



Justice for All: Achieving Racial Equity Through Fair Access to Housing and Financial Services: Testimony before the House Financial Services Committee

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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 (CRL), an affiliate of Self-Help, one of the nation's largest community economic development lenders. Self-Help has provided over \$9 billion in financing to homebuyers, small businesses, and nonprofits.

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 derived from forceful land dispossession, 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, and the federal government subsidized the mass production of the 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 during the Great Recession because the help came too late and well after foreclosures unnecessarily devastated neighborhoods. This crisis is likewise hitting these families the hardest again, and the response so far is not equitable or sufficient. Most important, we have to address the long-term structural flaws that produce and perpetuate this inequity.

Discrimination is a drag on the economy, costs trillions of dollars, and delays economic growth. Studies show that the economy can grow by \$1 trillion per year, create thousands of jobs, and generate \$400 billion in tax revenue 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 per month. Hardworking 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's losses.

Families are being crushed under the weight of student loan debt, with Black families seeing their debt increase 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 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 fair lending concerns about the structural defects in the program's design.

A new social contract is necessary to allow today's essential workers to thrive. Policies include:

1. A restorative justice homeownership program that targets down payment grants to first generation homebuyers who are disproportionately Black and brown.
2. Increasing the supply of quality affordable housing for low-to-moderate income homebuyers, and the availability of small balance mortgages.
3. Strengthening the Affordable Housing Goals as Fannie Mae and Freddie Mac have woefully unfulfilled their statutory obligations to ensure adequate mortgage opportunities in communities of color.
4. Fully enforcing our nation's fair lending laws as they are the engine that can ignite the economy through the use of Special Purpose Credit Programs that can help lenders reach underserved borrowers.
5. Addressing the nation's student debt crisis, starting with cancellation of \$50,000 per borrower.
6. The Paycheck Protection Program, which will expire at the end of March, must be extended to enable many very small businesses 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 must lift up the floor. Action is needed now so that our children are free of discrimination's burdens.

Thank you. I look forward to answering questions.