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DOWN PAYMENT

Down payment assistance is the third key to unlocking the door to homeownership.

For many families, the greatest barrier to homeownership is the lack of funds for a substantive down payment. Ironically, homeownership helps a family build wealth and assets; yet many of the families who would receive the greatest benefit from owning their own homes are denied the opportunity because they have not yet built up their wealth and assets. The Blueprint contains a number of strategies designed to help families accumulate enough cash for both down payment and closing costs. These include the proposed expansion of President Bush's American Dream Downpayment Fund; other government programs, such as FHA and VA mortgages; alliances between national nonprofit organizations and community groups, employers, and local agencies; and Individual Development Accounts and innovative mortgage products that require very low or zero down payments. These initiatives will enable families who never dreamed homeownership was possible become true stakeholders in their communities and accumulate the wealth that homeownership makes possible – wealth which can be left in their estate for their children, or used to finance an education or start a business.

COMMITMENTS

BUSH ADMINISTRATION

"People take a look at the down payment, they say, 'That's too high, I'm not buying.' They may have the desire to buy, but they don't have the wherewithal to handle the down payment. We can deal with that."

— President George W. Bush

Department of Housing and Urban Development

American Dream Downpayment Fund:

The Administration has requested \$200 million annually for the American Dream Downpayment Fund. At an average of \$5,000 of assistance to each household, this initiative would help roughly 40,000 low-income families a year with downpayment and closing costs.

Section 8 Homeownership Initiative:

The Administration is committed to strengthening the ability of public housing authorities to use Section 8 funds as downpayment assistance for recipients who are seeking to make the transition from renting to owning. Under this initiative, the recipient can choose to use up to one year’s worth of voucher funds toward a downpayment to purchase a home.

Federal Housing Finance Board

Affordable Housing Program (AHP):

The incremental increase of \$1.5 million – or 10 percentage points – to the AHP set-aside authority is reserved for first-time homebuyers. This increase is authorized as a complement to the Administration’s initiatives to increase homeownership rates, especially among low- and moderate-income, minority, and immigrant households.

It is the Finance Board’s hope that this increased set-aside authority will help to provide additional down-payment and closing-cost assistance to households purchasing homes in conjunction with HUD’s homeownership programs, including the Section 8 homeownership voucher program. A bank, at its own discretion, may allocate additional funds from its AHP homeownership set-aside allocation toward this purpose.

Department of Treasury

Community Development Financial Institutions Fund:

CDFI Fund provides capital to CDFIs – community-based non-traditional lenders that work in market niches where traditional banks either do not, or find it difficult to, provide loans. Some CDFIs of whom assist low-income and minority households with financial products to help with the purchase of a home.

This may be in the form of first or second mortgages, or assistance with closing costs and down payments. In addition, CDFIs provide pre-purchase counseling and homeownership training to potential homebuyers.



FANNIE MAE

Fannie Mae will develop at least 100 employer-assisted housing alliances each year, with an emphasis on employers with large numbers of minority employees.

More information: Fannie Mae provides consultation and marketing services for interested organizations that would like to offer Employer Assisted Housing (EAH) programs to their employees. EAH is an employer-provided benefit aimed at helping employees become homeowners through a range of tools, some form of including, but not limited to, downpayment assistance. There are many examples of EAH programs across the country: Advance Foods Company in Enid, Okla., offers a \$2,500 forgivable loan that is fully forgiven at the end of the 3rd year. Teachers in San Jose, Calif., who buy a home in San Jose can obtain a no-interest deferred repayable loan of up to \$40,000. The loan must be repaid at the end of 30 years if the home hasn't been sold or refinanced prior to that date. Mission St. Josephs Hospital in Asheville, N.C., provides homebuyer education and a matched savings of up to \$2,500 to income eligible employees. Canisus College in Buffalo, N.Y., provides a five-year forgivable loan of up to \$5,000 in "eligible" neighborhoods and up to \$7,000 in "targeted" neighborhoods. The Hispanic Federation in New York City provides on-site homebuyer education to its employees.

Fannie Mae will continue to develop its full line of low downpayment mortgage products for lenders, including Expanded Approval for borrowers with blemished credit. Fannie Mae's My Community Mortgage products are designed to assist conventional lenders meet their Community Reinvestment Act (CRA) objectives by providing flexible mortgage products with low downpayments and flexible terms for other cash to close. Our Community Solutions products are specifically designed with special features to make it easier for public safety and education employees to become homeowners.



DOWN-PAYMENT

ASSISTANCE



FEDERAL HOME LOAN BANKS (FHLBANKS)

The 12 FHLBanks pledge their ongoing support for making homeownership a reality for 5.5 million minority families by the end of the decade. The FHLBanks are the largest source of private sector grants for affordable housing in the country, with projected grants in 2002 of \$240 million. In addition, the FHLBanks are the dominant provider of wholesale funds for their member financial institutions, with more than \$470 billion in loans currently outstanding to community lenders.

FHLBanks generally set aside a portion of their Affordable Housing Program (AHP) money for first-time homebuyer- and homeowner-assistance programs. Although the programs vary from FHLBank to FHLBank, they help prospective homebuyers overcome down payment and closing cost hurdles. In 2002, the FHLBanks expect to commit \$40 million for homeowner assistance. In addition, many of the programs offer bilingual services and literature. Homebuyer-assistance projects also successfully compete for awards through the competitive portion of the AHP.

FHLBank homeowner-assistance programs are similar to the Bush Administration's American Dream Downpayment Fund, which helps low- and moderate-income families with the down payment and closing costs of a home purchase. Individual subsidies vary by program and range from \$2,000 to \$15,000. Through the end of this decade, the FHLBanks' homeowner-assistance programs are projected to provide \$250 million toward down payments and closing costs to help more than 50,000 families purchase homes. Recently, the Federal Housing Finance Board significantly enhanced the FHLBanks' ability to support first-time homebuyers by increasing the amount of funds the FHLBanks can set aside for these programs.

In support of the White House initiative, the FHLBanks pledge to continually evaluate their programs and consider modifications that will facilitate greater use of the programs by minority families. Communication is critical, because prospective homebuyers need to be aware of the programs in order to use them. In 2002, the FHLBanks began using radio to provide Spanish- and English-speaking listeners with information about homeownership-assistance programs sponsored by the FHLBanks. Audio News Releases (ANRs) about the programs were produced and distributed to key markets.

For example, a Spanish-language ANR was produced and distributed throughout six southeastern states and the District of Columbia. It explained the homeownership-assistance program offered by the FHLBank of Atlanta and described how listeners could access that

program. The ANR was enthusiastically received by Spanish-language radio stations throughout the region. Several aired it 30 times within a few days. Similar high usage rates were experienced with ANRs distributed in other states and regions in 2002.

The FHLBanks plan to continue and expand this ANR program in 2003 and beyond. The goal is to provide information via community radio stations to as many minority and low-income listeners in the U.S. as possible.

FREDDIE MAC

Representing a team effort with mortgage lenders, nonprofit housing and community organizations, and other industry leaders, "Catch the Dream" is Freddie Mac's contribution to making the dream of homeownership a reality for millions more of the nation's minority families. The 25 "Catch the Dream" initiatives are designed to dismantle barriers and create opportunity along the entire process of becoming – and staying – a homeowner.

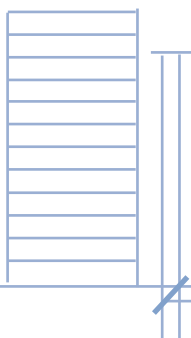
Two of Freddie Mac's "Catch the Dream" initiatives address the need to assist families in accumulating funds for down payment.

Down Payment Assistance:

Freddie Mac is developing targeted marketing strategies for our numerous low- and no-down-payment mortgage products. These products feature flexible down-payment sources, including loans from relatives, grants, gifts and lender financing. In addition, borrowers often qualify for greater flexibility on payment ratios, reserve requirements or credit history. Freddie Mac also is focused on integrating the use of community-based savings systems into standard underwriting.

Banking the Unbanked:

Millions of families do not use mainstream financial services, such as bank accounts. Lack of access to such services makes it more difficult for families to accumulate funds for down payments and to build a good financial track record. Working with lenders, Freddie Mac is developing innovative pilot programs that link the establishment of banking relationships with the path to homeownership.





HABITAT FOR HUMANITY INTERNATIONAL

Habitat for Humanity is a pioneer in self-help housing. Habitat for Humanity is not a give-away program; rather, Habitat houses are sold to qualifying homeowners with no-interest, no-profit loans. The construction of homes through the self-help method enables Habitat for Humanity to sell its houses with little or no down payment. Where down payments are required, Habitat for Humanity works closely with homeowners to clear this crossing on the path to homeownership. In a sense, sweat equity is a down payment made by each Habitat for Humanity homeowner partner family.

Habitat for Humanity is committed to:

- Continuing to require homeowner "sweat equity" as a self-help means of reducing housing and mortgage costs.
- Publishing a manual on the Section 8 Homeownership program that will increase affiliate awareness of the opportunity for families to utilize up to one year's vouchers as down payment on a Habitat for Humanity home.
- Continuing to promote the use of the Affordable Housing Program among its affiliates.

NATIONAL ASSOCIATION OF REAL ESTATE BROKERS (NAREB)

NAREB is a national organization for African-American and other minority real estate professionals dedicated to promoting fair and equal housing opportunities for all Americans.

United around the theme "Democracy in Housing," the association is committing to provide down-payment assistance grants to 1,000 potential homebuyers in partnership with the Home Buyer Assistance Foundation, Bank One, and the Nehemiah Corporation.

NATIONAL CREDIT UNION ADMINISTRATION (NCUA)

Through NCUA's "Access Across America" initiative, which focuses on creating economic empowerment for people from all walks of life, the federal agency is best positioned to empower America's nearly 10,000 credit unions, with over 80 million members, to provide outreach to serve the underserved and facilitate partnerships between credit unions and community organizations for developing affordable housing initiatives.

INVESTMENT

DOWN PAYMENT

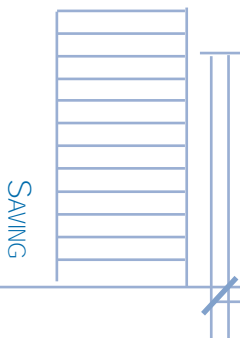
In support of the President's initiative on minority homeownership, the NCUA will continue to work with credit unions to ensure their members have a means of easily saving for the downpayment for a home.

Credit unions are traditionally the first and primary source for many consumers when starting a savings program. Most have provided no-minimum-balance accounts, with only the need for the member to retain their one share requirement, as established by the credit union's board. Credit unions continue to be the source of payroll deductions and direct payroll deposits for the consumer. The NCUA will further facilitate the partnering of credit unions with other organizations providing homeownership counseling to become the financial institution of choice for building the necessary capital for a downpayment, as well as a source to meet financial emergencies when they arise.

Further, the NCUA is the steward of the Community Development Revolving Loan Fund. Since its inception in 1979, the Fund's focus has been on supporting community-development opportunities. The Fund consists of a loan program – with loans granted to individual low-income credit unions in the aggregate of \$300,000 at a current rate of one percent. Although the Fund is small, with a total appropriation to date of \$12 million, the agency will study the feasibility of focusing the loans towards development of minority homeownership opportunities, which may include down payment assistance.

NEIGHBORHOOD HOUSING SERVICES OF AMERICA (NHSA)

NHSA is pledging to work to raise \$150 million in grants and equivalents from public and private sources to sustain interest rates on NHSA's loan products. These products are designed to be within the ability of low- and moderate-income homebuyers, mainly minorities, to pay.





ASSISTANCE

NEIGHBORHOOD REINVESTMENT CORPORATION (NRC)

NRC is pledging to provide direct homeownership assistance to 130,000 families. At an average home price of \$100,000, NRC expects to generate \$13 billion in direct investment.

SEARS, ROEBUCK AND CO.

In response to President Bush's call to address the homeownership crisis in America, Sears, Roebuck and Co. has created the "Sears American Dream Campaign." The five-year, \$100 million commitment will make homeownership and continued home maintenance possible for millions of Americans who might otherwise not be able to share in that dream.

A key program feature is the \$1 million "Sears American Dream Campaign" Fund. This will provide financial assistance to help families afford new homes.