

Freddie Mac Single-Family Home Starts Here Podcast Episode Transcript:

Black Homeownership: A Proud History and Positive Look Forward

Announcer [00:00:01] Welcome to the Freddie Mac Single-Family Home Starts Here podcast, your connection to all the latest industry trends, insights and points of view on the mortgage market from Freddie Mac leaders and other industry experts.

Liz Mugavero [00:00:15] Welcome to the Freddie Mac Single-Family Home Starts Here Podcast. This is your host, Liz Mugavero with Freddie Mac Single-Family. And today we're here to talk about homeownership. Homeownership is the cornerstone to wealth building, community pride and familial stability. Unfortunately, many Black Americans face a significant number of barriers to homeownership and are underrepresented among homeowners. Recent research shows that Black homeownership was 47 percent in 2020 and has yet to reach pre 2008 crisis levels. In the conversation today, we'll hear from two dynamic women who have recently come into roles established to address barriers and obstacles that impede homeownership in the Black community. I'm so pleased to be joined by Lydia Pope, president-elect of the National Association of Real Estate Brokers, or NAREB, and Pam Perry, our new vice president of Single-Family Equitable Housing here at Freddie Mac. Welcome, ladies.

Lydia Pope [00:01:08] Thank you.

Pam Perry [00:01:08] Thank you.

Liz Mugavero [00:01:09] Thank you so much for joining me today in this conversation. I know you're both really new to your roles and you have a lot to think about as it pertains to your strategies and where you're going. So, we're really glad that you took the opportunity to come and chat today. Freddie Mac and NAREB have had a longstanding partnership, and I'm really excited to talk about both of your fresh approaches and how, as a partner, we're going to try to tackle this problem. So, congratulations to both of you. And at the time of this conversation, we're celebrating Black History Month, which is significant because it allows us to reflect on where Black homeownership has come from and where it's going. So, I'd love to start with Lydia. Lydia, as we talk about the history of Black homeownership, NAREB is really key to that conversation. Can you provide some background on the establishment of your organization and its impact on the Black community?

Lydia Pope [00:01:57] Absolutely, the National Association of Real Estate Brokers was formed July 29, 1947, so in one year from now will be seventy-five years and still working hard to protect the African-American community. We were formed in Tampa, Florida, and our goal was basically to enhance the economic improvement of our and definitely the minority community that we serve. We call ourselves the Realtists and we focus on, number one, serving the unserved and underserved. We are a hundred percent dedicated to our community and our mission is democracy and housing. And we're focusing on fair housing, equal opportunity, definitely working on development legislation at the local, state and federal level. And our main focus is to continue to open up the doors to our African-American community to serve them as we have always done.

Liz Mugavero [00:02:54] I love that. And it definitely dovetails with the direction Freddie Mac is really trying to ramp up and with the addition of Pam, the direction in which are going to be heading. So, Pam, your past experience was in fair lending. How does that shape the way you're looking at your new role?

Pam Perry [00:03:08] Thank you, Liz, and thank you, Lydia. I'm really privileged for the opportunity to have this conversation today. While I'm just new to this role of leading Freddie Mac's Single-Family Equity and housing initiative, I have spent the last nine years of the prior nine years as Freddie Mac's fair lending lawyer. In that capacity, I had a front row seat and the opportunity to partner with colleagues across the company, with regulators, with housing advocates, and promoting fair lending and access to credit for minority borrowers.

you know, we can't address today's housing landscape without acknowledging historical racism and federal housing policies and the role that the federal government and institutions have played in it. I'm really looking forward to challenging some of the underpinnings of our housing finance system and our finance system more generally and looking at all the pain points and barriers to Black Americans achieving greater wealth, greater financial security with homeownership being the single largest contributor to driving wealth for Black communities. So I'm really excited about my new role to ensure equitable access to financial literacy and homeownership education and assistance by trusted housing professionals to provide solutions to qualified borrowers, including, you know, changing the paradigm on how we think about mortgage readiness, credit worthiness, down payment assistance, shared equity. The list is, from my mindset, limitless. I have been charged with standing on the shoulders of the work that Freddie Mac and its affordable teams have developed over the last 50 years and really pivoting to take a good, hard look at all of the factors that are impacting Black communities and Black borrowers to really look at ways in which I can challenge and remove barriers, not just for loans that Freddie Mac may ultimately buy, but how do we change the system so that it is fairer and provides more equitable opportunities to create increased homeownership and positively influence Black communities. and while I'm still evaluating the strategies that we're going to employ over the years to come, there are four initial areas of focus that that we've identified barriers to loan qualifications, access to housing supply, expansion of financial literacy programs, and inequalities in appraisals. So those are the four key pillars of the Equitable Housing Initiative for Single-Family at Freddie Mac. But I'm hoping that my team, through intervention, has an opportunity, through the innovation process to identify additional areas of focus as we set priorities for years to come.

Liz Mugavero [00:06:10] Thanks Pam, it's it's exciting to hear about your plans, even at such a high level, because you bring such a unique, innovative perspective to the role. So, we're super excited. Shifting back to Lydia. I know you're only about a month into your role, but how much can you share with us about your 2021 focus areas?

Lydia Pope [00:06:27] So the National Association of Real Estate Brokers, we put together our 2021 plan. We started off with two programs. Our program one is our two million and five Black homeowners, which we've started back in 2012. We've also been working on our SHIBA report, which the state of housing in Black America, which really talks about what I'm talking in in regards to the Black homeownership rate, the disparities and some of the solutions that we're working on. For our 2021 our program one and our program two now presents what we call our five building Black wealth initiatives as our five pillars. Pillar number one talks about the faith based and civic engagement. We understand that our congregation and our faith base, our membership driven, and our goal is to go into the churches, meet with our NAACP, our Urban League's, our Alpha Phi Alpha fraternities and our partnerships to talk about the the wealth gap and how can we better serve the community to assist our Black folks into homeownership. Secondly, we have our women initiative is called WIRE, Women Investing in Real Estate. And that initiative focuses on property acquisition, development, access to capital and credit and definitely certifications. Our third one is the diversity and inclusion. So, with diversity inclusion, our membership is driven off of small business owners and we understand that. And the goal is to build our membership, to build our businesses and business development and leadership development, as well as understanding the minority certifications of how to get those. And then we want to offer procurement opportunities to our small business owners, who definitely many of them have had challenges during COVID-19. And the goal is to strengthen them, especially the small businesses that are in the Black community. And then we have our generational wealth and we understand we have a millennials, we have our seniors, but we also have youth financial literacy. So, we try to put all of those together. It just doesn't start with the millennials or just doesn't start with the seniors. Although we do understand the millennials is a huge population that's forthcoming and we know and understand that we have to educate them. We want to go backwards a little bit and start educating our youth as well, because when you're talking about generational wealth, it starts from a small age understanding in school all the way to your millennials, to your even to your generation Zs. And then finally our seniors making sure that they understand the sustainability. And then we go on to our last one, which is our government relations and our advocacy. We understand in order to be able to allow these things to happen within our Black communities, that you got to have policy, you've got to have legislation, and we have to dig down into the grassroots of

our community to find out what can we do to help our folks increase the homeownership rate. Yes, it went up, but then it went back down again. And that's because we need to continue the education in our Black communities and allow them to be able to speak the voice. We are the voice for the community. And so those are our five building blocks initiatives that we'll be rolling out for 2021 with the goal of some action items and some plans to complete.

Liz Mugavero [00:09:51] it's really clear how important our partnership is because a lot of the items that you mentioned, Lydia, are definitely where we're focused as well. and Pamela, ask you to speak a little bit about some of those, including our strategies about millennial home buying, the importance of generational wealth in the Black community, and also the the White versus Black homeownership gap.

Pam Perry [00:10:10] Sure. Happy to do so. Um, thanks Lydia, it's really interesting to learn about NAREBs priorities in the financial literacy space. I think that really dovetails so nicely with some of Freddie Mac's efforts in this regard.

The intergenerational wealth that homeownership provides is still the number one driver of wealth in America. So, it is really disappointing that in 50 years the Black community has not made progress in terms of the number of Black adults who have attained the dream of homeownership. Added on top of that, we have an additional challenge that homes in majority Black areas are valued twenty five percent lower than homes and white areas, even when we control for other demographic characteristics, such as the income levels of the of the folks who live in those communities. So that's really additionally disappointing and a challenge that I'm hoping to address. In my new role, I'm looking at what are the barriers to qualifying for a loan, but also what are the barriers to building wealth. Once you attain homeownership, it's important that folks retain their homes once they've attained that goal. It's also important to address the valuation issues that that homeowners and Black communities face that is different from that in predominantly White communities.

As as some folks may know, Freddie Mac has a 20-year history of providing a financial literacy program that we've branded as CreditSmart. And we were very excited last year to roll out a homeownership focused module as part of that CreditSmart program. We refer to it as Homebuyer U. It launched in January of 2020 and during the course of 2020, notwithstanding the pandemic and the limitations that that that that posed for so many folks, we were successful and having sixty nine thousand consumers run through our Homebuyer U or education course, so that's really promising. We are pivoting to the future, one way in which we're pivoting to the future is yesterday we launched Homebuyer U in Spanish, and that will allow us to capture the portions of the Black American market that is has an intersectionality with the Latinx market. So, we're pretty excited about that. And for 2021 and beyond, we're really looking at using the new leverage that we have or the new energy that we have in around equity, in, in home ownership. And we're expanding our Credit Smart program. We're both modernizing it as well as expanding the modules, including expanding into modules that are more closely tailored to the millennial population and the platforms in which millennial population access their education. In the past, we focused on one size fits all and that was very successful in its own right. But it's time to realize that not all consumers receive and consume information in the same way. To some extent, that means the millennial population may prefer to receive their education on their on their smartphone or on their laptop, whereas in prior generations, folks may have gone to classes or actually visited a housing counselor physically. We're trying to pivot as we look to the future in terms of expanding both the way in which we deliver our homebuyer education and financial literacy program, but also expand the scope of who receives that. And that includes reaching down as far as colleges and universities. We want to build a pipeline of financially ready young people who are handling their finances in a way that will enable them to have a successful path of wealth building, credit worthiness, mortgage readiness and an opportunity to achieve what is still the greatest wealth building vehicle in this country, and that is homeownership.

Liz Mugavero [00:14:15] That's great. And it sounds like you have a lot on your plate for this year, Pam. But you mentioned financial literacy and CreditSmart. And I want to dig into that a little bit more with Lydia. Lydia, have you found or how have you found actually that financial literacy programs translate to homeownership success?

Lydia Pope [00:14:32] So what the National Association of Real Estate Broker we have two affiliates, Vasti Women's Council, NAREB and NID Housing Counseling Agency. And with those two affiliates, we talk about the access to credit and, of course, the inventory down payment. But when you're dealing working with your local communities, it is so

important that the education is the number one part of homeownership. What we found is that housing counseling, utilizing the tools that are given to them, such as credit smart, has a success rate of educating the consumer to all the aspects of homeownership, from understanding credit to working on your budget to the steps of homeownership and really understanding the tools that are necessary to get them to where they need to be. So, utilizing the credit smart curriculum not only increases the awareness of the future homebuyers, but what it does, it also educates the counselors. because many of them now and as of August of this year, have to be certified through the Department of Housing and Urban Development. So, they're HUD approved counselors as well that are utilizing this tool as part of their day to day curriculum. So, the National Association of Real Estate Brokers supports to create a smart curriculum.

Pam Perry [00:15:59] Thank Lydia and Freddie Mac certainly appreciates its partnership with NAREB in the housing counseling space. In addition to NAREB and its affiliates, Freddie Mac also has the privilege of partnering with nonprofit housing counseling agencies who deliver the Credit Smart curriculum. So, we really do have some boots on the ground already in terms of HUD certified housing counselors offering credit smart to the market. But we're really looking to continue to grow that opportunity and to reach more consumers at different stages in their financial journey.

Liz Mugavero [00:16:33] Great. So with that, I'd love to ask you both to talk through a few collaborative opportunities that we can highlight at this point.

Lydia Pope [00:16:41] From the National Association of Real Estate Brokers perspective, the relationship with Freddie Mac, and Pam, I think you mentioned about four pillars that aligns with our National Association of Real Estate Brokers. That was the housing supply, we understand that there is a shortage of inventory and those of same items that NAREB is addressing within our state of housing and Black America report. Also, financial literacy expanding that. We understand that again within our Black community and knowing that the gap of homeownership between Blacks and non-Hispanic white households is larger than it was in 1968 when the Fair Housing Act passed. So financial literacy is so important within both organizations. Also, the barrier to the loan ~~ea~~ qualifications, the National Association of Real Estate Brokers, we have our SHIBA report, which talks about the low level pricing adjustments and the barriers to that. And the goal is to look for solutions. And then inequality of the appraisals in the Black communities. So, with the four pillars that Freddie Mac has, the National Association of Real Estate Brokers is in aligned with with those as well as additional ones that will be bringing out in August of this year. And finally, to say that within the relationship, we understand that when it comes to one goal, both Freddie Mac and NAREB agree on increasing Black homeownership rates.

Pam Perry [00:18:01] Thanks, Lydia. I couldn't have said that better. While Freddie Mac has certainly been on this journey for 50 years, Freddie Mac Single-Family Equitable Housing Initiative is laser focused on driving Black homeownership and Black wealth and within intentionality that hasn't existed in the past. I'm really excited about the opportunities that lie ahead, both for Freddie Mac, for the market generally, and for our opportunity to partner with NAREB and others who are singularly focused on this effort.

Liz Mugavero [00:18:29] Thank you both for sharing your goals and your passion for this very important topic and for giving us a sense of how we're going to move forward together. It's really been a pleasure having you both here and getting to chat with you in your first weeks in your new roles. And thank you, as always to our listeners. Please don't forget to subscribe to the home. Start to your channel so you don't miss an episode. And don't forget to share it with your friends until next time.

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