

THE W.I.R.E. WHITE PAPER REPORT:

**Understanding the Landscape Facing the
African American Woman Homebuyer:
A Regional Overview**

ABOUT THE NATIONAL ASSOCIATION OF REAL ESTATE BROKERS

NAREB was founded in Tampa, Florida, in 1947 as an equal opportunity and civil rights advocacy organization for African American real estate professionals, consumers, and communities in the United States. Our purpose remains the same today, but we are more focused on economic opportunity than civil rights. Although composed principally of African Americans, the REALTIST® organization embraces all qualified real estate practitioners who are committed to achieving our vision, which is “Democracy in Housing.”

DISCLAIMERS

All statements in this white paper are the views of the authors and do not represent the views or opinions of any organizations with which they are associated. Neither the Board of the National Association of Real Estate Brokers, nor its executives or staff, are responsible for the content of this report. Any errors are the sole responsibility of the authors.

MESSAGE FROM THE PRESIDENT

March 3, 2023



It gives me great pleasure to present the National Association of Real Estate Brokers (NAREB) Inaugural **Women Investing in Real Estate (W.I.R.E.)** White Paper Report as a review of 2022 data. In 2021, as part of **NAREB's Five Pillar Program**, NAREB identified Black women as a high-potential target market group of consumers to reach and penetrate to focus their attention and spending power on investing in real estate, pursuing home ownership, and growing existing practitioners careers in real estate. The report highlights special purpose programs and looks at the supply and demand issues surrounding housing inventory. This report takes a critical look at the barriers Black women face when purchasing real estate and suggests solutions that NAREB can use its powerful voice to advocate for.

NAREB's W.I.R.E. pillar is focused on the development of effective educational tools and techniques for Black female consumers. Our goals are to increase access to financial information and capital for Black women, increase home ownership and real estate investment for Black women as well as develop affordable housing for and by Black women. By accomplishing these goals through our W.I.R.E. pillar, we are confident that our efforts will help to increase the overall Black homeownership rate.

As the oldest minority real estate trade association in America and with the motto and mission of "Democracy In Housing" NAREB has been the voice of Black real estate and Black homeownership since 1947. As the leading minority real estate trade association, NAREB ensures that the dream of homeownership remains alive for all who desire regardless of economic conditions. Our Inaugural W.I.R.E report provides the blueprint we need to effectively advocate and educate.

It is with tremendous gratitude that I thank the authors of the W.I.R.E. Report, Dr. Vickie McBride, Dr. Sheri Smith, and our very own President-Elect of NAREB, Courtney Johnson Rose for their insightful evaluation and analysis of the data supporting this report. Finally, to the members, partners, and supporters of the National Association of Real Estate Brokers, thank you for all you do to make the help our communities Build Wealth through Real Estate for the more than 46.8 million Blacks in America.

Sincerely,

A handwritten signature in cursive script that reads "Lydia Pope". The signature is written in black ink and is positioned below the word "Sincerely,".

President
National Association of Real Estate Brokers

ABOUT THE WRITERS



Vicki McBride
Ph.D

Dr. Vickie McBride is an Urban Planning Consultant who serves as a change agent for disadvantaged and underserved communities. Her current clients are the Houston Area Urban Community Development Corporation where she provides strategic guidance on housing development issues and assists in the coordination of overall marketing, program design and project monitoring; the Houston Area Urban League where she provides grant writing services for housing programs including financial education, fair housing, post homeownership and disaster recovery.

Dr. McBride holds a Master of City Planning and a Ph.D. in Urban Planning and Environmental Policy from Texas Southern University. She is a graduate of Leadership Texas and the National Grantsmanship Training Institute.

For 17 years she worked in the City of Houston Housing and Community Development Department preparing the Consolidated Plan, the application for U.S. Department of Housing and Urban Development entitlement funds. She also wrote the City's first Analysis of Impediments to Fair Housing and the Citizen Participation Plan. During her tenure at the City, she coordinated the first homeless study to count the homeless, conducted collaboratively with the University of Houston and Texas Southern University for Houston/Harris County/Ft. Bend.



Courtney Johnson Rose
Ph.D

Courtney Johnson Rose is the Chief Executive Officer of George E. Johnson Development Inc., a full-service real estate firm specializing in community development services, owner representation, master planning, and residential and commercial brokerage services. Founded in 1974, by Courtney's father George E. Johnson, GEJ has engaged in many facets of Real Estate Development and Revitalization with total project volume exceeding one billion dollars. GEJ has completed numerous real estate development projects including the CDBG Housing Study for the City of Missouri City and Corinthian Pointe; a 234-acre master planned community noted at its inception by former HUD Secretary Cuomo as one of the most successful community development projects in the country.

Courtney holds a bachelor's degree in economics, a master's degree in community development, and a doctorate in organizational leadership. She is a certified project management professional (PMP) and a certified commercial investment member (CCIM). Since 2008, she has served as a faculty member and adjunct professor for Prairie View A&M University where she teaches Land Development and Real Estate. Courtney serves as President-Elect of the National of Association of Real Estate Brokers.



Sheri L. Smith

Ph.D

Sheri L. Smith, PhD., AICP serves as the Interim Chair of the Department of Urban Planning and Environmental Policy at Texas Southern University. She holds the rank of Associate Professor with tenure. Dr. Smith has worked in the field of housing and community development for over 20 years, beginning with Neighborhood Housing Services (NHS) of Chicago followed by INCOG, located in Tulsa Oklahoma. Her work has included: evaluating neighborhood programs to determine effectiveness and efficiency; coordinating the delivery of housing services programs; designing and implementing neighborhood development plans; reviewing housing and economic development proposals and packaging and managing single-family rehabilitation loan and construction projects.

As an academician, Dr. Smith teaching and research are in the areas of housing and community development; focusing on infrastructure and the food systems. She recently completed a housing needs research project for Missouri City, Texas. Dr. Smith is active in the community; volunteering with several organizations within the neighborhood that surrounds the university and serving on committees for the city of Houston.

ABOUT THE NAREB'S WOMEN INVESTING IN REAL ESTATE PILLAR:

There is a wave of excitement across the country and a buzz in the marketplace, realizing the power of Black women. Whether it is with their increased education levels, their consistency as a voting bloc, or their increased spending power, the focus on Black women is apparent.

Statistics show that 73% of women say that owning a home is a top priority for them. This number actually outpaces getting married (41%) or having children (31%). Only 65% of men prioritized home ownership. In homebuying, it seems prioritization matters. The fact is that women are increasingly emerging as heads of household, meaning that they are the chief breadwinner regardless of whether they're single, legally married or simply living as a couple under one roof. In 1990, only about 1/3 of all households (including single women) were headed by women; as of 2019, that figure stood just below 50%—a massive uptick in just under 30 years. (Goodman et al., 2016). Heads of households are typically granted the necessary authority to make decisions. And no decision is bigger than leading the charge when it comes to a home purchase or a refinance. What does all of this mean, it means that to increase homeownership for Black America, Black women have to be inspired, educated, and led to buy real estate.

Whether we're talking about single women purchasing homes, married women as heads of households driving the homebuying conversation, or female real estate agents and loan officers (LOs) enriching and diversifying the industry with their expertise, women have come to be a central presence in the homebuying journey and Black women are key to increasing Black home ownership.

The National Association of Real Estate Brokers (NAREB) introduced its Five Pillar Program for Building Black Wealth in 2021. Through the program, NAREB established the W.I.R.E. Pillar for Women Investing in Real Estate. The Pillar is focused on Black women as a high-potential target market group of consumers to reach and penetrate to focus their attention and spending power on investing in real estate, pursuing home ownership, and growing existing practitioners' careers in real estate. Through the Pillar, NAREB will focus on educational programs and advocacy initiatives to break down the barriers Black women face when buying real estate.



I. INTRODUCTION

The reverberations of the pandemic, inflation, and

economic uncertainty on the housing and finance market continue to impact the African American Woman. In a 2021 Report, Home Mortgage Disclosure Act data (HMDA) indicated that at the national level, 544,386 African American Women bought homes between 2018 and 2020. Both the housing supply and demand sides have been hampered by rising interest rates, appraisal bias, lack of affordable housing inventory, and the fear of purchasing a home. There is no central one-stop guide for this information to address the housing needs of African American Women. This report will provide an overview of the economy as it influences housing supply and demand. The report will follow with in-depth research on the characteristics of homebuyers by region, in the housing market. Finally, we will explore her fears and ways to ease them as she moves forward in the home-buying process.

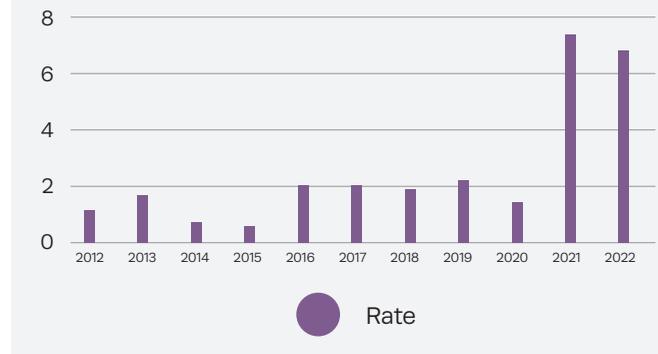
II. ECONOMIC UNCERTAINTY ON THE HOUSING MARKET

These are times of uncertainty. We have faced a worldwide pandemic that restructured our work and social lives; climate change with impacts being felt in weather changes and food sources, and supply chain disruptions that slowed deliveries of the supplies needed to maintain and construct housing. When we refer to economic uncertainty, we are referring to those changes that impact the economy, in which the end is not in sight, thus making future economics unpredictable. The impacts of the above listed and additional concerns such as loss or potential job loss, high-interest rates, and the threat of recession, put the concept of property purchase out of reach.

Inflation

Inflation is the gradual increase in the prices of goods and services throughout the economy, resulting in a decrease in the purchasing power of the dollar. Figure 1 shows US inflation rates between 2012 and 2022. Until 2021, the rates ranged roughly between 1 and 2 percent. This range is characteristic of a stable economy. In 2021, we experienced a dramatic increase, reaching approximately 7%. The annual inflation rate then dropped slightly in 2022. It is still too early to discuss 2023, however; the effects of the dramatic increases are apparent.

Figure 1: Annual Inflation Rates 2012–2022

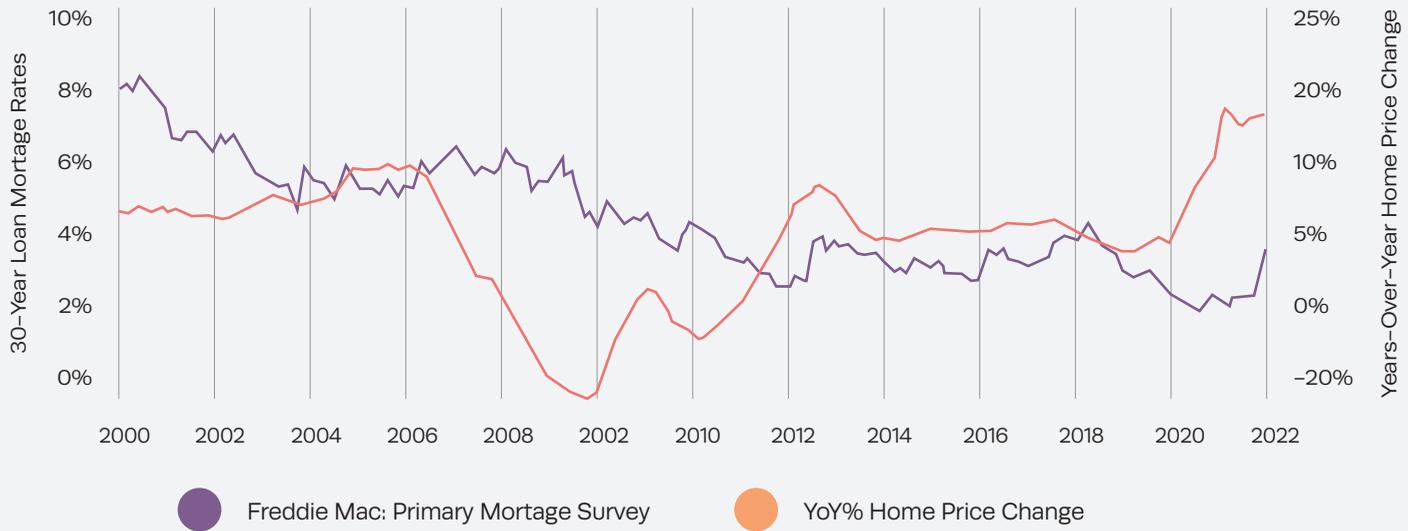


One of the results of inflation on the housing market has been an increase in mortgage interest rates. Figure 2 shows mortgage rates over the past 22 years. As can be seen in the example of a 30-year mortgage, interest rates hit their lowest in 2020 and have been steadily increasing.

Mortgage rates are not the only area where the increase or fluctuation of prices are felt. Americans are spending more money on just about everything, from gas for the car to heating bills to groceries and more (Siroto, 2021). The Consumer Price Index published by the US Bureau of Labor Statistics indicates that by 2022, goods and services such as shelter (rent and purchase) had increased by 7.5%, food purchased for home consumption had increased by 11.8%, electricity increased by 14.6%, clothing by 2.9% and medical care by 4.1%. There are indications that the rate of increase for several of these goods and services is trending down, except the cost for vehicles, which may reach pre-COVID prices in the near future.

It is the cost of these everyday goods and services that contribute to the hesitancy to purchase a home. Concerns focus on the ability to pay a mortgage in addition to higher priced goods and services when the income remains unchanged and for some, remains uncertain.

Figure 2: Fixed-Rate 30-Year Mortgage Rates & Annual Percent Change In Home Price



Still, purchasing a home during an inflationary period has some benefits the homebuyer may not consider (Napoletano, E. & Baillie, K. 2022).

- Purchasing property builds equity regardless of the interest rate and initial value of the home. Each time you make a mortgage payment, you essentially build a bit of equity in your home. From a different vantage point, each month one pays rent, one is building the landlord's equity
- Mortgage interest deductions are a benefit during income tax filing time. Homeownership makes "you eligible to deduct your mortgage interest and property taxes on your federal taxes each year. This can reduce your tax liability, freeing up money for other expenses or, building up savings" (p 2).
- Unlike many goods, property appreciates. The value of the home purchased now will appreciate, although the rate of appreciation may slow in the future. Figure 2 shows home pricing change since 2020. What the chart shows is that regardless of the inflation rates, house values increased (appreciated), although the rate of appreciation is decreasing.

As the equity in your home increases, or the difference between the value of your home and how much you owe increases, your net worth increases. Homeownership builds wealth!

Concerns Over an Economic Downturn

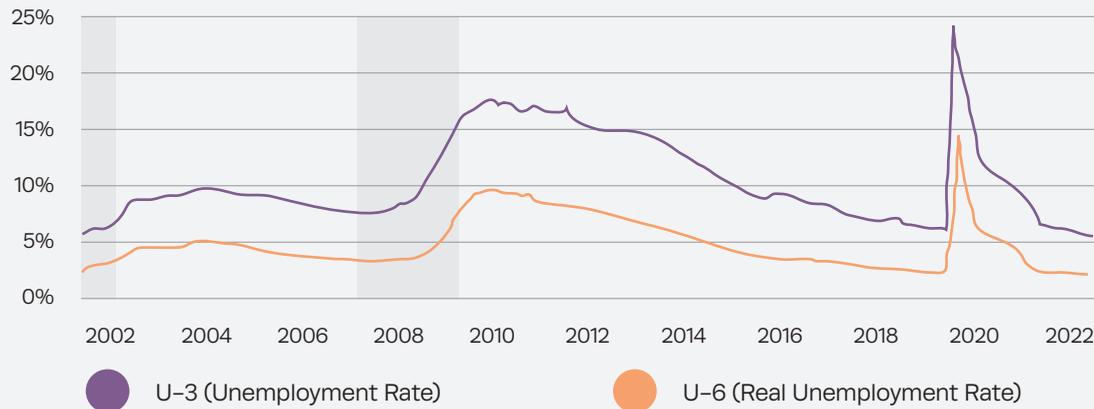
Are we in a recession? Experts declare a recession when a nation's economy experiences negative gross domestic product (GDP), rising levels of unemployment, falling retail sales, and contracting measures of income and manufacturing for an extended period. According to the National Bureau of Economic Research (NSER), a recession is a significant decline in economic activity that spreads across economic sections and lasts more than a few months.

Using NSER's definition, we were not in a recession the summer of 2022 (Rodeck & Curry, 2022). However, NSER acknowledges that there is the possibility of a recession in the near future. The uncertainty that it will not happen in the months ahead has a great impact on home purchasing.

The indicator that is on the immediate minds of homeowners is unemployment. The potential of being unemployed increases the hesitation in purchasing a home. How much of the concern is reality versus perception? A look at unemployment shows that there were reasons for concern in 2020. However, unemployment rates dropped dramatically going into 2021 as is shown in Figure 3. The year 2022 ended with some stability.

Figure 3: Real Unemployment Rate vs. Standard Unemployment Rate

The real unemployment rate, or U-6, includes underemployed, marginally attached, and discouraged workers. The standard rate, or U-3, only counts those who have looked for a job in the last four weeks. The gray bars in the chart indicate recessions.



Recession follows inflation, which is part of the economic cycle. If we enter a recession and how long we remain there, is a forecast that ranges in time. The question for the African Woman is if she is risk-averse.

III. IMPACT OF THE PANDEMIC ON AFRICAN AMERICAN WOMEN

After the Great Recession in 2009, for African American Women, employment did not recover for a decade. This has been the trend over the past 50 years after a major disaster or crisis. Unemployment among African American workers has recovered more slowly from recessions than their white counterparts. (Jaganathan, 2022).

The same is true for the 2019 COVID Pandemic. As the US. Economy rebuilds, African American Women are again enduring a slow employment recovery and are experiencing difficult labor-market outcomes. Economic headlines have indicated that job growth continues to rebound in the recovery process while unemployment rates decline, and the Federal Reserve is hiking interest to curb inflation. Many women of color, particularly African American Women, aren't recovering at the same pace.

The Labor Report for February 2022 is a prime example. While the overall U.S. unemployment rate fell from 4% in January to 3.8% in February, and the economy added 678,000 jobs, unemployment for African American Women ticked up from 5.8% to 6.1%, the

highest rate for women of any race or ethnicity. The U.S. economy has rebounded in some areas, largely as a result of the American Rescue Plan Act and other relief measures enacted in 2020 and 2021. More than 31,000 Black Women exited the labor force. Between February and April 2020, the U.S. economy shed nearly 22 million jobs, with more than half (54%) held by women. At its peak in May 2020, the unemployment rate for African American women reached 16.6 % and remained in the double digits for six months.

In a fact sheet poll conducted by the polling firm for the National Women's Law Center, African American Women were more likely than white men to see their hours of paid work reduced during the pandemic. Among all African American women who lost or quit a job during the pandemic, 58% have since gotten a new job compared to 65% of white men. Only 43% say their new job or employment status is better than their previous one compared to 60% of white men.

During the pandemic and as discussed historically in the previous WIRE report, African American Women have been far more likely than white men to work in underpaid, undervalued jobs. The largest share of any group by race/ethnicity or gender worked in childcare, health care, food service, and other front-line jobs before the pandemic started, compared to just 12.6% of white men. Many of these essential roles remain low-paid. Additionally, more Black Women work in jobs that do not offer benefits like health insurance, retirement benefits, paid sick days, paid family or medical leave, or paid vacation time.

Over half of African American Women interviewed (51%) shared that the pandemic has negatively impacted their mental health. They cited bills and expenses as one of their top two sources of stress, followed by their health, family's health, and job. Of those reporting negative mental health outcomes, 73% did not seek treatment from a mental health professional.

IV. HOMEBUYING ABILITY OF AFRICAN AMERICAN WOMEN SINCE 2019

Rising Interest Rates and Inflation

The home-buying process has changed greatly overall since the beginning of the pandemic. These changes have added to the financial barriers for Black Women to reach their goal of homeownership.

After dropping interest rates to near zero at the onset of the pandemic, the Federal Reserve began raising its short-term policy rate earlier this year and has indicated that ongoing increases are necessary to contain inflation. Interest rate increases impact worker salaries, jobs, and borrowing rates.

Research by the Federal Reserve Bank of San Francisco in 2022 looked at whether households have mortgages on their homes or rent because housing makes up a large part of household expenses. The study looked at households headed by white women, white men, Black women, and Black men. Higher interest rates are expected to reduce consumer spending by raising financing costs for home mortgages and purchases of durable goods. Durable goods are defined by the Bureau of Economic Analysis as tangible products that can be stored or inventoried and that have an average life of at least three years, for example, cars and electronics.

The study found that the group headed by white women was the only group that considerably cuts back on durable spending. Black households reduce their spending on everyday goods and services more than white households, but not their spending on durable goods. The study found that households with higher incomes are more likely to change their spending tendencies when interest rates change because they have extra income to fall back on. The change in spending for Black households could also be due to systemic racial inequalities in access to financial information, mortgaging refinancing options, and appropriate housing valuations.

Rising Housing Prices

Between December 2020 and December 2021, the median US home grew in value by \$52,667, outearning the median worker, who pocketed \$50,000, (Florida, 2022). Housing out-earned people in 25 out of 38 major US metros. Rents have increased as much or more than the cost of owning a home, climbing 350% since the early 1980s. Between May 2021 and May 2022, rents rose by more than 15% to an average of more than \$2,000 across the entire country.

There are several reasons for the surge in housing prices. The pandemic brought demands for more space, to work at home and an existing general housing shortage that existed prior to the pandemic. Also adding to this is the growing competition from large-scale institutional investors who see both single-family homes and multifamily apartments as a lucrative asset class. Investors purchased nearly 24% of all single-family homes across the US in 2021. In several states, the share was higher including Arizona at 31%, Nevada at 30%, California at 29%, Texas at 29%, and Georgia at 33%.

The cost of land in the development of affordable housing has also seen a tremendous increase. The value of land in the US has grown from an estimated \$30 trillion in 2006 to \$44 trillion in 2020 calculated by noted economists and experts. The result has been that working and middle-class Americans are forced to devote an even larger share of their earned money to housing. This has particularly impacted lower-income groups such as African American Women.

Appraisal Bias

An appraisal is a critical element of homebuying and lending processes as it establishes the value of the property as collateral for a home loan (PAVE,2022). The difference between a property's value and the homeowner's loan amount generally represents the homeowner's home equity. One of the core benefits of homeownership is that a homeowner can build wealth by leveraging and growing that home equity. Greater home equity makes it less likely that homeowners will fail to repay a mortgage if they experience financial hardship.

An appraisal that is below the contract price in a home sale can sometimes result in a higher required down payment for a home buyer. This can cause a sale to fall through, potentially preventing a prospective buyer from purchasing a home. It can also result in a downward price negotiation, helping the buyer, but reducing the sellers' financial gains, which may in turn hinder that family in purchasing their next home.

A low valuation in a refinance transaction can be damaging to a homeowner, reducing the cash-out available and in some cases affecting the refinance interest rate and mortgage insurance

premiums the homeowner pays. A widespread pattern of undervaluation in communities of color can impact an entire neighborhood. Each instance of a lower purchase price becomes a candidate for the next appraiser to choose as a comparable sale for the next appraisal in the community, carrying the impact of the lower value forward.

Discriminatory home appraisal practices limit Black people in their ability to accrue wealth via homeownership. According to the US Bureau of Labor Statistics, 97% of home appraisers are white and racial bias in the appraisal field has most recently been documented as not being equitable. Homes in majority Black communities are consistently devalued. The higher the share of Black people in the neighborhood, the less its homes are worth, even when controlling for age, social class, household structure, and geography. This can be especially damaging to women of color as the main breadwinner and the person qualifying for a home or refinancing a home with concern for the value of the neighborhood overall.

A study was commissioned by the Appraisal Subcommittee of the Federal Financial Institutions Examination Council in January 2022 that identified bias and barriers and found that the appraisal industry has operated in a relatively closed, self-regulated framework. The Appraisal Subcommittee and other organizations reviewed Appraisal Standards, Appraiser Criteria, and Training. Interviews were conducted with the appraisal industry, Fair Housing advocates, the mortgage industry, and researchers. The study recommended changes in the governance of the appraisal industry, address gaps in Fair housing requirements and training, and review the barriers to entry to the appraisal profession for people of color.

V. HOUSING SUPPLY & DEMAND

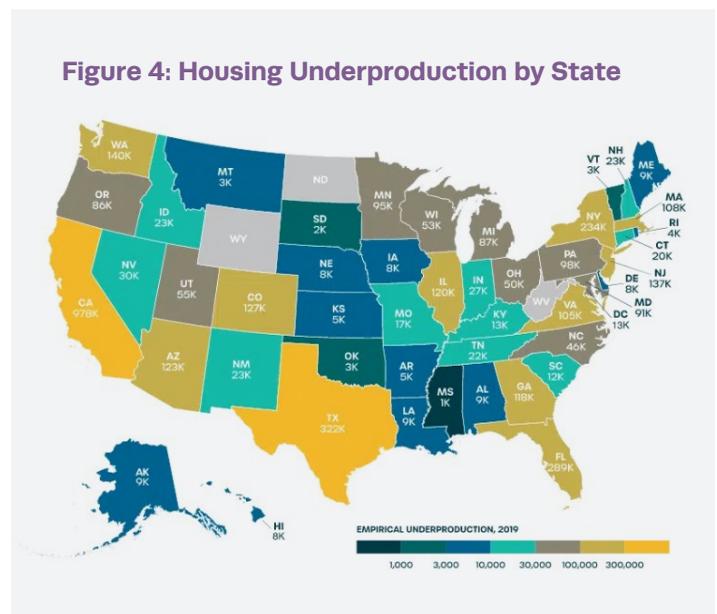
We are currently in a tight housing market; the nation's housing supply is limited. There are more families in search of housing than there are housing units. Fannie Mae and HUD estimated the inventory shortage in 2019 ranged between 1.6 to 3.8 million, and that number was growing (Arnold, 2022).

This above statement is an oversimplification of the situation. The shortage is felt differently in each state and even cities within the same state. Summarizing why this is the case; each municipality/state is unique in what is characterized as the required or normal desired number of homes and, each city and

municipality vary in land usage, employment, and population trends along with the "long life of housing units relative to those other factors." (Betancourt, Gardner & Palim, 2022, p. 2).

Groups concerned with the national shortage of housing have created maps, figures, and charts to illustrate what is happening in the market. Figure 4, created by Up For Growth in 2019, shows the shortage along the coastal communities and southwest cities. Since the creation of this map, the numbers have increased. Additionally, Up for growth provides a metropolitan-level housing underproduction dashboard: <https://upforgrowth.org/apply-the-vision/housing-dashboard/>.

The National Association of Realtors (NAR) has created a housing shortage tracker that computes shortages in 174 metropolitan areas across the use in real-time. <https://www.nar.realtor/research-and-statistics/housing-statistics/housing-shortage-tracker>. Metropolitan regions that are currently facing shortages or underproduction include Dallas, Seattle, San Jose, Boulder, New Orleans, San Jose, Seattle, and Omaha



In an attempt to understand why there are variances across the United States, Fannie Mae produced an in-depth report which clustered metropolitan areas into a typology that represents varying market features and housing needs. These typologies include Migration Metros such as Charlotte and Phoenix; Lagging Metros such as Memphis and New Orleans; Tech Elite Metros such as San Francisco; Bifurcated Metros represented by Miami and San Diego; Metro Economies which include Chicago, Boston, and Philadelphia; Stable Economies such as Detroit, and Bicoastal Lifestyle Metros which are New York and Los Angeles (Betancourt, Gardner & Palim, 2022). By grouping cities based on their economies, researchers believe they can better address the housing supply needs.

How did we get here? No one reason contributed to the current situation. We know that few homes were built between 2008 to 2018. The number of new housing constructed over those 10 years was the lowest since the 1960s. (Fannie Mae). Which, coincidentally, was several years after the great suburban expansion. A second factor was the 2008 housing crash that bankrupt a number of homebuilders. Fewer builders resulted in fewer units being built (Arnold, 2022). The pandemic, yet another factor, with resulting materials and labor shortages did not reverse the trend.

There are additional factors that impact housing construction and the availability of affordable housing. These factors directly impact families of color and low to moderate households.

Limited land is available for the new construction of more affordable housing. Existing zoning laws and building codes in many cities, especially the suburbs, have laws that limit the minimum size of lot development, housing square footage, and/or the heights of housing.

Not In My Back Yard (NIMBY) attitudes in the housing arena impact the development of anything other than single-family housing. Planning Commissions, City Councils, and other decision-making authorities acquiesce to public fears that smaller and varying types of housing will have negative social and economic impacts in their neighborhood.

There is encouraging news that the inventory of housing is or will be on the rise in the near future. The U.S. Census Bureau and the U.S. Department of Housing and Urban Development released their residential construction statistics for February 2022, finding that privately-owned housing starts in February were 6.8% above the revised January estimates. This was 22.3% above February 2021's housing starts.

Recent increases in mortgage interests and backlogs of materials and labor scarcity in the supply chain have slowed and delayed construction. There is a backlog and gap between permits for housing and completed construction but additions to the inventory are still being made.

With the addition to the inventory comes the concern of affordability of the new inventory. As mortgage rates remain high, the house-buying power falls, impacting those most vulnerable households. Support to address this issue is coming out of the White House Housing Supply Plan. Among its action plans are to reform zoning and land use policy, create new financing mechanisms and move housing development projects thru to construction.

Housing Demand Trend Towards the Missing Middle

Missing middle housing is the most recent conversation that is impacting the demand for the type of housing being constructed. Missing middle housing are smaller building types. Duplexes, fourplexes, bungalows, and cottage-style housing offer smaller and more diverse housing options at lower purchase prices.

But there is more, demand goes beyond housing, and potential homebuyers are seeking communities. Desired neighborhood settings or characteristics include walking to access daily amenities, possibly even employment or public transportation. The millennials are willing to exchange larger square footage for shorter commutes and shared open spaces that foster community interaction and offer security. Baby boomers are seeking the same, for different reasons. Seniors want the opportunity to age in place in multigenerational neighborhoods without leaving their community. A walkable community with varying housing options allows for the transition when driving a car is no longer a viable form of transportation.

Adding housing to the missing middle requires changes in land use policies in both central cities and the surrounding suburbs. The implementation of form-based codes versus the conventional Euclidian zoning code provides greater flexibility for a community to add to its housing inventory without the need for variances or waivers from the Planning Commission. (Arnold, 2022). Cities that are making some progress in filling the missing middle are Austin, Texas; Portland, Oregon; Minneapolis, Minnesota and Seattle, Washington.

VI. HMDA DATA ANALYSIS BY REGION

The Home Mortgage Disclosure Act (HMDA) requires certain financial institutions to collect, record, and report information about their mortgage lending activity. In the previous report, the HMDA data showed that 544,386 Black Women defined by race as applications without a co-applicant applied for loans during 2018 – 2020. The data has been updated to reveal that there were 793,562 during this period. In this report, we will take a deeper look at this buyer by region to see her performance in different areas of the U.S. Table 1 indicates that most loans were made in the South, totaling 490,708. The regions are reported according to the Census regions. The National Community Reinvestment Coalition assisted with the HMDA data research.

Table 1 Black Women HMDA Data 2018 –2020 Update by Region

Loans to Black Women	Total by Region	Percent	Home Purchase	Percent
National Total	793,562	100%	472,275	100%
Midwest	123,635	15%	77,866	16%
Northeast	77,387	10%	50,428	11%
South	490,708	62%	277,268	59%
West	52,569	7%	33,651	7%
No Region	49,263	6%	33,062	7%

In comparing the regions, the data is a tale of contrast between the South and the West. The South had the greatest number of home purchases at 277,268 while the West had the least (Table 1). This could be attributed to the average mortgage loan in the West being the greatest at \$332,340 (Table 3). The average mortgage loan in the South is not the lowest of all regions, the Midwest average mortgage loan amount was the lowest. Not surprisingly, the average equity of homes at closing was greatest for those purchased in the West at \$66,869 while the average equity for homes purchased in the South was the lowest at \$21,769.

Table 2 Black Women HMDA Data Analysis by Region

Loans to Black Women	Approved but Not Accepted	Percent	Applicants Denied	Percent	Application Withdrawn by Applicant	Percent	File closed for incompleteness	Percent
National Total	18,968	100%	144,681	100%	125,434	100%	32,204	100%
Midwest	3,081	16%	19,236	13%	20,690	16%	2,762	9%
Northeast	2,075	11%	10,715	7%	11,839	9%	2,330	7%
South	11,203	59%	102,640	71%	75,239	60%	24,358	76%
West	1,528	8%	6,624	5%	9,198	8%	1,568	4%
No Region	1,081	6%	5,466	4%	8,468	7%	1,186	4%

Of the loans approved but not accepted, 71% were from the South while only 5% were from the West. This is followed by the South having the greatest number of denials, applications withdrawn, and the greatest number of files closed for incompleteness (Table 2). Interestingly, the highest average interest rate was in the Midwest followed by the South. The lowest average interest rate was in the Northeast. Most loans were Conventional followed by FHA (Table 4).

Table 4 Types of Loans

Loans to Black Women	Conventional	Percent	FHA	Percent	VA	Percent	RHS	Percent
National Total	224,078	100%	198,756	100%	36,505	100%	12,936	100%
Midwest	38,214	17%	36,461	18%	2,714	7%	477	4%
Northeast	26,874	12%	22,082	11%	1,186	3%	286	2%
South	123,983	55%	114,587	58%	27,182	75%	11,516	89%
West	19,806	9%	10,589	5%	3,154	9%	102	1%
No Region	15,201	7%	15,037	8%	2,269	6%	555	4%

Federal Policy Created Since 2019 that Impacts African American Women

Since the pandemic, there have been several economic and housing policies that have emerged that, directly and indirectly, impact Black Women in their quest for homeownership.

Special Purpose Credits

After racial justice protests and Black Lives Matter activism during the summer of 2020, advocates and policymakers have proposed programs that lessen racial disparities in Black-white homeownership. Examples of these “special purpose credit programs” are down payment assistance, homeownership counseling, and special lending programs for black borrowers. These programs explicitly consider race or other protected classes if certain criteria are met.

The programs are offered by not-for-profit organizations for the benefit of their members, or the benefit of an economically-disadvantaged, class of persons. The programs are offered by for-profit organizations to meet special social needs if the program is established and administered based on a written plan that sets the procedures and standards for extending credit and the program is established because the organization’s customary standards of creditworthiness probably would not receive such credit or would receive it on less favorable terms than others.

Proposed Bills – Examples of Special Purpose Credits

HR 166– Fair Lending for All Act –Sponsored by Congressman Al Green – 117th Congress (2021–2022)

This bill modifies provisions to prohibit credit discrimination. Minorities that are more qualified and educated than whites often receive higher interest rates and less funding. This law makes it a crime to discriminate in lending. The bill adds sexual orientation, gender identity, and an applicant’s location based on zip code or census tract as classes protected against discrimination with respect to credit transactions. The bill establishes criminal penalties for violations of prohibited credit discrimination. The Consumer Financial Protection Bureau is required to review loan applications for compliance with specified consumer laws and to establish an Office of Fair Lending Testing.

HR123 – Alternative Data for Additional Credit FHA Pilot Program Reauthorization Act – Sponsored by Congressman Al Green – 117th Congress (2021–2022)

Many people pay higher rent and utilities than if they paid a mortgage and utilities. The use of alternative credit data will allow more people to qualify for a mortgage to purchase a home and build equity. The bill establishes a pilot program for an additional credit rating system for use by mortgage lenders. Specifically, the program utilizes one of the more commercially available credit scoring models that apply additional credit information about borrowers who have insufficient credit histories for purposes of determining their creditworthiness for mortgages insured by the Federal Housing Administration.

VII. WAYS TO EASE FEARS IN THE HOMEBUYING PROCESS

In a series on Black Women, Wealth, and Homeownership, members of Insight Center, a nonprofit focused on advancing racial and gender economic equity along with several expert authors provided insight into lived experiences, hope, and dreams of low-income Black women and their perspectives on homeownership.

They determined that the dream of owning a home for Black Women isn't solely about financial gains. Homeownership has social and emotional benefits, allowing people to feel safe, have privacy, and host loved ones. They said that we should not continue to allow Black Women who overcome obstacles to homeownership to be denied—through racial targeting and discriminatory practices like predatory lending in getting the homes they want and deserve. This requires federal oversight of our property valuation system, deep regulation of the real estate and banking industries to root out racism and sexism, and massive investment from local and federal governments to build affordable, safe housing.

J Renee Walker published a book in December 2022 titled "Her First Place" that provides a step-by-step guide for a first-time homebuyer that focuses on the needs and interests of African American Women. There are many books on homebuying, but not focused on African American Women. Many African American Women have preconceived concepts that are not true, and these are discussed in the book. Also, the book takes a candid look at her personal experiences as a Black Woman when she purchased her home that's relatable to all.

V. RECOMMENDATIONS

The following recommendations can be understood from either the supply or demand side. The Demand-side are those recommendations that assist the African American Woman in preparing for and completing the home-buying process. The Supply-side focuses on the landscape which includes not only available housing but the appraisal and lending process.

Demand Side

1. African American Women should be informed that mental and physical health are both equally important, particularly when seeking a major life change such as purchasing a home.

2. African American Women must be educated that during a financial crisis, they must cut back on durable goods before cuts in everyday essential expenses. Durable goods are often not necessities that if omitted, can help families handle a financial crisis. Many times, durable items are financed, impacting credit.

This is where education is important. Many people don't think in terms of durable and non-durable goods. How do we get the word out? Publicity and public service announcements utilizing those venues that are frequented or listened to by African American Women are a start.

3. Educate African American Women on the economic cycle. Walk them through the concept of equity-building and how to strategize steps in the home purchase process during economic downturns.

There are numerous wealth-building organizations in existence. Many are targeting the African American Household. Suggestions for NAREB to partner with existing groups to extend financial/economic knowledge.

4. Buying smaller is an option that should be considered as well as other forms of home ownership. Work with the African American Woman and introduce her to the variety of options that are on the horizon. Reducing the initially desired square footage brings access to affordable housing within reach. As finances and the economy improve, trading up or upgrading the home is a future possibility.

Supply Side

5. To purchase smaller 'middle' housing requires there to be middle-range housing. There has to be an increase in the number of builders that are able and willing to build in the middle range. The current costs of materials and historical delays in delivery put the smaller builder at risk. For the larger developer, constructing middle housing is not as profitable.

Identify ways to support or incentivize builders of middle housing or the rehabilitation of existing housing. Maintaining existing housing stock is often overlooked. However, until existing trends change, rehabilitation may prove to be a more economically feasible option.

6. More African Americans, particularly African American Women should train to become professional appraisers. This would help to decrease some of the barriers identified by the Appraisal Subcommittee of the Federal Financial Institutions Examination Council.

The specific steps vary from state to state but each state requires, at the minimum, some basic level of education (again that is state-specific). The next steps include a trainee appraiser apprenticeship (approximately 75 hours) for which find a mentor appraiser course work and then set for the licensure exam (2021 pass rate 61%). The time to complete this process may range from 6 months to 2 years, depending on how much time and finances are available to commit to completing the process.

There Are Two Suggested Ways To Increase Diversity In The Future Pool Of Appraisers.

- The creation of a sponsorship program that assists in defraying the costs for African American female applicants. This would assist those who have interested but are unable to secure the necessary funds to either begin or complete the program.
- The creation of a mentorship program to assist the applicant in completing the course. Many people will pursue the certification part-time, balancing work and possibly family. The amount of time needed to complete the courses and training may be daunting – mentoring to encourage and provide support may be needed.
 - o If permissible, provide test runs of test-taking techniques; especially if a person is pursuing the certification part-time. Understanding what is expected, and practicing test-taking contributes to a successful outcome

7. Similarly, African American Women should seek opportunities to sit on decision-making entities such as the Planning Commission or Homeowners Association Boards. This is supply side as it increased the opportunity for more affordable housing or amenable land use ordinances to be recommended. At a minimum, attend meetings where decisions are being made and participate in the open sessions.

Reiterating Fannie Mae's findings, land use decisions are made at the local level and, they are made publicly. Each municipality has a Homeownership or Renters Association. If one does not feel comfortable running for city council, several committees impact land use. This includes Boards of Adjustment, Zoning Boards, or Planning Commissions. Municipal committees are not the only option, Community Development Corporations and other quasi-government nonprofits such as management districts also have committees in need of community volunteers. Many of these

committees meet once a month and provide onboarding. If training does not exist, this may be an opportunity for NAREB to offer leadership training in the relevant areas.

8. Continue to develop Special Purpose Credit Programs that meet the changing needs of Black Women and other marginalized groups. These programs are needed to assist in the home-purchase process. Promote the passage of bills sponsored/ cosponsored by Congressman Al Green then, the next steps would be to follow implementation; whether this entails informing financial institutions or requesting monthly HMDA records with a high level of frequency to check compliance. Or, to partner with those agencies that do.

Current ways to detect discrimination have been focused on credit scores, appraisals, and the other factors considered in the underwriting process. One of the challenges is that small discrepancies may be overlooked. Analyzing the factors as a composite or an alternate methodology to be considered. The Department of Housing and Urban Development (HUD) has solicited applications for new ways to identify housing discrimination. NAREB, in consultation with HUD may work with HUD with finalists to assist them in having a deeper understanding of the realities of underwriting guidelines.

VI. REFERENCES

Action Plan to Advance Property Appraisal and Valuation Equity, (PAVE) An official website of the United States Government, (<https://pave/hudlgov/actionplan>) accessed 12/14/2022.

Arnold, Chris. (July 14, 2012) There's a massive housing shortage across the US. Here's how bad it is where you live. NPR <https://www.npr.org>.

Betancourt, Kim; Gardner, Stephen and Palim, Mark (October 2022). The U.S. Housing Shortage from a Local Perspective. Fannie Mae.

Congress.gov H.R. 123 – Alternative Data for Additional Credit FHA Pilot Program Reauthorization Act 117th Congress (2021-2022) accessed 12/27/2022, <https://www.congress.gov/bill/117th-congress/house-bill/123>

Congress.gov H.R. 166 – Fair Lending for All Act 117th Congress (2021-2022) accessed 12/27/2022, <https://www.congress.gov/bill/117th-congress/house-bill/166>

Consumer Financial Protection Bureau. (cfpb.gov/) 1002.8 Special purpose credit programs. Accessed 12/27/2022.

Florida, Richard. Why Did Housing Costs Explode During eh Pandemic? Bloomberg, "How the Rise of the Rent Became the Rise of the Rents," accessed 12/14/2022 www.bloomberg.com/news/features/2022-09-09.

Identifying Bias and Barriers, Promoting Equity: An Analysis of the USPAP Standards and Appraiser Qualifications Criteria, Commissioned, by the Appraisal Subcommittee of the Federal Financial Institutions Examination Council and carried out by the Council on Licensure, Enforcement, and Regulation, January 2022.

In partnership with the National Women's Law Center, Sprout Insight conducted qualitative research interviews from December 7-13, 2021, with a total of 35 working women between the ages of 25-55 from Arizona, Georgia, Michigan, New Hampshire, Pennsylvania, Virginia, West Virginia, and Wisconsin via virtual interviews and focus groups. Women varied in relationship status, employment situation, and income.

Jhumpa, Bhattachary, Price, Anne and Perry, Andre M. (November 9, 2022). "Why Homeownership Fails to Build Wealth for Black Women", Non-Profit Quarterly.

Kemper, Dave (February 2022). "One Year In, the American Rescue Plan Has Fueled a Fast Recovery" (Economic Policy Institute, March 11, 2022.) "Robust COVID Relief Achieved Historic Gains Against Poverty and Hardship, Bolstered Economy: (Center on Budget & Policy Priorities, February 24, 2022), [HTTPS:// www.cbpp.org/sites/default/files/2-2402022pov_.pdf](https://www.cbpp.org/sites/default/files/2-2402022pov_.pdf)

Kingsella, Mike & MacArthur Leah Eds. (2022). "Housing Production in the U.S." Up For Growth.

Meera Jagannathan, March 23, 2022 "A Red Flag" in the Pandemic Recovery: The Pernicious Labor-Market Trend Where Black Women are Last To Regain Jobs, located at (www.marketwatch.com/story) 10/18/22.

Napoletano, E. & Bailie, Korrena (March 25, 2022). "First-Time Buyers: Should You Buy A House With Inflation On The Rise?" Forbes Advisor. <https://www.forbes.com/advisor/mortgages/real-estate/first-time-buyers-should-you-buy-a-house-with-inflation-on-the-rise/>.

Puig, Aina, (August 1, 2022). Economic Research "The Unequal Effect of Interest Rates by Race, Gender" Federal Reserve Bank of San Francisco Economic Letter.

Rodeck, David and Curry, Benjamin. (July 12, 2022). What is a Recession? Forbes Advisor. Accessed 1/15/2023, forbes.com/advisor/investing/what-is-a-recession/.

Ryan Winterberg-Lipp. "Finding the Middle: Overcoming Challenges to Building Missing Middle Housing" (2018). Metroscape. 135. <https://pdxscholar.library.pdx.edu/metroscape/135>.

Sarah Javid and Marie S. Cole, National Women's Law Center, Justice for Her, Justice for All, "Resilient But Not Recovered, Black Women in the COVID-19 Pandemic, Accessed 12/12/2022.

Siroto, J. (2021). "Here's how Inflation is Affecting Home Prices: What Buyers and Sellers Need to Know right Now." Real Estate News. Realtor.com <https://www.realtor.com/news/real-estate-news/how-does-inflation-affect-home-prices/>.

Wu, Chi Chi (February 9, 2021) "Doing Special Purpose Credit Programs Right: Why Programs to Assist Black Communities Should Avoid Conventional Use of traditional Credit Scores.

Goodman, Laurie (September 2016) "Women Are Better than Men at Paying Their Mortgages"

