

June 29, 2022

The Honorable Maxine Waters  
Chair  
House Committee on Financial Services  
2221 Rayburn House Office Building  
Washington, DC 20515

The Honorable Patrick McHenry  
Ranking Member  
House Committee on Financial Services  
2004 Rayburn House Office Building  
Washington, DC 20515

Dear Chair Waters and Ranking Member McHenry:

On behalf of the National Association of REALTORS® 1.5 million members working in all aspects of the residential and commercial real estate industries, I write to you applauding the work of the Committee for dealing head-on with many of the issues in the current housing market during the hearing entitled: “Boom and Bust: Inequality, Homeownership, and the Long-Term Impacts of the Hot Housing Market.”

Homeownership has traditionally been the main driver of household wealth in the United States. The home has provided economic security for millions of Americans for generations and has historically performed better than other asset classes. While this system has benefited a great number, it has also laid bare many of the current inequalities that make it difficult for millions of potential borrowers to enter the world of homeownership.

The housing market has seen explosive growth throughout the last decade. While this has benefited many Americans who have been able to purchase a home, we are starting to see negative effects from this uncertain housing economy. With mortgage rates increasing two to three percent in just the last six months, many who were unable to access credit are now being left on the sidelines. This problem is particularly felt by communities of color. While the homeownership rate for White Americans has remained stable and over 70%, the Black homeownership rate has dropped to around 40%, a level not seen since the 1960s.<sup>1</sup> There are many reasons for this, including the lack of investment in affordable housing, an outdated system of mortgage underwriting, the lack of construction, an influx of cash buyers and institutional investors, economic inequality, and the cost of labor and materials.

Generational problems require generational solutions. We are encouraged the Committee has taken direct action on this issue, and we applaud the work of Chair Waters in advancing the housing provisions within the *Build Back Better Act*. Support for building new affordable housing and renovating the current housing stock is essential to building the current and next generation of homeowners. Downpayment programs, such as the *Downpayment Toward Equity Act*, provide avenues for underserved communities to overcome the challenges of saving for a down payment.

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<sup>1</sup> National Association of REALTORS®, 2022 Snapshot of Race and Home Buying in America, February 2022, <https://cdn.nar.realtor/sites/default/files/documents/2022-snapshot-of-race-and-home-buying-in-the-us-04-26-2022.pdf>

And the Unlocking Possibilities program and the *Neighborhood Homes Investment Act* create new incentives for additional home construction.

Additionally, NAR's latest research shows that the rise of institutional investors in communities is adding an additional hurdle for buyers in hot housing markets<sup>2</sup>. Though the challenges are not felt in all areas of the country, Wall Street investors are focusing investments in areas of the Southeast, where they have dramatically raised rents. This is converting many affordable, single-family homes to permanent rentals. This impact has been greatest on communities of color and on a scale that we have not seen previously. This is an impactful trend and one that is causing additional stress on the market. NAR supports ideas that would incentivize sellers to sell their homes to owner-occupied borrowers, and we are encouraged by the work at FHA to offer foreclosed properties to owner-occupied residents and non-profits over large investment firms.

We are also encouraged by the White House's recent Housing Supply Action Plan which would address several important housing availability and accessibility issues. The plan details important steps, including zoning reforms, further explorations of accessory dwelling units (ADUs), changes to housing financing, and improving supply chain issues.

Regulatory agencies are also taking a strong look at programs that will create new pathways for borrowers to obtain mortgage financing in a safe and responsible manner. Fannie Mae and Freddie Mac's (the GSEs) recently announced equity plans provide a blueprint for access to ownership for historically underserved communities without changing credit underwriting, including the exploration of Special Purpose Credit Programs, which have been allowed for over 50 years. The GSEs and FHA can also take smaller steps, like evaluating new credit scoring models, including rental payments in underwriting, and reducing guarantee fees and mortgage insurance premiums, that will help ease some of the stresses of higher interest rates.

While there is no one silver bullet for solving the housing irregularities, innovative and robust ideas like those of the committee and the White House will help to ease many of the burdens so many Americans face when trying to purchase a home.

The National Association of REALTORS® looks forward to continuing its work with the committee as we strive to create a more equitable and robust housing market that serves all Americans.

Sincerely,



Leslie Rouda Smith  
2022 President, National Association of REALTORS®

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<sup>2</sup> National Association of REALTORS®, Impact of Institutional Buyers on Home Sales and Single-Family Rentals, May 2022, <https://cdn.nar.realtor/sites/default/files/documents/2022-impact-of-institutional-buyers-on-home-sales-and-single-family-rentals-05-12-2022.pdf>