



February 23, 2021

Ms. Jodie Harris
Director
Community Development Financial Institutions Fund
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, DC 20220

Dear Director Harris:

The Homeownership Alliance is a new advocacy organization comprised of leading CDFIs and nonprofit single family developers that create affordable homeownership opportunities for families. Our [founding members](#) include New Jersey Community Capital, Self-Help, Fahe, Homewise, Housing Development Fund, Indianapolis Neighborhood Housing Partnership, and the Atlanta Neighborhood Development Partnership. These organizations prepare families to become successful homeowners and finance, renovate, and develop affordable homes that are assets for communities and the families that live in them.

CDFI programs are a helpful tool to narrow our nation's racial homeownership gap and they could be improved further to expand economic equality. The Capital Magnet Fund, New Markets Tax Credits, and Financial Assistance to CDFIs are flexible programs that help developers expand the supply of affordable homes and lenders work with families to access sustainable mortgages on existing homes.

The CDFI Fund could play a key role in a renewed effort to boost the U.S. homeownership rates among people who have been shut out from our primary path to build assets. As the CDFI Fund works on the policies, procedures and systems to make available the funding for CDFIs in the recently enacted Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (H.R. 133), we encourage you to prioritize homeownership for minorities, and particularly minority essential workers whose efforts have been so important during the pandemic.

Boosting minority homeownership rates would be a worthy use of the \$1.75 billion to expand financial activity in "low or moderate-income minority communities and to minorities that have significant unmet capital or financial services needs." Homeownership Alliance members believe that it is important that the CDFI Fund set clear standards about "accountability to minority populations" as required by the statute. A practical way to

ensure this accountability is for a CDFI to set up a supervisory board (not just an advisory board) to govern the use of these resources. However, a supervisory board by itself is not sufficient. Alliance members strongly believe additional information such as demographic data about who is served by these activities need to be clearly disclosed by award recipients.

Homeownership Alliance members are experimenting with nontraditional underwriting to expand the number of minority homeowners. For example, one member has a pilot loan program that addresses higher levels of mortgage denials for minority borrowers by using rental payment history as the primary credit criteria in loan underwriting. Rental payments are not generally reported to the credit bureaus, and therefore are not reflected in consumers' credit scores but can be a good indicator of capacity to make mortgage payments. After the loans are seasoned for 12-18 months, thus proving a successful transition from renter to homeowner, the loans can be sold to banks and the funds recycled. Using the Supplemental Appropriations funds for loan loss reserves for MDIs and CDFIs to do this sort of minority homeownership initiative is consistent with the intent of program and would have a transformative impact on homeownership rates.

This is important because, as you well know, the benefits of homeownership are not evenly distributed throughout our society. America's growing racial wealth gap and homeownership gap are well documented and interrelated. According to the Urban Institute, while 72.1% of white households own their own home, only 42% of Black households and 48.1% of Hispanic households are homeowners.¹ This disparity in homeownership rates is then reflected in statistics on household wealth. According to Federal Reserve's Survey of Consumer Finances (Sept. 2020) the median wealth of white households is \$188,200 compared to only \$24,100 for Black households and \$36,200 for Hispanic households.² There is no investment alternative that is as beneficial as homeownership for wealth building for Americans.

Homeownership Alliance members would be happy to discuss these suggestions in further detail with you and your staff via Zoom. The Homeownership Alliance also has policy papers suggesting changes to boost homeownership outcomes for the [Capital Magnet Fund](#) and [New Markets Tax Credits](#). An overview of the case for homeownership is [here](#). Please contact me at ksiglin@stabilizationtrust.org if you have any questions and would like to follow up.

Sincerely,

Kristin Siglin
Vice President of Policy and Partnerships
National Community Stabilization Trust
On behalf of the Homeownership Alliance

¹ *Closing the Gaps*, Alanna McCargo and Jung Hyun Choi, Urban Institute, 2020

² McCargo and Choi, page 2