



**National
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Johnson-Crapo Housing Reform Guided by Weapons of Mass Deception about Affordable Housing Goals

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"The new Senate proposal to reform the housing finance system...lacks provisions to ensure that the housing finance system is fair and nondiscriminatory." Joint statement of the National Urban League and other major civil rights and housing advocacy groups

A new housing reform proposal slated for a Senate Banking Committee vote next week could accelerate the already significant post-recession decline in homeownership among communities of color and all working and middle-class communities. The bill, which is co-sponsored by Sens. Tim Johnson, D.-S.D., chairman of the banking committee, and Mike Crapo, R-Idaho, the ranking member, would wind down Fannie Mae and Freddie Mac and replace them with a new agency, the Federal Mortgage Insurance Corporation (FMIC). This new agency would end the affordable housing goals of Freddie and Fannie, which helped boost the percentage of African American homeownership to a pre-recession all-time high of 50%. The current African American homeownership rate is 43%, and African Americans are the only group that continues to experience a homeownership decline in the recovery, down 2.5% since 2000.

The Johnson-Crapo bill is driven by weapons of mass deception that perpetuate the myths that affordable housing goals and the Community Reinvestment Act created the housing crisis when nothing could be further from the truth. The affordable housing goals of Fannie and Freddie did not cause the crisis. In fact, according to the Fiscal Crisis Inquiry Commission, the body that was created to investigate the causes of the financial crisis, the affordable housing goals only "marginally contributed" to the crisis. But they made a tremendous impact on helping responsible borrowers purchase homes. As a result, according to the National Community Reinvestment Coalition, during the last 10 years, more than 60 million hard-working families have benefited from the affordable housing goals.

The foreclosure crisis was not caused by irresponsible borrowers. It was caused by irresponsible financial products and a subprime lending market that were faulty and predatory in design, a result of reckless greed and doomed to fail from the start. By repealing the affordable housing

goals that have been in place since the early 1990s – and through a reduced government guarantee – we are extremely concerned that the Johnson-Crapo bill will lead to cost increases that make homeownership unaffordable for the millions of working and middle-class Americans who have already borne the brunt of the impact of the foreclosure crisis, wiping out the majority of family wealth amassed during the last decade.

This bill would also exacerbate some of the widening economic disparities highlighted in the National Urban League's 2014 State of Black America® report. For example, the Black-White homeownership Equality Index™ is now only 60%, and Blacks are three times as likely to be denied on a mortgage application. Our report also shows that Blacks have a median wealth of \$6,314 vs. whites at \$110,500 – a wealth equality index of a dismal 6%. With the critical role that homeownership plays in wealth accumulation, any further impediments to minority and low-to-middle-income homeownership will only widen that gap.

That is why the National Urban League joined with the Leadership Conference on Civil and Human Rights, NAACP, National Coalition for Asian Pacific American Community Development, National Council of La Raza, National Fair Housing Alliance, and Center for Responsible Lending to voice our serious concerns about this bill in its current form. As noted in our original statement, today's mortgage market excludes families of color almost entirely. According to the most recent Home Mortgage Disclosure Act data, there were 1.3 million conventional mortgage loans made in 2012; of those, Latinos received only 69,217 loans, African-Americans received 29,405 loans, and Asian American Pacific Islanders received 2,697 loans. There were 4.9 million refinance loans made in 2012, of which Latinos received 76,038, African-Americans received 75,785, and Asian American Pacific Islanders received 10,611. The Johnson-Crapo proposal does not adequately address this ongoing inequity nor does it provide an inclusive way forward for working and middle class communities to participate in the future housing market.

Housing finance reform is necessary. But we believe that it should be true reform – and not retrogression. Its goal should be to create a secure housing finance system that is open and available to all creditworthy borrowers and that provides affordable mortgages to families with lesser incomes and wealth. Instead of expanding homeownership opportunities, the Johnson-Crapo proposal tells working and middle-class families that homeownership will be reserved for the fortunate few. It says that these families do not deserve low-cost credit; that owning a home is not important to family wealth; and that communities no longer need a stable tax base to fund schools, police, fire and libraries. That is simply wrong, and we can do better. The National Urban League strongly urges the Senate Banking Committee to change course on this bill now, ensure the inclusion of affordable housing goals, and pass legislation that will help to ensure access to affordable mortgage credit for all creditworthy borrowers, while at the same time protecting taxpayers from bearing the cost of a housing downturn.

As it stands, working families – and the essence of the American Dream – cannot afford Johnson-Crapo.

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