Closing The Racial Equity Gap: A Call To Action

America's persistent homeownership divide has denied millions of families an opportunity to build wealth. It's time for the housing industry and its partners to take the lead on solutions.

FHLBank San Francisco

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The benefits of homeownership to individuals, communities, and the U.S. economy are well-documented. A home is the biggest asset on most household balance sheets, an investment that can pay for retirement or fund a child's education. The advantages of homeownership also extend to society as a whole, promoting civic engagement and boosting economic growth.

In ways large and small, homeownership is the backbone of U.S. prosperity and success.

But this vision of prosperity is increasingly being tested. Systemic discrimination, a financial skills shortage, and job and income disparities have limited homeownership and its benefits, especially as they accrue to Black households.

The racial homeownership gap now stands at a record high according to data that goes back to the 1960s, when redlining and systemic racism were legal. Statistics tell a story of unequal access to credit, persistent discrimination, income disparities, and a lack of affordable homes.

At the Federal Home Loan Bank of San Francisco, our mission is to partner with our members, the business community, and other stakeholders to promote sustainable and affordable housing and encourage economic development with the goal of making our communities more vibrant and resilient.

The Bank formally reiterated its commitment to narrowing the racial homeownership gap in October 2021. That month, we partnered with the Urban Institute to launch the Racial Equity Accelerator for Homeownership, a two-year, $1.5 million fact-finding mission to develop and incubate evidence-based ideas to boost access to homeownership, especially for people of color.

In October 2022, the Bank went further, issuing an industry-wide call to action. With the support and guidance of our Board of Directors, the Bank convened public and private stakeholders for a series of frank discussions on why and how the system is failing large segments of the population.

Joined by Directors Melinda Guzman and Lori Gay, who were instrumental in launching the initiative, Bank staff hit the road in search of new ideas and examples of successful policies and projects. At summits in four cities, we sought to inject more urgency into the conversation and inspire housing's diverse community to venture outside their comfort zones to work as a team to work as a team to advance policy, private-sector, and community change.

The summits brought together more than 150 Bank members, community leaders, mortgage and finance executives, entrepreneurs, builders, and local, state, and federal policymakers. In closed-door sessions held in Arizona, California, and Nevada between October 2022 and March 2023, we had a free and frank exchange of ideas. We learned from each other and explored ways to work together.

This report summarizes those efforts and their topline takeaways. It's a call to action and the start of what we hope will be a continuing dialogue.

Our goal is nothing less than the demolition of long-standing, systemic barriers that prevent people of color from owning a home.

Teresa Bryce Bazemore
President and CEO
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The State of Play

The market value of owner-occupied real estate in the U.S. is more than $43 trillion. Subtract debt on those properties and the aggregate equity held by homeowners is still high—more than $30 trillion.[1] Housing accounts for some 15 percent of the U.S. economy.

The financial benefits of owning a home are clearly substantial, but they're not everything. Homeownership also delivers advantages for families, neighborhoods, and society by fostering stability, security, and community.

As a source of wealth, homeownership can buffer families from financial shocks, help aging adults in retirement, and give parents a resource for financing a child's education. The opportunities for civic engagement that come with homeownership can lead to better schools and more effective local government, feeding a virtuous cycle that, in turn, raises property values.

That's why the U.S. has a long history of encouraging homeownership through tax policy, mortgage credit availability, downpayment assistance, and financial counseling.

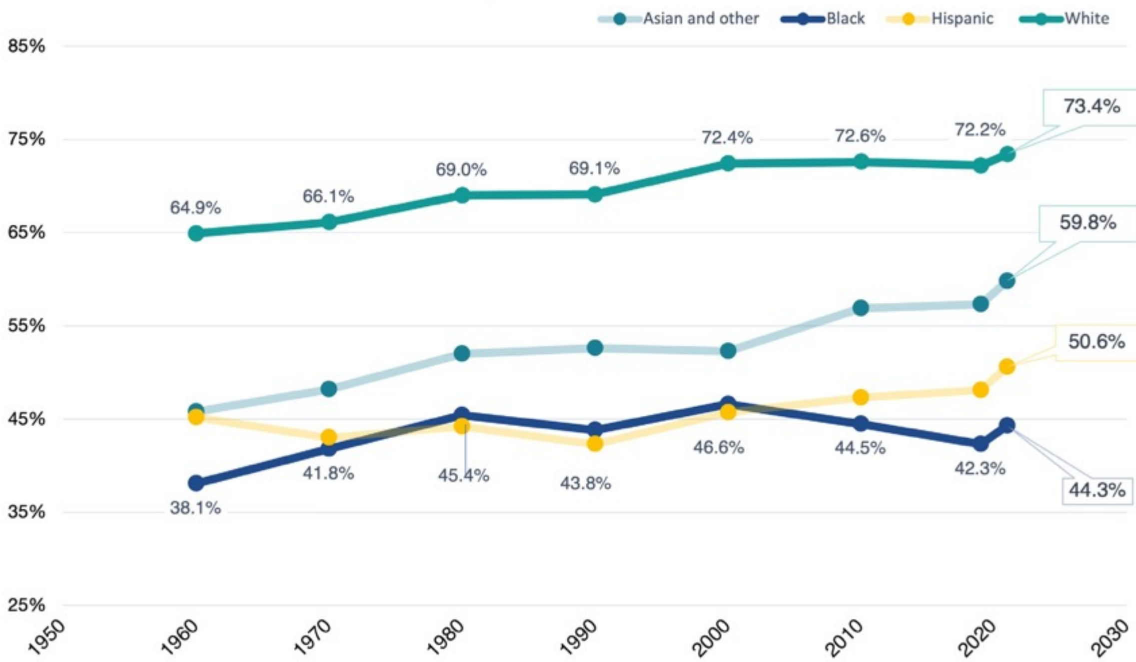
But the benefits of homeownership have never accrued evenly. For decades, sanctioned racial discrimination denied many Black and Hispanic households a chance to own.

Even now, with racial discrimination in housing outlawed, its legacy endures in the gap between Black homeowners and White homeowners.

In 1960, the gap between Black homeowners and White homeowners was less than 27 percentage points. By 2019, it was almost 30 points, its widest ever. Not a single metropolitan area in the U.S. has ever closed the Black homeownership deficit.[2]

Today, only 45.3 percent of Black households own a home, compared to 72.2 percent of Whites and nearly 66 percent of the U.S. population as a whole.[3]

Homeownership Rates by Race



Source: Urban Institute

When researchers control for education, the results are similar. Among adults aged 25 to 40, nearly 60 percent of White college graduates own a home, compared to 36 percent of Black graduates. Stymied by student debt, fewer extended resources to provide a downpayment, and workplace and lending discrimination, a Black adult holding a bachelor's degree is less likely to own a home than a White adult without a high school diploma.[4]

Studies have shown, too, that a college degree isn't necessarily an income equalizer. Minority and low-income students are more likely to enroll at lower-quality institutions and have higher dropout rates. Black and Hispanic young adults with college diplomas earn less than White degree holders even when they work in the same industry. They're less likely to be employed and more likely to carry debt than White graduates.[5]

Each data point tells its own story, but taken together, the numbers behind the racial homeownership gap describe a continuum of negative effects, a feedback loop that worsens outcomes for people of color at every step.

- Black adults begin their homeownership journey less equipped than their White counterparts. They lack savings and are more likely than White households to be rent-burdened. As a group, they not only have less household wealth and higher levels of debt, they often have parents who also have little household wealth and higher levels of debt and are unable to contribute to a downpayment.

- An acute housing shortage, especially of starter homes, and the recent, rapid rise in interest rates have exacerbated a long-standing affordability crisis. Rising rents and a shrinking inventory of low-cost units make it even more difficult for aspiring Black buyers to save.

- When they are ready to buy, Black households must navigate a mortgage system in which traditional credit scoring, appraisals, and underwriting methods work against them. Buyers of color who do get loans tend to pay higher interest rates.

- Once achieved, homeownership itself brings challenges. With less wealth and lower incomes, a single emergency—a sudden home repair or hospital bill—can throw a household off track. A lack of generational wealth can mean struggling borrowers have fewer resources to tap to get back on track. Black families thus are more susceptible to foreclosure than White families. In Black families where the parents don't own a home, their children are less likely to attend college or become homeowners themselves.

These problems, by now familiar to most policymakers and people in the industry, have been building for decades, with ever-more-urgent calls for action and too few success stories. Efforts to close the gap have failed to yield sustainable change.

If left unchecked, the racial homeownership gap looks certain to widen. Slower economic growth, deepening wealth inequality, and increased racial and economic segregation are the inevitable results. By one estimate, closing the Black racial wage gap 20 years ago could have generated an additional $2.7 trillion in income available for consumption and investment in the U.S.[6]

Industry leaders and policymakers must take heed. Black, Hispanic, and Asian populations are growing, and the U.S. is projected to be majority non-White by 2050, according to Census Bureau data. California has been a majority-minority state since 2014.[7]

Denying homeownership to large segments of the population is untenable, not only morally, but economically.

Well-intentioned policy fixes haven't meaningfully moved the needle. The U.S. housing system is largely locked into 20th-century laws and practices. It demands a 21st-century solution that will require all of us, as housing stakeholders, to come together, collaborate, and collectively commit to solutions.

No one entity or policy is to blame, and no one solution will come to the rescue. Responses must be multi-layered and coordinated at the local, state, and federal levels, with the private sector taking a more active role.

Challenges and Solutions

Preparing for Homeownership

1. **Financial Education**
2. **The Jobs Pipeline**
3. **Downpayment Assistance**

Planning and preparing for a home purchase is daunting in the best of circumstances. Add an inequitable job market, the monumental task of saving for a downpayment, and a lack of financial experience, and the process can be all but impossible.

Financial education is a first step to putting homebuyers on the right path. Quality jobs and sustainable incomes come next, coupled with improved diversity and inclusion among housing and mortgage professionals. Finally, downpayment assistance programs can be expanded and improved upon in creative ways.

1. Financial Education

A 2021 survey revealed a surprising fact: More than 58 percent of young homebuyers said they had turned to YouTube as a source of information about personal finance and the homebuying process.[8]

It was a message to the industry about where to find new customers, but more importantly it spoke to the need for financial education.

Even experienced homebuyers can be thrown by the complexity of finding a house and obtaining a mortgage. Preparing for that process for the first time is even more complicated and can take years. To build a foundation for homeownership, the basics of budgeting, credit, and savings must be taught beginning at a young age.

Banking regulators and industry are stepping up. In 2001, the Federal Deposit Insurance Corp. developed a financial literacy curriculum for participants of all ages, from kindergarten through adulthood.

Financial literacy remains lower among Black and Hispanic Americans relative to their White peers, even after controlling for socioeconomic factors.

Through the FDIC's alliance with schools, nonprofits, and more than 1,400 businesses and institutions, students practice basic financial skills, adults are tutored on discretionary income and homeownership, and small business owners learn to maximize their profit potential.[9]

States now are adopting curriculums of their own. In 2017, Nevada became one of the first to make financial education available to students starting in the third grade.[10] At least seven states require a financial literacy course for high school graduation. Half mandate at least some financial instruction.[11] Arizona, California, and Nevada also work with banks, credit unions, and nonprofits such as Andson Inc., to offer financial education workshops and tutoring.

In surveys, people of color consistently reveal lower levels of financial knowledge and higher levels of financial vulnerability. A series of studies from the TIAA Institute found that financial literacy remains lower among Black and Hispanic Americans relative to their White peers, even after controlling for socioeconomic factors such as household income and education.[12] They are less likely than White adults to have retirement accounts.

Among adults whose aging parents do own a home, people of color still face generational challenges. Only 1 in 12 Black and Hispanic adults expect a significant inheritance, compared to nearly 1 in 3 White adults.[13]

Nearly 80 percent of Black households don't have a will, compared to 61 percent of Whites.[14]

An understanding of financial fundamentals such as credit can have a direct impact on homeownership. Borrowers who lack financial experience, have had negative experiences with traditional lenders, or who distrust the banking system typically go outside the mainstream to obtain capital, turning to costly subprime lenders, car title or payday loans, pawn shops, and rent-to-own stores.[15]

Even households with some financial experience lack a full understanding of the homebuying process. A Fannie Mae survey found that close to half of consumers who had seen their credit score couldn't recall it. And nearly 80 percent of would-be homebuyers overestimate what's needed to qualify for a mortgage—especially the size of the downpayment—a mistake that holds them back from owning.[16]

2. The Jobs Pipeline

Houses can't be built without skilled workers, and future generations of homebuyers can't be built without good jobs and good pay.

Housing and homeownership are uniquely positioned to feed a virtuous cycle of job creation, wealth building, and education. Occupations in construction, mortgage lending, real estate appraisal, and other fields offer good salaries, job stability, and opportunities for growth and entrepreneurship.

A shortage of workers, however, has slowed residential construction and even the process of buying, making the path to ownership that much more difficult.

To meet the demand for housing, the U.S. will need 740,000 new skilled workers a year for the next three years—some 2.2 million people. This is the equivalent of hiring 83 workers an hour, according to the nonprofit Home Builders Institute.

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In construction, laborers are aging out of their jobs even as demand for their skills grows.[17] The average construction worker was 41 in 2022; the average plumber was 57, according to the institute.

In housing finance, tens of thousands of loan officers are quitting or being pushed out as low inventory and rising rates slow purchases and mortgage originations.

With a large majority of current U.S. homeowners benefiting from loans charging 4 percent or less, many people who would have traded up are now staying put, and the mortgage industry and real estate agencies will need to find new markets. One opportunity is in communities of color, where there are more potential first-time buyers.

Before new workers can even be recruited and trained, however, the construction and financial services industries must do the hard work of persuading students and young adults to consider careers in housing.

In construction, vocational training can lead to a rewarding, well-paying job with little or no debt attached. These jobs also present opportunities for advancement and entrepreneurialism.

To get the word out to young people, builders, trade unions, and community colleges are collaborating on curriculums to train job-ready workers. Builders and their partners are working with individuals in the criminal justice system, adults and juveniles, to create pathways to economic success after incarceration.

Community colleges are investing in workforce development for the many students who have an economic imperative to support their families, but funding is short and subsidizing tuition isn't enough. For many students, a lack of transportation, childcare, and other services can make enrollment impossible, even if they can afford tuition.

Mortgage bankers and their industry nonprofits are touring college campuses to introduce undergraduates to the possibilities of a career in housing finance. Like builders and trade unions, they provide training and ongoing career development.

Many of these recruitment and training efforts focus on opening doors to help people of color and women enter a heavily White and male industry, one in which career opportunities once were passed from father to son and where people of color and women were excluded from trade unions. Builders, historically at odds with their unions, now are partnering with them.

Given the opportunities for entrepreneurship and good pay, the housing career narrative is encouraging, but it's a story that isn't always told—or heard.

Luring young recruits is only part of the problem. Industry also needs to work to change the thinking of parents who are set on their children earning a four-year college degree. These parents must be encouraged to support training for careers that offer their children a high quality of life, including the promise of homeownership, without an expensive diploma or the unsupportable student debt frequently required to obtain one.

A lack of workforce diversity is adding to the industry's woes. Historic and systemic factors have contributed to a lack of representation for Black individuals in construction and housing finance. The racial wealth gap and limited access to capital make it more challenging for people of color to obtain a higher education, get workforce training, or start a business.

These inequities have come full circle to erode corporate bottom lines as they circumscribe the housing sector's pool of potential customers. Case in point: People of color are less likely to be rejected if their mortgage applications are handled by a loan officer of color as opposed to a White loan officer.[18]

Spotlight

The Recruiters

The nonprofit **Home Builders Institute** develops and delivers workforce training programs to at-risk and underserved populations, including ex-offenders. With 270 partner organizations and 625 programs, it provides vocational education to as many as 12,000 students a year.

HBI's hands-on curriculum is licensed to hundreds of high schools and community colleges. Successful students are rewarded with industry-recognized certifications. A pre-apprenticeship program integrates work-based learning with instruction in life skills and job readiness.

Working with correctional facilities, HBI offers training in high-demand technical skills and gives incarcerated individuals access to pre-apprenticeship training and job placement.

Unions, too, are taking action. The **Southwest Mountain States Regional Council of Carpenters** has established an African American outreach task force to grow its minority membership.

The union's one-day boot camp gives participants a chance to qualify for a four-week program that simulates a real job site. Trainees are paid a stipend and treated like they're on the job—a late arrival or missed day of work can mean expulsion from the program.

The **National Association of Minority Mortgage Bankers of America,** established in 2016 to support the careers of women and people of color, is developing a pipeline of diverse talent with outreach programs that educate students and industry about the benefits of careers in real estate.

By 2025, the NAMMBA Foundation aims to introduce 50,000 college students to careers in real estate and finance through on-campus chapters that provide mentoring, financial literacy training, and networking.

3. Downpayment Assistance

More than 2,300 active downpayment assistance programs are available to U.S. homebuyers, a patchwork of aid managed by more than 1,300 state and local agencies, employers, nonprofits, and lenders.[19]

The maze of programs is difficult for borrowers, real estate agents, and even lenders to navigate.

These downpayment grants and loans have become more difficult to leverage as home prices rise, mortgages get costlier, and incomes fall short. Many families and individuals in high-cost markets with income large enough to purchase an average home are exceeding income ceilings—typically 80 percent of area median income—and thus don't qualify for aid.

> **A race-neutral program targeting first-time buyers could reach more than 5 million households, nearly all of them Black or Hispanic.**

As a result, there is growing interest in expanding downpayment assistance to borrowers earning more than 80 percent of area median income. When the Bank launched a $10 million middle-income downpayment assistance program in May 2023, the funds were fully committed by early August, evidence of high demand.

Expanding home-buying aid to higher-income earners has strong potential to bring in more Black households, which are less likely to have help from family and more likely to be burdened with student debt. But because many of these programs are taxpayer funded or heavily regulated, efforts to expand the pool of qualified applicants can encounter resistance from critics who say the programs should go to borrowers with the greatest need. There's fundamental disagreement about where—or whether—to draw the line on income.

Special purpose credit programs, which establish bespoke lending standards to help specific underserved communities, are one vehicle for expanding assistance to more people. More of these programs are being created to aid buyers of color and people earning above 80 percent of area median income.[20]

One approach is to qualify buyers based on criteria other than income. Special purpose credit programs and other forms of assistance can be tailored to meet the needs of first-time buyers, first-generation buyers, buyers of color, buyers with student debt, or buyers in particular neighborhoods.

A race-neutral program targeting first-time buyers, for example, could reach more than 5 million households, nearly all of them Black or Hispanic.[21] First-generation assistance programs would be even more likely to reach buyers of color.

Preparing for Homeownership: Conclusion

Would-be homebuyers can't get ready for a mortgage overnight—it takes years of studying and planning. Financial education can be a bridge to breaking the cycle of multi-generational poverty. Financial planning empowers consumers and maximizes their odds of obtaining—and maintaining—a home.

Due to past discrimination, Black borrowers as a group lack the wealth of their White counterparts. Many are mortgage-ready on paper, but don't have the funds, often because they come from families with little or no generational wealth. Downpayment assistance programs can be complex. Too few buyers are aware of them.

Recruiting Black and Brown employees is fast becoming a business imperative. As consumer demographics evolve, housing and mortgage finance companies must mirror the markets they need to serve in order to grow. Companies can gain a competitive advantage and narrow the racial homeownership gap by supplying stable and well-paying jobs to people of color.

Call to Action

- Invest in financial education beginning in grade school. Initiate industry partnerships with educators and civic groups to instruct children and young adults on financial basics, including saving, credit, and investing.
- Leverage the distribution power of cell phones, social media, and other digital channels to deliver reliable and accurate information to teens and young adults. Provide easy and secure digital access to personal financial information such as credit scores and bank balances, and make people aware that this access is available.
- Improve collaboration between colleges, industry, and nonprofits to determine where job-training programs are needed and can have the greatest community impact. Connect those programs to employers that are ready to hire.
- Develop creative media and public education campaigns to build awareness of the benefits of construction and housing jobs and capture the imagination of young people.
- Deepen relationships with Historically Black Colleges and Universities to increase awareness of mortgage career opportunities and diversify the industry workforce.
- Tailor rules on downpayment assistance programs to the needs of local communities, particularly in high-cost areas.
- Explore consolidation of downpayment assistance programs to make them easier to understand and more accessible.
- Organize programs and develop tools to inform homebuyers, real estate agents, and mortgage lenders of the availability and mechanics of downpayment assistance.
- Adopt methods to encourage individual savings starting at an early age.

Challenges and Solutions

The Supply Shortage

1. **Construction Innovation**
2. **Zoning and Permitting**
3. **Land Banks**

Perhaps the biggest contributor to rising prices and the country's growing wealth gap is a persistent shortage of homes. Communities everywhere are struggling to deliver a basic human need.

> By the end of 2022, affordable homes accounted for just 10 percent of new residential units.

Between 2012 and 2022, the U.S. added 15.6 million new households, but built only 13.3 million houses, condominiums, and apartments. By the end of 2022, affordable homes accounted for just 10 percent of new residential units, down from a 41 percent share at the end of 2019.[22]

The gulf between single-family construction and household formation is even bigger, approaching 6 million units at the end of 2022. Even if builders double their current number of housing starts, it would take more than five years to close the gap.[23]

And increased production isn't guaranteed to bring down prices. As the cost of materials and labor rises, builders are less able to build and offer entry-level units. In the late 1970s, the market added 418,000 starter homes a year. Only 65,000 were built in 2020.[24]

Home price appreciation nationwide hit 20.6 percent in March 2022—the largest year-over-year jump in at least three decades. In Nevada's Las Vegas-Henderson area, the run-up in purchase prices topped 27 percent. In greater Phoenix, Arizona, it was more than 28 percent. And in the Riverside-San Bernardino metro area of California, home prices rose more than 25 percent.[25]

Incomes can't keep up. The median sales price for an existing home was 5.3 times the median household income in 2022—well above the previous peak of 4.9 in 2005. Price-to-income ratios averaged 3.9 in the 2010s, 4.1 in the 2000s, and just 3.1 in the 1980s. Many lenders put the ideal ratio at 2.5.

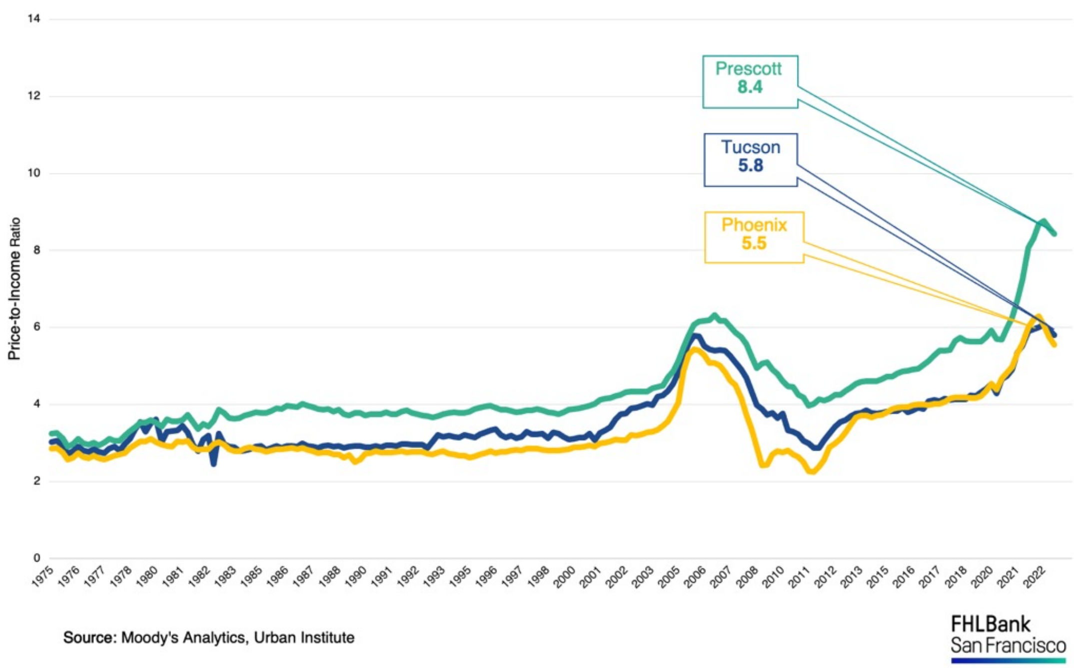
While falling home prices recently have delivered some relief, Western states, particularly California, still have some of the highest price-to-income ratios in the country. Los Angeles, San Jose, San Francisco-Oakland, and San Jose have price-to-income ratios above 10. In Arizona, Prescott's ratio is 8.4; Reno, Nevada, has a 7.1 ratio of price to income.[26]

Still, housing advocates have been hemmed in by old ideas, government inertia, a lack of funding, and NIMBYism—the not-in-my-backyard mindset of established residents who come out in force to fight new construction and higher densities. The current crisis demands a retooling of residential construction and the rules that govern it.

While the supply shortage is a national problem, solving it will require highly localized efforts. Nationally, builders are suffering from a shortage of skilled labor and materials. Public and private money to subsidize affordable residential units also is lacking.

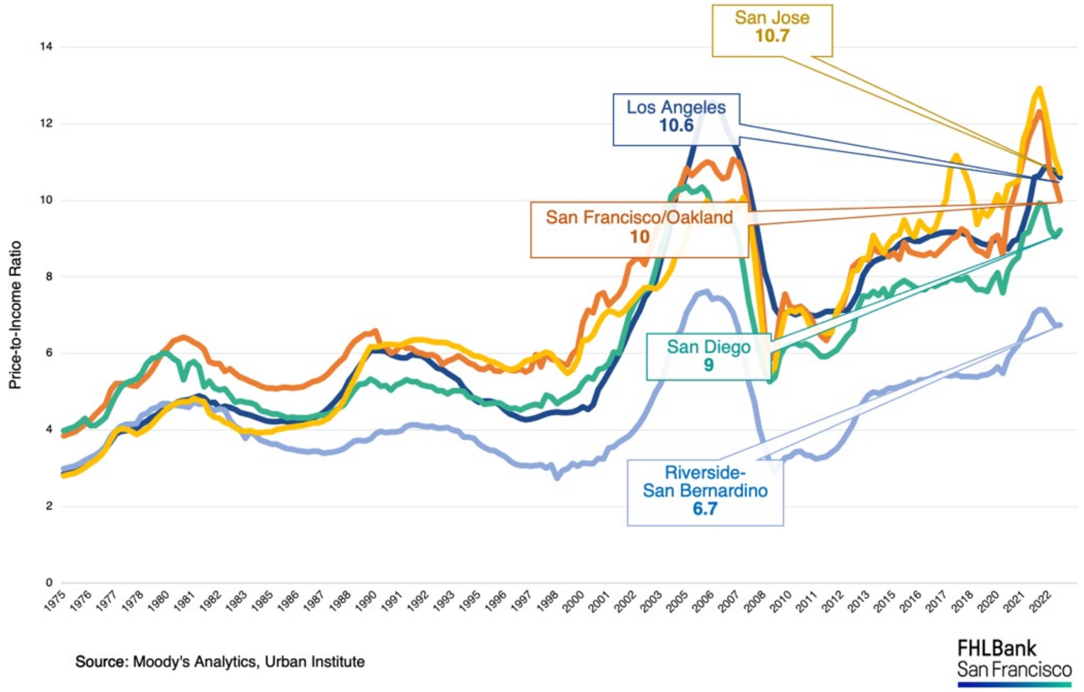
But housing supply is even more heavily constrained by state and local regulation, zoning, and permitting rules that discourage density, innovative land use, and deployment of new construction methods. Land-use rules come with considerable expense, making the development of entry-level homes cost prohibitive in many communities.

Price-to-Income Ratios: Arizona

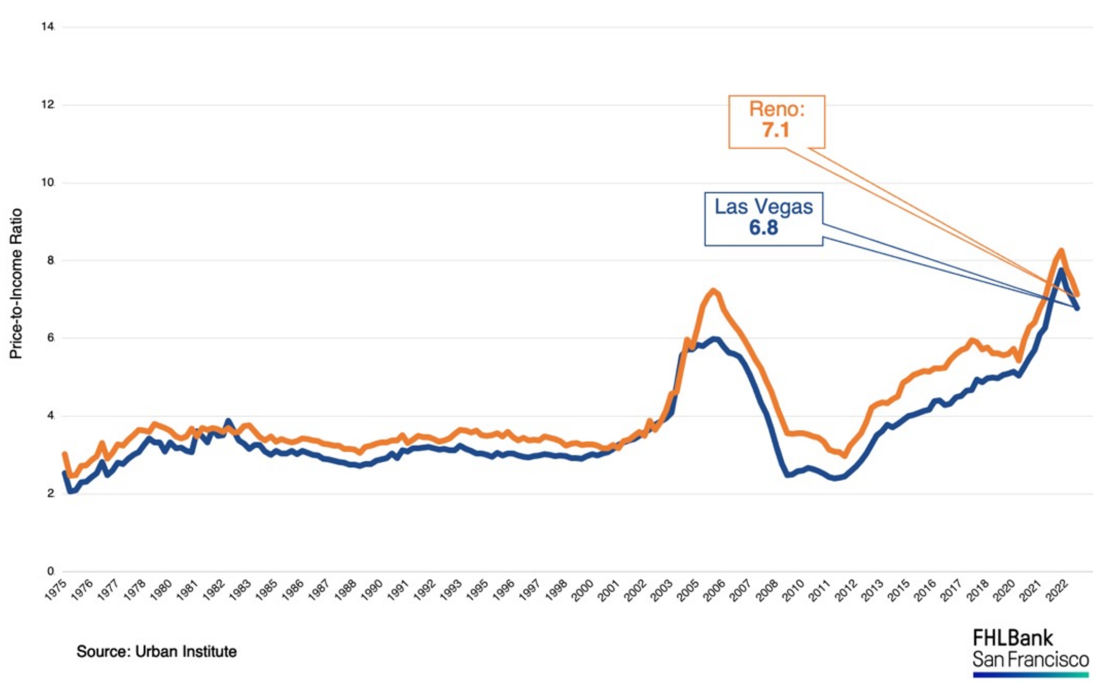


Source: Moody's Analytics, Urban Institute

Price-to-Income Ratios: California



Price-to-Income Ratios: Nevada



1. Construction Innovation

New and novel design and construction methods have the potential to lower the cost of housing.

Emerging technologies such as artificial intelligence and virtual or augmented reality can improve planning and design efficiency to help construction companies eliminate long-standing inefficacies and boost productivity.

Improved methods of prefabrication and off-site modular construction can reduce labor costs, construction time, and waste. Additive manufacturing, known more commonly as 3D printing, uses gantries to construct walls and other major elements quickly, quietly, and with little waste. Facades, fixtures, and parts can be manufactured with 3D printers, sometimes in a matter of hours. Shipping containers can be environmentally friendly and converted to living spaces cheaply if codes allow. Incorporating bamboo, plastic resin, wood fiber, and cross-laminated timber can significantly reduce spending on materials.

Modern construction methods are unfamiliar to most people and will require a change in public attitudes before they can be widely adopted. States and localities can be slow to update codes to allow the use of innovative materials and methods.

To spread the word about construction innovation, the Department of Housing and Urban Development, in partnership with the National Association of Home Builders, launched the Innovative Housing Showcase on the National Mall in 2019.

Builders erected entire houses and other exhibits within walking distance of Congress and the White House. They displayed their latest advances to policymakers, the press, and throngs of passing tourists. The showcase is now an annual event.[27]

Spotlight

The Modern Manufactured Home

A new class of manufactured home, the **CrossMod®**, blends the features of site-built and manufactured houses. The houses are affixed to a permanent foundation, qualify for conventional financing, and can be customized to blend in with nearby higher-priced, site-built houses at a much lower cost.

Since the 1970s, manufactured homes have been built to federal standards for quality, safety, and durability. CrossMods—a category developed by the **Manufactured Housing Institute**—include design features and enhancements that are typical of site-built homes. They add pitched roofs, covered porches, garages, and curb appeal starting at less than $100,000 in some markets.

Because CrossMods are affixed to a permanent foundation, they're eligible for conventional mortgage financing. Properties that meet these higher standards carry certifications from the Department of Housing and Urban Development. Builders affix HUD documentation to the home to alert appraisers and purchasers that the property complies with federal construction and safety standards.

The HUD labels also serve to alert real estate appraisers—not always successfully—that the houses can be valued based on comparable site-built houses and are eligible for conventional financing through Fannie Mae and Freddie Mac.

In California, **Guild Mortgage** has partnered with **Clayton Homes, Golden West Homes,** and **Redline Installation** to build four CrossMod houses in Paradise, which was devastated by the 2018 Camp Fire. The project will promote affordable homeownership and offer informational tours. In Texas, subdivisions consisting entirely of CrossMods are in development.

The challenge: Acceptance by consumers, residents, and municipal leaders. Biases against manufactured housing and misconceptions about its quality continue despite advances in the industry.

2. Zoning and Permitting

Residential construction is failing to keep up with our growing population Yet when developers come to town, they're frequently greeted with a single word: No.

Between 2012 and 2022, the U.S. added 15.6 million households but started construction on only 13.3 million housing units. Fewer than 12 million of those were completed by the end of the decade.[28] Affordable homes accounted for just 10 percent of new residential units sold at the end of 2022, down from a 41 percent share at the end of 2019.

Zoning, permitting, and lengthy development processes can limit construction, typically by design. These barriers are heavily to blame for today's soaring housing costs, rising income inequality, and limited economic mobility. By one estimate, barriers to development in major cities have reduced U.S. gross domestic product by as much as $1.95 trillion a year.[29]

Construction constraints are a legacy of the slow-growth movement of the 1970s, when municipalities began erecting regulatory barriers to development. To remain vital and meet evolving needs, today's communities must challenge themselves to reconsider the high cost of construction constraints and the benefits of added housing.

The rising cost of construction also is eroding affordability as builders seek to maintain profit margins. After the financial collapse in the early 2000s, the size of newly constructed homes soared as builders reacted to the rising cost of materials and labor by building bigger houses. More recently, as the shortage of affordable homes has worsened, the median size of new single-family houses has begun to shrink.

Houston, Texas, once scorned by some urban planners as a zoning-free Wild West, is now being recognized for its record of building affordable housing. While Houston does have land-use rules, including height restrictions and lot size requirements, it has far fewer restrictions on development than other U.S. cities of its size.

That Houston can be held up as a positive example shows how far public opinion and political thinking have shifted on land-use regulation.

Some states and cities are adopting a just-say-yes policy toward housing construction and higher density. California created a housing accountability unit in 2021 and adopted state laws requiring cities and counties to set housing goals—and reach them.

California municipalities that reduce obstacles to development, relax density limits, and hit other targets are rewarded with a designation—Prohousing—that gives them funding preferences and access to a state pool of money set aside to accelerate housing production and preservation. As of July 2023, 27 cities and counties had earned the designation.[30]

Public opinion is beginning to change as more young adults struggle to afford housing and are frustrated with long commutes. A movement is taking root in California and other states. The yes-in-my-backyard crowd, or YIMBYs, are running candidates for office, suing to advance development, and giving political cover to pro-development lawmakers.[31]

Spotlight

The YIMBYs

Some states and cities are responding to the housing crisis with a new, yes-in-my-backyard attitude.

In recent years, **California** has adopted laws and policies to encourage more residential construction. One measure requires local governments to assess housing needs, set goals, and design ways to meet them. In jurisdictions that fail to deliver plans, developers are given an out, or "builder's remedy"—a state override of local permitting that all but forces localities to approve housing projects designed for moderate- and low-income residents.[32]

The California Affordable Housing and High Road Jobs Act allows by-right approval for affordable housing on commercially zoned land and mixed-income housing in commercial corridors.[33]

In 2021, **Gov. Gavin Newsom** established an enforcement unit to hold municipal governments accountable, with a stated goal of delivering 2.5 million units by 2030. In its first year, the state claimed credit for construction of nearly 1,700 housing units, more than 600 of them affordable.

Cities and counties that fail to meet state requirements can suffer heavy fines and lose their permitting authority. Developers and other groups can use the law to sue and compel localities to approve projects.

While some localities, including **West Sacramento,**[34] have embraced the laws and their spirit, others are pushing back. In March, **Huntington Beach** refused a state demand that the city approve construction of 13,368 new homes.

The state sued Huntington Beach,[35] which filed its own federal lawsuit against the state, claiming that California laws violate the city's right to zone property. Huntington Beach **Mayor Tony Strickland** said the state's goal is to "urbanize California."

3. Land Banks

Land banks allow localities more control over development and hold promise for housing affordability.

A land bank typically is run by a local government or nonprofit working under established state rules. They acquire deposits—plots of real estate—then leverage their ownership of that land to maximize return in the form of housing and other community development priorities.

Land banks are populated largely by properties that are abandoned, vacant, or tax-delinquent. Their transfer to a land bank gives communities a process for eliminating blight and boosting economic activity.

By removing the high cost of land from the equation, land banks also create an easier path to making development decisions. Jurisdictions typically maintain title to the land itself as leverage to lock developers into delivering long-term affordability and other benefits.

Land banks are widely used in Ohio, Michigan, and New York, but they are rare or nonexistent in most western states.[36]

Spotlight

The Revenue-Sharers

A revitalization plan in San Francisco's Fillmore District aims to save 1,000 low- and moderate-income residents from displacement, preserve 382 affordable housing units, and add 133 more—all on more than 10 acres of some of the country's most expensive real estate.

The **Freedom West Homes** project, if successful, would generate value not just for its developers—**MacFarlane Partners** and **Avanath Capital Management**—but for residents of the historically Black, 50-year-old co-op, which is in need of significant repair.

Under a revenue-sharing plan, the parcel's redevelopment would generate $205 million in cash flow for shareholder residents over 40 years. A monthly fee that residents pay toward the property mortgage and maintenance would be held at its current cap of $1,000, and the co-ops would be titled to their owners, who could pass them to their heirs.[37]

The upshot: Intergenerational wealth creation for a community that was established in response to government-sponsored urban renewal, which displaced more than 20,000 Black residents in the 1960s.

The challenge: The $2 billion project continues to seek investors and will require local and state funding.

The Supply Shortage: Conclusion

Drawn-out zoning and permitting processes and battles drive up the cost of new housing and ultimately reduce the availability of apartments, condominiums, and single-family homes in our communities.

The future of design and construction is here now. All that's needed is widespread adoption. But supply chain woes and a shortage of labor continue to dog the industry and demand a large-scale national response.

Call to Action

- Give localities incentives to streamline approval processes and refresh building codes.
- Provide support to grassroots supporters of new development, whose ranks are growing.
- Organize like-minded, pro-development stakeholders to unify and amplify their voices.
- Educate consumers about the possibilities of modern construction methods.
- Establish land banks to put property to productive use and build more affordable housing.
- Define housing as infrastructure. Include housing in conversations about capital investment and long-term planning.
- Increase building density, especially near public transit, and encourage a greater supply of workforce housing.

Challenges and Solutions

The Mortgage Impasse

1. **Credit Scoring**
2. **Automated Underwriting**
3. **Appraisals**
4. **Capital Standards**

More than 50 years after the government stopped labeling Black neighborhoods as hazardous and high risk solely because their residents were Black, redlining's legacy endures. Black homeowners and historically Black neighborhoods continue to face lower mortgage loan approval rates in part due to underwriting standards and low-ball appraisals.[38]

Credit-scoring systems and automated underwriting systems were developed in part to provide neutral ways to assess the credit risk presented by potential borrowers, and to make it possible for a buyer to qualify for a mortgage without having a social relationship with a banker.

But industry reliance on legacy credit-scoring systems and automated underwriting has given rise to process-driven biases that disproportionately deny homeownership to people of color or direct them into costlier loans.[39] Underwriting algorithms that use biased inputs spit out biased decisions on mortgage applications.

Recent innovations in underwriting and data collection can improve the underwriting system's ability to evaluate a borrower's ability to repay and thereby increase the number of eligible buyers.

Lenders, financial firms, the federal government, the Federal Home Loan Banks, and taxpayer-backed Fannie Mae and Freddie Mac must find more ways to make fairly priced mortgages available to more mortgage-ready buyers, especially people of color.

1. Credit Scoring

Some 53 million adults in the U.S. lack a traditional credit score. Nearly 30 percent of Black and Hispanic households have no score at all, compared to less than 17 percent of Whites. Black adults who are in the credit-scoring system are more likely to have a FICO score of less than 620, the typical cutoff lenders use when approving or rejecting a mortgage application.[40]

Technology and financial innovation are offering new ways to assess a borrower's ability to repay by using alternative or additional data to measure creditworthiness. On-time rent and utility bill payments have been shown to be strong indicators of a person's ability and willingness to make timely mortgage payments, for example. Evidence of positive cash flow, such as bank transactions, could signal good prudential management.

Including rent payments and other data in mortgage underwriting has the potential to bring millions of people, including credit invisibles—people with thin or non-existent credit files—into the underwriting universe. Research shows that including on-time rent and utility bill payments in credit scoring raises average scores.[41]

In October 2022, the Federal Housing Finance Agency gave its approval to VantageScore 4.0 and FICO 10 T, opening the door to widespread industry adoption of the updated scoring methods.

By incorporating rental payments and other data inputs into scoring algorithms, VantageScore estimates that 4 million borrowers of color can be newly scored at 620 and above.[42]

FICO says its 10 T has the power to expand mortgage approval rates by 5 percent over many commonly used scores, without adding incremental risk. The company estimates that its new score has the potential to reduce mortgage delinquency rates by 17 percent.[43]

2. Automated Underwriting

For even highly qualified borrowers, getting a mortgage can be a death by a thousand cuts. Automated underwriting systems that took hold in the 1990s were designed to make it easier for lenders to navigate a growing thicket of rules and establish neutral criteria that could expand access to credit.

But their adoption, in many cases, had unintended consequences. Prior to the arrival of underwriting algorithms, lenders did much of their work by hand. They typically looked at rental payment history and utility payments to assess a borrower's creditworthiness.

Underwriting algorithms grew more complex as the industry and policymakers sought to reduce risk in the mortgage system. The practice of examining rent and utility payments was all but abandoned. As a result, many borrowers couldn't benefit from having a demonstrated record of making rent and utility payments on time. At the same time, some borrowers were penalized if they didn't have credit cards or other common forms of debt.

In an effort to improve their automated underwriting systems and reduce barriers to sustainable homeownership, Fannie Mae and Freddie Mac recently began incorporating bank account data and on-time rent payments into their data inputs, allowing lenders and brokers to submit bank account data from designated third-party providers.

In June 2022, Fannie Mae reported that more than 2,000 loan applications were made eligible for purchase that otherwise would not have been since its program launched in September 2021. Some 41 percent of those borrowers were Black or Hispanic. At Freddie Mac, more than 15,000 new credit scores have been established as of June, and 67 percent of renters with an existing credit score saw their scores increase.[44]

The next challenge is to help young adults, especially people of color, understand the benefits that can be had by opting into data collection.

Spotlight

The Data Collectors

Financial technology companies are funneling consumer data directly to lenders and credit bureaus in an effort to tackle credit invisibility.

Mortgage technology provider **FormFree** collects consumer data on bank transactions and balances directly from financial institutions, information not captured by traditional FICO scores. An analysis of the borrower's cash flow and residual income feeds the company's Residual Income Knowledge Index, or RIKI.

FormFree has partnered with **Guild Mortgage** to use historical loan-level data to assess the default risk of applicants without FICO credit scores who qualify using FormFree's RIKI assessment.

Financial technology platform **Esusu** partners with large property managers to capture and report positive rental payments to credit bureaus to help renters boost their credit scores. Renters who fall behind on their payments can apply for zero-interest rent relief funded by landlords who pay a monthly fee to make the program available to their tenants.

Between January 2020 and June 2021, the average credit score of Esusu users increased by 51 points. More than 3,000 people were able to establish prime scores, according to the company.

The **Bilt Rewards** loyalty program partners with large multi-family properties. Tenants can opt in to have their on-time rent payments reported automatically to credit bureaus. A no-fee branded credit card also allows renters to build points and a credit history, and an app offers financial tips.

More than half a million small landlords use **Avail** to manage their rental properties. For a fee, the company allows tenants to report up to two years of their rental history to TransUnion.

3. Appraisals

Recent data from the Federal Housing Finance Agency validated what many homeowners and industry practitioners have long experienced: Houses in Black neighborhoods are undervalued.

This neighborhood-level appraisal data shows that homes for sale in Black communities are nearly twice as likely as properties in majority-White neighborhoods to be appraised at less than their contract price.[45]

That same data shows that appraisers, when assigned similar homes in neighborhoods with similar amenities and the same socioeconomic status, value properties in White neighborhoods at $371,000 more than the properties in Black neighborhoods.

Research shows that this racial inequality in home valuation has actually increased in recent years, and could have enduring effects on wealth creation and educational outcomes among households of color.[46]

4. Capital Standards

Capital requirements applied to private mortgage insurers and to Fannie Mae and Freddie Mac are based heavily on traditional credit-scoring, which doesn't incorporate rent payments.

Regulatory standards imposed after the 2008 financial collapse led to substantially higher loan pricing for more borrowers. People who make lower downpayments, have lower FICO scores, or otherwise don't fit the traditional creditworthiness mold face higher-cost mortgage insurance and mandated loan fees that can make their monthly house payments more expensive or even unsustainable.

Federal lawmakers adopted stricter capital standards with the intent of improving the stability of the financial system. But because their application can make it more difficult for borrowers to sustain a mortgage, these rules perversely put some homeowners at greater risk of default and foreclosure.

The Mortgage Impasse: Conclusion

A borrower's ability to repay a loan is paramount, but old definitions of creditworthiness are doing a disservice to hundreds of thousands of responsible consumers who find themselves locked out of homeownership, even though they pay their rent on time—and even though that rent amount is substantially equivalent to a mortgage payment, without any attendant tax benefits.

A modernized mortgage finance system would bring more potential homeowners into the process and base credit assessments on a broader range of factors. This would expand the benefits of homeownership to communities that for too long have been excluded. Alternative credit data has the potential to reduce racial disparities in homeownership by aiding buyers with thin credit files or low scores.

Call to Action

- Continue to compile and examine data to determine the relationships between traditional data collection, alternative data, creditworthiness, and access to homeownership.
- Invest in scalable manual underwriting, which can be used to expand credit for borrowers with no or low credit scores.
- Standardize cash flow and rental data. Lower the cost and technological barriers to collection to ensure scalability.
- Adopt regulatory safeguards for consumers who opt into financial data-sharing agreements. Ensure transparency.
- Modify underwriting algorithms and credit-scoring systems to accommodate alternative data inputs and eliminate culturally biased inputs.
- Re-align capital requirement rules to support lending based on additional data such as rental reporting, thereby reducing the impact of mortgage insurance premiums and credit-enhancement fees.

Challenges and Solutions

Sustaining Homeownership

Turning renters into buyers is only a first step. To be truly beneficial, homeownership needs to be sustained and safeguarded over the long term.

Homeowners with little cash to spare can find themselves undone by a single medical emergency or urgent home repair. Black and Hispanic families are more likely to be uninsured and have medical debt. Black homeowners are particularly vulnerable to financial shocks and more than twice as likely to face foreclosure than White homeowners. Black and Hispanic homeowners have greater income instability and less access to cash or savings.[47] They're more likely to own homes in need of repair.

Each successive generation of Black households has been attaining homeownership at a lower rate than the generation before. Those that do buy tend to do so at a later age than their parents did.

Before and during the financial crisis, foreclosure rates for Hispanic and Black households soared. High-risk lending practices that disproportionately were directed toward people of color were one reason for the rapid increase.

Research from the Urban Institute suggests that bringing the foreclosure rate for Black homeowners in line with that of White homeowners could prevent nearly 303,000 foreclosures. That's the equivalent of increasing the Black homeownership rate by about 2 percentage points, a meaningful advance.[48]

Black households as a group also see less financial gain from their homes than White households. The average White household's home value is 2.5 times greater than the average Black household's home value, a ratio that has held since at least 1970. Housing returns also are lower for Hispanic homeowners than for White homeowners.[49]

Racial differences in homeownership rates, home prices, and distressed sales have led to massive gaps in housing wealth that widen over time. The equity of White homeowners who are approaching or in retirement is $175,000 greater than that of Black households in the same age group, and $145,000 greater than the equity of similar Hispanic households.[50]

Making the responsibility of homeownership less risky for Black and Hispanic buyers can help more of them qualify for mortgages up front. Policymakers and the housing industry are thinking of innovative ways to achieve that goal. Here are some of their ideas.

Make emergency programs permanent.

Treasury's Hardest Hit program, established during the financial crisis, and its Emergency Rental Assistance pandemic effort quickly delivered relief to struggling homeowners.[51]

These emergency channels prevented foreclosure for millions of households. A permanent program installed into the financial infrastructure could make emergency aid available for all homeowners, thereby reducing defaults and foreclosures.

Establish mortgage reserve accounts.

Credit unions, nonprofits, and some housing agencies are providing new mortgage borrowers with a cash reserve that can be tapped in times of need. These accounts, which can be funded with downpayment money, have the potential to reduce costly foreclosures or distress sales. During a two-year pilot at Prosperity Now, 40 percent of homeowners who tapped their emergency reserves said they used the money to pay the mortgage.[52] A report from Urban Institute concluded that mortgage loan defaults might be reduced by switching a share of downpayment funds into a reserve—a mortgage "sidecar" savings account. More work is needed to determine how well emergency accounts protect against foreclosure and what level of savings is needed.

Provide specialized financial counseling to elderly homeowners.

Among people of color, there is a huge need for estate planning services, especially among the elderly. As homeowners age, they should be coached on how to protect their wealth and prudent ways to tap equity without resorting to high-cost borrowing. Drawing up estate plans for these households can help families ensure the transfer of intergenerational wealth, especially for Black families.

Help homeowners and aspiring buyers plan for the cost of homeownership.

Housing counseling and financial education resources should emphasize the cost of owning. Social media and other digital platforms can be leveraged to reach younger borrowers.

Challenges and Solutions

Siloed Stakeholders

Housing stakeholders, like housing laws, ordinances, and programs, are isolated and disconnected.

In our large and fractured ecosystem, we can form new partnerships and programs, share ideas, identify up-and-coming leaders, and change the housing narrative simply by improving communication with each other and talking as a group.

The pipeline of homebuying—starting with education and saving at a young age and ending with an established estate plan—should be viewed as a continuum instead of separate, individual actions. Instead of competing for dollars each step of the way, we can approach problems strategically and holistically to maximize the impact of funding.

We can welcome policymakers, community leaders, and others into our group to grow our team of advocates and help us think outside our boxes.

If we're not together, we're apart.

Spotlight

The Conveners

During an informal meet-up at the Federal Home Loan Bank of San Francisco's Reno Summit, the **Reno Housing Authority** learned that its clients might be eligible for downpayment assistance through the **Nevada Rural Housing Authority** and the **Nevada Housing Division.** The groups convened shortly after the summit, in the spring of 2023.

Reno housing officials learned that the state programs had expanded their scope, and that new federal funding through the American Rescue Plan Act was available to help populations served by the city agency.

This discovery galvanized the Reno Housing Authority to brainstorm ways to help its clients attain homeownership. Reno also spread word of the new funding through social media and to other stakeholders who are laboring to address a shortage of low-income and workforce housing.

The majority of residents in the Reno Housing Authority's public housing and voucher programs earn at or below 50 percent of the area median income for Washoe County. About two-thirds of the group's residents are seniors or people with disabilities.

Conclusion

Closing the racial homeownership gap will be a substantial achievement for aspiring Black buyers in and of itself. But it also will deliver even broader benefits for society and the economy as a whole.

The work can be done, as many city, county, state, and industry initiatives have shown. The next step will be finding better ways for stakeholders to work together and spread the good news about programs that have worked.

Together, we can share expertise, encourage each other, develop partnerships, make plans, and speak loudly as a group to the press and elected officials.

The obstacles are difficult and real, but they can be overcome.

Resources

Job Training Programs

ARIZONA
Home Building Academy
https://hbi.org/home-building-academy

Habitat for Humanity Central Arizona
Construction training
https://habitatcaz.org/ctp/

IEC of Southern Arizona
Apprenticeships
https://iecsaz.org/

CALIFORNIA
Northern California Construction Training
https://ncct.ws/

Nor Cal Carpenters Training
Apprenticeships
https://www.ctcnc.org/

The Building and Construction Trades Industry Sector Program
https://www.cde.ca.gov/ci/ct/ie/bldgconst.asp

The Salvation Army Sacramento Metro Construction Training Program
https://sacramento.salvationarmy.org/sacramento_metro/construction-training-program/

NEVADA
BuildNV Core Construction Program, Great Basin College
https://www.gbcnv.edu/cte/build_nv.html

Building and Construction Trades Council of Northern Nevada
https://www.bctnn.org/paid-training-apprenticeships

Nevada Apprenticeship Program
Truckee Meadows Community College
https://www.nvapprenticeship.org/

Northern Nevada Apprenticeship Coordinators' Association
Building trades; Women Build Nevada
https://www.buildingtradejobs.org/

NATIONAL and MULTI-STATE
Careers Building Communities
Diverse Opportunities in Real Estate
https://careersbuildingcommunities.org/

CFP Board
Certified financial planning certification
https://www.cfp.net/

Department of Housing and Urban Development
Housing counselor training
https://hudhousingcounselors.com/

Fannie Mae
Future Housing Leaders
https://www.futurehousingleaders.com/

Freddie Mac
University Analyst Program
https://careers.freddiemac.com/us/en/blogarticle/grow-your-career-in-the-university-analyst-program

Home Builders Institute
https://hbi.org/

Landscape Industry Careers
Landscape management and horticulture
https://www.landscapeindustrycareers.org/

Mortgage Bankers Association
School of Loan Origination
https://www.mba.org/conferences-and-education/education-courses/core-courses/school-of-loan-origination

National Association of Mortgage Underwriters
Mortgage underwriter training and certification
https://mortgageunderwriters.co/

Southwest Mountain States Regional Council of Carpenters
Carpentry and apprenticeship
https://www.swmsctf.org/become-a-carpenter/

Southwestern Line Constructors
Apprenticeships and training
https://www.swlcat.org/

United Union of Roofers, Waterproofers, and Allied Workers
Apprenticeships
https://unionroofers.com/

Financial Literacy Education

Charles Schwab Corp.
Money Matters
https://www.schwabmoneywise.com/resource-center/insights/

Fannie Mae
HomeView
https://singlefamily.fanniemae.com/originating-underwriting/mortgage-products/homeownership-education

Federal Deposit Insurance Corp.
MoneySmart
https://www.fdic.gov/resources/consumers/money-smart/learn-money-smart/index.html

FIS Financial Literacy
https://www.fisfinancialliteracy.com/

Freddie Mac
CreditSmart
https://creditsmart.freddiemac.com/

Global Financial Literacy Excellence Center
https://gflec.org/

Jump$tart
Financial Smarts for Students
https://www.jumpstart.org/

Neighborhood Housing Services of Los Angeles County
Financial education
https://nhslacounty.org/programs-and-services/financial-education/

Richard Myles Johnson Foundation
Bite of Reality financial education
https://www.rmjfoundation.org/

Housing Assistance Programs

ARIZONA
Arizona Department of Housing
https://housing.az.gov/

Arizona Industrial Authority HOME Plus
Downpayment Assistance
https://homeplusaz.com/

Department of Housing and Urban Development
Housing assistance
https://www.hud.gov/states/arizona

Homeownership resources
https://www.hud.gov/states/arizona/homeownership/buyingprgms

CALIFORNIA
California Housing Finance Agency
https://www.calhfa.ca.gov/

MyHome Downpayment Assistance
https://www.calhfa.ca.gov/homebuyer/programs/myhome.htm

ProHousing Designation Program
https://www.hcd.ca.gov/planning-and-community-development/ prohousing-designation-program

Golden State Finance Authority Golden Opportunities Program
https://www.gsfahome.org/programs/dpa/go.shtml

Richmond Neighborhood Housing Services
https://richmondnhs.org/

Department of Housing and Urban Development
Housing assistance
https://www.hud.gov/states/california

Homeownership resources
https://www.hud.gov/states/california/homeownership/buyingprgms

NEVADA
Nevada Housing Division
https://housing.nv.gov/

Home is Possible Homebuyer Programs
https://www.homeispossiblenv.org/

Department of Housing and Urban Development
Housing assistance
https://www.hud.gov/states/nevada

Homeownership resources
https://www.hud.gov/states/nevada/homeownership

MULTI-STATE
Downpayment Resource
https://downpaymentresource.com/

FHLBank San Francisco Programs and Initiatives

The Federal Home Loan Bank of San Francisco provides its members with reliable access to low-cost liquidity, financial expertise and services, and other resources to encourage economic development and boost the supply of affordable housing.

Together, the Bank and its members make our communities more vibrant, equitable, and resilient, changing lives for the better. The Bank's affordable housing and community investment professionals have a long history of working with developers, housing counseling agencies, nonprofits, governments, financial institution members, and other stakeholders in the Bank's three-state district of Arizona, California, and Nevada.

Affordable Housing Program

The Bank's Affordable Housing Program grants help finance lower-cost housing, closing funding gaps for developers and ensuring that those in need—lower-income families and individuals, the chronically unhoused, seniors, veterans, at-risk youth, people overcoming addiction, people with disabilities, and others—have a place to call home. Since 1990, the Bank, in partnership with its member financial institutions, has awarded more than $1.28 billion in AHP grants to support the construction, rehabilitation, or purchase of more than 150,000 affordable units.

Grants for First-Time Homebuyers

WISH homeownership grants provide first-time buyers with downpayment assistance, enabling them to put down roots and build wealth. Eligible low- to moderate-income households can receive matching grants of up to the Federal Housing Finance Agency's annual limit ($29,172 for 2023), delivered by participating FHLBank San Francisco members. For 2023, the Bank allocated $12.5 million in WISH grants to be distributed by 41 member banks and credit unions. Since 2000, the Bank has disbursed more than $141 million in WISH grants, helping more than 9,500 families buy homes.

In May 2023, the Bank launched a $10 million pilot program to provide downpayment assistance to middle-income homebuyers in Arizona, California, and Nevada. The Middle-Income Downpayment Assistance Program offers grants of up to $50,000 to families and individuals earning as much as 140 percent of area median income. The pilot is designed to direct resources to teachers, firefighters, and other vital members of our communities. The full $10 million was committed within three months.

Grants for Economic Development

AHEAD economic development grants support proven development models and fund pilot programs for innovative economic opportunity programs. By tapping into Bank member community connections, AHEAD funding helps underserved communities with job creation, workforce training, and small business lending. The Bank more than doubled AHEAD funding in 2023, to $4 million, and quadrupled the maximum grant to $100,000.

Empowering Black Homeownership Grants for Housing Counseling

In 2022, the Bank made $1 million available to expand the capacity of HUD-approved housing counseling agencies. Empowering Black Homeownership provides member institutions with dollar-for-dollar matching grants on their donations to HUD-approved housing counseling agencies, up to $125,000. Bank members took advantage of the program, which delivered $2.2 million to expand the capacity of 22 counseling agencies to serve historically disadvantaged populations. In July 2022, the Bank's board renewed the program and doubled its funding to $4 million.

Racial Equity Accelerator for Homeownership

Evidenced-based research is key to critically evaluating the systemic barriers that continue to limit homeownership opportunities for people of color. In 2021, the Bank and the Urban Institute launched a $1.5 million collaboration, the Racial Equity Accelerator for Homeownership, to examine ways to grow Black homeownership. The project has focused on four areas the Bank considers ripe for innovation: Alternative underwriting, reducing the burden of student debt, lending innovations to reduce foreclosure risk, and eliminating biases in artificial intelligence. This research, combined with findings from the Bank's 2022-2023 summits, will provide industry executives, nonprofit leaders, and policymakers with a roadmap for change.

Urban Institute Papers Published to Date

Reducing the Black Homeownership Gap Through Underwriting Innovations

Student Loan Debt and Access to Homeownership for Borrowers of Color

Using Mortgage Reserves to Advance Black Homeownership

Summit Participants

Avail
Akhlaghi Law
Arizona Central Credit Union
Arizona Department of Housing
BAC Community Bank
BiltRewards
Black Homeownership Collaborative
California Building Industry Association
California Credit Union
California MBA
Chicanos Por La Causa Inc.
City of Reno Housing Authority
City of Sacramento
Community Housing Development Corp.
Consolidated Board of Realtists of Southern California
Copper State Credit Union
Credit Union West
Define Mortgage Solutions
Desert Research Institute
Eastbay Neighborhood Housing Services
Elko Federal Credit Union
Employers Insurance Company of Nevada
Enact Mortgage Insurance
Esusu Financial
Fannie Mae
Federal Deposit Insurance Corporation
First Independent Bank
Foothills Bank
FormFree
Freedom West 2.0
Fresno Housing Authority
Golden 1 Credit Union
Goldwater Bank
Greater Nevada Credit Union
Greater Nevada Mortgage
Greater Phoenix Urban League
Guild Mortgage
Habitat for Humanity of Greater Sacramento
Home Builders Institute
Housing Finance Strategies
Kelly Consulting Alliance
Landings Credit Union
Lighthouse Public Affairs
Los Angeles Business Council
Luther Burbank Savings
Maricopa Community Colleges
Melinda Guzman Professional Corp.
Mobility Capital Finance (MoCaFi)
Morrison Institute for Public Policy Research
Mortgage Bankers Association
NAMMBA, the National Association of Minority Mortgage Bankers of America
National Association of Real Estate Brokers (NAREB)
National Association of Realtors
National Housing Law Project
Neighborhood Housing Services of Los Angeles County
NeighborWorks Sacramento
Nevada Department of Education
Nevada Housing Coalition
Nevada Housing Division
Nevada Rural Housing Authority
Nevada State Treasurer's Office
New Omni Bank
Northern California National Bank
Northrop Grumman Federal Credit Union
Office of California Gov. Gavin Newsom
Office of Stockton Mayor Kevin Lincoln
Office of U.S. Representative Mark Amodei
Office of U.S. Senator Catherine Cortez Masto
Office of West Sacramento Mayor Martha Guerrero
OneAZ Credit Union
Opportunity Alliance Nevada
Orange County Business Council
Premier America Credit Union
Raza Development Fund Inc.
Richmond Neighborhood Housing Services
River City Bank
Rocket Companies
SAFE Credit Union
Santa Cruz Community Credit Union
SoFi Bank
Southwest Harvard Group
Southwest Mountain States Carpenters Union
Stanford Law School Rock Center for Corporate Governance
Syphax Strategic Solutions
Tabernacle Community Development Corp.
Terner Center for Housing Innovation
Trellis
TruWest Credit Union
U.S. Office of the Comptroller of the Currency
University of California, Los Angeles
Urban Institute
USC Credit Union
Vantage West Credit Union
VantageScore
Visionary Home Builders of California
Washoe County HOME Consortium
Weingart Center Association
Western Alliance Bank

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