THE W. I. R. E.

WHITE PAPER REPORT 2023

The Landscape for Black Women Investing in Real Estate: Focused on Building it, Keeping it, Passing it On

ABOUT THE **NATIONAL ASSOCIATION OF REAL ESTATE BROKERS NAREB**

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 1, 2024

It is my distinct honor to present the National Association of Real Estate Brokers, Inc. (NAREB) **2023 Women Investing in Real Estate (W.I.R.E.) White Paper Report.** Through our 5 Pillar Building Black Wealth Initiative, NAREB has 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 NAREB 2023 W.I.R.E report provides comprehensive data on the participation of Black women in real estate. It delves into their role as sales agents and documents that more Black women are purchasing homes than ever before. The report confirms that Black women are critical to increasing the Black homeownership rate in America and helping close the racial wealth gap that symbolizes the racism and discrimination that fueled decades of economic, educational, and health disparities for our families and communities. The data tells a story: Between 1990 and 2019, Black women increased their homeownership rate by 5.6%, while the homeownership rate of Black men declined by 8.0 percent. Black women ages 45-54 saw the most significant increase among Black homeowners during the pandemic, with 2.9% growth. HMDA data indicates that the 35 to 44 age group was the largest percentage of loan applicants in 2021 and 2022. The second largest group were those in the 25 to 34 age group. If the trend continues, there will be a continuous flow of African American women purchasing homes in the coming years.

This demographic shift is attributed to various factors, including increased educational attainment, rising incomes, and a growing awareness of the long-term financial and societal benefits of property investment. Black women are buying homes at higher rates and leading the charge in many community renewal efforts, transforming neighborhoods, and laying down roots for future generations. The increase in Black women homeowners is a significant milestone, considering the long-standing barriers that African Americans have faced regarding property ownership. As the W.I.R.E report shows, the real estate industry is also witnessing a positive trend concerning diversity, with an encouraging number of Black women carving a niche for themselves in this sector. This shift towards greater inclusivity is a win for Black women and the industry as a whole, with diverse perspectives fostering innovation and a deeper understanding of multifaceted market needs.

As Black women continue to make strides in the real estate industry, it is crucial to acknowledge and support our journey. This includes providing access to resources and mentorship programs that promote education, skill development, and networking opportunities. It also involves actively addressing and dismantling systemic issues, such as discrimination in housing policies and practices that disproportionately affect communities of color. That's a role NAREB will continue to play. In July 2024, NAREB will host our inaugural Women in Real Estate and Finance Conference, to provide a forum for Black female professionals in the industry to receive the support that they need to grow their careers. We envision a future where Black women continue to pursue the American Dream of homeownership. We also encourage Black women to join the real estate profession. Know that NAREB will be at your side, implementing programs, initiatives, and partnerships that break down barriers to success. We want all Black women to thrive and are working to make that a reality.

In the Realtist Spirit,

Courtney Johnson Rose

Dr. Courtney Johnson Rose, Ph.D.
President
National Association of Real Estate Brokers, Inc.

ABOUT THE **WRITERS**

Dr. Vickie McBride is an Urban Planning Consultant serving as a change agent for disadvantaged and underserved communities. She provides grant writing consultant services to nonprofit organizations that serve the greater Houston area. Federal and state grants have been awarded to address victims of crime, gangs, truancy, terrorism, domestic violence, disaster recovery, post-homeownership, and housing counseling. Grant writing services for housing programs include financial education, fair housing, post-homeownership, and disaster recovery.

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. Dr. McBride provides strategic guidance to Houston Area Urban Development Corporation (HAUCDC) to build and strengthen relationships with elected officials, clients, community-based organizations, and other decision-makers in the development of affordable housing for workforce residents in Southeast Texas.

Through bank partnerships, HAUCDC has provided down payment assistance to lower-income buyers and has sold or held as an asset, more than $5 million of previously foreclosed abandoned, and neglected real estate.

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. This is the third year of serving as a writer for the WIRE White Paper Report.

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ABOUT THE **WRITERS**

Sheri L. Smith, PhD., AICP is an Associate Professor in the Department of Urban Planning and Environmental Policy at Texas Southern University. Dr. Smith has worked in the fields of housing and community development for over 30 years, beginning with Neighborhood Housing Services of Chicago where she packaged single-family rehabilitation loans.

Her work has included coordinating the delivery of housing service programs, designing and implementing neighborhood development plans and reviewing economic development proposals.

As an academician, Dr. Smiths' teaching and research are in the areas of housing and community infrastructure

Her current projects involve developing a methodology to identify discrimination in the housing underwriting process and facilitating a MOU between TSU and the Houston Area Urban League to offer financial literacy and related seminars on campus.

Dr. Sheri L. Smith

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INTRODUCTION

This report represents our third look at the African American Woman in real estate. The first report in 2021 identified who she is, her characteristics, and how she is identified by the Home Mortgage Data Analysis Report at a national level.

In feedback received from presenting the report at the NAREB Mid- Winter Conference, participants wanted to know how her experience in the home buying process differs between lower and higher-priced regions, and how her experience in various regions of the country is impacted by these differences. The 2022 WIRE report answered many of these questions as we probed deeper into the needs, demographics, and characteristics of this important real estate sales market. The report also described market trends, laws governing land use and economic uncertainties impacting the availability of housing.

In this 2023 report, we look at how the market has changed in just 3 years. We analyze the demographics of the African American Woman, and review how she fares in the homeownership process. We look at the changing financing landscape (Artificial Intelligence), navigating the process of becoming a homeowner, and how to remain a homeowner, particularly during those critical initial first 3 to 5 years.

The scope of this year's report has been expanded to analyze the African American Woman from a seller's perspective. What are her challenges, opportunities, and resources available as she too navigates a competitive market in an effort to build family wealth. Finally, we reflect upon the Real Estate Professional in the real estate transaction process. Changes are happening in the market, one of them in the form of artificial intelligence that will impact the level of the Realtors' involvement in the process. We hope that these topics, as introduced, will spark broader, meaningful conversation in the days and months to come.

PROFILE OF THE **AFRICAN AMERICAN WOMAN**

The African American woman is beautifully complex. To profile her is to lay out the many facets of her world.

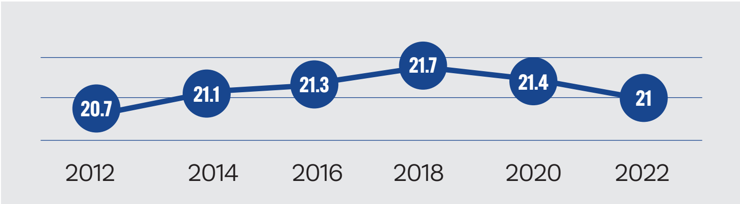
With respect to real estate, which is the focus of this report, we briefly profile her socioeconomics such as age, education and income. We will also look at how she fares when applying for a loan, reviewing characteristics such as credit scores and debt to income ratios. These two variables combined have the strongest impact on her homeownership eligibility.

There are many sources of information. As we share our findings, we will vacillate between the use of Black and African American per the terminology used from data sources. Additionally, we know that the census and other governmental sources have increased the categorization for Blacks to include blacks alone, blacks Hispanic or non-Hispanic, multi-racial, etc. For this report, our data and information will reference African American/Blacks alone.

A. Population Representation

Using the American Community Survey (ACS) 5-year estimates as a base, the population of African American women has been relatively steady over the past 10 years as depicted in Figure 1. In 2012 there were approximately 20.7 million women. That number grew to slightly over 21.1 million in 2014 to 21.3 million in 2016. By 2018 that number had increased to 21.6million. By 2020 there began a decrease in the number of African American women. In 2020 the number was slightly above 21.4 million; by 2022, the number had decreased to slightly above 21 million. The decrease in 2021 and 2022 has not impacted her overall standing in the population. Using the 2022 numbers, the African American female continues to comprise approximately:

* 6.3% of the entire population,
* 52% of the African American population, and
* 12.5% of all women.



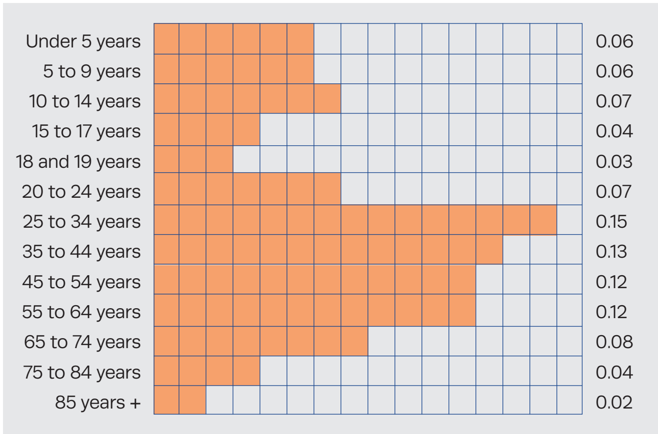
Source: ACS Table B01001B

B. Age

Her median age is 36.4 which is approximately the same median reported in the first WIRE report. Figure 2 shows how her age is distributed across the spectrum and at what percentage. The age group 25-34 represents 15% of the population. This is the largest age group over the age of 21, followed closely by the age group 35 to 44.

Relating this to the homeownership, HMDA data indicates that the 35 to 44 age group was the largest percentage of loan applicants in both 2021 and 2022. The second largest group were those in the 25 to 34 age group. If the trend continues, there will be a continous feeder of potential of African American Women purchasing homes in the coming years.

Looking further down the road, we see appoximately 10 percent of the African Woman population primed to learn about financial literacy. With artificial intellegence and new formulas for credit scoring, these are the years when young women are establishing their financial base. Teaching her about financial literacy at this age is an opportunity to be taken advantage of by NAREB and its partners.



Source ACS Table B01001B

C. Education

The US census provides educational attainment for all persons over the age of 25. Figure 3 symbolizes the options of formal education that are considered. The size of the shape gauges the percent attained. In sum, 89.3% of African American women have graduated high school or its equivalent. The percentage drops to 16% for those with a bachelor's degree, with only 12% of African American women going on to pursue and complete a doctorate. What is not reflected in the diagram but is a growing trend are the numbers who are pursuing a trade/vocation after high school versus a two or four-year education.

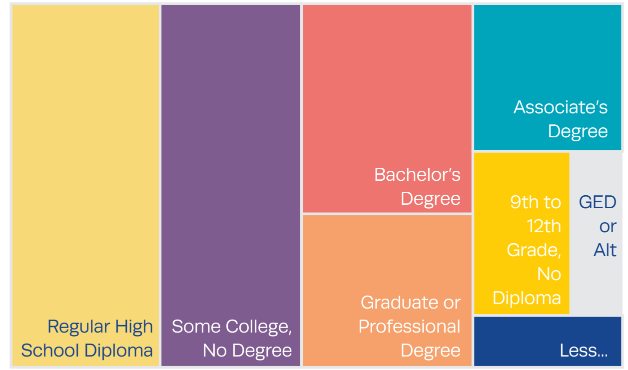


Figure 3

Vocations and trade programs are those options that provide training to prepare adults for a specific field or industry. This option requires a high school education/GED and may extend from 10, 12, or more months of 'schooling' or 'classes'; possibly followed by on-the-job training or apprenticeship. These options are no longer limited to traditional trades such as plumbing, welding, plumbing, mechanic and HVAC systems. We see other professions such as the culinary arts, cosmetology, and home health care where certification training is required to practice in the profession.

Those pursuing trades in construction, HVAC, culinary arts, cosmetology, home health care real estate, plumbing and mechanics, and the like are increasing[23]. While exact numbers are not reported specifically for African American women, the overall numbers do indicate they are part of this trend.

The purpose for highlighting education options that lie outside formal education is because the relationship between income and education is no longer linear. Historically, the higher the level of education attained, the greater the expected income. Now, the cost of a formal education and the pace of moving up within a company or organization to realize meaningful financial gains can be circumvented by a more direct path to obtaining the skill sets that lead to lucrative entrepreneurship or self-employment opportunities.

D. Work Force

What describes the civilian workforce has evolved over the decades and the African American Women has been and continues to contend with the pace although the data does not always reflect this fact. In 2022, 63.4% of African American women over the age of 16 were active in the labor force. While all groups were impacted by the Covid pandemic, she has more than fully rebounded. Figure 4 shows employment participation rates for race/genders. The employment participation rate measures the number employed out of the population over the age of 20 and is seasonally adjusted. Following the employment participations rates since preceding COVID, the African American Woman was at 60.1% which was the second lowest rate among the groups compared. By the end of 2023, the African American Woman had recovered from her dips 2020 – 2023. There are two take-aways from tracking these ratios over time:

* Only the African American Male and Female experienced some percentage of employment growth over the past 5 years
* At the beginning and ending of the Covid Pandemic, the African American woman remained in the second to last position in employment participation rates.

Figure 4: Employment Participation Rates 2019 – 2023

	Dec.2019	Dec. 2020	Dec. 2021	Dec. 2022	Dec 2023
Black Woman	60.1	54.5	57.4	58.7	60.2
Black Man	64.6	57.9	61.2	64.5	66.0
White Woman	56.6	53.4	54.9	68.0	67.7
White Man	69.6	65.8	67.9	55.7	55.5
Asians	62.0	58.2	62.3	62.6	61.9

Source: Bureau of Labor Statistics: The Employment Situation Table A2

While her employment rates are increasing, there is more to this discussion. The occupations of choice range from the 18 .2% who were employed in production, transportation, and material moving, followed by the 16.8% involved in service occupations. Slightly less than 15% pursued natural resources, construction and maintenance followed by the 13.1% in sales and occupations and the 10.2% in management, profession, and related occupations. Figure 5 breaks out these professionals and the percentages as compared to African American Woman counterparts.

Figure 5: Professional Categories Among Women	AA	WW	AW	HW
Management, professional, and related occupations	10.2	77.7	9.0	10.9
Service Occupations	16.8	72.3	6.1	26.3
Sales and Office Occupations	13.1	77.7	5.4	17.8
Natural resources, construction, and maintenance	7.4	86.7	1.9	34.2
Production, transportation, and material moving	18.2	72.7	5.0	24.3

Source: Labor Statistics: https://www.bls.gov/cps/cpsaat11.html

Given that 63.4 of African American women are in the workforce and the unemployment rate among the same group is 7%, what can be said about the remaining 30%? A major group missing from this statistic is the self-employed and entrepreneurs. Someone who is self-employed, according to the IRS, is an individual who carries on a trade or business as a sole proprietor or an independent contractor; is a member of a partnership that carries on a trade or business or is in business for themselves. Self-employment or entrepreneurship is rapidly growing among African American Women. In fact, African American women were the fastest growing group of entrepreneurs in 2019 according to J.P. Morgan.[24] Using their most recent numbers:

* the number of businesses owned by Black women grew 50% between 2014 to 2019,
* Black Women accounted for 42% of all women who opened a new business between 2014-201, and;
* Black Women represented 36% of all Black employers.

A point of interest: the areas of self-employment include the retail/wholesale, health, education, government or social service sectors.

Evidence indicates that this trend will continue. In 2021, 17% of Black women were in the process of starting a new business. This is 7% more compared to white women and 2% more when compared to white men., compared to 10% of White women and 15% of White men.

What is her motivation? Her reasons vary and often include either pursuing a dream or idea, increasing income or lacking opportunity or success in the traditional workforce.

Self-Employment, as the sole source of employment or as a side-gig is not without its challenges, the largest being differential access to credit. As a result, many self-fund their startup and may see initial incomes ranging between $25,000 - $30,000.[24] This increases if they mature their business and survive beyond the 5-year mark.

In our work and income discussion, we must not forget those who are serving in the military. Less than 1% of African American Women are pursuing the military as a career option. While that number seems small, it is representative of a growing percentage. In 2019, African American women comprised 28.92%, across all branches, of those enlisted in active duty.[25] What may be surprising is that the percentage of African American Women serving in active duty surpasses all other minority groups/genders. This has been the case for some years.[26] While both gender and racial discrimination persist, those choosing the military mention the economic benefits of choosing this path.

Households

First and foremost, 48% of AA women are single, never been married. This statistic is somewhat weighted in that it includes all females as early as age 15. Twenty-seven percent are married (not inclusive of those separated) while the percentage of divorced women was sitting at 13% followed by those widowed at 7%; married but separated at 3%.

As an aside, a quick look at marrying age among African American females shows an increase, albeit slight in marrying age. In 2010 the median age is 30.3, by year 2022, the median age for female marriage was 32 years of age.

There is a difference between families and households. Families assume that all members are related, a household does not bear that assumption. Of all the African American family households, 25.3% are headed by women with no spouse. Of that number, 13.5% have children under the age of 18. There is little difference among non-family households where 23% are female-headed with only 2.4% not living alone.

THE AFRICAN AMERICAN **WOMAN AS BUYER**

A. Rates of Home Ownership

There have been some changes in the ownership of African American Women buyers over the last 5 years reflected in Black family homeownership trends. Among black homebuyers, women and millennials are the fastest growing groups.[21] Homes owned by Black families appreciated more than any others since the start of the pandemic, with the average gaining nearly $84,000 in equity.[15] From February 2020 to January 2023, Black homeowners saw their home values increase 42.5% compared to 38.5% for U.S. home values overall, and 37.8% for white-owned home values. Hispanic and Asian-owned and Asian-owned home values increased by 38.3% and 37% respectively.

Between 1990 and 2019, Black women increased their homeownership rate by 5.6 percentage points, while Black men's homeownership rates declined by 8.0 percent.[19] According to the most recent Census Bureau data, Black homeownership increased 2 percentage points from 2019 to 2021, compared to 1.3% for the nation at large. Black women ages 45-54 and 75 and older saw the largest increase among Black homeowners during the pandemic, with 2.9% growth.[15] Even during the first half of 2020, when the onset of the pandemic slowed down both gender's growth, Black women fared better. The number of Black female homebuyers dropped by 7.8% within this period, while male buyers suffered a more considerable decline of 10% on average. During the pandemic recovery period, Black female homebuyers rebounded faster and continued to outpace their male peers.[21] Still, barriers for Black Americans in achieving homeownership exist. Many markets with the highest appreciation in Black home values also have the highest mortgage denial rates for Black applicants.[15]

Because of escalating mortgage rates, the dream of homeownership is continuing to slip further away from Americans, particularly African Americans. Single women are the second largest group of homebuyers in 2021.[2] Many realize that they do not require a long-term partner to own a residence and that housing affordability provides monetary sustainability that is difficult to obtain elsewhere. Recent data and reports indicate that the growing cost of housing and rising interest rates are creating greater disparities in homeownership.[2] According to Bankrate.com, the current average 30-year fixed mortgage interest rate stands at 8.01%, refinance rate for a 30-year fixed refinance interest rate is 8.09%. This surging price is drastically different from a few years ago when a fixed mortgage rate hit an all-time low of 2.68%. Also, the median sales price of a single-family home has now risen about $416,000 in the quarter of 2023, up from less than $360,000 in late 2020.

U.S. Home price indexes have reached historic highs, surpassing the reach of many median-income households. The National Association of Realtors data indicate that a buyer currently needs to earn $107,232 to afford a median-priced home, based on recent rates and a 20% down payment, allocating 25% of their gross monthly income to housing expenses.2 This number surpasses the real median household income of $74, 580 in 2022, reported in the U.S. Census Bureau.

While the overall homeownership rate in the U.S. has increased over the last decade, the Black homeownership rate has grown less than 1 percentage point, reaching 44% in 2021. This falls significantly behind Hispanic Americans at 50.6%, Asian Americans at 62.8% and White Americans at 72.7%. Black and Hispanic homebuyers also face higher denial rates for mortgage loans.[2]

A review and comparison of current HMDA data for African American Women combining the years of previous reports 2018-2022 is in Figure 6. The most recent HMDA data was provided by Jason Richardson, Director of Research and Evaluation for the National Community Reinvestment Coalition our partner in retrieving accurate information about African American women.

Figure 6 National Applicant Comparison 2018–2022

	2018	%	2019	%	2020	%	2021	%	2022	%
Black	303470	19%	345553	2%	452405	16%	562224	33%	406946	17%
White	901794	56%	1651068	76%	1573769	57%	243893	14%	1467328	61%
Hispanic	259821	16%	297804	14%	428822	15%	498290	30%	329066	14%
Other	144374	9%	186031	8%	334360	12%	386082	23%	204334	8%
Total	**1609459**	**100%**	**2169456**	**100%**	**2789356**	**100%**	**1690489**		**2407674**	**100%**

Source: HMDA Data

Figure 6 indicates that African American Women submitted the largest number of applications in 2021, more than White women who were the leaders in all other years. In 2018 and 2021, both years had the lowest number of applicants, but the number of African American Women applicants was greatest during these years.

Figure 7 indicates that in all of the regions over the 5 years, White women originated the most loans, followed by the "other" category. Jason Richards stated to the writers that mortgage lenders are not reporting as required regularly as they had done in the past. Also, information is not reported as detailed in the past, causing more collected data to fall into the other category. This may have greater implications as we move into artificial intelligence reporting and analysis.

B. Marital Status

In a 2020 Urban Institute Report, that examined the factors behind the racial homeownership gap and quantified how major factors contribute to the black-white homeownership gap across Metropolitan Statistical Areas (MSAs), the report found that income, marital rate, and credit scores are three key factors that explain the greatest proportion of the black-white homeownership gap across MSAs.

Though single women make up such a large portion of the market, they face some unique hurdles to homeownership. According to the US Census, women still earn around $10,000 less than men. This wage gap can make it harder to save for a down payment or afford a mortgage payment on a single income.[4]

Compared with White households, black households are less likely to marry.[4] If black households were married at the same rate as white households, the black-white homeownership gap across MSAs would decrease by 27 percent, or 8.1 percentage points once other factors are controlled. The report found that about 17% percent of the black-white homeownership gap across MSAs remains unexplained by differences in income, credit score, marital status, and education after controlling for the level of racial segregation, housing supply, and housing affordability at the MSA level.

Figure 7. Regional Female Mortgage Total by 2018–2022

Region	Black	Hispanic	White	Other	Total
Midwest	261000	184264	2332721	282511	3060496
Northeast	238144	194175	1451861	305876	2190056
South	897380	1495678	4667291	5355169	12415518
West	5509901	6151991	8342723	9182192	29186807
Total	6906425	8026108	16794596	15125748	46852877
Percentage	**15%**	**17%**	**36%**	**32%**	**100%**

Source: HMDA data

C. Credit Score and History

African Americans have the lowest credit scores.[4] African Americans have an average score of 677 which is 26 points lower than the median score for Hispanics and just shy of 60 points lower than Asians who had the highest median credit score of 745.

Credit Score: In 2021, Shift Credit Card Processing estimated that 60% of the population knew their credit score. Knowing one's credit score and understanding the scoring are different. There are at least two ways credit scores are calculated. Most people recognize the FICO score. FICO is an index that looks at payment history, amounts owed, length of credit history, new credit, and credit mix. Each variable carries varying weights. Recent changes in the credit options include Vantage Score which weighs payment history, age and type of credit, percent of credit used, total balances/debt, recent credit behavior, and available credit.

Although women were not legally able to apply for credit on their own until 1974, there is a significant difference between men and women in credit scores. However, there are differences in the amount of credit that impact the credit scores overall [27]:

- Men have 2% more credit card debt than women.
- Men have 20% more personal loan debt than women.
- Men have 16.3% more auto loan debt than women.
- Men have 9.7% more mortgage debt than women.
- Women have 2.7% more student loan debt than men.

The factor of credit score is one to understand and address. The 2022 HMDA data shows that credit history and debt to income combined for over 60% of the reasons for loan denial across age groups.

Debt to Income Ratio

The debt-to-income ratio compares your monthly debts with your monthly income sources as a percentage. Essentially, the lower your debt and the higher your income, the more you'll be approved for. In most cases, a lender will want your total debt-to-income to be 43% or less, to determine the amount of mortgage you can afford. Lenders also look at your housing debt ratio, which is the new proposed payment, taxes, insurance, HOA, etc. versus gross income. Lenders want this to be around 31% or less.

When thinking about purchasing a home, it's a good idea to calculate your debt-to-income ratio as part of the planning process. If you find that your debt is too high, it might be a good idea to start tracking some of those balances or find additional income sources to have the best chance of qualifying for a mortgage. [1]

Figure 8. Debt to Income Denials Comparison 2018–2022

	Black	%	Hispanic	%	White	%	Total	%
National	31853	22%	28251	20%	82617	58%	142721	100%
Other	7997		5967	20554			34518	
Total	**39850**	**22%**	**34218**	**19%**	**103171**	**58%**	**177239**	**100%**

Source: HMDA data

Other – includes all other unreported reasons for denials.

Figure 8 shows that debt-to-income denials are the highest for white women followed by AAW remaining proportionately the same when adding other reasons for denials in the comparison.

D. Preventing Foreclosure After Purchase

Getting in and staying in should be a consideration for the homebuyer.

Because taxes have increased exponentially, causing trouble for new homebuyers in the first years of homeownership, knowing ways to prevent foreclosure after purchase is important. Foreclosure is the legal process in which a lender repossesses mortgaged property, from a home loan borrower when that borrower fails to make their payments.[12] First thing, there is no need to pay for foreclosure prevention help. That money can be used to pay the mortgage. For information and services contact your lender or a HUD-approved housing counseling agency. [20]

To avoid foreclosure, don't ignore the problem. After healthcare, keeping your house should be your priority. Review finances to see where cuts can be made, delay payment on credit cards until the mortgage is paid, and see how you can bring in additional income. Use assets such as a second car, jewelry, and whole life insurance to sell for cash to reinstate your loan. Don't lose your home to foreclosure scams. These scammers may ask you to sign over the title to your property making you a renter in your own home. Never sign a legal document without reading and understanding all of the terms from an attorney or a trusted real estate professional. [20]

There are federal laws that protect homeowners from foreclosure. During the mortgage crisis, many homeowners lost their homes to foreclosure when they did not have enough time to work out an alternative or when the servicer did not respond to a request for help, In response, the federal government passed the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. This law imposed new requirements on services and gave the Consumer Financial Protection Bureau (CFPB) the authority to implement the new requirements and adopt new mortgage servicing rules. These federal laws established national mortgage servicing standards. They imposed new requirements on lenders and services to ensure homeowners get a fair chance at getting a loan modification or other relief before losing their homes to foreclosure. [12]

"In most cases, a servicer can't officially start a foreclosure by making the first notice or filing required by state law until the borrower's mortgage loan obligation is more than 120 days delinquent". [12] Most timelines under the federal mortgage serving laws are based on when a borrower submits a complete loss mitigation application. An application is complete when you've sent everything that the servicer requested such as a financial worksheet, pay stubs, bank statements, information about assets, tax returns, and a hardship statement to the servicer to evaluate for an alternative to foreclosure.

Under the 2014 federal mortgage servicing laws, a servicer had to extend the loss mitigation protections to borrowers only once over the life of the loan. But since October 2017, servicers must give those protections again to borrowers who have brought their loans current at any time since submitting a previous complete loss mitigation application.

Additionally, servicers must communicate with and provide protections to, family members who inherit a home upon the borrower's death. These parties must receive the same protections under mortgage servicing rules as the original borrower. These laws apply to mortgage loans secured by a property that is the borrower's principal residence. Whether a property is a person's residence depends on the facts, circumstances, and applicable state law. [13]

There are other considerations if you decide foreclosure is the best solution for you. In a foreclosure, the borrower's total debt might exceed the foreclosure sale price. The difference between the sale price and the total debt is called a deficiency. The bank may get a deficiency judgment that allows it to use standard collection methods, like garnishing wages or levying a bank account. After a foreclosure, you may have trouble getting a new mortgage loan if you walk away from your home. This is often called a Strategic Foreclosure. Strategic defaulters won't be eligible for a Fannie Mae-backed mortgage for seven years from the date of foreclosure. A foreclosure may also have a considerable impact on your credit scores, as well as your ability to qualify for another mortgage. It may also impact your ability to use other forms of credit like a car loan and may affect the interest rate you receive. Employers also routinely run credit checks on potential employees, and this may impact your job prospects. [13]

THE AFRICAN AMERICAN **WOMAN AS SELLER**

Emphasis in the housing industry has been placed on getting the African American woman into a home, but she must also be prepared and equipped with tools and information on how to maintain ownership or know when it is time to consider selling.

One of the main benefits of homeownership is building equity, discussed in previous WIRE reports, which is the difference between what you owe and your mortgage and what your home is currently worth, it is a valuable tool and contributes to generational wealth. How this tool can be used follows.

A. Home Equity/Reverse Mortgages - HECMS

A reverse mortgage is a type of loan that allows a homeowner to tap into their home equity without making payments to a lender. [11] Reverse mortgages are subject to Federal Housing Administration (FHA) rules and are called home equity conversion mortgages (HECMS). They allow homeowners to convert their equity into income. The HECM allows homeowners to borrow money against the value of their home and receive funds as a lump sum, a fixed monthly payment, or a line of credit. Interest and fees are added to the reverse mortgage balance over time if the borrower or co-borrowers continue to live in the home and use it as a principal residence.

In some instances, a reverse mortgage can affect a homeowner's eligibility for government benefits. If the homeowner wants to receive benefits from Medicaid, the joint federal and state health insurance program for some low-income and elderly Americans, their eligibility will be based on both their income and their assets. Income from a reverse mortgage won't count against them, but if they received a lump sum from the reverse mortgage, that will be included among their assets. If their total assets exceed the limit for their state, they will have to spend down the money to be eligible.

Similarly, money from a reverse mortgage lump sum can affect a person's eligibility for Supplemental Security Income (SSI), a federal program for low-income individuals. SSI also sets limits on assets, considered as resources, currently $2,000 for individuals and $3,000 for couples. A reverse mortgage will not affect Social Security or Medicare benefits [11]

Reverse mortgages have residency requirements. If you go into a nursing home for an extended period, then the reverse mortgage loan will become due, the home may be sold, and any proceeds from the sale of the home may make you ineligible for government benefits. After the homeowner's death, a reverse mortgage loan is due within 30 days but may qualify for an extension. A family member cannot take over a reverse mortgage unless they are a co-borrower on the reverse mortgage. Heirs who want to keep the home by paying off the debt must repay either the loan balance or 95% of the appraised value, whichever is less. [18] Widows or Widowers may also be subject to this rule if they were not a co-borrower on the reverse mortgage.

Reverse mortgages may not create any financial obligations for homeowners during their lifetime, but they can create financial responsibilities for their children once homeowners pass away. [11] A child who inherits a home that has a reverse mortgage on it whether they live in the home or not also inherits the debt. To keep the home, they would have to pay off the reverse mortgage using their assets.

If the child doesn't need or want to keep the home, they could sell it and use the proceeds to pay off the balance. This would clear the reverse mortgage debt and release them from any further financial obligations to the reverse mortgage lender.

Minor Children and Reverse Mortgages

Seniors who are raising grandchildren should consider how those children may be impacted by a reverse mortgage. A minor child could technically inherit the home if there are no other heirs before them.[11] This could happen if a grandparent is raising their grandchildren because their parents have passed away. Technically this does not make the minor responsible for the reverse mortgage, but the same rules would apply concerning the balance owed. That amount would have to be paid off for the child to remain in the home. Therefore, it is important to talk to an estate planning attorney or a financial advisor about creating a financial safety net for a minor child for whom they are caring.

If your parents are older and considering a reverse mortgage, you may want to initiate a discussion about what implications may have for you and your siblings before doing so. Parents can create some financial contingencies to avoid creating a financial burden for their children. These contingencies can include allocating money or other assets in a will or trust to pay off the reverse mortgage balance or taking out a life insurance policy for that purpose. This could help children to avoid having to sell the home to pay off the reverse mortgage later.

B. Heirship Properties

Heir property is most predominant among African American landholders and has been a significant driver of African American land loss in the United States.7 Heir property is property passed to family members by inheritance, with or without a will or without an estate planning strategy. When land is passed from someone who dies "intestate," meaning without a will, to their spouse, children, or others who may be legally entitled to the property. Unless the heirs go to the appropriate administrative agency or court in their locality and have the title or deed to the land changed to reflect their ownership, the land remains in the name of the person who died. This results in a cloudy title whereby there has been no recorded change in the name of the owner, it is difficult to prove ownership by the heirs. For the heirs, owning property as tenants in common, (owning an interest in undivided land) without clear title can lead to many problems. If the original heir then dies without a will, and their descendants inherit the original heirs' interests in the land, each additional heir now has an ownership interest in the entire property. After a couple of generations, there could be multiple heirs each having an ownership interest in the land. Heir property with a cloudy title cannot be used as collateral for a mortgage, or other types of government programs that require proof of ownership.

A positive development for heir's property owners is that the Federal Emergency Management Agency (FEMA) has developed guidelines for its agents to accept documentation from heirs' property owners that will allow them to get disaster relief. This is critical especially as climate change causes more extreme weather events [7]

Studies show that the rate of dying without a will is between 40 and 70 percent, depending on factors such as race and income level. There is a significant racial disparity between the rates of will-making of white and African Americans, showing that 64 percent of white Americans made wills compared to 24 percent of African Americans. The Emergency Land Fund estimated in 1980 that as many as 60 percent of African American landowners did not have a will.[17]

Estate planning and making a will are critical to avoid heir property challenges. The National Association of Real Estate Brokers (NAREB) initiated the Building Black Wealth Tour to address these issues in 60 cities throughout the US, 2023 -2025, with many including a one-stop shop with attorneys to address heirship issues. A lawyer can review documents provided, review available public records, discuss particular issues regarding the family's land, and recommend next steps, including perhaps creating a trust, an LLC, or another business entity to hold the land. 7 African American Women should use this opportunity to preserve generational wealth.

Family Trusts and Wealth Preservation

The trust fund is an estate planning tool meaning its primary purpose lies in planning out how an individual's assets will be handled after their death. Poor financial decisions are one of the leading causes of lost generational wealth.[16] For this reason, trust funds are an especially helpful tool for those looking to preserve their assets. A trust fund is a legal document that allocates to a legal entity the responsibility of holding and maintaining assets for an individual. Trust funds have mostly been associated with the top 1% of earners in the US controlling 50% of all trusts. But trusts can still be beneficial for lower-income families. Trust funds are highly versatile and offer advantages to many families regardless of familial or financial situation. Building generational wealth starts with preserving it.

Too often people focus their efforts on increasing their current paycheck rather than protecting the assets they already have.16 A trust fund ensures that wealth will last generations to come by providing individuals with the ability to control when and how their assets will be distributed. African American Women head of household must consider building generational wealth from the moment of their home purchase, maintaining ownership of the home, and how to dispense of the asset and other accumulations upon death so that it is continued for future generations to build upon.

THE REAL ESTATE PROFESSIONAL **THE REAL ESTATE PURCHASING/SELLING PROCESS**

An informal poll of realtors/brokers asked, what are your first thoughts when someone American reaches out to you with an interest in purchasing a home.

As does the home buyer and seller, the realtor/broker is also facing a dynamic landscape. Interest rates are seeing dynamic fluctuations and the housing supply is tight. The underwriting process is leaning more towards artificial intelligence and the impact on the client and lending process is unknown. Added to these topics, there are a multitude of 'players entering the field that question the necessity of a realtor, and current lawsuits are challenging the fees charged for their services.

This section will look at a few of the topics that, while not new, are growing and could have an impact on servicing the African American woman in her real estate transactions.

Level of Involvement in the Process

It was believed that the realtor or broker was the first point of entry when one has made the decision to purchase or sell property. The realtor would sit down and get to know potential buyer needs, wants and limitations; spend time identifying potential properties, schedule showings, negotiating offers, signing contracts, identifying potential lenders, working with, or offering or names of inspectors or other professionals that may need to be involved. Assist with or be present at closing. In essence, a partner in the home purchase process.

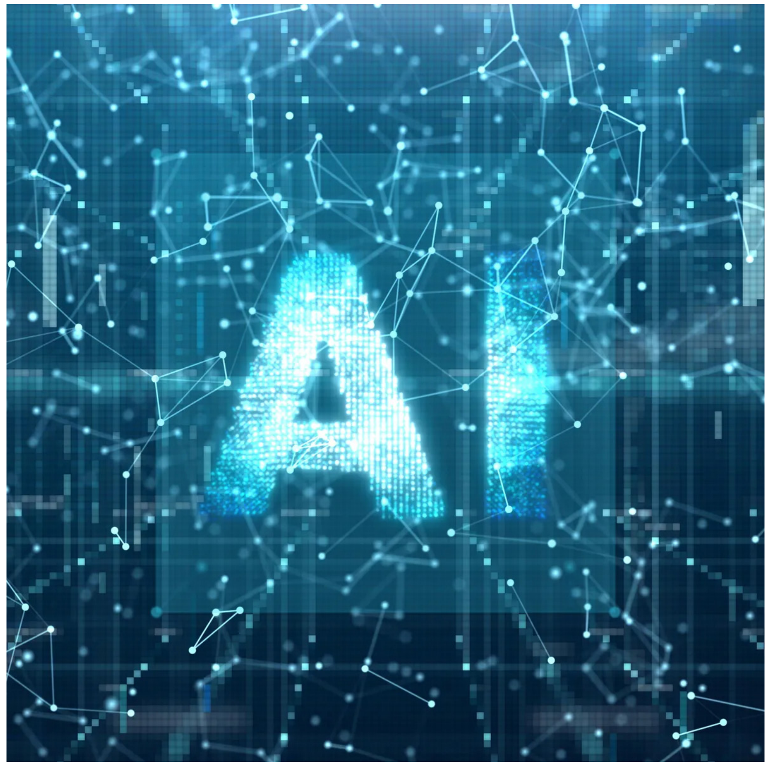
The landscape has changed. Buyers have access to the internet and are actively searching for their own properties through search engines such as Zillow, and Redfin. If or when they chose to work with a realtor, most work with someone they know or operate from personal referrals. The more experienced buyer will have already identified their lender and have their prequalification letter. Once the offer has been accepted. The need for the realtor is limited to scheduling inspections or the house side of the transactions. For the less qualified buyer, the broker/realtor with work with buyer to identify loan products that best suit them. And, when it is obvious that barriers exist, will advise them when it is time to walk away from a particular lender and/or house.

In selling the home, the realtor helps review the condition of the property, works with the seller to set an achievable asking price, schedules showings, hosts open houses, interacts with potential buyers and/or their agents, negotiates contracts, and assists in finalizing the closing. In this changing landscape direct sale sources such as an open door or for sale by owner routes have expanded, reducing the role of the realtor. Still, the Bureau of Labor Statistics believes that the profession will experience a 3% growth between 2022 and 2023 in both agents and brokers.

Tangential to this description and projection is the recent law case; Sitzer v. The National Association of Realtors (2023). The outcome of this case is projected to have a different impact on the industry. The U.S. News quoted that the outcome of the case has the "power to forever change what it costs to buy and sell real estate." (Yale, Aly November 14, 2023)". What this could potentially mean is the decoupling of buyer/seller realtor fees/commissions; more transparency on the fee structure, which makes them open to negotiation, and the potential for home buyers and sellers to 'do it themselves' with the assistance of a real estate attorney. Projections from this perspective will show a decrease in the numbers remaining in the real estate market and projected standard fees will be reduced. If the case is not overturned, changes will take place in 2024.

Artificial Intelligence

From being a time-consuming, paperwork-laden manual process, the underwriting of loans has now become increasingly digital, swift, and efficient, thanks to artificial intelligence (AI). Traditional loan underwriting is a hands-on intensive process. Loan underwriters manually evaluate a borrower's creditworthiness based on various factors including income, credit history, outstanding debts, and the purpose of the loan. This involves sifting through vast amounts of data, interpreting complex financial documents, and making subjective judgments.5 The criticism of this method is that it is consuming, prone to errors, and often lacks consistency due to human bias.



AI is now playing a pivotal role in transforming the underwriting process. Financial institutions are integrating AI-based platforms into their underwriting process, even for conventional loans, to enhance efficiency. The benefits are stated to be improved accuracy, faster loan processing, and fairer pricing.5 However challenges are noted to be data privacy, algorithmic bias, and the need for human oversight in certain cases that need to be addressed. Additionally, lenders have stressed the importance of the "human touch" in the mortgage business, particularly as it pertains to customer interactions.9 For their part, consumers have expressed a similar preference for human involvement during much of the home purchase process, which, for many, represents the largest financial transaction of their lives. Lenders have also indicated that little expectation that AI will automate or assist the tasks that have typically required human interaction and replace or displace their employee base.

The June 2023 Fair Lending Report of the Consumer Financial Protection Bureau (CFPB) reports that advanced algorithmic technologies, as well as old technology now marketed as artificial intelligence, are often used throughout the entire life cycle of financial services. Big tech platforms, with their vast consumer surveillance and data harvesting infrastructure, have the potential to undermine fairness and competition.6 Some of these platforms are collecting and monetizing highly sensitive consumer data, including the types that are not appropriate to use in the context of a credit decision.

The Consumer Financial Protection Bureau states that AI product benefits based on atypical cases of use should be questioned and tested to protect consumers and small businesses from future harm when cloaked in vague promises of innovation and inclusion. CFPB also spotlighted an interagency proposed rule designed to implement quality control standards for automated valuations (AVMs) used by mortgage originators and secondary market issuers in valuing real estate collateral and securing mortgage loans. Under the proposed rule, the agencies would require institutions that engage in covered transactions to adopt systems to ensure AVMs adhere to quality control standards designed to ensure the credibility and integrity of valuations.

RECOMMENDATIONS **FOR NAREB**

The recommendations this report is making to address the challenges in the homeownership landscape are based on its mission to enhance the professional and business conditions of its members by strengthening the consumer capacity of Black, minority, and emerging target market segments that they serve.

Many of the recommendations have been addressed in the 2023 State of Housing in Black America report. We will also repeat those here, as relevant.

Participation in the policy-making process

1. Outlined in the 2022 WIRE report are several policies that impact housing. These policies such as the Community Reinvestment Act are periodically reviewed and updated concerning effectiveness when implemented. Home Mortgage Disclosure Act which governs the data banks are required to collect is also periodically up for review. During the review process, comments are received from participating or impacted populations. It is recommended that NAREB's policy arm remain involved at the national level to impact changes or repeal processes that have been shown to result in race/gender biases.

2. At the local and regional levels, we continue to recommend that NAREB members continue to serve on boards, attend meetings, and comment on housing policies (during the public comment period) that negatively impact African American females. One of the challenges at the local level is knowing or understanding the impacts of potential policies. If feasible, recommend that regional offices maintain a reference or legal bank to provide guidance on potential policy impacts.

3. Policy changes require data. As NAREB continues to make inroads and sits at the policy-making table, this report recommends that it sits prepared and armed with its own data. Relying 100% on secondary data collected by HMDA and the Census is a start, but each NAREB partner office knows the data related to their market. More importantly, they know the stories associated with each decision of denial, acceptance, and loan delays. HUD is interested in knowing these stories and NAREB should be the narrator.

Partnerships

NAREB is doing an exemplary job of creating partnerships across all fields. The proposed recommendations within this section focus on continuing or enhancing current efforts.

1. Establish partnerships with institutions of higher education, trade schools, and other entities where young adults sign up for certification and/or training. New AI in underwriting expands the time and content of what is considered in the credit scores. Given what we know about the largest population of women and the ages at which they apply for loans, teaching them financial literacy in their late teens and early 20s is a must. Many universities have developed freshman seminars and are open to adding relevant content to the freshman experience. NAREB in either direct partnership or through non-profits such as the National Urban League can craft an educational component to be included in the required seminar.

As discussed under education, the university is not the only source of young adult training. We recommend that NAREB pursues the introduction and incorporation of financial literacy in training and certification programs. Efforts will need to be made to identify curriculum developers within the programs.

2. Continue partnerships with sororities. Whether in conjunction with campus chapters or not, sororities, by definition work with and uplift women. Incorporating financial literacy can be of mutual benefit to all.

3. Continue partnerships with non-profits such as the National Urban League (NUL) and other groups that work with individuals experiencing foreclosure.

4. Continue partnerships with high-profile personalities that are relevant at varying ages. Their access to the public via public service announcements, ads, commercials, etc. in combination with other venues increases the number of women who will be exposed to the need to learn more.

5. The Building Black Wealth Tour has been and continues to be one of the best examples of a successful partnership. This report recommends continuing the tour and when/where funds are available to expand to additional cities. When and where possible, capturing information for a partial virtual experience for those unable to attend the face-to-face tours. The caveat to this is the virtual experience should not be asynchronous. Consider a virtual format (much like a conference format) where individuals sign up go into the virtual sessions and can select and 'visit' various tables a selected times for private one-on-ones. The information shared and professionals providing initial free service and advice to participants are vital to the African American community particularly African American Women as a growing segment in homeownership.

6. NAREB should stress the importance to new homebuyers to continue "Post Homeownership" housing counseling after purchase with HUD-approved agencies to learn the importance and how to preserve homeownership for the next generation. This includes the need to confer with an attorney regarding inherited property to prevent a cloudy title from proving ownership.

7. Develop a program/project that specifically targets senior African American Women. They are often the person who has inherited property, taken out a reverse mortgage loan, and will be the person who will leave property to their children and/or grandchildren. Educating this segment of the African American Woman segment is vitally important in post-homeownership and transferring generational wealth. This can be done through partnerships with churches, sororities, professional groups, and other social organizations.

Real Estate Professional

All disciplines change and evolve to remain relevant and/or better serve the public. There are three areas discussed that will impact the future role of the Real Estate Professional

1. There is a current atmosphere where the real estate professional will need to expand or redefine their roles. Continued legal challenges regarding fees may result in more al-a-cart services where the buyer/seller wants to know the fee structure and expects to be able to select which fees/services they are willing to pay for and which they may do themselves.

2. Other potential buyers require the real estate professional to 'stay' with them beyond the closing. Data on foreclosures within the first 2 to 3 years of ownership and the knowledge of the owner on where to turn to seek direction could be an expanded role of the real estate professional.

3. Real Estate Professionals should have a deeper understanding of the loan underwriting process. Changes in the underwriting process, including the addition of a new credit scoring system and what is entailed, is a powerful tool. Understanding which banks use which models is a way to prepare the potential buyer better and increase the chances for loan approval.

4. Real Estate professionals should stress to homebuyers upon purchase, the importance of having a will or trust if the new homeowner desires to preserve and protect generational wealth. These estate planning tools are not just for the wealthy.

5. Real Estate Professionals should stay actively involved in the discussions at the local, state, and federal levels regarding Artificial Intelligence (AI) and how it impacts people of color in financial and mortgage lending. Protections need to be considered for bias and the need for human input and judgment when making financial decisions. Because of income differences and the creative ways that African American women have become breadwinners and homeowners, the human factor may be of greater importance for positive outcomes in the home-buying process. NAREB should share information with CFPB, a watchdog for AI on specific situations as they evolve that should be monitored in the real estate profession.

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