



U.S. HOUSE COMMITTEE ON FINANCIAL SERVICES
– CHAIRWOMAN MAXINE WATERS –
FACT SHEET: THE DOWNPAYMENT TOWARD EQUITY ACT OF 2021

Bill Summary: This bill will provide financial assistance to first-generation homebuyers to put towards a downpayment on a home addressing multigenerational inequities in access to homeownership, and to narrow and ultimately close the racial homeownership gap in the United States.

The Need for Legislation: Downpayment requirements remain one of the greatest barriers to entry for many first-time homebuyers, especially people of color who have been historically excluded from homeownership opportunities and comparatively lack familial wealth. The wealth of the median White family is eight times that of Black and Latinx families. As the Black-White homeownership gap has reached a 50-year high, it is only expected to worsen without significant policy intervention.

As interest rates have reached historic lows during the coronavirus pandemic, we have seen a huge demand for home purchases, and homebuyers who already have the downpayment cash on hand to enter homeownership have been able to take advantage. While low rates provide greater buying power and more affordable home financing options, credit-worthy borrowers who lack the intergenerational wealth for a downpayment are being left behind.

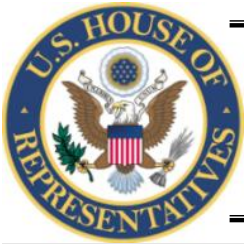
According to an Urban Institute analysis, targeting downpayment assistance to first-generation homebuyers could reach approximately 6 million eligible homebuyers who are disproportionately Black and Latinx. Researchers have also found that the highly targeted eligibility requirements in this bill will stymie the potential for systemic home price inflation caused by increased demand, especially in housing markets where there is currently adequate supply.

The Solution: This bill would help address the legacy of discrimination in our housing markets by providing downpayment and other financial assistance, along with housing counseling requirements, to expand access to sustainable homeownership and reduce barriers to entry for credit-worthy, lower wealth borrowers.

Stakeholder Support: National Housing Conference, National Fair Housing Alliance, Center for Responsible Lending, National Urban League, National Housing Resource Center, Mortgage Bankers Association, National Association of Realtors, National Council of State Housing Agencies, National Consumer Law Center (on behalf of its low-income clients), PolicyLink, UnidosUS, The Leadership Conference on Civil and Human Rights, Prosperity Now, ROC USA, Grounded Solutions Network, Center for Community Progress, RESULTS, National Community Reinvestment Coalition, National Coalition for Asian Pacific American Community Development (National CAPACD), Asian Real Estate Association of America, RESULTS, ROC USA, Veterans Association of Real Estate Professionals, National Community Stabilization Trust, Homeownership Alliance, National Association for Latino Community Asset Builders, Habitat for Humanity International, Massachusetts Affordable Housing Alliance, California Reinvestment Coalition, Americans for Financial Reform, Housing Opportunities Made Equal of Virginia, Inc., Louisiana Fair Housing Action Center, Community Service Programs of West AL, Administration of Resources and Choices, Family Housing Resources, Inc., Greater Phoenix Urban League, Newtown Community Development Corporation, Take Charge America, Inc., Trellis, Community Housing Council of Fresno, Homeownership Council of America, Ventura County Community Development Corporation, Latino Economic Development Center, National NeighborWorks Association, NFCC - National Foundation for Credit Counseling, Delaware Federation of Housing Counselors, Inc., Neighborhood House Inc, Affordable Homeownership Foundation Inc., Debthelper.com, Neighborhood Housing Services of South Florida, Inc.,

St. Petersburg Neighborhood Housing Services, Inc. dba Neighborhood Home Solutions, Economic Opportunity for Savannah-Chatham County Area, Inc, Morningstar Urban Development Inc, Sconiers Homeless Preventive Organization Inc, Southwest Georgia United Empowerment Zone, Inc., Housing Action Illinois, Madison County Urban League Inc, Universal Housing Solutions CDC, HomesteadCS, CHAPA, MA Affordable Housing Alliance, Arundel Community Development Services, Inc, Centro de Apoyo Familiar, Neighborhood Housing Services of Baltimore, Avesta Housing HomeOwnership Center, Coastal Enterprises, Inc., Greater Kansas City Housing Information Center, Kalamazoo Neighborhood Housing Services, Minnesota Homeownership Center, Washington County (MN) Community Development Agency, Greater Kansas City Housing Information Center, Financial Pathways of the Piedmont, Monroe Union County CDC, Sandhills Community Action Program, Inc., Family Housing Advisory Services, Omaha 100 Incorporated, Central Jersey Housing Resource Center Corp., Consumer Credit and Budget Counseling, Inc d/b/a National Foundation for Debt Management, New Jersey Citizen Action, CCCS of Buffalo, Opportunities for Otsego, Inc., Rockaway Development & Revitalization Corporation, Affordable Housing Centers of Pennsylvania, Clarifi, Mt. Airy CDC (Community Development Corporation), NWCS, Inc., Knoxville Area Urban League, Housing Channel, Marshall Housing Authority, SouthFair Community Development Corp., Piedmont Housing Alliance, Housing Action Illinois, Massachusetts Fair Housing Center, Inc.

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THE DOWNPAYMENT TOWARD EQUITY ACT OF 2021

Section 1. Short Title.

- This section establishes the short title for this division as the “Downpayment Toward Equity Act.”

Section 2. Downpayment Program.

- This section would establish a grant program at the Department of Housing and Urban Development (HUD) to provide financial assistance for downpayment costs, closing costs, and cost to reduce the rates of interest of up to \$20,000 for first-generation homebuyers and up to \$25,000 for socially and economically disadvantaged homebuyers, in connection with acquiring owner-occupied primary residences using an eligible mortgage loan. States administering programs are allocated 75% of funds through a formula based on population size, median home prices, and racial disparities in homeownership rates. Eligible entities administering programs, including some Community Development Financial Institutions and Minority Depository Institutions, will receive 25% of funds on a competitive basis.

Section 3. Qualified Homebuyers.

- This section establishes that homebuyers must meet certain eligibility requirements. Homebuyers must have an income that is equal to or less than 120 percent of the area median income (AMI) for either the area where the home being purchased is located or the area where the homebuyers' place of residence is located. For homebuyers in high-cost areas, the income limit is raised to 180 percent of the AMI for the area in which the home is being purchased. An eligible homebuyer must be a first-time homebuyer, meaning that they have not held property ownership in the last 3 years, and must be a first-generation homebuyer, meaning that their parents or guardians have not owned a home in the last 3 years. Any individual who was ever placed in foster care and meets the income requirements would be considered an eligible first-generation homebuyer.

Section 4. Eligible Homes.

- This section would authorize a qualified homebuyer to purchase a residential property with 1 to 4 dwelling units, including cooperatives, condominiums, and manufactured homes, that will be occupied by the homebuyer as a primary residence.

Section 5. Eligible Mortgage Loans.

- This section would authorize the use of program funds to assist in the purchase of any home financed with a mortgage that is eligible for purchase by Fannie Mae or Freddie Mac, is made, insured, or guaranteed by the Federal Housing Administration (FHA), the U.S. Department of Agriculture (USDA), or the U.S. Department of Veteran Affairs (VA), is a guaranteed loan under HUD's Section 184 program, or meets the definition of a qualified mortgage.

Section 6. Housing Counseling Requirement.

- This bill would provide 5% of authorized funds for HUD-approved housing counseling agencies that help homebuyers complete the home purchase counseling program requirement to qualify for assistance. If a homebuyer is unable to complete a program within 30 days due to housing counseling agency capacity issues, the homebuyer may complete homebuyer education as an alternative requirement. All homebuyers are required to be made aware of post-purchase counseling opportunities. Any individual who receives a commitment for assistance under the program but whose mortgage application is denied, will be referred to a HUD-approved counseling agency for furthering counseling and requalification for assistance.

Section 7. Administrative Costs.

- This bill would authorize states to use up to 5 percent of any grant funds for administrative costs and training to carry out the program.

Section 8. Reports.

- This bill would require the Secretary of HUD to submit a report of program performance and outcomes to Congress every fiscal year. The Secretary shall use no more than 1% of funds to assist States and eligible entities to develop the capacity to adhere to the requirements under this section and shall encourage States and eligible entities to consult with community-based and nonprofit organizations that have as their mission to advance fair housing and fair lending.

Section 9. Compelling Interest Study.

- The secretary and attorney general are authorized by this bill to survey and compile evidence to demonstrate whether there is a compelling interest to grant funds for downpayment assistance to socially and economically disadvantaged individuals and, in accordance with the Secretary's recommendations, States and eligible entities that are granted awards would have an opportunity to modify their programs to better assist socially and economically disadvantaged applicants.

Section 10. Definitions.

- This section provides definitions.

Section 11. Authorization of Appropriations.

- This bill authorizes \$100 billion, to remain available until expended.