



Building Generational Wealth through Homeownership

MBA's policy initiative, Building Generational Wealth through Homeownership, supports the marketplace efforts of MBA's signature Affordable Housing program, CONVERGENCE, and seeks to enact policy and program changes to help African-American and Hispanic families create generational wealth through homeownership. MBA recognizes that becoming a homeowner can be a positive life-changing event, and helping individuals and families purchase homes is not the end of MBA's commitment to these communities. Building generational wealth is the long-term goal, and MBA is dedicated to helping families sustain and leverage homeownership to create a strong financial base.

White families have been able to leverage financial advantages provided to them through generations of government-sanctioned programs, incentives, and corporate practices that have not always been available to African-American and Hispanic families. The result is an astonishing wealth gap that has not significantly improved since 1968. In 2019, the median net worth for White households was \$188,200, of which residential real estate composed a majority of the share. African-American and Hispanic households had a net worth of \$24,100 and \$36,100, respectively.* Although not the only factor, homeownership is a major asset that often helps families obtain, grow, and pass on financial wealth through generations.

Homeownership has been an essential element of the American dream for decades and continues to be so today. Purchasing a home brings pride of ownership and the sense of belonging in a community, and it plays a vital role in helping to build strong, stable neighborhoods.

MBA is uniquely positioned to harness the necessary internal and external resources to effectuate meaningful change in the mortgage industry that will help more African-American and Hispanic families become homeowners and to close the racial homeownership gap. The racial gap in the homeownership rate in the United States is wider today than it was when it was legal to refuse to sell someone a home because of their skin color. In 2019, the homeownership rate was 42.1 percent for African-Americans, 47.5 percent for Hispanics, and 73.4 percent for White households. The decline in Black homeownership continues to exacerbate the racial equity gap as homeownership remains the principal way most families build wealth in this country.

Through advocacy, partnerships, and connections within the industry, MBA can: a) raise awareness of homeownership opportunities for African-American and Hispanic borrowers; b) secure policy and program changes to expand homeownership readiness to future borrowers; and c) assist current homeowners with maintaining and maximizing the benefits of homeownership.

MBA's unique position is based on these core competencies:

- Access to a diverse community of lenders (national banks, independent mortgage bankers, community banks, credit unions, and mortgage industry support services)
- Mortgage policy expertise
- Research and data analysis
- Strong connections to influence policymakers
- Convener of industry and consumer-focused partner organizations

With this foundation, MBA is uniquely positioned to support minority homeownership by:

1. Reducing barriers to minority first-time homebuyers and supporting opportunities for minorities to maintain homeownership.
2. Supporting financial education and counseling for homebuyers and homeowners.



* Urban Institute, February 2019. <https://www.urban.org/urban-wire/three-differences-between-black-and-white-homeownership-add-housing-wealth-gap>



Our Core Purpose

MBA is dedicated to helping address the nation's racial wealth gap by reducing the racial homeownership gap. Through the Building Generational Wealth through Homeownership campaign efforts, MBA aims to:

- Provide industry leadership and direction for reducing the racial homeownership gap, including addressing the impacts of systemic racism and historical redlining.
- Promote policies that support sustainable homeownership as an important means of creating generational wealth for communities of color.
- Promote access to fair, equitable, and responsible lending for African-American and Hispanic borrowers.

Our Vision: Where We Want to Be

MBA established the Minority Homeownership Task Force to identify areas where MBA can strategically:

- Leverage membership strength and reputation to effectively lead and influence external stakeholders in providing fair and equitable lending to minorities.
- Lead in building and maintaining trust in the mortgage finance industry.
- Actively engage with housing stakeholders to remove systemic barriers to homeownership.





MBA's Top Areas of Focus

MBA's Building Generational Wealth through Homeownership campaign focuses on reducing the cost of homeownership for African-American and Hispanic first-time homeowners, regardless of income; preserving existing minority housing wealth; and advocating for pre- and post-purchase financial education and counseling.

1. Reduce barriers to minority first-time homebuyers and support opportunities for minorities to maintain homeownership.
 - MBA will focus on strategies that mitigate the risks that drive increased pricing for minority borrowers of all income levels, rather than subsidizing that pricing.
 - MBA will support efforts to grow and protect minority homeowners' wealth gained through homeownership, such as fair home valuations, access to beneficial refinancing options, and assistance during times of financial stress.
2. Support financial education and counseling for homebuyers and homeowners.
 - MBA will promote the benefits of homeownership, lending opportunities, and availability of resources that reduce the barriers to homeownership and improve home retention opportunities when borrowers face financial stress.
 - MBA will support educating minorities about various mortgage transactions (purchases, refinances, foreclosure protections, etc.) to encourage successful long-term homeownership.
 - MBA will collaborate with nonprofit organizations to repair the trust gap between the industry and minority communities to help families take advantage of wealth-building opportunities.

MBA Chair Susan Stewart's singular initiative was reducing the racial homeownership gap.

“Together, we can harness the incredible power of our big collective voice and step up. We have an opportunity, and an obligation, to open the door to those ready, willing, and able to own a home. Homeownership is the foundation for generational wealth and social mobility.”



Susan Stewart
2021 MBA Chair
Chief Executive Officer,
SWBC Mortgage

Recommendations

Recommendations to Reduce Barriers for Minority First-Time Homebuyers and Support Opportunities for Minority Homeowners to Maintain Homeownership

To provide industry leadership and direction for reducing the racial homeownership gap, and leverage membership strength in providing fair and equitable lending to minorities, MBA will:

1. Advocate for increased access to affordable financing options to expand the pool of minority borrowers eligible for government-sponsored enterprise (GSE) financing.
 - Support increasing area median income (AMI) on affordable products (HomeReady® and Home Possible®) from 80 percent, particularly in high-cost areas.
 - Remove unnecessary loan-level pricing adjustments (LLPA) on Rate & Term Refinances that reduce monthly payments for consumers who have not accessed today's historically low rates.
 - Reverse credit score LLPAs on 3 percent down payment products for specific metropolitan areas.
2. Lead advocacy for regulatory clarity and provide industry support of Special Purpose Credit Programs (SPCPs).
 - Support lenders creating SPCPs by removing regulatory barriers and uncertainty.
 - Develop lender playbook for scalable, replicable SPCPs.
3. Support down payment options for African-American and Hispanic borrowers that address the lack of generational wealth.
 - Lead and support legislative efforts that lower or remove down payment barriers for minorities through forgivable grants, savings incentives, and other funding sources. These initiatives will assist borrowers in the acceleration of equity growth and provide them with greater affordability without compromising the safety and soundness of the loan. The assistance should be uniformly administered, accepted within current marketplace practices, accessible to borrowers, and easily operationalized by lenders.

4. Evaluate options for the GSEs, Ginnie Mae, and Treasury to expand secondary market pools and programs that would benefit minority borrowers and communities.
 - Create incentives for investors to improve pricing and increase liquidity for minority-rich lending, based on repayment characteristics; environmental, social, and governance (ESG) investor goals; and other factors.
5. Support home retention options for African-American and Hispanic homeowners that assist them with maintaining homeownership and accumulating generational wealth.
 - Lead and support efforts to distribute the Homeowner Assistance Fund so that it helps socially disadvantaged populations maintain homeownership. The assistance should be uniformly administered, accessible to borrowers, and easily operationalized by servicers.
 - Establish robust, uniform home retention options to assist families through natural disasters or economic fallout from pandemics.
6. Support pathways to homeownership for African-American and Hispanic borrowers who have been previously denied mortgage financing.
 - Evaluate scalable programs to assist African-American and Hispanic applicants who have been denied a loan due to a lack of funds with down payment assistance options.
 - Support “best practices” for mortgage professionals and partners involved in the mortgage transaction to efficiently provide services to minority borrowers facing down payment or credit barriers.



Kristy Fercho
2022 MBA Chair
Executive Vice President and
Head of Wells Fargo Home Lending

“Homeownership is an essential element of the American dream, and it plays a vital role in generating household wealth and building a sense of belonging and stability for families of color. The work is far from done, but I am very proud of the meaningful steps MBA and the industry have taken over the past year to not only raise awareness of the too-large racial homeownership gap, but also to identify and pursue impactful policies and programs to help more Black and Hispanic families become homeowners. This includes MBA’s Home for All Pledge, where hundreds of companies have already signed on to advance minority homeownership.”

Recommendations to Support Counseling and Financial Education for Homebuyers and Homeowners

To promote policies that support sustainable homeownership and assist with leveraging the benefits of being a homeowner as a critical means of generating generational wealth for communities of color, MBA will:

1. Lead and support legislative initiatives that fund counseling agencies and other organizations that provide pre- and post-home-buying services.
 - Support legislative efforts to increase funding for counseling services and improve client access.
 - Partner with industry and housing organizations on housing counseling and financial education advocacy.
2. Raise awareness with minority homeowners of the resources available to improve affordability and maintain homeownership.
 - Partner with the GSEs, government agencies, and nonprofits to provide authentic storytelling opportunities to address the trust and wealth gaps.
 - Provide content that can be leveraged across markets and lenders of all sizes.
 - Partner with agencies and nonprofits to provide post-closing education for minorities (refinancing opportunities, resources if they are facing financial hardship, etc.).



MBA is dedicated to addressing the nation's racial wealth gap by reducing the racial homeownership gap. Through the Building Generational Wealth through Homeownership campaign efforts, MBA is helping families sustain and leverage homeownership to create a strong financial base.

To learn more, visit mba.org/minorityhomeownership or contact:

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