



AREAA
NATIONAL
POLICY DAY
— MAY 5-7, 2014 —



AREAA 2014 3-POINT POLICY PLAN

2014 AREAA NATIONAL POLICY DAY

INTRODUCTION

- According to a recent report put out by Nielsen, the AAPI population, which totals 18.6 million people, has increased over 50% since 2000 and represents the fastest growing multi-cultural group in the country
- AAPI purchasing power accounts for over \$700 billion and is expected to reach \$1 trillion within the next 5 years, which would alone equal the 18th largest economy in the world.
- Community's large buying power is not accurately represented in rates of homeownership around the country. Homeownership has declined from 58.9% in 2010 to 58.0% in 2011 and 56.6% in 2012.

AREAA 2014 3-POINT POLICY PLAN

**ACCESS TO CREDIT, GSE REFORM,
IMMIGRATION REFORM**

ACCESS TO CREDIT- BACKGROUND

- From late 1990's to early 2000's, mortgage qualifications were relaxed. Also, risky loans such as negative amortization and interest only loans were offered. As a result, loans were made to those who could not afford them.
- These mortgages were bundled and sold to investors with the help of Fannie and Freddie.
- The housing bubble burst in 2007. The system collapsed with Americans losing their homes and many banks/investors needed government assistance to avoid bankruptcy.
- Congress passed the Dodd-Frank Act in 2010 which established guidelines making sure families could not obtain unsustainable loans.

ACCESS TO CREDIT- BACKGROUND

- As part of the bill, two types of mortgages known as QM (Qualified Mortgage) and QRM (Qualified Residential Mortgage) were proposed. The guidelines of QM and QRM were never clearly laid out. Then the Consumer Protection Financial Bureau (CFPB) mandated rulings on what these mortgages will actually look like.
- In 2013, the CFPB delivered one of the first rulings on QM. QRM continues to be discussed.

ACCESS TO CREDIT- FUNDAMENTAL ISSUE

- What is at stake for these rulings on QM and QRM is the fact that stricter guidelines by the CFPB could negatively affect the ability of AAPI (as well as millions of other Americans) to get reasonable mortgages.
- Being well-intentioned, the CFPB ruling has some positive aspects such as aligning QM requirements with that of QRM (streaming the process and reducing “red-tape”) and spelling out the “ability to repay” clause originally spelled out by Dodd-Frank (which actually makes it so only people who can afford a mortgage are able to get one)
- However, there are a number of troubling components that might be included in CFPB rulings. Things such as:
 - 20% down payment for such loans (or any other unusually high down-payment for that matter)
 - Overly restrictive debt to income ratio could bar first time homebuyers in getting a loan
 - Over-reliance on certain credit scoring systems like FICO (Could exclude potential borrowers who are self-employed and on those who operate on cash-only based transactions)

ACCESS TO CREDIT- AREAA'S POSITION

- AREAA believes that the “ability-to-repay” clause of the Dodd-Frank Act has been fulfilled with the CFPB’s guidelines for the qualified mortgages.
- AREAA also commends the agency for aligning QRM requirements with those of QM, which effectively simplifies its implementation.
- AREAA stresses that any further ruling on these types of mortgages must allow for compensating factors and dynamic underwriting so that all potential homeowners who qualify will have access to the credit they need.

GSE REFORM- BACKGROUND

- After the sub-prime mortgage crisis, Fannie Mae and Freddie Mac were placed in government conservatorship in 2008 to keep unregulated business practices and models in check
- Since this federal takeover, there have been debates as to what should be done with these entities. In 2013, the PATH (Protecting American Taxpayers and Homeowners) Act was introduced and called for a massive overhaul of Fannie and Freddie to limit their scope in the secondary mortgage market.
- This bill was followed by the Johnson-Crapo bill, which is currently being debated in the Senate.

GSE REFORM- FUNDAMENTAL ISSUE

- With this bill, the issue that is most pertinent to the organization is whether or not FMIC regulation will make mortgages more or less available to underserved communities. The entity, as currently laid out by the text of the law, runs the risk of significantly reducing the amount of mortgage offered to underserved communities.

Here's why:

- The affordable housing goals of Fannie and Freddie would be eliminated. In its place, an incentive-based fee system would be set up to encourage lenders to reach these communities.

GSE REFORM- FUNDAMENTAL ISSUE

However with this system:

- The fees for not serving these communities are relatively insignificant (10% basis points) which could cause big banks to just bypass these goals in favor of the fee.
- This fee system does not include any extra incentives to provide loans tailored specifically to self-employed borrowers.
- The bill calls for a 10% holding of capital at all times for lenders, thus shrinking amount of capital available for lending.
- The bill would require an increase of 3.5% on down payments for first-time buyers and 5% for regular buyers.
- Allows big lenders to fulfill multiple roles like guarantor, originator, and aggregator, which could shut out smaller lenders from the process.

GSE REFORM- AREAA'S POSITION

- AREAA believes the federal government should remain committed to providing ways in which affordable mortgages can be provided to underserved communities, which is the original intent of Fannie and Freddie.
- This means that entities like the FMIC or any other GSE should work with the private sector to create a sustainable secondary mortgage market while still preventing unattainably high mortgage rates.
- Successful GSE reform must include incentive systems that fully encourage lenders to make special accommodations for groups discussed above while still facilitating a self-sustaining mortgage process.

IMMIGRATION- BACKGROUND

- Over the past 5 decades, the number of foreign born Americans from Asia has increased sharply. According to a recent U.S. Census Bureau report, this group represents close to 30% of the total immigrant population in the U.S., which is soon set to reach parity with the number of foreign born immigrants from Latin American countries.
- Immigration has enveloped a huge portion of American political debate. Despite the polarizing nature of the topic, the majority of Americans & AREAA believe that sensible immigration policies should be pursued by those in office.

IMMIGRATION- FUNDAMENTAL ISSUE

- Sensible immigration policy is directly tied to the economic well-being of the United States. Creating realistic pathways to residence and citizenship for this immigrant group will create billions of dollars in revenue as well as increased sales in real estate, which in turn helps fuel the nation's economy.

IMMIGRATION- FUNDAMENTAL ISSUE

- Below are some programs that create this economic growth:
 - **EB-5 Visa Program:** The program allows foreign nationals to purchase property in the United States if they have invested anywhere from \$500,000 to \$1,000,000 into a new commercial enterprise or troubled business as well as provided 10 sustainable jobs to the U.S. economy.
 - **H2-B Visa Program:** the program is designed to grant seasonal workers residence in the United States for the length of their stay in the country.

IMMIGRATION- FUNDAMENTAL ISSUE

- Another way in which productive immigration reform can benefit the economy is tied to the “DREAMERS”. This term refers to the group of undocumented immigrants that were brought to the United States at a young age. Despite growing up in the country for the vast majority of their lives, they do not enjoy the rights afforded to U.S. citizens.
- If a pathway to citizenship was created for this group, 2\$ billion would be added to the country’s tax base, which adds to the \$3.6 trillion that would be injected into the economy.

IMMIGRATION- AREAA'S POSITION

- AREAA recognizes that a common-sense approach to immigration policy is the key to a healthy economy. AREAA supports the right of foreign investors to invest in the U.S. through initiatives like the EB-5 Visa and H2-B programs.
- AREAA also endorses legislation like the "DREAM Act" that would grant citizenship to this diverse group known as the "DREAMERS", thus providing an opportunity for increased homeownership to various multicultural groups throughout the country.



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