August 23, 2013

Dear Senator:

As leaders of the nation's largest civil rights advocacy organizations and leaders concerned with fairness in the mortgage lending arena, we write to express our strong opposition to statutorily imposed down payment mandates on future mortgages through the housing finance system. Statutory down payment requirements would effectively lock qualified borrowers out of the mainstream mortgage market and create a new "dual market", where people of color and low-to-moderate income borrowers are relegated to fringe mortgage products. The effect would widen the already enormous wealth gap between white and nonwhite families.

Today, our constituents have an extremely difficult time accessing mainstream mortgages given the overly tight credit conditions that apply. Down payment mandates would be an added barrier and would deny millions of Americans the ability to access a mainstream mortgage, harm the housing market, reduce home equity for everyone, and hurt the broader economy.

For a family with a median income, it would take 14 years to save a five percent down payment plus closing costs for a median-priced home. Barriers would be even greater for families of color. For average African-American and Latino families (i.e., those earning the median income for their respective group), it would take 28 and 17 years, respectively, to save enough.

A five percent down payment mandate, included in the recent Corker-Warner housing finance legislation, would come on top of the fact that borrowers already need to save their closing costs and escrows, which generally average three percent of the loan balance. A third of African-American borrowers and more than a fifth of Latino borrowers who were *successfully* paying their mortgages in 2011 would not have been able to access these loans if a five percent down payment had been required.

For decades, low down payment loans have been used with great success to promote sustainable homeownership, particularly for low-to-moderate income families and people of color. Furthermore, low down payment loans did not cause the current foreclosure crisis— irresponsible underwriting and toxic loan terms did.

We strongly support the restrictions on abusive terms and practices in the final rules for Qualified Mortgages (QMs). These standards will address the loan underwriting weaknesses and abusive loan structures and terms that added undue risk to the mortgage and financial markets, and will go a long way toward preventing another crisis.

If statutory down payment requirements are imposed on top of the QM restrictions, millions of Americans will be denied access to affordable loans without a commensurate benefit in default rates.

From 2010-2020, 70 percent of new households will be comprised of people of color. These families of color will be the majority of future homebuyers. Locking them out of the future mortgage market will hurt our national economic recovery efforts and leave many entire communities behind. A down payment mandate would be particularly burdensome, bringing substantial negative impacts to the housing market.

By slowing, or even reversing, the housing recovery, a down payment requirement could create macroeconomic conditions that reduce home equity for all Americans. As a result, it could actually increase defaults and foreclosure rates, instead of lowering them.

Finally, there must be broad market access so that qualified families may have an opportunity for homeownership.

These stakes are high risk to the nation's economy and we urge you to oppose down payment mandates that restrict access to credit and harm the housing market overall. Should you have questions, please contact Eric Stein, Senior Vice President of Self-Help/CRL, at 919-956-4479 or eric.stein@responsiblelending.org.

Sincerely,

Juvencio Rocha-Peralta
Executive Director
Association of Mexicans in North Carolina

Martin Eakes
CEO
Center for Responsible Lending

John Powell
Director
Haas Institute for a Fair and Inclusive Society, UC Berkeley

Wade Henderson
President and CEO
Leadership Conference on Civil and Human Rights

Hilary O. Shelton
NAACP Washington Bureau & Senior Vice President for Advocacy and Policy
NAACP

Oscar Chacon
Executive Director
National Alliance of Latin American and Caribbean Communities

Craig S. Nickerson
President

National Community Stabilization Trust

Alys Cohen
Staff Attorney
National Consumer Law Center (on behalf of its low-income clients)

Albert S. Jacquez
Director, Legislative, Congressional, and Political Affairs
National Council of La Raza

Shanna Smith
President and CEO
National Fair Housing Alliance

Marc H. Morial
President and CEO
National Urban League

Peter Skillern
Executive Director
Reinvestment Partners

Yanira Arias
President
Salvadoran American National Network