

Draft Housing Infrastructure and Assistance Bill Presented to FSC

By: Jann Swanson | Mbn, Apr 19 2021, 11:32 AM

The House Committee on Financial Services (FSC) held a virtual hearing last week on **ways to provide equitable and affordable housing infrastructure**. The memorandum setting out the hearing's purpose stated that, not only is affordable housing a crucial part of the nation's infrastructure and a stable asset that boosts individuals, families, and communities' ability to thrive, but it also generates construction activity and jobs that stimulate the economy.

Prior to the hearing the FSC published 17 draft bills centering around housing that have been introduced into the current congressional session. They deal with everything from flood insurance to lead paint abatement to housing on Native American lands. One proposal, presented as a draft for discussion, is the "Downpayment Toward Equity Act of 2021." It is of particular interest because it builds on a much discussed housing policy set out during the presidential campaign.

As a candidate, Joe Biden proposed investing \$640 billion over 10 years to assure every American "has access to housing that is affordable, stable, safe and healthy, accessible, energy efficient and resilient, and located near good schools and with a reasonable commute to (homeowners') jobs." He laid out four points to accomplish this:

- Ending redlining and **other discriminatory and unfair practices** in the housing market.
- Increasing the supply, lowering the cost, and improving the quality of housing, including **through investments in resilience, energy efficiency, and accessibility of homes**.
- Pursuing a **comprehensive approach to ending homelessness**.

The fourth point, "Providing financial assistance to help Americans buy or rent safe, quality housing, including down payment assistance," was to include **"a refundable and advanceable tax credit and fully funding federal rental assistance."** The tax credit was proposed at \$15,000.

The FSC's discussion draft differs substantially from Biden's pre-election vision for direct assistance to homebuyers. It isn't known if the President was consulted or had any input into its content, and there is no guarantee it will ever become a formal bill let alone law, but here is a brief summary.

The stated purpose of the draft is to provide downpayment assistance to first-generation homebuyers to address multigenerational inequities in accessing homeownership and to ultimately close the racial homeownership gap in the U.S. That assistance is not in the form of a tax credit, but rather an advance grant which can be used for a downpayment, closing and associated costs, or to buy down interest rates on qualified mortgage loans. The funds can also be layered with other assistance from state, federal, local, private, public, and nonprofit sources to acquire the home.

The grants are limited to low-income buyers who fall within a yet unspecified dollar cap or one tied 120 percent of an area's median income (180 percent in "high cost" areas). Biden's \$15,000 has become \$20,000 **with another \$5,000 available to individuals deemed to be members of a socially disadvantaged group**.

To be eligible for the assistance the homebuyer must meet 23 qualifications. In addition to the income cap, these include that a buyer must be a first time homebuyer (and his/her spouse) or has not owned a home during the prior three-year period. In addition, his/her parents or legal guardians have not owned a home during the prospective homebuyer's lifetime or, if they did, that home was lost through an adverse process such as foreclosure. An exception to this generational rule is allowed for a prospective buyer who has ever been in foster care.

Applicants for assistance must receive homeownership counseling for an approved source **and meet the underwriting standards and dollar loan limits** for a mortgage as established for the GSEs Fannie Mae and Freddie Mac.

Assistance is available to purchase an owner occupied one to four unit property. To prevent "flipping" the prospective buyer will be required to repay 100 percent of the assistance if he/she ceases to occupy the property within the first 12 months following its acquisition. The repayment obligation declines 20 percentage points for each 12-month period thereafter, to 20 percent prior to the end of the 60th month. Repayment is waived in whole or part if the proceeds from the home's sale are not adequate to cover the amount due.

State finance agencies would administer the programs but could assign responsibility to community based non-profit organizations. Funds would be distributed to the states via a formula based on population, median area income and racial disparities in homeownership. The national gap in homeownership between white and Hispanic households in the fourth quarter of 2020 was 25 percent and nearly 30 percent between black and white households.

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