



Home = Life: The State of Housing in America
Testimony before the U.S. Senate Committee on Banking,
Housing, And Urban Affairs

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Good afternoon Chairman Brown, Ranking Member Toomey, and Committee Members. Thank you for the opportunity to testify for today's hearing.

I am an Executive Vice President at the Center for Responsible Lending (CRL), an affiliate of Self-Help, one of the nation's largest community economic development lenders.

Homeownership is the bedrock of the American middle class. It is the way that most Americans build wealth. It is the economic engine that fuels the greater economy.

But we must be honest about our country's inequitable investments in homeownership. We have left entire tax paying communities behind.

COVID-19 has brought these injustices into full view. On one hand, some people can shelter in place, benefit from a roaring stock market, and watch their homes increase in value. On the other, essential workers face economic uncertainty in service positions that make them more likely to contract the virus. Many families suffer reduced wages, unemployment, and needing to wait in food pantry lines that circle entire city blocks and stretch down rural roads.

Our nation's housing policies are a core cause of these interconnected inequities. We all know that a home is much more than its four walls.

Federal policies, especially the Homestead Act and the New Deal, subsidized land and homeownership – literally the foundation of the American middle class – but redlining meant these benefits were primarily available for white Americans and explicitly excluded most Black Americans and other people of color. These laws created wealth that could be passed forward to successive generations and cemented a white middle-class that could use their wealth to provide for a child's education, seed money for a business, a secure retirement, and a buffer against economic setbacks.

The opportunities for many white Americans contrast sharply with those for Black and brown families who have been systematically denied the ability to build up the capital needed to obtain a mortgage and build equity.

Today's Black homeownership rate is at levels similar to 1968 when the Fair Housing Act was passed and even the 1890s. The law's formal outlawing of discrimination belies the fact that housing discrimination remains widespread to this day. There is a direct connection between this legacy and the inhumane events over the summer that led to the people-led protests demanding justice. We must act to eliminate racist structures and create inclusive opportunities.

In the run-up to the Great Recession, predatory lenders targeted communities of color with toxic and risky mortgages. Black and Hispanic families unnecessarily lost more than \$1 trillion in wealth as a result.

Since then, Fannie Mae and Freddie Mac have woefully underserved Black, Hispanic, Native, and Pacific Islander communities. There could have been 770,000 more Black homebuyers if mortgage credit was not unnecessarily tight, and lenders were willing to make small dollar mortgage credit available.

Like the last economic recovery, today's is K-shaped and uneven. Once again, the relief is failing to reach the hardest-hit families.

While it seems the mortgage market is booming, a closer look at the data reveals a market dominated by refinances that mostly benefits the wealthiest. Typically, refinancing accounts for only one-third of the market, but in 2020, they were over half. Historically low interest rates and the Federal Reserve's monthly purchases of \$40 billion in agency mortgage-backed securities are keeping the market strong. Yet, many hard-working families are unable to secure a rate refinance that would save them a couple hundred dollars per month and that would keep them out of foreclosure and housed as the health pandemic continues.

Given our national crisis and inequitable housing finance system, a new, substantial public investment in homeownership is needed to bring in first-generation homebuyers. The future of the market is now, and its success depends on its ability to serve the 3 million Black and more than 5 million Hispanic mortgage-ready potential homebuyers.

Addressing inequities can create shared prosperity by adding potentially a trillion dollars per year to the economy, generate billions in local revenues, and create thousands of jobs. It will bring us closer to an America as good as her ideals, where the promise of America can reach all our children.

Thank you. I look forward to answering questions.