

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

The American Dream Down Payment Act of 2022

Bill Summary: This bill will allow states to offer tax-advantaged savings account for the costs associated with purchasing a primary residence and address the need for new financial products to support access to homeownership as interest rates continue to increase. The legislation is introduced by U.S. Senator Reverend Raphael Warnock. The House companion legislation is led by Congressman Gregory Meeks (D-NY). A previous version of this bill was introduced by Senators Doug Jones and Cory Gardner.

The Need for Legislation: Down payment 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.

Many government mortgage programs today allow lower down payments, but putting a full 20% down helps to put consumers in a good position to obtain a home loan at a favorable rate. As the Federal Reserve increases interest rates, it is more important than ever that homebuyers are able to put a full 20% down in order to obtain a home loan at a favorable rate. We have seen a huge demand for home purchases, and homebuyers who already have the down payment cash on hand to enter homeownership have been able to take advantage.

According to an Urban Institute analysis, more than two-thirds of renters view down payments as a barrier to owning a home.

The Solution: This bill would help address the need for financial products that support savings for purchasing a home by allowing individuals to grow savings in a tax free account as well as allow family and friends to contribute to their savings.

How the Bill Works: The American Dream Down Payment Act would let states establish Qualified Down Payment Savings Accounts, which they would manage in the same way they manage 529 Plan accounts today. It would also allow prospective homeowners to save up as much as 20 percent of the current conformal loan limit (\$129,440), indexed for inflation, to use for an eligible down payment and other housing costs. It would facilitate long-term savings for a down payment and allow contributions from family and friends as well as allow homebuyers using their Qualified Down Payment Savings Account savings and earnings to use those funds tax-free at withdrawal for eligible expenses.

Stakeholder Support: National Association of Realtors

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