



NARROWING THE BLACK HOMEOWNERSHIP GAP

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TABLE OF CONTENTS

ABOUT AIME & MESSAGE FROM LEADERSHIP Organization Overview & Letter from Leadership	03
AIME BLACK HOMEOWNERSHIP COMMITTEE Introducing AIME's Black Homeownership Committee	04
SUMMARY OF ISSUES An Overview of the Barriers Black Homeowners Face	05
BARRIERS TO BLACK HOMEOWNERSHIP Discrimination in Housing Finance	06
REDLINING A Brief History of Redlining	07
APPRAISAL DISCRIMINATION The Devastating Impact of Appraisal Discrimination	08
PREDATORY INCLUSION The Continued Exploitation of Black Borrowers	10
NARROWING THE BLACK HOMEOWNERSHIP GAP Addressing Discriminatory Housing Policies	11
LEGISLATIVE ACTION Advocating for Homebuyer Diversity and Fair Business Practices	12
EDUCATION Resources for Brokers and Homebuyers	13
ENTREPRENEURSHIP Increasing the Number of Black Originators	14
BROKERS SAVE BLACK BORROWERS MORE MONEY How Black Homebuyers Benefit Working with Brokers	15
CONNECT WITH A LOCAL BROKER	16



ABOUT AIME

The Association of Independent Mortgage Experts (AIME) is a non-profit national trade association created to support independent mortgage brokers. Mortgage brokers play a critical role in ensuring sustainable and equitable housing solutions, as well as home purchase and refinancing for the middle-class, low and moderate-income homeowners (including minority and rural households), Veterans, and those in underserved communities from all income brackets.

AIME was formed to unite, empower and champion independent mortgage brokers as the best option for homebuyers. Our community does much more than broker mortgages for their borrowers; we use our voice and resources to advocate for homebuyer diversity and fair business practices. When it comes to the American consumer, we must communicate that **Brokers Are Better**.

MESSAGE FROM AIME LEADERSHIP

Katie Sweeney, CEO

Brendan McKay, President of Advocacy

Homebuyers and homeowners in the Black community have experienced systemic discrimination and a severe lack of representation in the American housing market for far too long. Today, Black Americans continue to struggle more than their White counterparts to be approved for home loans, as the remnants of state-sanctioned discriminatory practices continue to widen the Black homeownership gap.

The devaluation of homes in majority-Black neighborhoods obstructs wealth building in Black communities, drastically widening the wealth gap between Black and White communities. Our advocacy efforts have started to facilitate positive change intending to narrow the Black homeownership gap by helping brokers help more people.

There may not be a big bank in every neighborhood, but there's a mortgage broker there – and AIME is dedicated to helping brokers amplify their impact in their communities.



Katie Sweeney



Brendan McKay

AIME BLACK HOMEOWNERSHIP COMMITTEE

INTRODUCING AIME'S BLACK HOMEOWNERSHIP COMMITTEE

The Black Homeownership Committee (BHC) consists of seven independent mortgage brokers serving homeowners nationwide. The BHC enables members of the AIME broker community to share their input and take an active role in helping to resolve challenges facing Black homebuyers.

MISSION

The BHC empowers and supports Black homeownership by providing education, resources, and opportunities to Black individuals and families, while working to eradicate discriminatory lending practices.

VISION

The committee's vision is to break barriers, create a level playing field, and offer equal opportunities for Black homeowners. We will accomplish this through buyer, lender, policymaker, and community education and awareness.



Whitley Cooper
Chair



Arlicia Jones
Vice-Chair



Brandon Forney
Committee Manager



Janine Kempfer
Vice President of
Impact at AIME



Nike Ojo
Member



Satanya Palmer-Lodge
Member



SCAN TO WATCH
THE IMPORTANCE OF BLACK HOMEOWNERSHIP
FROM BLACK HOMEOWNERS

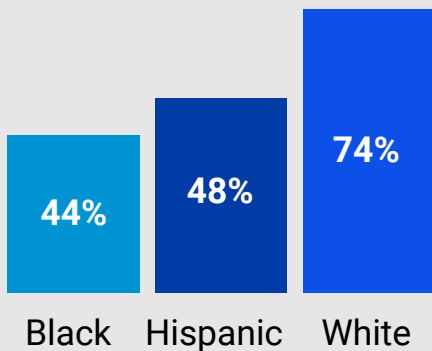
SUMMARY OF ISSUES

AN OVERVIEW OF THE BARRIERS BLACK HOMEOWNERS FACE

One of the principal foundations of democracy is property ownership. There was a time in American history when owning property was required in order for an individual to take part in this democracy. **Yet, we started as a nation that considered Black people to be property.**

There is the accepted belief that being a homeowner is the most efficient and consistent way to amass intergenerational wealth. Even after centuries since the abolition of slavery, Black people are still struggling to become homeowners more than any other racial group.

AMERICAN HOMEOWNERS BY RACE AND ETHNICITY



Source: Interagency Task Force on Property Appraisal and Valuation Equity

"The gap between White and Black homeowners is larger today than it was in 1960 when anti-black discrimination was still legal in the US."

-Reducing the Racial Homeownership Gap, Urban Institute

Despite the many strides made in recent decades towards equality, institutional and systemic racism and biases still continue to deny Black people access to homeownership, with twice the mortgage denial rate of White homebuyers.



27.1%

MORTGAGE DENIAL

Among Black borrowers compared to just **13.6%** for White borrowers

Source: Urban Institute

23%

Homes in Black neighborhoods are valued roughly 23% lower than similar homes in neighborhoods with few Black residents.

Source: Brookings Institute

BARRIERS TO BLACK HOMEOWNERSHIP

DISCRIMINATION IN HOUSING FINANCE

There is a long-standing practice in real estate that connects race with the perception of risk. It is considered "riskier" to loan to Black homebuyers, and the government has historically perpetuated this perception through *redlining*.

Redlining was one of the earliest forms of institutionalized racism, developed out of public policy in the 1930s in response to the Great Depression. When millions of people were losing their homes and banks were no longer willing to lend money, the Federal Government created programs to help people refinance their homes.

As the Federal Government delineated in which neighborhoods they would guarantee a home, **they would draw a red line on a map around the neighborhoods they would not invest in based on demographics, marking "risky" neighborhoods for federal mortgage loans on the basis of race.**

Persisting Segregation

8.25 million people live in neighborhoods identified as "risky" by the Federal Government 80 years ago. According to US 2020 Census data, more than three-quarters of these Americans identify as belonging to a minority group.

Today, *redlining* refers to the discriminatory practice that makes it difficult for residents of certain areas to attain financial services based on race or ethnicity without regard to the residents' qualifications or creditworthiness.

Although *redlining* is illegal, the effect of state-sanctioned discriminatory practices continue to put homeownership out of reach for many prospective Black homeowners.



In these Home Owners' Loan Corporation (HOLC) redlining maps from 1938, areas were mapped and color-coded for how "risky" they were considered for lenders to invest in at the time.

Image Credit: University of Richmond

According to The University of Richmond's interactive map project in 2016, *Mapping Inequality*, the redlining map shown above contained "clarifying remarks" such as:

“The particular hazard in the area is racial.

“Were it not for the fact that this area is entirely Jewish, it would command a higher rating.

“A fair class of negroes and low type of white.

“Respectable people, but [their] homes are too near negro area D2.

“Could be classed as High Yellow [C], but for infiltration of Orientals and gradual infiltration of Negroes form south to north.

There was no covert or *Dog Whistle Racism**. The bias is loud and clear, and was a part of official government documents.



*The term "*Dog Whistle Racism*" is used to describe coded hateful messages.

APPRAISAL DISCRIMINATION

An appraisal is an essential part of the homebuying and lending process, as it establishes the value of the property as collateral for a mortgage.

Appraisal forms contain spaces for commentary on the property or the neighborhood that it's located. While this is standard and necessary for the appraisal process, appraisers can illegally include race or other protected class information in their reports.

The Federal Government and legislators in many states are taking action to combat the ongoing discrimination Black homebuyers and owners face. This includes the federally mandated **Property Appraisals and Valuation Equity (PAVE) Plan**.

Inclusion of race and other personal information in a home's appraisal is a direct violation of the federal prohibitions against discrimination under the Fair Housing and Equal Credit Opportunity Acts.

Appraisal Discrimination lead to homes in majority-Black neighborhoods being undervalued by **\$48,000 on average in 2021**, according to the 2022 *Faulty Foundation* study from The National Community Reinvestment Coalition.

Appraisal Discrimination has resulted in homes being undervalued by **12.5% in majority-Black neighborhoods, vs. the 7.4% seen in majority-White neighborhoods** according to Freddie Mac's 2021 study *Racial and Ethnic Valuation Gaps in Home Purchase Appraisals*.

"Today, the median White family holds eight times the wealth of the typical Black family and five times the wealth of the typical Latino family."

- U.S. Department of Housing and Urban Development

THE DEVASTATING IMPACT OF APPRAISAL DISCRIMINATION

Appraisal Bias is an unfair assessment based on race, ethnicity, or national origin in the opinion of value rendered by a professional appraiser.

Appraisal Bias of Black-owned homes adds up to **\$235 billion in lost wealth**, according to The Brookings Institution's 2022 report, *The Devaluation of Assets in Black Neighborhoods*.

This is \$235 Billion that could have been used to support education and local businesses. It further widens the racial wealth gap.



What is the Impact of \$235 Billion?



6.6 million Black-owned businesses

Source: Stanford Institute for Economic Policy Research



12.1 million four-year degrees

Source: National Center for Education Statistics



Replace the pipes in Flint, MI **4,500 times**

Source: American Water Works Association



Twice the economic damages of Hurricane Katrina

Source: National Oceanic and Atmospheric Administration

PREDATORY INCLUSION

THE CONTINUED EXPLOITATION OF BLACK BORROWERS



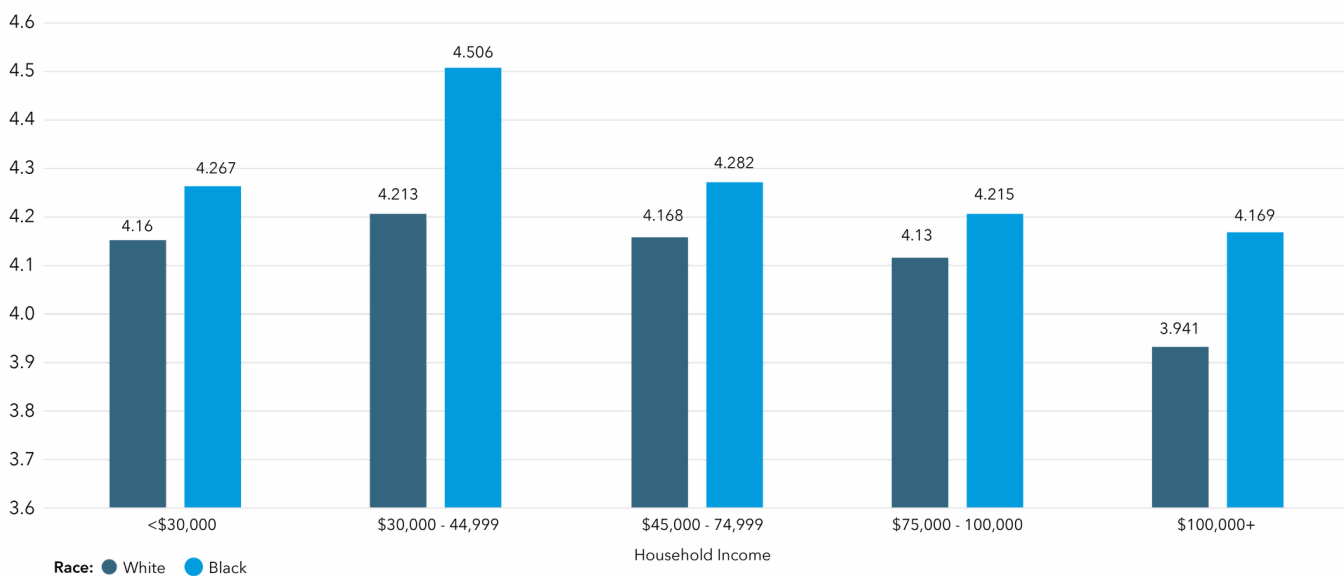
Image Credit: MacFound.org

Predatory Inclusion is a term created by American academic writer and foundational author of #BlackLivesMatter, Keeanga-Yamahatta Taylor. It describes how the real estate industry creates products that vary in their terms in ways that exploit Black homebuyers.

The problems facing Black Americans are commonly attributed to the issue of exclusion. The natural answer to these challenges appears to be inclusion, but inclusion is not equality. **Failing to consider how decades of disinvestment and racist exclusion of African-Americans from the real estate market has financially impacted Black communities leads to *Predatory Inclusion***, wherein Black borrowers are exposed to discriminatory practices that continue to exploit them.

As race and "risk" become synonymous in the real estate industry, banks are emboldened to charge Black homebuyers more, with significantly higher interest rates than their White counterparts. This creates instances where high-income Black homeowners have higher interest rates than low-income White homeowners.

Median Mortgage Interest Rate (Percent)



Note: White and Black households are non-Hispanic.

Source: JCHS tabulations of U.S. Census Bureau data, 2019 American Housing Survey.



NARROWING THE BLACK HOMEOWNERSHIP GAP

ADDRESSING DISCRIMINATORY HOUSING POLICIES

Overcoming the long history of discriminatory housing practices requires effort by the Federal Government, the banking industry, and mortgage professionals nationwide. AIME's Black Homeownership Committee has identified an initial threefold approach to begin addressing prior discriminatory housing policies that were systematically implemented and perpetuated nationwide.

1

Legislative Action

We must advocate for legislative action that addresses the challenges facing Black homebuyers and promotes homeowner diversity, ease of access, and fair business practices.

2

Education

It is imperative that we educate and connect homebuyers with the resources they need, as well as empower independent mortgage brokers to provide the best services and resources possible for Black homebuyers.

3

Entrepreneurship

As we work to secure the future of the broker channel, we must increase broker awareness and visibility to grow our collective share of the mortgage marketplace and develop a diverse talent pool.

While no single solution can instantly unravel centuries of racist housing policies, combined efforts of individuals and policy changes are steps in the right direction that can increase the Black homeownership rate over time.



LEGISLATIVE ACTION

ADVOCATING FOR HOMEBUYER DIVERSITY AND FAIR BUSINESS PRACTICES

What is good for homebuyers is good for mortgage brokers. Through our advocacy, we aim to influence policy changes that will simplify the homebuying process, remove red tape, and increase homeownership among marginalized communities.



The Broker Action Coalition (**BAC**) is the grassroots network that brings our unified voice to policymakers and legislators on Capitol Hill.



**SCAN TO JOIN
THE BAC**



The Broker Action Coalition Political Action Committee (**BACPAC**) is AIME's bi-partisan Political Action Committee.



**SCAN TO LEARN
MORE ABOUT THE
BACPAC**

EDUCATION

RESOURCES TO NAVIGATE BARRIERS IN THE HOUSING MARKET

FOR BROKERS



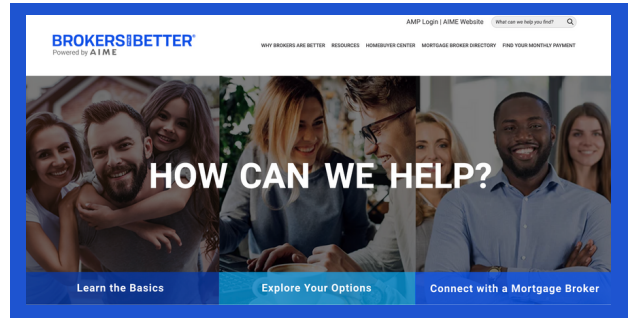
In 2022, AIME's 5th annual Fuse national conference gathered thousands of members and influential mortgage professionals to attend Fuse's first-ever **Diversity Summit**.

Featuring hours of hands-on education from AIME's members and leaders. The **Diversity Summit** educated brokers on the concerns of underrepresented communities nationwide and how to best serve and represent clients of all backgrounds.



**SCAN TO WATCH
DIVERSITY SUMMIT**

FOR HOMEBUYERS



BrokersAreBetter.com, launched in 2022, provides free resources to homebuyers, curated specifically for first-time homebuyers and minority homebuyer communities.

Brokers Are Better features an ever expanding library of videos, blogs, articles, infographics, glossaries, FAQs, a mortgage calculator, and an all-encompassing map directory enabling homebuyers to locate and choose a local independent mortgage broker.



**SCAN TO CONNECT
WITH A LOCAL BROKER**



ENTREPRENEURSHIP

INCREASING THE NUMBER OF BLACK ORIGINATORS



The Spark Small Business Grant Program is dedicated to providing Retail mortgage professionals of color and underrepresented groups the resources they need to open an independent mortgage brokerage in the wholesale channel.

MILITARY

MINORITIES

WOMEN



Source: US Census Bureau, 2021



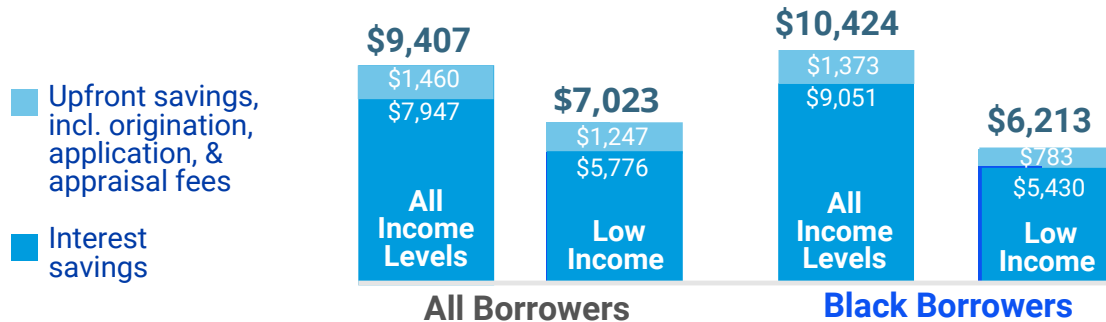
SCAN TO LEARN
MORE ABOUT
SPARK



BROKERS SAVE BLACK BORROWERS MORE MONEY

HOW BLACK HOMEBUYERS BENEFIT WORKING WITH BROKERS

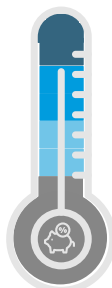
Independent Mortgage Brokers can facilitate and negotiate the best terms for Black homebuyers and homeowners, on average saving more money for Black and low-income borrowers than any other borrowing group. Independent mortgage brokers help to close gaps in unfair interest and help close the widening wealth gap between Black and White borrowers.



AIME & NDP Analytics, *Independent Mortgage Brokers Create Value for Homeowners Across America*, 2022

BLACK & LOW INCOME BORROWERS BENEFIT MOST

COST SAVINGS % OF AVG. HOME LOAN, 2021



- 2.94% All Low Income
- 2.93% Black Low Income
- 2.76% All Black Borrowers
- 2.56% All Borrowers

AIME & NDP Analytics, *Independent Mortgage Brokers Create Value for Homeowners Across America*, 2022

Coming in February 2023:

BROKERS BETTER®

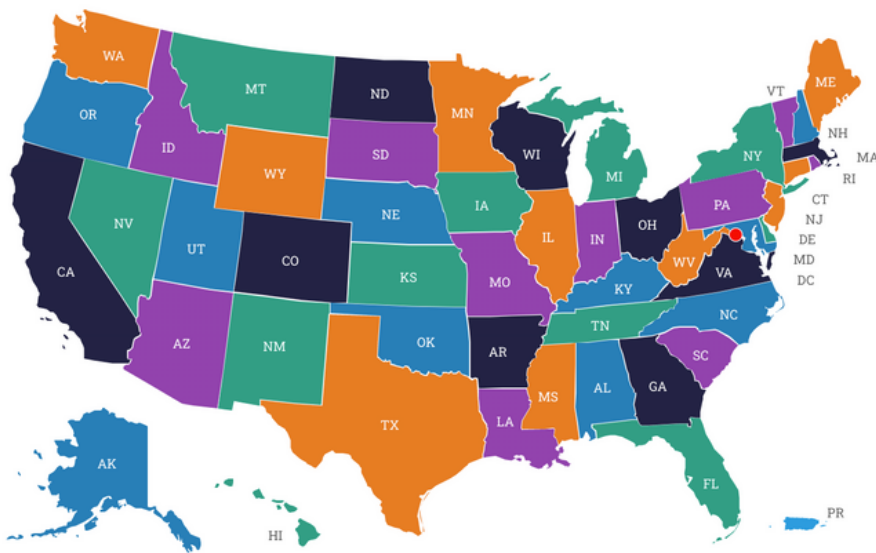
BLACK HOMEOWNERSHIP HOMEBUYER CENTER

Featuring free resources specifically catered to Black homebuyers and homeowners.



CONNECT WITH A LOCAL MORTGAGE BROKER

Brokers are the best option for the homebuyer. Our mission is simple – we help brokers provide sustainable and equitable housing solutions for all borrowers nationwide. We help people, help more people, and remain dedicated to helping brokers amplify their impact in their communities.



SCAN TO CONNECT WITH A LOCAL BROKER