



**National
Consumer Law
Center**

*Fighting Together
for Economic Justice*

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June 24, 2021

Senator Jon Tester
311 Hart Senate Office Building
Washington, DC 20510-2604

Senator Cynthia Lummis
Russell Senate Office Building
Suite SR-124
Washington, DC 20510

Re: Support for Senate Bill 2131, the Improving FHA Support for Small Dollar
Mortgages Act

Dear Senators Tester and Lummis:

The undersigned consumer and racial justice advocacy groups write in support of the Improving FHA Support for Small Dollar Mortgages Act. This bill addresses a key issue: the need to increase access to sustainable mortgage lending for homebuyers who are buying homes with sale prices under \$100,000. It has been well documented that banks are not currently serving this lower end of the mortgage market. As a result, low-income homebuyers too often end up drawn into predatory and unfair rent-to-own transactions, including land contracts and leases with option to buy. As the National Consumer Law Center has documented, these so-called “alternative pathways” to homeownership do not have a proven track record of creating true homeownership. Rather, they promise the “American dream” but end up being a mirage.

It is critically important to open up sustainable mortgage lending to the homebuyers purchasing homes for \$100,000 or less. There are many areas around the country where homes can still be purchased in this price range. Without access to mortgages, would-be homeowners are blocked from accessing these homes, and they are instead scooped up by speculators.

The Improving FHA Support for Small Dollar Mortgages Act would require the Federal Housing Administration to review its single-family mortgage policies to identify any barriers or impediments to the making of mortgage loans for \$100,000 or less. Such a review would be the first step in expanding access to sustainable home purchase credit in a way that would advance the interests of low-income consumers and help to reduce the racial wealth gap. In 2019, the median Black household held one-eighth of the wealth of the median white household. Housing equity makes up nearly 60% of total net worth for Black homeowners, compared with 43% of total net worth for white homeowners. However, the homeownership rate has lagged for Black

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households, and fell more than 5 percentage points after the Great Recession. As of 2018, the white homeownership rate was 72.1%, the Hispanic homeownership rate was 48.1%, and the Black homeownership rate was 42%. This bill would make an important difference in reducing the racial wealth gap, by identifying the steps needed to help many Black renters become homeowners with an affordable, sustainable mortgage.

Thank you for your sponsorship of this bill.

Sincerely,

The National Consumer Law Center (on behalf of its low-income clients)
Americans for Financial Reform
Center for Responsible Lending
National Housing Law Project