



Testimony

of

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and

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Professionals (NAHREP)

Before the

Joint Hearing of

The Subcommittee on Housing and Community Opportunity

and

The Subcommittee on Oversight and Investigations

on

“Minorities and Women in Financial Regulatory Reform: The
Need for Increasing Participation and Opportunities for
Qualified Persons and Businesses”

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Chairwoman Waters, Chairman Moore, and Members of the Subcommittees, thank you for the opportunity to testify on this very important subject – the ability of minority- and women-owned businesses to access government contracting opportunities in the areas of housing and financial services.

I am pleased to offer my views as the owner of a small real estate sales business, and also as the Chairman of the National Association of Hispanic Real Estate Professionals, or NAHREP.

NAHREP is non-profit trade association with over 18,000 members and 65 local chapters nationwide. Our mission is to increase sustainable Hispanic homeownership by empowering the real estate professionals that serve the community. NAHREP members are real estate agents, brokers, mortgage and settlement service providers and other housing professionals.

The federal government procurement process is complicated and labor intensive. Larger companies with substantial experience and vast resources have an insurmountable advantage competing for government work. Most minority-owned firms are small businesses that generally lack the experience and human capital to successfully navigate through the process.

Hispanic-owned firms have acquired contract work from financial institutions at an alarmingly low rate. Although it's difficult to get complete data, NAHREP estimates that Hispanic owned firms currently acquire less than 1% of the total supplier contracts from financial institutions.

Considering the mass consolidation of the financial services industry and the extensive government interventions, it is extremely important that the federal government become increasingly vigilant to insure that minority owned firms receive a fair share of supplier contracts. Not doing so will likely lead to even

greater disparities in the unemployment rate between minorities and non-minorities and will be a setback to the nation's community stabilization efforts.

NAHREP receives many requests for support around the government contracting process from its members. One member from Riverside, California, who prefers to remain unnamed, says that she has been actively pursuing government work for almost two years with no success. Her story typifies the experience of the large majority of minority-owned firms. This individual has owned and operated a successful business for more than ten years.

Her company is minority and women owned with an impeccable track record. 30 of her 35 employees are minorities and she is very active in her community and her industry. In our view, she runs the type of operation that should be ideal for government work – reputable, capable with a strong track record of community investment. During the past year she has invested more than \$27,000 in consultants and has dedicated about 70% of her managerial time preparing proposals and earning certifications. All this was done in an effort to better position her company for success in the government contracting space. To date she has failed to acquire any government business. She describes the process as complicated and exhausting and says “it’s like taking a difficult exam and never being told why you failed”. She has recently decided to abandon the pursuit of government contracts, and focus her energy and resources on other business opportunities.

Other members describe similar experiences but consistently state that the government contracting process is difficult and demoralizing, with a complete lack of transparency.

For all those reasons, NAHREP stands in full support of the provision in H.R. 4173 that would create an Office of Minority and Women Inclusion at each of the major federal financial regulatory agencies. This provision is similar to one in the

Housing and Economic Recovery Act that applied to the Federal Housing Finance Agency, Fannie Mae, Freddie Mac, and the Office of Finance of the Federal Home Loan Bank System. Our members' experience is that the HERA law has had a noticeable and beneficial impact on improving the federal contracting opportunities for minorities and women.

In April, our organization submitted a comment letter to the FHFA in support of its regulation implementing the provision in HERA. In addition, we also included several proposals that we felt would help to strengthen the measure.

We should now build on the steps taken in HERA by expanding its application. That is why we support the much needed provision in HR 4173.

On behalf of NAHREP, we thank you for your efforts.