



America's Multicultural Real Estate Associations 2008 Joint Legislative and Regulatory Partnership

Five Point Plan of Action

Background

The Asian Real Estate Association of America (AREAA), the National Association of Real Estate Brokers/REALTISTS (NAREB) and the National Association of Hispanic Real Estate Professionals (NAHREP) represent the real estate practitioners that serve America's minority and immigrant populations. The three organizations total over 70,000 practitioners in the housing industry with a significant influence on real estate transactions in the minority community.

Minorities have been disproportionately affected by the downturn in the housing industry due to the large number of recent first time homeowners and the widespread use of subprime and Alt-A loans among minority communities. A great number of minority homeowners do not have the built up equity or the access to traditionally available mortgage products to help deal with their mortgage and financial obligations. Additionally, the foreclosure rate of subprime loans have had a disproportionate impact on minorities and have put our communities at great risk for losing their homes.

Proposal

There is a need for an unprecedented collaboration between lawmakers, regulators, housing industry and practitioners in order to prevent a roll back of the tremendous gains we have made in minority homeownership. The industry should refocus the attention that was given to the front end of the business during real estate boom to the back end of the business to create sustainable homeownership solutions. The undersigned organizations support a five point plan to:

1. Protect homeownership
2. Reverse declining markets policies
3. Increase multicultural counseling and outreach
4. Restore the public's trust and confidence
5. Protect the housing system and Add Liquidity



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Five Point Plan of Action

1. Protect Homeownership

- **Create a National Foreclosure Prevention Fund** to help distressed borrowers with realistic loan modifications and workouts, including the use of soft seconds.
- **Create new CRA requirements and incentives** for banks to pursue innovative loss mitigation and foreclosure prevention initiatives.
- **Lenders should not pursue foreclosures** until they have fully documented that all reasonable actions were taken to contact the borrower and provide them with a full spectrum of options to workout or modify their loans.
- **CRA examinations must include a review of REO disposition strategies** and their potential impacts on low to moderate and Minority neighborhoods.
- **Focus a large portion of the 5% of GSE pre-tax profits (as contemplated in the Affordable Housing Fund proposal) to be used as a loan loss reserve** to refinance "difficult to cure" borrowers and renovate REO properties for sale as affordable housing inventory.

2. Reverse Declining Market Policies

- **Create a single, transparent and consistent industry policy for identifying and appropriately assessing true risk in "Declining Markets."** We support a uniform industry policy and procedures for assessing higher fees and additional underwriting requirements where market prices are truly in decline. Such policy should ensure that low to moderate and minority communities are not unintentionally or disproportionately affected by these policies.
- **Create a "declining markets second mortgage fund"** to stimulate market demand and pricing stability for homes in declining markets. The second mortgage should be interest free and payable on a sliding scale as home prices appreciate over the first 5 years of origination. Buyers should maintain a reasonable amount of equity while honoring their obligation to repay a portion of the second mortgage.

3. Increase Multicultural Counseling and Outreach

- **Increase funding for post-purchase counseling** and require that counseling is made available in multiple languages.
- **Leverage multicultural professional communities to reach out to borrowers facing foreclosures** to increase the likelihood of contacting the borrower.
- **Require that servicers provide loss mitigation options** in the language that the borrower is most proficient in.

4. Restore the Public's Trust and Confidence

- **Employ stricter regulatory sanctions and professional standards** to ensure homebuyers are treated fairly and ensure sustainable homeownership for all minority families.
- **Support federal and state licensure and education standards** for all mortgage professionals that strike a fair and reasonable balance of responsibility between all lenders, mortgage professionals and consumers.
- **Create a national directory for all loan originators and mortgage brokers** to track individual performance and eliminate predators while rewarding ethical practices.
- **Promote the highest ethical standards and best practices** in the real estate and lending industries ensuring fair pricing, responsible underwriting, and complete transparency in all transactions to be provided in the clearest and simplest terms.

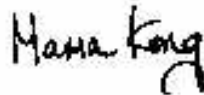
5. Protect the Housing System and Create Liquidity

- **Pass regulatory oversight bill for the GSEs** to ensure market and public confidence in these vital housing institutions while expanding their capacity to meet their public mission. It is critical that the GSEs be given the necessary tools to pursue their affordable housing mission and be held accountable to meet the lending needs of minority communities.
- **Make FHA Reform a reality.** FHA has been left behind with processes and rules that no longer work well with the private sector. FHA faces challenges in effectively managing its resources and programs in this quickly changing mortgage market. These challenges have already diminished FHA's ability to serve its public purposes. FHA needs to remain viable for families who have no alternative for homeownership or affordable rental housing.
- **Subject Wall Street firms to increased regulatory oversight.** With more Wall Street firms involved in origination and servicing business, there must be adequate oversight related to these firms' originations and servicing practices.
- **Provide relevant products and offerings.** Increase homeownership opportunities among underserved communities and declining markets. Advocate for flexibility related to product approval and create new tools, such as automated alternative credit products, to more accurately capture the creditworthiness of borrowers who lack traditional credit history.

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