.

Should you have any further questions about this important subject, or other matters, please feel free to contact me at (415) 864-3980.

Very Truly Yours,

Paulina Gonzalez-Brito
Executive Director