

July 6, 2005

The Honorable Richard C. Shelby
Chairman
U.S. Senate Committee on Banking,
Housing and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Paul S. Sarbanes
Ranking Member
U.S. Senate Committee on Banking
Housing and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Michael G. Oxley
Chairman
Financial Services Committee
U.S. House of Representatives
2129 Rayburn HOB
Washington, DC 20515

The Honorable Barney Frank
Ranking Member
Financial Services Committee
U.S. House of Representatives
2129 Rayburn HOB
Washington, DC 20515

Dear Banking and Financial Services Committee Members:

We, the National Coalition for Asian Pacific American Community Development (CAPACD) and the undersigned organizations, are writing to inform you of our views regarding the pending Government-Sponsored Enterprise (GSE) reform bills S. 190 and H.R.1461.

National CAPACD represents a membership-based network of more than 100 community based organizations that promote housing, community and economic development among Asian Americans, Pacific Islanders, Native Hawaiians, refugees, immigrants and low-income communities nationwide. The undersigned national Asian American, immigrant and refugee advocacy organizations share a deep interest in ensuring that housing is affordable and accessible to all.

Currently, the fastest growing groups of homebuyers include minorities, new Americans and underserved families. However, according to the 2000 Census, homeownership rates are 17 points lower for Asians and Pacific Islanders than for non-Hispanic whites. The homeownership rates for Asians (53%) and for Native Hawaiians and Pacific Islanders (45%) are lower compared to the homeownership rate for the population as a whole (66%).

These disparities are even greater when we look at specific communities or in specific regions. Compared to the 66% homeownership rate of the general population, the 2000 Census showed that the rate among Indian Americans is 46%, among Korean Americans 41%, among Hmong Americans 39%, and among Samoan Americans only 34%. In Florida, homeownership rates for Asian Americans and Pacific Islanders lag behind by 15% and 28% respectively in comparison to the homeowner rate for non-Hispanic whites (76%). In New York, the differences are even greater; homeownership rates for Asian Americans and Pacific Islanders are 25% and 35% respectively below that of non-Hispanic whites (65%). Finally, across the nation, Asian American and Pacific Islander families still face a number of other housing concerns, including overcrowding, poor-quality units, and excessive cost.

In spite of these disparities, homeownership among all Americans has reached record highs during a time when the GSEs have rapidly expanded their role in the market place. The GSE efforts to increase minority homeownership supported mortgage loans for over 360,000 Asian American and Pacific Islander homebuyers in 2004. In 2004, Fannie Mae provided 6.14% or 222,500 of their single family housing units to Asian, Native Hawaiian or Other Pacific Islander families, while Freddie Mac provided 4.6% or 138,196 of their single family housing units to Asian and Pacific Islander families. Freddie Mac

and Fannie Mae are creating targeted initiatives to increase Asian and immigrant homeownership through outreach programs, innovative mortgage products, financial literacy and homebuyer education.

As you can see, the GSEs play a crucial role in providing mortgage financing and affordable homeownership opportunities for Asian Americans and Pacific Islanders, particularly those facing income, language, cultural and other barriers. National CAPACD and the undersigned organizations recognize that in order for the GSEs to continue to bring affordable mortgage credit to that sector of the mortgage market, they must have the regulatory structure and the tools and capabilities to do so. While we support the Committees' efforts to strengthen the safety and soundness and the affordable housing mission of the GSEs, we are concerned that provisions within S. 190 and H.R. 1461 will have a profound impact on the GSEs' ability to support affordable rental housing and homeownership and will hurt low-income and immigrant, refugee, Asian American and Pacific Islander communities. As a result, we make the following recommendations:

- **Support an Affordable Housing Fund:** National CAPACD and the undersigned organizations support the creation of an affordable housing fund that would direct 5% of the GSEs' profits to mission-oriented, supply-side projects. Eligible activities of the fund should include capital and equity investments in affordable housing development, a loan loss reserve to support innovative product design, and supply support activities such as capacity-building for community-based organizations, financial literacy, and housing counseling.
- **Prioritize the GSE Mission:** Clearly the GSEs need a regulator that is competent and empowered to monitor the fiscal health of these agencies. However, this can be accomplished without sacrificing the mission of the GSEs, which is to provide affordable mortgage credit to low-income and minority families as well as provide liquidity to the market. In this spirit, National CAPACD and the undersigned organizations support the concept of three "deputy directors" where one deputy director is charged with maintaining the GSEs mission and housing goals.
- **Remove the "Bright Line" Provision:** A "bright line" definition between mortgage loan origination and secondary mortgage market or between primary and secondary mortgage markets is unnecessary and puts at risk the advancements the GSEs have brought to the mortgage industry, prevents GSEs from appropriately responding to the needs of first-time homebuyers in underserved markets, and curtails the development and introduction of innovative products that have proved instrumental in increasing minority homeownership rates. If S. 190 were enacted, the Bright Line provision would prohibit the GSEs from using their Automated Underwriting Systems (AUS), which have decreased racial discrimination and kept smaller lending institutions competitive with larger institutions, and limit the GSEs' ability to engage in homeownership counseling and anti-predatory lending initiatives.
- **Create a Flexible Product Approval Process:** The GSEs' ability to respond quickly and resourcefully to a dynamic housing market has been critical to the development of innovative, affordable mortgage products and activities. By defining what rises to the level of new "product" or "program" and the timeline for approval, the regulator can at once ensure safety and soundness while protecting the mission of the GSEs. Also, exempting pilot programs from the program approval process would also benefit the Asian American and Pacific Islander community.

In addition to the above elements of GSE reform, National CAPACD and the undersigned organizations call on Congress and the administration to better serve potential minority homeowners. Such actions include:

- **Increase support for housing counseling:** Community-based housing counseling agencies are often the first point of contact for Asian American, Pacific Islander, refugee and immigrant

families looking for trustworthy information regarding homeownership. Their cultural and linguistic competence plays a critical role in filling the market gap that exists for low-income families who speak languages other than English. Congress and the administration must continue to support this program through increased funding and support of agencies' ability to generate revenue through fee-income.

- **Pass the *Renewing the Dream Tax Credit Act*:** This legislation (H.R. 1549), which has considerable bipartisan support, creates a tax incentive for the development of affordable homeownership stock. Excessive housing prices are a principal barrier to homeownership for many AAPI families.
- **Curb Predatory Lending and Racial Steering:** Congress must work with industry stakeholders and consumer advocates to enact legislation that will curb predatory lending and racial steering in the mortgage marketplace by expanding the reach of the Homeowner's Equal Protection Act (HOEPA), increasing protections available to vulnerable families, and holding lending institutions and mortgage brokers accountable for the loans they make.
- **Increase the capacity of minority-serving organizations:** Community-based organizations serving minority and immigrant populations need tools, such as training and partnerships, and resources, such as operating support and development capital that will allow them to expand their operations or increase their depth of service.

Immigrant, Asian American and Pacific Islander communities in this nation are growing exponentially and their housing needs cannot be ignored. Congress should enact GSE reform that supports full participation and investment by AAPIs and all minority groups. This will go far to address persistent racial and ethnic homeownership disparities and ensure that this nation continues to have healthy institutions whose mission is to provide affordable mortgage credit to low-income and minority families.

Thank you for taking time to review our comments and suggestions. Should you have any questions regarding these issues, please do not hesitate to contact Lisa Hasegawa, Executive Director at (202) 223-2442 or lisa@nationalcapacd.org. We look forward to working on this and other affordable housing initiatives with you.