

2023 AREA A

THREE - POINT POLICY PLAN

TO BOOST AAPI HOMEOWNERSHIP



CHANGING LIVES THROUGH REAL ESTATE

AREA A DIVERSITY & FAIR HOUSING SUMMIT
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FOREWORD

Why these three points? This is a question that we get every year, and in truth, it is one we ask ourselves. There are always more than three important issues relating to AANHPI housing every year. We recognize that we play a balancing game. We could choose more points to focus on more topics, but this would come at the cost of less time and energy devoted to each. On the other hand, we could focus on one point, and really hammer that point home. But we would risk neglecting other critical issues. Choosing only three points gives us room to focus on multiple key issues, while keeping the lens focused enough to not spread ourselves too thin.

Our first point is Fair Housing. It is a bill from last year's Three Point Plan that never made it out of the House. This bill would provide down-payment assistance to first-time first-generation homebuyers and is designed to close the racial homeownership gap. Not only would this help

those that are struggling in the Black and Latino community, but a significant portion of aid would go to the economically disadvantaged within the Native Hawaiian and Pacific Islander community.

We are hopeful that the iteration on this bill will include Asian Americans as there is a significant portion of our community who need financial assistance.

Next up is Appraisal Equity. We all hear anecdotes and see the troubling media stories of minority families getting appraised much higher when they replace all their family photos with photos of a White family. These are disturbing, but at the end of the day, they are anecdotes. This all changed with the release of the FHFA Uniform Appraisal Dataset Aggregate Statistics. Researchers and think tanks were able to work with a massive amount of reliable and unbiased data, and the results? The data confirms that the extreme cases

of racial bias in appraisals are infrequent outliers, but there is a persistent and moderate devaluation of homes in minority communities. This is unacceptable, and we support bills designed to tackle this problem.

Lastly, we have data disaggregation. Federal agencies like FHFA, CFPB, and HUD are all looking into collecting and releasing more, high quality disaggregated data. The White House has passed an Initiative that commits to identifying opportunities to produce more disaggregated data. At the federal level, there is interest and willingness to work with groups like AREAA on data disaggregation initiatives. By including this point in our three point plan, we can elevate the conversation around this topic to be of top priority to our lawmakers.

Policy can be difficult. This year is not the first year we have asked for more fair housing and disaggregated data, and it certainly won't be the last. That's the wonderful and woeful dichotomy of our goal. We have been able to make incredible changes in this country that allow more AANHPIs to become homeowners by building credit and accessing crucial resources. And yet, the mission continues. So, as we delve into this year's Three-Point Plan, it is important to remember this: we have accomplished a lot, and we are far from where we want to be. Do not let the daunting path ahead discourage you, and do not let the victories we have achieved lead you to complacency. With that being said, let's get into the three points.

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Red-lining, exclusionary foreign policy, and racial housing covenants are some of the many barriers that our community has faced.

POLICY POINT #1

FAIR HOUSING DOWNPAYMENT TOWARD EQUITY ACT

BACKGROUND

Since AREAA's formation 20 years ago, AANHPI homeownership has come a long way; rising by approximately 10% while the community grows at the fastest rate in the United States. However, homeownership for AANHPIs continues to lag behind the national average as well as the rate for White Americans. There are many factors that explain this disparity. First, it is important to acknowledge the historical discrimination that minority groups including AANHPIs have suffered within the housing market. Red-lining, exclusionary foreign policy, and racial housing covenants are some of the many barriers that this group has faced. For many AANHPIs, the issue is an economic one. Although the median AANHPI income is

above the national average, this figure does not account for the highly unaffordable MSAs in which AANHPIs reside, nor does it account for the severe income-inequality within this community. Groups like Burmese Americans, Samoan Americans, and Hmong Americans have some of the lowest homeownership rates and annual median income levels in the country. AANHPI homebuyers, like their Black and Latino peers, have disproportionately high numbers of first-time, first-generation homebuyers within their communities.



SOLUTIONS

AREAA continues to support legislation that would provide down payment assistance to first-time first-generation homebuyers, like the Downpayment Toward Equity Act. This assistance would be designated to addressing multigenerational inequities in access to homeownership and help to narrow the racial homeownership gap in the United States. Exclusionary and discriminatory housing policies have limited access to housing for many minority groups, and programs such as this serve to ameliorate the contemporary effects of historical inequities. In addition, the act included other stipulations to make this program a more sustainable and viable effort. Recipients of this grant would be required to complete a financial literacy course to better understand the housing market and are required to repay a certain amount in the event of a foreclosure. Moreover, financial assistance provided from grants from this program would be required to remain in the community, helping to uplift the intended communities while keeping the focus of the assistance on those who need it most. Low-income immigrants and refugees from Asian countries, Native Hawaiians and Pacific Islanders make up a large block of the AAPI community, and downpayment assistance and fair housing bills assist this community greatly.

<https://cleaver.house.gov/media-center/press-releases/cleaver-warren-lead-coalition-to-reintroduce-historic-legislation-to>
<https://www.marketwatch.com/story/housing-inflation-is-at-a-fever-pitch-is-this-the-peak-11642026797>
<https://www.pewresearch.org/fact-tank/2022/01/18/a-growing-share-of-americans-say-affordable-housing-is-a-major-problem-where-they-live/>



POLICY POINT #2

APPRAISAL EQUITY REAL ESTATE VALUATION FAIRNESS AND IMPROVEMENT ACT

BACKGROUND

Evidence has been mounting that there is bias within the appraisal industry. While the existence of racial disparities in home value has been acknowledged for some time, this gap has previously been attributed to the downstream effects of past racially discriminatory laws. However, with the recent release of FHFA's Uniform Appraisal Dataset Aggregate Statistics, researchers have been able to definitively prove what their research has been indicating. Research from Professors Junia Howell and Elizabeth Korver-Glenn found that White homes were appraised at three times the value of comparable homes owned by Native American, Southeast Asian, Alaskan Native, and Pacific Islander Americans. Notably, the racial gap in valuations by

neighborhood increased by 75% from 2013 to 2021, indicating that this issue is not the remnants of historical discrimination, but the result of active biased valuations today. Furthermore, as Korver-Glenn and Howell note, the sales comparison appraisal approach is insufficient at eliminating the historical racial bias upon which these systems were founded. Research from both Brookings Institute and Freddie Mac similarly found a persistent undervaluation of homes within communities of color. All these studies incorporated controls for variables including but not limited to socioeconomic status, crime rate, home value, the quality of local schools, and other amenities. Even when accounting for any of these factors, the bottom line remained: homes

in neighborhoods of color were consistently undervalued when compared to comparable homes in white neighborhoods. This process strips value away from majority-minority neighborhoods and furthers disparities, decreases wealth, and limits opportunity for individuals in these communities to live their American Dream.

SOLUTION

AREAA supports legislation that would identify and reduce racial bias in the appraisal industry, such as the Real Estate Valuation Fairness and Improvement Act. This legislation would create an Interagency Task Force, consisting of representation of the 14 regulatory bodies and government agencies that currently preside, in one form or another, over real estate lending practices and the valuation of real estate collateral for mortgage lending purposes. This task force would be charged with conducting studies and generating reports on bias within the appraisal industry. It is important to understand that conducting high profile studies like these is often the crucial first step toward creating a successful game plan to address discrimination, after which effective legislation can be drafted and carried out.



<https://www.brookings.edu/research/how-racial-bias-in-appraisals-affects-the-devaluation-of-homes-in-majority-black-neighborhoods/>
<https://www.nytimes.com/2022/11/02/realestate/racial-bias-home-appraisals.html>



POLICY POINT #3

ADVANCING EQUITY, JUSTICE, AND OPPORTUNITY FOR AANHPI EXECUTIVE ORDER 14031

BACKGROUND

Disaggregated data is extremely important for guiding government action and media reporting. This was demonstrated as far back as 2004 when AREAA partnered with our first sponsor, Freddie Mac to commission a study from the UCLA Asian American Studies Center (AASC). This study identified issues like limited language proficiency, thin credit files, and affordability as top issues which continue to be prevalent today. Further initiatives from groups like HUD and the Census Bureau have found disparities in need of addressing. Starting in 2018, the Consumer Financial Protection Bureau (CFPB) began including detailed race and ethnic categories for Asian, Native Hawaiian, and Pacific Islander groups in their Home Mortgage Disclosure (HMDA) data. As AAPI

Data reports, “CFPB’s own analysis of the HMDA data showed a wide variation among Asian and NHPI subgroups in terms of credit scores, incomes, combined-loan-to-value ratios and debt-to-income ratios.” Results like these are important as conventional analysis of AANHPIs frequently focuses on the above-average median income, obscuring the disparities and need for assistance within certain communities. The UCLA AASC also recently found that Asian American low-income renters both applied for and received the lowest rates of rental assistance. This indicates that there is both a failure to provide adequate aid and a lack of attempted outreach.

SOLUTION

AREAA is supporting the current administration’s efforts to identify opportunities to increase access, equity, and representation for the AANHPI community through Executive Order 14031. Some of the stated goals of this act include “the development, monitoring, and coordination of executive branch efforts to advance equity, justice, and opportunity for AA and NHPI communities in the United States, including efforts to close gaps in health, socioeconomic, employment, and educational outcomes.” The commission established by this act, a group of 25 appointees that represent a diverse set of experiences across the AANHPI community, is also tasked with identifying policies to address and end anti-Asian bias. One of the key initiatives of this act is to “expand the collection and use of disaggregated data at the Federal, State and local level on AA and NHPI communities, and facilitate improved research on policy and program outcomes for AA and NHPI communities, in coordination with the Interagency Working Group on Equitable Data established by Executive Order 13985.” AREAA has been a longtime advocate of greater data disaggregation for AANHPIs, and will be monitoring the administration closely to ensure they deliver on this promise.





AREAA THREE-POINT PLAN

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