



THE NATIONAL ASSOCIATION OF HISPANIC REAL ESTATE PROFESSIONALS

July 25, 2005

The Honorable Richard C. Shelby
Chairman
Committee on Banking,
Housing and Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Paul Sarbanes
Ranking Member
Committee on Banking,
Housing and Urban Affairs
United States Senate
Washington, DC 20510

Dear Chairman Shelby and Ranking Member Sarbanes:

As we indicated in our March 31st letter to you, the National Association of Hispanic Real Estate Professionals (NAHREP) strongly supports congressional efforts to strengthen the regulatory oversight of the GSEs to ensure market and public confidence in these vital housing institutions while expanding their capacity to meet their public mission to increase homeownership opportunities among underserved communities. NAHREP, the largest trade organization representing the views and interests of nearly 14,000 industry professionals serving the growing Latino home buying market, believes that the housing GSEs can and must do more to reduce the barriers to affordable housing and homeownership facing minorities and other underserved groups. As a result, we believe that under your leadership the Senate Banking Committee now has the historic opportunity to craft a bill that can enhance both the ability and obligation of the housing GSEs to better meet their mission.

Unfortunately, many of the legislative proposals currently being discussed can, in our opinion, result in a rollback of the modest but important progress that Fannie Mae and Freddie Mac have made toward increasing minority and first-time homeownership opportunities. As we said in our earlier letter, we caution the Committee to avoid enacting proposals that would go beyond ensuring strong oversight of these GSEs and hurt their ability to support the rapidly expanding Hispanic and minority housing market.

Indeed, we believe that the committee print issued on Friday contains such adverse provisions. Moreover, the print omits important changes that would strengthen the mission related responsibilities of the GSEs.

While there is no explicit reference to a “bright line” test in the committee print, which we previously stated we opposed, we are very concerned about the proposed program approval language. NAHREP has consistently been against overly bureaucratic review of mortgage products and programs that would reduce the supply of innovative products



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essential to addressing the diverse needs and characteristics of a rapidly expanding pool of Latino and other minority home buyers. We need to encourage the GSEs to create more innovative and flexible products and services to better reach the Hispanic market and not stifle needed progress through an unnecessary and time-consuming review process.

Similarly, NAHREP cautions against any proposals that would effectively lead to severe restrictions or the setting of caps on the size of the GSEs' mortgage portfolios, limiting their capacity to provide sufficient liquidity to growing markets made up of Hispanic, minority and other first-time home buyers.

NAHREP respectfully recommends that the Senate adopt and expand upon a number of favorable provisions included in the bill recently approved by the House Financial Services Committee:

1. **Increased Loan Limits for High Cost Markets:** The current GSE loan limits do not adequately address the challenge faced by minority and first-time home buyers seeking affordable loans to buy a home in high-cost areas. This is a particular problem for many underserved Latino and minority families who are concentrated in such high-cost markets. The House Committee bill would allow for adjustments in conforming loan limits in those areas. The Senate Banking Committee print has no such provision.
2. **Housing Trust Fund:** The House Committee bill proposes a "housing trust fund" to support the creation of affordable housing and owner-occupied homes that would be financed not by taxpayers but by a set percentage of GSEs' annual profits. As an industry trade group made up of real estate business professionals dedicated to increasing Latino homeownership, NAHREP members are particularly aware of the acute need for capital to increase the supply of affordable housing. Consequently, we strongly support this provision and ask the Senate Banking Committee to follow suit. We also suggest that the Committee ensure that for-profit entities have equal opportunity to access monies from the housing trust fund to pay for activities directly related to the creation of affordable housing and homeownership opportunities.
3. **Increased GSE Efforts in Minority Areas:** The Senate Committee print calls for transferring the oversight of the GSEs' affordable housing goals to the new regulator. This change offers an opportunity to ensure that the GSEs improve their lagging performance regarding minority lending and increase access to affordable mortgages in minority communities by modifying the statutory requirements underlying the "underserved goals" that GSEs must meet each year. To accomplish this change, we would suggest adding a new subsection



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under the “Central Cities, Rural Areas and Other Underserved Areas Housing Goal” (Section 1334, 12 U.S.C. 4564) that would read: “...the ability of the enterprises to lead the market in making mortgage credit available in metropolitan-wide areas with significant minority populations and/or areas where there is significant minority population growth compared with the general population.” To be sure, the recently approved House Committee bill did adopt a provision related to the GSEs’ affordable housing requirements that would call for lower income targeting and increased obligation by these institutions to serve areas with large concentrations of minorities. This action by the House reveals a strong interest among members of Congress to hold GSEs accountable for doing more to reduce the substantial homeownership gap that now exists between Latino and African-American families and White families. It is vital that the final Senate bill attempts to achieve the same objective.

NAHREP looks forward to working with you and the rest of your committee to craft a more balanced GSE reform bill, one that provides the needed safety and soundness regulatory oversight but at the same time preserves and enhances the GSEs’ mission to providing increased opportunities for homeownership for all underserved groups, including the growing Latino community that our organization serves.

Sincerely,

A handwritten signature in cursive script that reads "Frances Martinez Myers". The signature is written in black ink and is positioned to the left of a vertical line.

Frances Martinez Myers
Chairman of the Board