

REVEREND  RAPHAEL
WARNOCK
U.S. SENATOR *for* GEORGIA

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 legislation is introduced by U.S. Senator Reverend Raphael Warnock, joined by U.S. Sens. Sherrod Brown (D-OH), Chairman of the U.S. Senate Committee on Banking, Housing, and Urban Affairs, Tim Kaine (D-VA), Chris Van Hollen (D-MD), Mark Warner (D-VA), and Elizabeth Warren (D-MA). The House companion legislation is led by Congresswoman Maxine Waters (D-CA), Chairwoman of the House Financial Services Committee.

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.

As interest rates have reached historic lows during the COVID-19 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 5 million eligible homebuyers who are disproportionately Black and Latino. 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.

How the Bill Works: The bill creates a new program with the U.S. Department of Housing and Urban Development (HUD) to provide qualified first-generation homebuyers with grants to aid in purchasing a home, with qualifying expenses including downpayment costs, closing costs, and costs to reduce the rates of interest. Funding will be dispersed by state agencies, minority depository institutions, community development financial institutions, and non-profits that focus on expanding homeownership to low-income populations.

Qualified homeowners must complete a housing counseling program and be a first-generation homebuyer, meaning the buyer's living parents or guardians have not owned a home, and whose spouse, domestic partner, and each member of the household could not have owned a home in the past 3-years. Homebuyers who spent time in foster care also qualify. Income for homebuyers will be limited to 120% of area median income (AMI) and 180% of AMI in high-cost areas, as defined by HUD.

If a homebuyer receives assistance and does not use the home as a primary residence, the grantee must repay a proportional amount of assistance to HUD depending on the amount of time when the home was not used as a primary residence. The bill includes exceptions for the repayment requirement if a homeowner vacates the property because of a death, financial hardship, medical expense, or if a person is fleeing domestic violence.

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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