

July 30, 2021

Dear Member of Congress:

The undersigned civil rights and housing policy organizations urge you to support the Downpayment Toward Equity Act of 2021. The legislation would provide \$100 billion in downpayment and other financial assistance for first-generation homebuyers to purchase their first home. While interest rates have reached historic lows during the COVID-19 pandemic and there has been huge demand for home purchases, hardworking families who lack intergenerational wealth for a downpayment are being left behind. This is particularly troublesome considering the Federal Reserve's ongoing purchases of \$40 billion in mortgage-backed securities per month. The Downpayment Toward Equity Act appropriately targets assistance to those who have the most to gain from the wealth-building benefits of homeownership, thus expanding access to sustainable homeownership for millions of creditworthy families across the country.<sup>1</sup>

Homeownership is the primary way that most families build wealth and achieve economic stability. However, purchasing a home is an expensive pursuit and saving for a mortgage down payment is a substantial obstacle for millions of families. This is particularly the case for those who cannot fall back on their families for financial assistance and hits borrowers of color especially hard due to our nation's history and current structural barriers. For decades, federally sanctioned discrimination in the housing finance system denied people of color access to homeownership opportunities on parity with Whites. As a result of this and other forms of systemic discrimination, Black and Hispanic families have less wealth and lower homeownership rates, translating to less of an ability to provide financial assistance successive generations.

According to the 2019 American Community Survey, homeownership among Black families is 30 percentage points below that of White families – a larger gap than existed in 1968 when the Fair Housing Act was passed. The disparity in homeownership rates is a large driver of the immense racial wealth gap, with the median Black family having thirteen cents in net worth for every dollar of net worth held by the median White family. According to estimates, it would take 14 and 11 years respectively for Black and Latinx renter households at each of their median incomes to acquire enough funds to afford a 5% down payment and associated closing costs for a median-priced home.<sup>2</sup> In contrast, White renter households need 9 years to save for a 5% down payment, thus benefiting from an earlier entry into homeownership and its wealth-building advantages.

Moreover, as research from Freddie Mac and Urban Institute demonstrates, there are millions of mortgage-ready Black and Hispanic borrowers based on borrowers' current credit scores and debt-to-income ratios.<sup>3</sup> Given that many of these borrowers do not have family wealth for a down payment

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<sup>1</sup> Researchers have found that the targeted eligibility requirements in the bill will hinder the possibility of widescale home price inflation caused by increased demand.

<sup>2</sup> Christelle Bamona, *Hardship for Renters: Too Many Years to Save for Mortgage Down Payment and Closing Costs*, Center for Responsible Lending (April 2021), <https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-mortgage-downpayment-7apr2021.pdf>.

<sup>3</sup> Alanna McCargo, *America's Persistent Racial Homeownership Gaps*, Urban Institute, <https://www.nar.realtor/sites/default/files/documents/policy-forum-2020-presentation-racial-homeownershipgaps-02-06-2020.pdf>. See also National Association of Hispanic Real Estate Professionals, 2019

because of the lack of intergenerational wealth, the Downpayment Toward Equity Act will be critical to enable mortgage-ready borrowers of color to become homeowners. As such, the legislation would be a major initial step toward addressing the U.S. racial wealth and homeownership gaps.

By expanding sustainable homeownership opportunities, the Downpayment Toward Equity Act will also spur economic growth. For example, closing the racial homeownership gap by adding 5 million additional homeowners of color would create between 490K – 784K jobs with 10-years' worth of steady employment, generate \$284-\$397 billion in tax revenues, significantly boosting spending, and enhance the US's GDP.<sup>4</sup> Homeownership benefits families, communities, and the greater economy and your support for this important bill is critical at this time.

Moreover, we oppose extending the Temporary Payroll Tax Cut Continuation Act of 2011 (TCCA), which is set to expire on October 1, 2021. Continuing the 10 basis-point guarantee fee on all single-family mortgages acquired by the GSEs will dampen the ability of low-wealth families, including many Black and Brown potential homebuyers to secure their dreams of homeownership. As explained above, families of color are already disadvantaged in their ability to save for a down payment because of exclusionary housing policies. Further, making homeownership more difficult for our communities will inadvertently curtail the health of the mortgage market as projections are that families of color will compose most future homebuyers.<sup>5</sup>

Housing is infrastructure and accounts for nearly 20 percent of the GDP. Passing the Downpayment Toward Equity Act and including it in the infrastructure and reconciliation packages along with allowing the TCCA to expire offers the opportunity for us to ensure that we “build back better” and create equity.

If you have any questions, please feel free to contact Nikitra Bailey, senior vice president, NFHA, [nbailey@nationalfairhousing.org](mailto:nbailey@nationalfairhousing.org) and Rob Randhava, senior counsel, Leadership Conference on Civil and Human Rights, [randhava@civilrights.org](mailto:randhava@civilrights.org). Thank you for your consideration.

Sincerely,

Center for Responsible Lending

The Leadership Conference on Civil and Human Rights

NAACP

NALCAB

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*State of Hispanic Homeownership Report*, <https://nahrep.org/downloads/2019-state-of-hispanic-homeownership-report.pdf>; Alanna McCargo, Jung Hyun Choi, and Edward Golding, *Building Black Homeownership Bridges: A Five Point Framework for Reducing the Racial Homeownership Gap*, Urban Institute, at p. 8 (May 2019), [https://www.urban.org/sites/default/files/publication/100204/building\\_black\\_ownership\\_bridges\\_1.pdf](https://www.urban.org/sites/default/files/publication/100204/building_black_ownership_bridges_1.pdf).

<sup>4</sup> Jeff Cox, *Morgan Stanley says housing discrimination has taken a huge toll on the economy*, CNBC, November 13, 2020, <https://www.cnbc.com/2020/11/13/morgan-stanley-says-housing-discrimination-has-taken-a-huge-toll-on-the-economy.html>.

<sup>5</sup> Joint Center for Housing Studies of Harvard University, *State of the Nation's Housing 2017* (June 2017), [http://www.jchs.harvard.edu/sites/default/files/harvard\\_jchs\\_state\\_of\\_the\\_nations\\_housing\\_2017.pdf](http://www.jchs.harvard.edu/sites/default/files/harvard_jchs_state_of_the_nations_housing_2017.pdf); Laura Kusisto and Ben Eisen, *Wave of Hispanic Buyers Shores Up U.S. Housing Market*, Wall Street Journal, July 15, 2019, <https://www.wsj.com/articles/wave-of-hispanic-buyers-boosts-u-s-housing-market-11563183000>.

National CAPACD

National Community Reinvestment Coalition

National Fair Housing Alliance

National Urban League

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