PRELIMINARY RESEARCH VOL. 2

Prepared for: August 14 Meeting, Task Force Addressing Racial Disparities in Homeownership

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This document contains initial research on the second set of barrier categories identified in previous meetings of the Task Force and their related challenges or issues. The purpose of this document is to provide some basic information on background, current efforts, and possible policy options.

The Task Force on Addressing Racial Disparities in Homeownership has been tasked with identifying the barriers to home ownership that people of color face in Oregon; developing recommended solutions, including legislation, to modify practices or procedures for mortgage loan applications and approvals to eliminate any impermissible discrimination or barriers; and to improve other conditions that reduce or prevent home ownership among people of color in this state.

TASK FORCE PROBLEM STATEMENT

Oregon's communities of color do not have equal, fair, or equitable access to homeownership. A comprehensive review of public, private, and NGO data sources show that communities of color own homes at lower rates than their white counterparts.

These disparities are the result of historical and current discriminatory housing policies and practices, disparate access to credit, generational poverty, and racial biases, which are exacerbated by present-day barriers that disproportionately impact Oregon's communities of color.

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I. BUILDING & PURCHASING COSTS | SUPPLY | LAND

1. Background: High land costs, material costs, and rising labor costs have driven up the cost of housing faster than income; they have also constrained construction over the past decade. Housing inventory is extraordinarily low compared to need. Even though the current U.S. population is about 45% greater than it was in the 1960s, fewer homes are being built today and every year the shortage increases.[1] In addition, builders are focusing on the high end of the market, causing a mismatch in types of housing inventory.

   According to the Oregon Office of Economic Analysis, “the housing supply and affordability challenges truly are statewide issues. The increase in new construction activity in recent years has barely kept pace with the increase in population growth. A market imbalance remains.”[2]

2. Current Law, Policies or Programs (Recent Housing Legislation):

   a. HB 4079 (2016). The Affordable Housing Pilot Program. The program allows two cities, by application, to add new housing units on lands currently outside their urban growth boundaries (UGBs) without going through the normal UGB expansion process. Redmond and Bend are participating.

   b. HB 4006 (2018). According to the Department of Land Conservation and Development (DLCD), “In 2018, the Oregon Legislature allocated $1.73 million to the DLCD for housing planning technical assistance in House Bill 4006. The bill allocates funding ‘for the purpose of providing technical assistance to local governments in increasing the affordability of housing.’ Funding from this program must be expended by June 30, 2019.”

   c. HB 2001 (2019) allows duplexes, triplexes, fourplexes, and "cottage clusters" on land previously limited to single family houses in cities with more than 25,000 residents, as well as smaller cities in the Portland metro area. Cities with at least 10,000 residents are required to allow duplexes in single-family zones.

   d. HB 2003 (2019) Requires the Housing and Community Services Department with the DLCD and Oregon Department of Administrative Services to develop methodology to conduct regional housing needs analysis and, for certain cities and Metro, to estimate existing housing stock, to establish housing shortage analysis and to estimate needed housing units for the next 20 years. The report is due March 1, 2021.

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[1] Jung Hyun Choi, Laurie Goodman, and Bing Bai, “Four ways today’s high home prices affect the larger economy,” Urban Wire, Urban Institute, October 11, 2018, https://www.urban.org/urban-wire/four-ways-todays-high-home-prices-affectlarger-economy.

[2] Oregon’s Housing Supply, Lehner, J. (2019), https://oregoneconomicanalysis.com/2019/01/29/oregons-housing-supply/

3. Policy Options:

Available Housing Stock

a. Incentivize manufactured and modular housing.[3]

b. Vacancy tax. Consider taxing vacant land and properties to both encourage development and to place vacant properties on the market. Florida, California, Illinois, and Michigan have similar disincentives.[4]

c. Provide funds to those who would restore dilapidated homes and put them on the market.

d. Consider ways to increase the availability of construction labor.

Land Costs

a. Take stock of surplus public lands.

b. Subsidize land purchases for certain types of projects.

c. Consider discussing solutions with the DLCD.

Construction in Rural Areas

a. Pay system development charges.

b. Offer cash rebates on new home construction that are in desired locations. The DLCD may offer funding for these kinds of programs.

c. Invest in high speed internet to draw workers who work remotely.

Land Use Policies

a. Review fee structures and allow local governments to set impact and development fees on a per-acre, gross land, or square-foot basis, rather than a per-unit basis, to more accurately reflect true infrastructure costs for residential projects. This will enable higher-density projects to be financially feasible.[5]

b. Shorten lengthy building review and permitting processes that add cost and allow for manipulation by growth opponents. Utilize updated technology to decrease costs and uncertainty.[6]

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[3] Laurie Goodman, Edward Golding, Alanna McCargo, and Bhargavi Ganesh, "Manufactured homes could ease the affordable housing crisis. So why are so few being made?" Urban Wire (blog), Urban Institute, January 29, 2018, https://www.urban.org/urban-wire/manufactured-homes-could-ease-affordable-housing-crisis-so-why-are-so-few-beingmade.

[4] Housing Development Toolkit, The Whitehouse (2016) https://www.whitehouse.gov/sites/whitehouse.gov/files/images/Housing_Development_Toolkit%20f.2.pdf

[5] Up for Growth, https://www.upforgrowth.org/research/housing-underproduction-oregon

[6] See San Diego's Expedite Program, Austin's SMART Housing Program and Rhode Island 2009 Expedited Permitting for Affordable Housing Act.

c. Establish zoning that allows high-density residential development in a half-mile radius around high-capacity transit station areas and within a quarter-mile of frequent-service/rapid-service transit lines to build up to the allowed height without additional review or approvals.

d. Empower the DLCD to audit Oregon cities for adherence to statewide laws requiring clear and objective standards in approving needed housing and meeting existing permitting timelines.

e. Incentivize taller homes with smaller footprints by using a floor area ratio model similar to one outlined by the City of Portland.

f. Review requirements around system development charges.

g. Review inclusionary zoning laws.

h. Establish density bonuses to incentivize the building of a certain number of units.

II. EDUCATION AWARENESS

As we discuss the need for education and awareness to address barriers to homeownership, it is important to be clear that these are not ways to correct for something that communities of color are doing wrong. The Task Force should focus instead on addressing the ways the financial or real estate systems do not work, especially for communities of color.

For example, the African American Financial Capability Initiative (AAFCI) recommends that investment be targeted toward the "development of infrastructure (staff and organizational) and social impact innovation that encourages grant recipients to create 'right-sized', multi-pronged" strategies "rooted in the experiences and expertise of their unique cultures."[7] They also recommend focusing on efforts to retool unfair systems rather than either explicitly or implicitly blaming or trying to change individuals. "When working to understand economic inequality—poverty, income and wealth—society largely relies on behavioral economic explanations (cognitive bias, emotions and social influences) to explain disparity. Consequently, many interventions and solutions focus on personal choice—improving financial literacy and generating appeal for existing products and services among hardest-to-reach groups—rather than working with

[7] Prosperity Now. "African American Financial Capability Initiative: An Implementation Blueprint." https://prosperitynow.org/sites/default/files/resources/AAFCI_Implementation_Blueprint.pdf, last visited on February 20, 2019.

grassroots experts, activists and providers to design, launch and test system-level strategies."[8]

AAFCI also concludes that there are significant psychosocial and traumatic impacts from multigenerational poverty, chronic stress, and race-based discrimination. "Blaming the system, and working to change it, happens concurrently as practitioners work to build up the confidence of people hurt by racial economic inequality while also providing information, tools and empathic ways of financial coaching and counselling, and sharing power and leadership." Cultural organizations are best designed to serve communities of color, specifically African American communities, because of the "proximity, intimacy, and empathy" with the communities they serve.[9]

The challenge for the Task Force in addressing this barrier is that much of the system is under federal control, including mortgage lending requirements, credit score components, and underwriting standards. The Task Force can instead focus on creating and supporting environments where communities of color can become financially capable, including different delivery formats, presenters, concepts, and expectations.

Financial Literacy in High School

1. Background: Financial literacy, education about understanding financial concepts and systems and managing money, enables individuals to make informed decisions about personal finances and helps them to navigate the current financial system. The Task Force heard that teaching financial literacy in high school is not common. It has had repeated conversations about the need for and interest in providing financial education to students from Kindergarten to high school to increase the understanding of credit scores and how they are calculated, maintained, and repaired; how to shop around and compare mortgage options; and to provide knowledge that may not have been passed down by previous generations. At the July 29 meeting, the Task Force also discussed what to call this barrier. This section uses "financial literacy," as that is the language used in state law, administrative rule, and education standards.

   In 1997, Oregon removed its requirement that high school graduates pass a half-year personal finance course to graduate high school. Oregon now only requires that students obtain three credits of social sciences to graduate, which includes history, civics, geography, and economics education.

   In 2017, the Legislative Assembly passed House Bill 2229, which encourages school districts and public charter schools to offer students courses or other educational opportunities in financial literacy to allow every student who wants to receive instruction in financial literacy to do so. The bill started requiring

[8] Prosperity Now. "African American Financial Capability Initiative: An Implementation Blueprint." https://prosperitynow.org/sites/default/files/resources/AAFCI_Implementation_Blueprint.pdf, last visited on February 20, 2019. (page 28)
[9] Ibid. Page 39.

academic content standards and instruction in financial literacy, but school districts were concerned about the cost, and the bill was amended to only encourage schools to offer such courses.

2. Current Law, Policies or Programs: Even though state law does not require instruction in financial literacy, the Oregon K-12 Social Sciences Academic Content Standards,[10] adopted by the State Board of Education in May 2018, do contain financial literacy standards that begin in Kindergarten (four standards) through high school. Specific standards were identified in 2018 for financial literacy separate from economics. The standards state that the goal is to help students understand how knowledge and decisions involving money impacts their lives.

   The high school financial literacy standards related to homeownership include:

   - HS.30 Identify strategies of establishing and maintaining a good credit rating and identify and evaluate sources of credit and their advantages and disadvantages.
   - HS.31 Explain and analyze the kinds and costs of insurance as a form of risk management (e.g., auto, health, renters, home, life, disability).
   - HS.32 Evaluate how consumers can protect themselves from fraud, identity theft, predatory lending, bankruptcy, and foreclosure.
   - HS.33 Compare and contrast tools for managing and protecting personal finances.
   - HS.34 Identify financial institutions in the community and their purpose (such as banks, credit unions, consumer/business loans, deposit insurance, investments/trust services, non-traditional banking).
   - HS.35 Compare and contrast different investment options in weighing risk versus return to meet financial goals for long-term investment (such as stocks, bond, precious metals, rare earths, CDs, mutual funds, IRAs, 401ks, college savings/529, real estate, pension plans, Social Security).
   - HS.36 Identify and explain strategies for creating a budget that balances income and expenses and encourages saving for emergencies and long-term financial goals, such as retirement.
   - HS.37 Compare and contrast the various types of loans available, how to obtain them and the function of compounding interest and explain the costs and benefits of borrowing money for post-secondary education.

[10] State Board of Education. Oregon K-12 Social Sciences Academic Content Standards. https://www.oregon.gov/ode/educator-resources/standards/socialsciences/Documents/Adopted%20Oregon%20K-12%20Social%20Sciences%20Standards%205.18.pdf

All high school students should be assessed on all the social science standards prior to graduation. Because not all students enroll in elective classes, students should be instructed on, and assessed to, the standards through the required course sequence determined by the school. By administrative rule, “students must earn 3 credits of Social Science to include, history, civics, geography, economics, or personal finance.”[11]

Schools differ on how they approach the inclusion of the standards in their courses. Some schools have personal finance electives, and would include the financial literacy standards, along with other standards, in the course standards. Other schools may instead offer a year-long economics course that includes a unit on financial literacy that also includes the financial literacy standards.[12]

Policy Options: Oregon doesn’t require financial literacy instruction but has statewide financial literacy standards that students must meet for graduation. There is a legitimate question to ask about the effectiveness of such standards without required instruction or graduation requirements.

a. Add a new diploma requirement.

b. Require an existing diploma requirement include financial literacy.

Culturally Specific Homebuyer Education or Counseling

1. Background: The Task Force has heard that homebuyer education (pre- and post-purchase) or financial literacy courses are not culturally specific, responsive to all communities of color and language needs, or available in all parts of the state. The Task Force has also heard that few individuals from communities of color are mortgage ready because knowledge gaps exist for borrowers, including a lack of knowledge about credit scores and the homebuying process. Research shows that minority borrowers, even those with good credit, are less likely to shop around and compare mortgage options, in part due to a lack of familiarity with the mortgage process.

   Homeownership education and counseling includes many types of training and support. Typically, counseling involves individual service and focuses on identifying and addressing specific issues, but many programs include components of both education and counseling.

   Research has shown that pre-purchase education and counseling may help individuals determine if they are ready for homeownership, connect homebuyers with safer and more affordable mortgage products, and support factors related to sustainable homeownership (improved mortgage literacy, greater appreciation for

[11] Oregon Administrative Rule (OAR) 581-022-2000 (6)(D)

[12] Email communications from Amit Kobrowski, Social Science Specialist, Oregon Department of Education (July 31, 2019).

communication with lenders, and improved underwriting qualifications).[13] Education and counseling programs can also help potential buyers navigate the homebuying process.

Existing financial capability curricula can be retooled to include cultural and socioeconomic components based on community needs and input. However, expecting to use existing nonprofits to expand culturally-specific homeownership services without additional support (funding) for staff, infrastructure, organization, and community development is unfair as these organizations are also traditionally underfunded. “Our findings suggest a strong need for significant, multi-year funding to build the capacity of organizations to develop, implement, and evaluate effective and sustainable culturally relevant, intergenerational financial capability programs.”[14]

Researchers recently evaluated the Hawaii Community Asset’s Kahua Waiwai financial capability program as an example of how a culturally responsive program can empower communities to build wealth in ways that support cultural values and identities. For example, the program is multigenerational, which is a common characteristic for Asian American and Pacific Islander households. It also “recenters Native knowledge and perspective on resource sharing and stewardship and does not focus solely on knowledge of western bank and credit systems.”[15]

This model includes the following best practices: blending personal finance with cultural values from communities of color; offering financial tools and education through shame-free dialogue; integrating multigenerational programming and intergenerational lending; and utilizing a community-embedded approach. While financial literacy is important, it has greater meaning when combined with access to financial tools and services.[16]

2. Current Law, Policies or Programs: The Housing and Urban Development Act of 1968 first enabled the U.S. Department of Housing and Urban Development (HUD) to authorize public and private organizations to provide housing counseling. The focus changed in the 1980s and 1990s from home retention to pre-purchase counseling to minimize lender risks. In 2010, Congress created a

[13] Marina L. Myhre, Ph.D. Nicole Elsasser Watson, U.S. Department of Housing and Urban Development. “Housing Counseling Works.” https://www.huduser.gov/portal/sites/default/files/pdf/Housing-Counseling-Works.pdf.
[14] Jessica Santos, Angela Vo, and Meg Lovejoy, Institute on Assets and Social Policy at Brandeis University. “Foundations for The Future. Empowerment Economics in The Native Hawaiian Context.” http://www.hawaiiancommunity.net/info/171009_FOUNDATIONS_FOR_THE_FUTURE.pdf
[15] Charmaine Runes. Urban Institute. “What’s behind the wealth gap in Asian American and Pacific Islander communities?” https://www.urban.org/urban-wire/whats-behind-wealth-gap-asian-american-and-pacific-islander-communities
[16] Jessica Santos, Angela Vo, and Meg Lovejoy, Institute on Assets and Social Policy at Brandeis University. Foundations for The Future. Empowerment Economics in The Native Hawaiian Context. http://www.hawaiiancommunity.net/info/171009_FOUNDATIONS_FOR_THE_FUTURE.pdf

centralized Office of Housing Counseling to certify counseling agencies and oversee counseling services and standards.

Oregon Homeownership Centers across the state provide a variety of pre-purchase homebuyer education, financial coaching, pre-purchase homebuyer counseling, and financial literacy education services. The Oregon Housing and Community Services Department (OHCS) maintains a list of homeownership centers on their website.

The Task Force heard about two culturally-specific pre-purchase programs offered by the Portland Housing Center: Getting Your House in Order, created by and for African Americans, and Decide Tu Futuro, created by and for Latinos. In addition, the African American Alliance for Homeownership offers pre-purchase counseling and homebuyer education classes; Hacienda Community Development Corporation offers the ABCs of Home Buying, Camino a Casa, and one-on-one counseling; and the Native American Youth and Family Center provides culturally specific homeownership coaching, education, and programming.

As mentioned at the July 29 meeting, HOWNW.com™[17] was launched in 2008 as a public service website that provides answers to common home buying questions. The website includes a searchable, multi-lingual database of homebuying programs that are offered in the Clackamas, Multnomah and Washington County areas. It also provides a list of homebuyer education and financial preparedness classes offered by community partners that meet the requirements for homebuyer counseling required by certain loan and assistance programs.

3. Policy Options: At the July 29 meeting, the Task Force discussed several related policy options, including increasing consumer education and counseling, making programs and training more accessible, targeting mortgage ready individuals for appropriate assistance, increasing marketing about programs and services offered, and supporting organizations to provide culturally-specific education and counseling. The following policy options are intended to address the need for culturally-specific education or counseling:

    a. Increase state support for cultural organizations to tailor and offer or expand culturally-specific homeownership services that support cultural values, increase knowledge about finance and credit systems, and incorporate opportunities for participants to access and use financial tools and services.

    b. Identify program best practices or content guidance for community organizations to incorporate into their services or curriculum in order to

[17] http://hownw.com/

qualify for existing or additional state funding for homebuyer education or counseling.

c. Embed financial capability programs in state and local institutions that engage families of color (schools, public benefits programs, workforce programs).

Homebuying Professional Education

1. Background: Another barrier presented to the Task Force is that mortgage lenders have limited knowledge about homebuyer assistance programs and continuing education for lenders regarding available programs is lacking. Similarly, the Task Force has discussed that realtors may also not know about the assistance programs available to homebuyers. At the July 29 meeting, we discussed related barriers, including lender and broker incentives and education requirements related to bias and discrimination.

2. Current Law, Policies or Programs: Professional licensure requirements for mortgage and real estate professionals include both pre-license and continuing education requirements.

   The Department of Consumer and Business Services (DCBS) establishes by rule the procedures for licensing and renewing a license for mortgage bankers, mortgage brokers, and mortgage loan originators. The education and testing requirements for applicants includes 20 hours of education, including time dedicated to federal laws and regulations, ethics, and lending standards applicable to nontraditional mortgages (ORS 86A.215). Renewal requires meeting continuing education requirements of at least eight hours, including time dedicated to federal laws and regulations, ethics, and lending standards applicable to nontraditional mortgages (ORS 86A.221).

   The Oregon Real Estate Agency licenses real estate brokers and principal brokers. A real estate broker must complete 150 hours of required broker pre-license education from an agency-approved real estate school. Principal brokers must complete the 40-hour Brokerage Administration and Sales Supervision course. To renew an active license, a real estate licensee must complete 30 hours of real estate continuing education courses during the two years preceding the renewal. The 30 hours must include at least three hours in a course on recent changes in real estate rule and law approved by the Real Estate Board, and an advanced course in real estate practices approved by the agency, if renewing an active license for the first time. The agency, with advice from real estate professionals and educators, sets rules for continuing education providers and the approved course topics and learning objectives.

   HOWNW.com™ was launched in 2008 as a public service website made possible by the Portland Metropolitan Association of Realtors® (PMAR) with the assistance of other community-based organizations. Homebuyers can click a link to find a HOWNW.com™ Certified Specialist, who are PMAR Realtors® specifically trained to address the buyer's concerns about homeownership affordability by knowing the broad range of financing mechanisms that may be able to assist the buyer. HOWNW.com™ Certified Specialists are provided with practical, hands-on information about programs, products, and eligibility standards that may help financially challenged or first-time homebuyers.

3. Policy Options:

   a. Require course content and learning objectives related to homebuyer assistance programs in the licensing requirements of DCBS and the Oregon Real Estate Agency.

   b. Support an industry certification program, with similar training and certification requirements to HOWNW.com, for mortgage and real estate professionals across the state.

III. WEALTH GAP

Wealth is the financial value of items owned by a household (home equity, savings, stocks, or retirement/pension accounts) minus debts (mortgage, credit card, or student loan debt). "Wealth begets more wealth. Higher levels of wealth enable greater access to more favorable terms for credit. Wealth provides individuals and families with financial agency and choice; it provides economic security to take risks and shields against the risk of economic loss."[18]

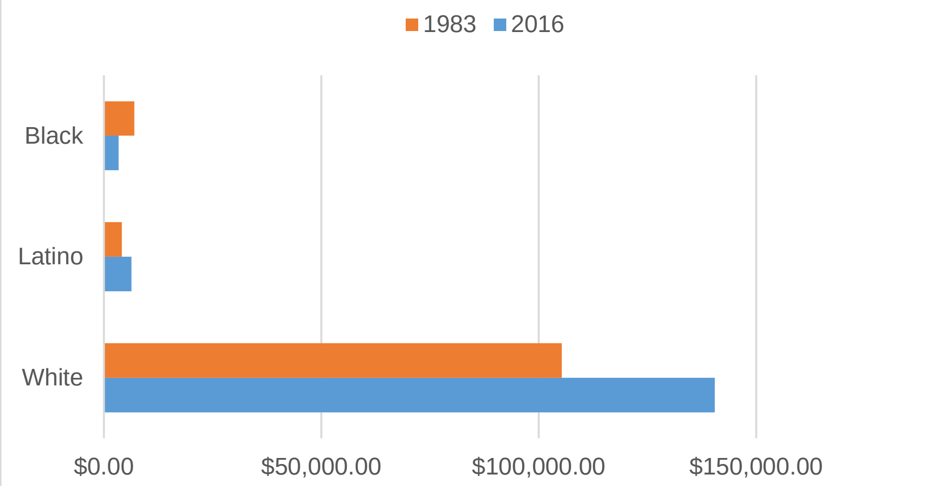
Analysis from Prosperity Now using data from the Federal Reserve's 2016 Survey of Consumer Finances (Figure 1), which has been conducted every three years since 1983, shows that median household wealth for White households increased from $105,300 to $140,500 from 1983 to 2016. For the median Latino household, it increased from $4,100 to $6,300. For the median Black household, the median wealth decreased from $7,000 to $3,400 over the same period.[19] As of 2016, 33 percent of Latino households and 37 percent of Black households had zero or negative net worth, more than twice the rate of White households (16 percent). Whites also have greater asset diversity than people of color for whom checking accounts may be their only financial asset.

"Although many Asian Americans have wealth comparable to that of whites, a large share of Asian Americans have little or no wealth. Focusing only on average or median wealth of Asian Americans can thus be misleading because doing so ignores a large

[18] William Darity Jr., et al. Cook Center on Social Equity. "What we get wrong about the racial wealth gap."
[19] Prosperity Now. Running in Place: Why the Racial Wealth Divide Keeps Black and Latino Families from Achieving Economic Security. https://prosperitynow.org/sites/default/files/resources/Running_in_Place_FINAL_3.2018.pdf.

share of Asian Americans who continue to struggle economically."[20] As discussed by the Task Force, the lack of disaggregated data on Asian Americans, Pacific Islanders, and certain other populations makes it more challenging to identify and address specific population needs. However, the research is clear that there is wealth inequality among Asian Americans, in part because of different experiences with immigration, colonization, assimilation, and acculturation, and a need for effective wealth-building policies, including those to boost savings (specifically retirement savings) or reduce debt (decreasing student loan debt).

Figure 1: Racial Wealth Gap



Source: LPRO with data from the Federal Reserve's 2016 Survey of Consumer Finances.

Despite the Great Recession and the overall decline in home equity, homeownership remains one of the greatest sources of Americans' wealth. Homeowners have significantly more wealth than renters. Homeownership offers both financial gain and a way to build wealth and provides benefits other than wealth such as a stable place to live. However, the benefits of homeownership do not accrue equally. There is a 57 percent gap in the housing wealth of black and white households (age 60 or 61) due to three factors: black homebuyers buy less expensive first homes with more debt, they buy homes later in life, and they are less likely to sustain homeownership.[21] People of color also suffered greater losses in home equity during the Great Recession, although some of this can be attributed to larger numbers of Asians and Hispanics/Latinos living in the housing markets that experienced the greatest losses.

[20] Christian E. Weller and Jeffrey P. Thompson. "Wealth Inequality Among Asian Americans Greater Than Among Whites. December 2016." https://cdn.americanprogress.org/content/uploads/2016/12/20111150/AsianWealthInegaulity-report-11.pdf
[21] Alanna McCargo, Vice President for Housing Finance Policy, Urban Institute. "State of and Barriers to Minority Homeownership. Testimony before the Housing, Community Development and Insurance Subcommittee." May 8, 2019

"Among homeowners, white households also hold considerably higher levels of equity in their homes. Mean net housing wealth (the value of the home, less any debts on the home) among homeowners is $215,800 among white families but only $94,400 among black families and $129,800 among Hispanic families. White homeowners hold more home equity, but housing accounts for only 32 percent of their total assets, compared with 37 to 39 percent for black and Hispanic homeowners."[22]

Homeownership rates for communities of color are lower in Oregon than for whites, as shown in Table 1. An analysis of the effects of equalizing homeownership rates on the racial wealth gap showed an increase in median wealth for Black households of $32,113 and for Latino households of $29,213.[23]

Table 1. Oregon Homeownership Rates

	Rate
American Indian / Alaskan Native	44.8%
Asian	59.4%
Black or African American	32.2%
Hispanic or Latino	40.8%
Native Hawaiian or Another Pacific Islander	33.4%
Other Races	40.6%
Two or More Races	46.4%
White, Not Hispanic or Latino	65.1%
Overall Rate	61.1%

Source: LPRO with data from the 2013-2017 American Community Survey five-year estimates.

Discrimination in the housing market, continuing neighborhood preferences by whites, and persistent residential segregation have affected the ability of African American homebuyers to build equity and wealth. Research by the Brookings Institution concluded that in neighborhoods where the population is majority black, homes are valued at about half the value of homes in neighborhoods with no blacks.[24] Other research from the Urban Studies Institute at Georgia State University, however, found that in appreciating markets, like Oregon, black and other homebuyers of color have comparable appreciation rates with whites and were more likely to fair well financially.[25]

[22] Lisa J. Dettling et al. FEDS Notes. "Recent Trends in Wealth-Holding by Race and Ethnicity: Evidence from the Survey of Consumer Finances." September 27, 2017.
[23] Laura Sullivan et al, Institute for Assets & Social Policy, Brandeis University, and Amy Traub et al, Demos. "The Racial Wealth Gap. Why Policy Matters." https://www.demos.org/sites/default/files/publications/RacialWealthGap_2.pdf
[24] Andre Perry et al. Brookings Metropolitan Policy Program. "The Devaluation of Assets in Black Neighborhoods."
[25] The study did not specifically look at Oregon or the Portland Metro area. Immergluck, Earl, and Powell. Urban Studies Institute, Georgia State University "Black Homebuying after the Crisis: Appreciation and Segregation Patterns in Fifteen Large Metropolitan Areas."

Wealth Gap

1. Background: There is significant literature about the impact of the wealth gap and the lack of generational wealth on homeownership in communities of color. Wealth allows households to purchase a home, start businesses, contribute to a child's down payment or closing costs, or make educational investments.

   Racial gaps in income, homeownership rates, and wealth are all interconnected. Reasons for the wealth gap include residential segregation and housing equity, income, occupational segregation, and employment benefits, However, research into the sources of the wealth gap that control for differences in education, jobs, income, or family structure are only able to account for half of the wealth gap. "Typical black and Latino households that attend college and live in two-parent households still have much less wealth that similarly situated white households."[26]

   Analysis of the racial wealth gap by Prosperity Now, the Center for Global Policy Solutions, the Institute for Policy Studies, and the Institute on Assets and Social Policy all conclude that the racial wealth gap is the result of policy choices that boosted the ability of White Americans to build long-term wealth while blocking the same ability in communities of color. Wealth building policies then must account for these policies and include a "multifaceted and multidisciplinary response or approach."[27]

2. Current Law, Policies or Programs: Research on the wealth gap and recommendations for addressing it focus on asset building as a key strategy. Recommendations include policies, programs, and investments that support: equitable education quality; access to low- and no-cost financial services; children's savings accounts with higher amounts for children born into the lowest wealth families (baby bonds); Social Security expansion; universal basic income; job and benefit guarantees; reducing or forgiving student loan debt; and boosting homeownership opportunities through first-time homebuyer tax credits or targeted matched savings programs for down payments.

   The July 29 packet contains additional information on current down payment assistance, individual development accounts, and other financial services.

3. Policy Options: While many of the potential recommendations for addressing the racial wealth gap require federal action, the following are potential state policy options:

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[26] Amy Traub, Dēmos, and Laura Sullivan et al, Institute on Assets and Social Policy (IASP), Brandeis University. "The Asset Value of Whiteness: Understanding the Racial Wealth Gap." https://heller.brandeis.edu/iasp/pdfs/racial-wealth-equity/racial-wealth-gap/asset-value-whiteness.pdf

[27] Prosperity Now. "African American Financial Capability Initiative: An Implementation Blueprint." https://prosperitynow.org/sites/default/files/resources/AAFCI_Implementation_Blueprint.pdf.

a. Community and neighborhood wealth building to support individual wealth accumulation, maintenance, and protection, including supporting community organizations or making infrastructure investments in disadvantages communities.

b. Increase funding for, and access to, down payment assistance and Individual Development Accounts (matched savings) for communities of color.

c. Increase access to low- and no-cost financial services, especially for communities with less access to financial services.

d. Create a first-time homebuyers tax credit scaled to income.

e. Implement a state savers tax credit.

f. Reduce student debt through increased state investment in higher education or student loan forgiveness.

g. Target a percentage of investments to communities (by county or census tract) where 20 percent or more of the population has lived below the poverty line for the last 30 years.

Disconnect Between Income and Market Prices

1. Background: This barrier was discussed as part of the Finances barriers during the July 29 meeting. Related programs and policy options exist in the supply, mortgage lending, and other barriers sections of that meeting's materials.

2. Current Law, Policies or Programs:

   a. Shared equity programs allow income eligible families to purchase homes at below-market rates, and the program keeps a share of the home's equity, so the home remains affordable to other low-to-moderate income homebuyers. Because these programs reduce the purchase prices and total mortgage loan amount, monthly payments may be more affordable to low-to-moderate homebuyers. These types of programs can include deed restrictions, community land trusts, or limited equity cooperatives. There are concerns about use of this model for addressing racial disparities because it limits the ability of homeowners to accumulate wealth through homeownership and close the racial wealth gap.

   b. The U.S. Department of Housing and Urban Development's (HUD) Good Neighbor Next Door Sales Program. HUD offers a substantial incentive in the form of a discount of 50% from the list price of the home for law enforcement officers, pre-Kindergarten through 12th grade teachers, firefighters, and emergency medical technicians. In return the homebuyer must commit to live in the property for 36 months as their sole residence.

c. The Fannie Mae HomePath First Look marketing period was created to promote homeownership and contribute to neighborhood stabilization allowing homebuyers to negotiate and purchase foreclosed properties before they are made available to investors. Eligible buyers are owner occupants (for at least one year), public entities, and some nonprofits.

3. Policy Options: At the July 29 meeting, the Task Force discussed developing something similar to the HUD Good Neighbor program that could include the state purchase of dilapidated or foreclosed homes combined with rehabilitation (sweat equity, grants, or other financing), down payment assistance, and residency requirements to support homeownership. This option could also include setting up a local pilot program for cities or counties in partnership with cultural organizations.

IV. CULTURAL DIFFERENCES

The challenges and issues in this barrier category should not be seen as explanations that blame the victims of homeownership disparities and instead need to be viewed as part of the systemic and structural inequality of the homeownership system. As such, policy options should focus on remedies for the structural impacts, not perceived individual "deficiencies."

Trust in Lending Institutions

1. Background: The Task Force heard that beliefs about banks or credit may discourage trusting lending institutions. Many Asian American and Pacific Islanders "deeply distrust financial, service, or governmental institutions based on historical or homeland experiences, and instead may seek knowledge within their own trusted networks."[28]

   Discriminatory financial practices, the lack of access to bank and credit union locations, and predatory financial products have long affected communities of color. Most recently, the predatory lending practices of the Great Recession resulted in a disproportionate number of people of color losing homes to foreclosure. Large national banks have been in the news for racially discriminatory practices, including charging African Americans and Hispanics higher rates and fees on mortgages even when they qualified for cheaper loans, and opening transaction accounts and lines of credit without consumers' knowledge.

   Recent research into the discriminatory practices of small and community Main Street banks found that banks charge communities of color more for opening and

[28] Jessica Santos et al, Institute on Assets and Social Policy at Brandeis University. "Foundations for The Future. Empowerment Economics in The Native Hawaiian Context."

maintaining basic, entry-level checking accounts; it is cheaper to maintain a checking account in white neighborhoods; discretionary banking practices and evidence of racial bias among tellers increases checking account costs and fees in places with small white populations; average checking account costs and fees are $190.09 higher for blacks, $25.53 higher for Asians, and $262.09 higher for Latinos; and more earnings of people of color are required to be sequestered in checking accounts than for whites.[29]

2. Current Law, Policies or Programs: In the 2017 Federal Deposit Insurance Corporation (FDIC) National Survey of Unbanked and Underbanked Households, the rate of the unbanked (no account at an insured institution) and underbanked (have one account but also obtain alternative financial services) has declined to 6.5 percent and 18.7 percent respectively. The unbanked rates for communities of color are higher than for whites as shown in Table 2 below.

Table 2. Unbanked Rates by Household Race and Ethnicity (2013-2017)

Race/Ethnicity	2013 Rate	2015 Rate	2017 Rate
Black	20.6	18.2	16.9
Hispanic	17.9	16.2	14.0
Asian	2.2	4.0	2.5
White	3.6	3.1	3.0
Other	15.0	11.1	12.8

Source: LPRO with data from the Federal Deposit Insurance Corporation National Survey of Unbanked and Underbanked Households

The FDIC survey also looks at the reasons for not having an account. Almost one-third (30.2 percent) of unbanked households responded that they “don’t trust banks” as a reason, while 12.6 percent cited trust as the main reason they don’t have an account. Those that are less likely to open an account in the next 12 months had higher rates of citing trust as a reason (36.2 percent of not at all likely and 31.5 percent of not very likely). These findings are similar those reported in previous years, so trust does not appear to be improving or declining.

The survey also found that over 80 percent of unbanked households have no mainstream credit, compared with just 14.1 percent of fully banked households. The rates of household access to mainstream credit also differed by race and ethnicity: 36 percent of black households and 31.5 percent of Hispanic households have no mainstream credit, compared with 14.1 percent of white households.[30]

[29] Jacob Faber and Terri Friedline. New America, Family-Centered Social Policy. “The Racialized Costs of Banking.” June 2018. https://www.newamerica.org/family-centered-social-policy/reports/racialized-costs-banking/overview/
[30] Federal Deposit Insurance Corporation National Survey of Unbanked and Underbanked Households. 2017. October 2018. https://www.fdic.gov/householdsurvey/

Under the Oregon Bank Act the Director of the Department of Consumer and Business Services (DCBS) has the authority to conduct examinations of each banking institution, and any branch of non-Oregon institutions located in the state, to determine whether the banking institution is complying with the laws of this state and other matters as the director may prescribe. (Oregon Revised Statute 706.500). Credit unions may organize and request a charter from DCBS, which has the same examination authorities as for banks.

3. Policy Options:

   a. State regulation or stronger consumer protections related to banking fees and costs for communities of color.

   b. For certain communities, incorporating intergenerational learning in financial capability programs may strengthen relationships and increase trust.

   c. Develop targeted strategies or best practices to address the lack of trust, increase access to affordable banking services, and help households with little to no credit history establish and build credit history.

   d. Banks need to understand, acknowledge, and rebuild relationships and trust with communities of color.

Cultural Housing Preferences

1. Background: This barrier includes two themes: (1) there is a cultural preference for single-family homes; and (2) there is limited availability of multigenerational housing. The supply of housing, including single-family homes, and those policy options are discussed in Section 1. This section focuses on the second theme.

   Data analysis by the Pew Research Center of census data showed that in 2016, a record 64 million people, which is 20 percent of the population, lived with multiple generations under the same roof (up from 19 percent in 2014). Whites are less likely to live in multigenerational households (16 percent), while 29 percent of Asian, 27 percent of Hispanic, and 26 percent of Black households were part of multigenerational households.[31] Growing population diversity and the growth rates of Asian and Hispanic households are reasons for recent increases in multigenerational households.

   Some homeowners use accessory dwelling units, where allowed, for grandparent or adult children generations. Increasingly, developers and homebuilders are offering floor plans and options for building or renovating current homes into multigenerational housing.

[31] D'Vera Cohn and Jeffrey Passel. Pew Research Center. "A record 64 million Americans live in multigenerational households? April 5, 2018.

2. Current Law, Policies or Programs: HB 2001 (2019) allows duplexes, triplexes, fourplexes, and "cottage clusters" on land previously limited to single family houses in cities with more than 25,000 residents, as well as smaller cities in the Portland metro area. Cities with at least 10,000 residents are required to allow duplexes in single-family zones.

3. Policy Options: Review current laws, rules, and guidance, along with implementation of HB 2001, to ensure that there are options available to multigenerational homebuyers.

Lending Circles

1. Background: Lending circles have been friends and family coming together to lend money to each other. The use of lending circles as a financial tool and whether they are connected to and contribute to an individual's credit score was raised as a barrier.

2. Current Law, Policies or Programs: The Mission Asset Fund (MAF) has worked to identify innovative ways to provide financial assistance to low-income residents of San Francisco's Mission District. The MAF formalized this process through their Lending Circle[32] program where a monthly transfer of a zero percent interest loan from participant to participant is reported to the credit bureaus. Lending Circles are formed between six to 12 people, and the loan amount ranges from $300 to $2,400. Each month, a new member of the Lending Circle receives the loan until everyone in the group gets their chance. With reporting to all three credit bureaus, participants on average increase credit scores by 168 points. Participants start by filling out an online application and take online financial education courses. An app tool is also available.

3. Policy Options: Explore ways to either formalize existing lending circles to include credit bureau reporting or make online lending circles, such as the MAF program, more accessible as a financial tool for communities of color.

Cultural Variations for Income

1. Background: The Task Force heard that there are mortgage barriers related to sources of personal or business income that may be more prevalent in communities of color. As discussed both in the Finance and Mortgage sections of the July 29 meeting, income is one of the factors that determines mortgage loan eligibility. Most lenders want to see a two-year employment work history from borrowers in the same job and same field with a consistent income history. Documentation of income may be challenging, and the documentation of certain income may be perceived as a barrier to obtaining a mortgage.

[32] Mission Asset Fund Lending Circles. https://missionassetfund.org/lending-circles/

2. Current Law, Policies or Programs: Most lenders comply with the underwriting guidelines of the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal National Mortgage Association (Fannie Mae). Compliance with these guidelines allows lenders to sell their loans on the secondary mortgage market to Freddie Mac or Fannie Mae. Under rules adopted by the Consumer Financial Protection Bureau in 2013, all new mortgages must comply with basic requirements to protect consumers from taking on loans that they do not have the financial means to repay. Financial information must be provided and verified, and a borrower must have sufficient assets or income to repay the loan. Tax returns can be used for income where paystubs are not applicable.

   The Consumer Financial Protection Bureau (CFPB) issued a bulletin in 2014 reminding creditors of their obligations under the Equal Credit Opportunity Act (ECOA) and its implementing regulation, Regulation B, on the consideration of public assistance income, and relevant standards and guidelines relating to the verification of Social Security disability income received by mortgage applicants. It is a violation of ECOA and Regulation B to discriminate against an applicant on a prohibited basis in any part of a credit transaction, including whether all or part of an applicant's income may come from a public assistance program including income from Social Security disability.

3. Policy Options: Policy options to this barrier would be similar to those discussed on July 29 for mortgage lending and would largely require federal action. The state is likely limited to ensuring content to address this barrier through the professional education and licensing requirements and homebuyer assistance programs described in Section II.

Recognizing Differences and Tailoring Programs

1. Background: The Task Force heard repeatedly about the need for homeownership programs to recognize cultural differences and to be tailored for different communities. For example, Asian Americans and Pacific Islanders are more likely than any other communities of color to live in a multigenerational household, therefore there is a need to experiment with program models that embrace multiple generations.[33] This approach has been more common in programs to address poverty, income, or early childhood education. Approaches to financial capability that incorporate young children, youth, and adults in activities that encourage intergenerational learning could be used for homeownership.

   Tailoring financial literacy or homebuyer education programs to specific communities is discussed in Section II. The ability to tailor programs and target communities requires partnerships with organizations that specifically serve

[33] Jessica Santos et al, Institute on Assets and Social Policy at Brandeis University. "Foundations for The Future. Empowerment Economics in The Native Hawaiian Context."

communities of color so that cultural values are included. Building organizational capacity and increasing the ability for community organizations to deliver services will require an investment in these organizations and community institutions. "Our findings suggest a strong need for significant, multi-year funding to build the capacity of organizations to develop, implement, and evaluate effective and sustainable culturally relevant" programs.[34]

2. Policy Options:

   a. Provide funding to support capacity-building for non-profits serving communities of color with homeownership programs.

   b. Require state agencies and institutions licensed by the state to engage in authentic community participation and culturally relevant processes as they develop policy and programs.

V. HISTORICAL

History

1. Background: "…Oregon has never been particularly welcoming to minorities." "[R]acism has been entrenched in Oregon, maybe more than any state in the north, for nearly two centuries. When the state entered the union in 1859, for example, Oregon explicitly forbade black people from living in its borders, the only state to do so. In more recent times, the city [of Portland] repeatedly undertook "urban renewal" projects (such as the construction of Legacy Emanuel Hospital) that decimated the small black community that existed here. And racism persists today. A 2011 audit found that landlords and leasing agents here discriminated against black and Latino renters 64 percent of the time, citing them higher rents or deposits and adding on additional fees. In area schools, African American students are suspended and expelled at a rate four to five times higher than that of their white peers."[35]

   Across the country, "cities from San Francisco to Boston became so racially divided, as federal, state, and local governments systematically imposed residential segregation through a variety of policies. Those policies were supplemented by racially purposeful government programs that depressed African American incomes, making escape nearly impossible from neighborhoods of concentrated disadvantage. Properties in African American neighborhoods frequently had higher assessed-to-market-value ratios, resulting in higher property tax payments. The federal government certified unions that

[34] Jessica Santos et al, Institute on Assets and Social Policy at Brandeis University. "Foundations for The Future. Empowerment Economics in The Native Hawaiian Context."
[35] The Racists History of Portland, the Whitest City in America, https://www.theatlantic.com/business/archive/2016/07/racist-history-portland/492035/

excluded African Americans from membership, denying them full participation in the economic boom that followed World War II."[36]

Historical fiscal policies and continuing systems of discrimination have contributed to the creation of an immense racial wealth gap in Oregon.

The following is a brief timeline of major racially discriminatory events and policies:

- 1823: In Johnson v. McIntosh the Supreme Court found that native Americans were wanderers, and as such their rights were impaired and subordinate to the "discovery rights" of Europeans. Indian tribes would retain an occupancy right but did not have title to the land.
- 1830: Congress passed the Indian Removal Act.
- 1844: Provisional Oregon territory government banned slavery, simultaneously requiring all African Americans to leave the area. Any African American who did not leave was publicly whipped every six months until he left.
- 1848-1879: The Cayuse war between whites and Native Americans
- 1849: The Oregon territory passed a law to keep African Americans out of Oregon
- 1857: Oregon adopted its constitution, which contained a provision forbidding African Americans from entering the state, residing in the state, voting, or owning property in the state. However, any single white male could receive 650 acres of property and any married white male could receive 1,300 acres of property. (This property was taken from the Native Americans.)
- 1862: Taxes levied on people of color (Blacks, Chinese, Hawaiians, and Mulattos). If unable to pay, non-white citizens had to pay by performing road maintenance. Interracial marriages are banned in Oregon, disallowing a white person to marry anyone 25 percent or more black.
- 1866: Oregon bans all interracial marriages, to prevent whites from marrying those where were 25 percent or more Chinese or Hawaiian or 50 percent or more Native American.
- 1868: Passage of the 13th, 14th and 15th Amendments to the United States Constitution outlawed slavery, awarded equal protection and due process, and guaranteed the right to vote.

[36] The Color of Law, Rothstein, R.

- 1910: Oregon is seventh among states (other than the southwest states) with Mexican-born workers.
- 1920s: Racially restrictive covenants become prominent.
- 1922: Oregon has the highest Klu Klux Klan (KKK) membership in the country per capita and a governor that is supported by the KKK.
- 1924: A literary test is required to vote[37]
- 1935: Oregon law segregates Mexican students, but white Mexicans were exempt.
- 1938: The Home Owner's Loan Corporation begins practice of identifying neighborhoods, usually majority black neighborhoods, where traditional lenders should not lend. During this time, approximately two percent of FHA home loans were to blacks.[38] The Home Owner's Loan Corporation[39] created redlined maps, delineating "… hazardous" neighborhoods — "redlined" ones — [which] were starved of investment and deteriorated further in ways that most likely also fed white flight and rising racial segregation. These neighborhood classifications were later used by the Veterans Administration and the Federal Housing Administration to decide who was worthy of home loans at a time when homeownership was rapidly expanding in postwar America."[40]
- 1939 -1945: During WWII the African American population grew from about 2,000 to 20,000, as new residents came to work in the shipyards. Many lived in Vanport.
- 1948: The City of Vanport is destroyed by Willamette river flood. Many of its displaced residents were black. If these African American residents wanted to remain in Portland, the only option was the Albina neighborhood.
- 1949: Oregon's first statewide anti-discrimination legislation, the Fair Employment Practices Act, is passed, but it is not aggressively enforced.[41]
- 1950: Code of Ethics for the National Association of Real Estate stated: "A realtor should never be instrumental in introducing into a neighborhood … any

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[37] Oregon State Library, copy of the November 1924 Ballot, http://library.state.or.us/repository/2010/201003011350161/S-8V94-2-924.pdf; Ballotpedia, https://ballotpedia.org/Oregon_Voters%27_Literacy_Requirement,_Measure_1_(1924)
[38] Rutgers University, http://crab.rutgers.edu/~glasker/FHADMIN.htm
[39] The Home Owner's Loan Corporation was a New Deal federal agency, and the product of Congress' Homeowner's Loan Act of 1933. Its primary purpose was to refinance home mortgages that were in default.
[40] How Redlining's Racist Effects Lasted for Decades, The New York Times, 08/24/2017
[41] Serbulo, Leanne. Small Steps on the Long Jounrey to Equality: A Timeline of Post-Legislation Civil Rights Struggles in Portland., QHQ, Vol. 119, no 3. Pp 376-

race or nationality … whose presence will clearly be detrimental to property values."

- 1951: Oregon repeals its law banning interracial marriages
- 1953: State law banning discrimination due to race, color, national origin, or religion in the use of any public accommodation passes, but only allows for a civil penalty.
- 1956: Voters approved construction of an arena in the lower Albina neighborhood. The Federal Aid Highway Act of 1956 allowed Oregon to build Interstate 5 and Highway 99, affecting upper Albina.[42]
- 1957: Construction of the Dalles Dam destroys Celio Falls, an important center for Native American trade, culture and ceremony for 11,000 years.[43]
- 1959: Oregon ratifies the 15th Amendment (giving African Americans the right to vote).
- 1959: State fair housing law passes prohibiting certain types of discrimination in the sale, rental or lease of private housing.
- 1962: The League of Women voters finds, after interviewing real estate agents, that brokers make "gentleman's agreements" to not show white's properties to black families.[44]
- 1965: Federal Voting Rights Act
- 1970s - 1980s: Banks set minimum mortgage amounts that exclude entire neighborhoods. Banks made loans in black neighborhoods at one-sixth the rate of other neighborhoods.[45]
- 1973: Oregon issues its final ratification of the 14th amendment.
- 1975: Home Mortgage disclosure Act
- 1980: Resurgence of the KKK in Oregon.
- 1981: Oregon Legislature passes a racial harassment bill, making intimidation based on race, color, religion, or national origin a criminal misdemeanor.
- 1982-84: Congress restored the Cow Creek Band of the Umpqua Tribe, Confederated Tribes of Grand Ronde Indian Community and Confederated

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[42] Givson, Karen. Bleeding Albina: A History of Community Disinvestment, 1940-2000. Transforming Anthropology, Vol. 15, Numbers 1, pps 3–25.(2007).
[43] The Oregon History Project, https://oregonhistoryproject.org/articles/historical-records/indians-fish-at-celilo-falls/#.XUu-oXt7l8I
[44] Serbulo, Leanne. Small Steps on the Long Journey to Equality: A Timeline of Post-Legislation Civil Rights Struggles in Portland., QHQ, Vol. 119, no 3. Pp 376-
[45] Lane, Dee and Mayes, Steves, "Blueprint for Slum" series, the Oregonian. Sept. 10, 1990. https://www.oregonlive.com/portland/2014/08/buyers_say_home_loans_refused.html

Tribes of Coos, Lower Umpqua, and Siuslaw Indians to federally recognized status.

- 1990: The Oregonian conducts a study of mortgage lending practices in Portland. In inner North and Northeast Portland, banks make only a quarter of the loans they make in other areas. In the neighborhoods with the largest concentrations of Black residents, banks lend at one-sixth the rate. No federally insured mortgages, which are designed for low-income and first-time home buyers, had been issued in the four predominately Black census tracts.[46]
- 1991: Oregon Legislature passed the Minority Teacher Bill
- 1999: Oregon Legislature requires multicultural education be incorporated into schools
- 2000: Oregon amends its constitution to remove language stating that the only blacks who can live in the state are slaves.
- 2007: The Great Recession begins. Families of color lose their homes in much higher rates than white families, partially due to rampant predatory lending practices.
- 2018: Oregon law creates simplified process to remove personally discriminatory restrictions from titles of real property.[47]

2. Current Law, Policies or Programs: See LPRO memorandum on Home Ownership Programs dated July 22, 2019.
3. Policy Options: "…[F]iscal policies need not be explicitly race-based to worsen or extend longstanding racial inequities. Policies can have those effects if they ignore the history of governmental and private actions that enforced racial segregation and held back people of color, as well as the continuing impact of racial bias and discrimination."[48]
    a. Require annual reporting on housing disparities. OHCS has started to compile this data.
    b. Chicago Neighborhood Rebuild Pilot Program.[49]

[46] Serbulo, Leanne. Small Steps on the Long Journey to Equality: A Timeline of Post-Legislation Civil Rights Struggles in Portland., QHQ, Vol. 119, no 3. Pp 376-399. "Dismantling racial discrimination in the private sector was a far bigger challenge. As a Housing and Urban Development (HUD) study on housing discrimination noted, 'every routine, every bit of ritual in the sales or rental of a dwelling unit can be performed in a way and calculated to make it either difficult or impossible to consummate the deal.' The MHRC and other civil rights organizations had little influence over the myriad of diffuse transactions in the housing market, and the public agencies that were empowered to regulate those markets were reluctant to aggressively police the private housing industry."
[47] HB 4134, (2018) https://olis.leg.state.or.us/liz/2018R1/Measures/Overview/HB4134
[48] The State Priorities Partnership. "How State Tax Policy Can Advance Racial Justice." https://www.cbpp.org/sites/default/files/atoms/files/4-16-19sfp.pdf .
[49] Chicago Community Loan Fund, https://cclfchicago.org/about-us/

- $2 million pilot program for local contractors and developers to rehab vacant homes in disinvested areas.
- Partially a jobs program for out-of-work young adults,
- Goal to increase homeownership and property values in areas where below the citywide average. The Chicago Community Loan Fund is able to reach 120 percent loan-to-value, and has recruited a loan loss reserve/first loss capital fund to provide the credit enhancement these markets demand.
- Program focuses on homeownership for disinvested areas suffering from appraisal gaps, with the credit bridging the financing gap between the cost of construction or rehabilitation and the sale price of the home.[50]

c. The Detroit home mortgage program seeks to remedy the loss of homes of blacks during the recession, by allowing "qualified buyers to borrow against the replacement value of a home rather than the appraised value. This program addresses the appraisal gap by offering two mortgages: one for the appraised value of a home, and a second to cover the gap between the appraised value."[51]

d. Modify Oregon's income tax structure so that the lowest income taxpayers are not paying a higher percentage of their incomes than the wealthiest taxpayers.[52]

e. Remove property tax limit restrictions (Measure 5, 1990), which arguably benefit higher income, white individuals and disproportionately affect people of color, who pay higher fees for access to certain services because of the lack of sufficient property taxes to fund local governments. Despite Oregon being ranked eighth in the country in economic vitality,[53] the lower and middle classes are paying more taxes compared to income.

Intersectionality

1. <u>Background</u>: Intersectionality barriers to homeownership include gender, race, and income. Some researchers believe it is necessary to study race, gender and class as intersecting categories of oppression.[54]

[50] See also The Minnesota Analysis of Impediments to Fair Housing, Maryland's housing and community development programs and the Massachusetts housing partnership
[51] A Shared Future.
[52] Institute on Taxation and Economic Policy, https://itep.org/whopays-map/
[53] DeVore, Chuck. Of the 5 Big States, Texas #1 for Growth, California #1 for Poverty, Forbes. 08/27/2018. https://www.forbes.com/sites/chuckdevore/2018/08/27/of-the-5-big-states-texas-1-for-growth-california-1-for-poverty/#34cf9d5670ef
[54] Tester, Griff. An intersectional analysis of sexual harassment in housing. Gender and Society, June 2008

Law professor Kimberlé Crenshaw popularized the term "intersectionality'"[55] in her 1991 article "Mapping the Margins," where people who are "both women and people of color are marginalized by discourses that are shaped to respond to one identity or the other," rather than both.[56] This conversation has since expanded to include issues of race, class, sexuality, disability, language and immigration status or descent, sometimes called "indigenisms" by Native American women. Intersectionality recognizes, for example, "that all women do not share the same levels of discrimination just because they are women,"[57] and that when "thinking about how inequalities persist, categories like gender, race, and class are best understood as overlapping and mutually constitutive rather than isolated and distinct."[58]

2. Current Law, Policies or Programs: See LPRO memorandum on Home Ownership Programs dated July 22, 2019.

3. Policy Options:

   a. Education in K-12[59], teaching how to build inclusive movements, social groups, and instill social solidarity.

   b. Most policies options for this item cannot be disaggregated. Policies options discussed throughout this preliminary report should be considered and developed with an expansive, inclusive equity lens.

American Indian Access to Capital and Programs

1. Background: As discussed in the Housing Programs and Policy Gaps barrier category for July 29, there are a number of gaps related to American Indians and Alaska Natives and those who self identify as Native American. Individuals may own land, but either lack the ability to access capital to build on that land or the programs available are complicated and not widely available. There may also be a need to develop homeownership partnerships with tribes and with organizations serving this community.

   "The HUD Section 184 Indian Home Loan Guarantee Program has greatly expanded the supply of mortgage credit to Native borrowers. Loans under this program have grown from less than 600 per year before 2005, to over 4,000

[55] "Intersectionality" was added to the Oxford English Dictionary in 2015: "The interconnected nature of social categorizations such as race, class, and gender, regarded as creating overlapping and interdependent systems of discrimination or disadvantage; a theoretical approach based on such a premise."
[56] Time Magazine, March 29, 2019, "To take an example … think of an LGBT African-American woman and a heterosexual white woman who are both working class. They "do not experience the same levels of discrimination, even when they are working within the same structures that may locate them as poor," … because one can experience homophobia and racism at the same time. While the other may experience gender or class discrimination, "her whiteness will always protect and insulate her from racism."' https://time.com/5560575/intersectionality-theory/
[57] Ibid.
[58] Merriam Webster, https://www.merriam-webster.com/dictionary/intersectionality
[59] Some training resources offered by Racial Equity Tools, http://www.racialequitytools.org/fundamentals/core-concepts/theory

loans in 2015 and an aggregate total of more than 6,000 as of 2017. However, most of this growth bypassed trust lands, resulting in 93 percent of HUD 184 loans being made on fee land in recent years. Other federal programs support mortgage lending on trust lands, such as the USDA Rural Housing Services 502 Direct Loan Program and the VA Native American Direct Loan Program. On a smaller but vitally important scale, community development financial institutions (CDFIs) and tribally owned financial institutions, including banks, credit unions, and internal mortgage offices, provide loan products and mortgage services to Native borrowers. Nevertheless, developing trust lands for homeownership remains a serious challenge and involves a lengthy and often burdensome process that reduces the appeal of lending on tribal trust land, even with the federal guarantee."[60]

2. Current Law, Policies or Programs:

   a. The HUD Section 184 Indian Home Loan Guarantee Program is a home mortgage product specifically designed for American Indian and Alaska Native families, Alaska villages, tribes, or tribally designated housing entities. With Section 184 financing, borrowers can purchase a home with a low-down payment and flexible underwriting. Section 184 loans can be used both on and off native lands and for new construction, rehabilitation, purchase of an existing home, or refinance.

   b. The U.S. Department of Agriculture Rural Development offers Single Family Direct Home Loans, also known as the Section 502 Direct Loan Program, to assist low- and very-low-income applicants obtain decent, safe, and sanitary housing in eligible rural areas. Applicants must have an adjusted income that is at or below the applicable low-income limit for the area where they wish to buy housing. Loans can be used on trust land.

   c. The Native American Veteran Direct Loan program provides eligible Native American Veterans and their spouses the opportunity to use their Department of Veterans Affairs home loan guaranty benefit on Federal trust land to finance the purchase, construction, or improvement of homes on Federal Trust Land, or to refinance a prior loan.

   d. The Native American Homeownership Initiative down payment and closing cost assistance program is offered by Federal Home Loan Bank (FHLB) of Des Moines. In 2019, only $500,000 is available for the FHLB Des Moines service area, which includes Oregon. One of the homebuyers must be an enrolled member of a Federally Recognized Tribe, a member of an Alaskan Village or Regional Corporation, or eligible Native Hawaiian.

[60] Federal Reserve Bank of Minneapolis and Enterprise Community Partners. Page 6. "Tribal Leaders Handbook on Homeownership" https://www.enterprisecommunity.org/resources/tribal-leaders-handbook-homeownership-7205, last visited on July 16, 2019

e. The Oregon Housing and Community Services (OHCS) Oregon Bond Residential Loan Program is available to use on trust land.

3. Policy Options:

a. Homeownership programs or investments in partnership with Oregon's nine federally-recognized tribes.

b. Support for or expansion of culturally-specific homeownership outreach and education programs for Native Americans and American Indian and Alaskan Native populations in Oregon.

Generational Benefits of Homeownership

1. Background: Wealth held and passed on by white families exceeds that held in communities of color, which contributes to the racial wealth gap. Inequalities in wealth compound over time as households with wealth are able to use their resources to purchase homes, invest in education or businesses, and avoid costly debt. This barrier is also related to the Wealth Gap barriers discussed in Section III above.

2. Current Law, Policies or Programs: The case study about the Hawaiian Community Assets financial capability programming, concludes that multigenerational approaches to financial capability can align both with community values and how "intra-familial wealth transfers or resource sharing might enhance asset building" in communities of color.[61]

   Recent research by the Urban Institute shows that the children of homeowners are more likely to be homeowners (by seven to eight percentage points) than children of renters, and the homeownership rate of young adults increases linearly with parental wealth.[62] The Institute on Assets and Social Policy concluded that inheritance and financial support from family contribute to 5 percent of the racial wealth gap.[63]

3. Policy Options: In additional to the wealth gap recommendations contained in Section III:

a. Support development of multigenerational approaches to homebuyer education and financial literacy efforts.

[61] Jessica Santos et al, Institute on Assets and Social Policy at Brandeis University. "Foundations for The Future. Empowerment Economics in The Native Hawaiian Context."
[62] Alanna McCargo. "State of and Barriers to Minority Homeownership. Testimony before the Housing, Community Development and Insurance Subcommittee." May 8, 2019.
[63] Thomas Shapiro et al. Institute on Assets and Social Policy (IASP), Brandeis University. "The Roots of the Widening Racial Wealth Gap: Explaining the Black-White Economic Divide."
https://heller.brandeis.edu/iasp/pdfs/racial-wealth-equity/racial-wealth-gap/roots-widening-racial-wealth-gap.pdf

Access and Language Services

1. Background: Support for access and language services related to mortgage lending was discussed in the July 29 meeting. Beyond mortgage lending, there are language needs in programs and services for homeownership. In Oregon, approximately six percent of residents are limited English Proficient (LEP), which is defined by the United States Census Bureau as someone who speaks English less than "very well."

2. Current Law, Policies or Programs: A number of the online homeownership resources include translation options, including the Oregon.gov website for OHCS, the Oregon Individual Development Account Initiative, and the HOWNW.com website.

3. Policy Options:

   a. Review language accessibility and support efforts to meet unmet needs through state and community homeownership programs, including financial literacy and other services to communities of color.

   b. Develop a statewide tool (internet or mobile phone application) that makes homebuying programs and resources accessible in more communities and languages.

   c. Provide housing counselors who speak other languages and explore ways of making these counselors available across the state.

VI. STATUS

Legal Status Barrier

1. Background: Legal status as an obstacle to homeownership. Immigrants own homes at lower rates than native born individuals. The younger a person enters the U.S., the more likely they are to own a home. The disparity between immigrant and native homeownership rates in the U.S. is about 20 percent. The homeownership rate for immigrants who become citizens is twice as high as non-citizen residents,[64] and there are also correlations between English language skills and homeownership. More than 3.4 million undocumented immigrants own homes and pay property taxes in the U.S. [65]

2. Current Law, Policies or Programs: There are several paths to owning property as a non-American citizen, and the type of documentation required can depend up the type of immigration status. Although being a citizen is not required to own

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[64] U.S. Dept. of Housing and Urban Development; Homeownership Gaps Among Low-Income and Minority Borrowers and Neighborhood, March 2005.
[65] Migration Policy Institute, https://www.migrationpolicy.org/data/unauthorized-immigrant-population/state/US

a home, often the path to purchasing a home is more difficult, as immigrants' financial profiles often do not fit within lenders idea of an ideal buyer profile.

Some immigrants pay for their homes in cash. However, to obtain a mortgage without a social security number, the borrow would need an Individual Taxpayer Identification Number (ITIN).[66] The requirements for an ITIN loan are stricter than for other types of home loans, as many lenders feel ITIN loans are riskier than other types of loans, partially because they are often credit invisible. Several credit unions and smaller banks have been entering the ITIN loan business as they understand that immigrants are a growing population and an opportunity for business growth. There are ITIN loan specific programs for lenders that are looking to add ITIN loans to their portfolio.

ITIN loans usually require:

- Government ID Card, Matricula Consular ID, or Passport;
- Two Years employment in the same or similar line of work;
- Two Years Tax Returns using their ITIN number;
- Consideration of alternative data in lieu of a credit score or conversion of an international credit score;
- Owner-occupied home;
- A higher minimum down payment, usually between 15-20 percent; and
- A higher interest rate.

3. Policy Options:

   a. Address language barriers (see part III of this preliminary report).

   b. Encourage lenders to offer more ITIN loans.

   c. Include information and training regarding ITIN loans in lender and real estate agent education.

   d. Provide information and outreach to immigrant communities on the availability and requirements of ITIN loans.

Immigrant and Refugee Barriers

1. Background: "Brain waste describes the situation when college graduates cannot fully utilize their skills and education in the workplace despite their high professional qualifications."[67]

[66] IRS, How Do I Apply for an ITIN?, https://www.irs.gov/credits-deductions/individuals/how-do-i-apply-for-an-itin
[67] The costs of brain waste among highly skilled immigrants in Oregon, Migration Policy Inst, (May 2017) https://www.migrationpolicy.org/research/costs-brain-waste-among-highly-skilled-immigrants-select-states

According to the Migration Policy Institute, Oregon was home to 55,000 immigrants with at least a bachelor's degree from 2009 to 2013. Oregon's population grew from 3.4 million to 4.0 million between 2000 and 2015, with immigrants accounting for 17 percent of the population growth. Roughly a quarter of those individuals were unemployed or working in a low-skilled job, resulting in $272.5 million in lost annual earnings and $27.7 million in forgone annual state and local tax payments. In addition, brain waste results in overcrowding of low-skill jobs, a dearth of qualified applicants for certain high-skilled jobs, and a lack of economic independence for certain communities.

Some of the professions affected are:

- Nurses,
- Physicians,
- Pharmacists,
- Clinicians,
- Technicians,
- Dentists,
- Therapists, and
- Psychiatrists.

The inability to maximize income potential directly affects a person's ability to save money and qualify to purchase a home.

2. Current Law, Policies or Programs: Current state regulations require construction contractors, landscape contractors, athletic trainers, cosmetologists, attorneys, nurse assistants, and many others to obtain an occupational license to engage in that profession.

   Senate Bill 855 (2019) directs professional licensing boards that regulate an occupational or professional service to study the manner in which persons who are immigrants and refugees become licensed, and to develop and implement methods to reduce barriers to licensure for applicants who may be immigrants or refugees. The bill requires licensing boards to report to the Legislature by November 30, 2019.

3. Policy Options:

   a. Allow the acceptance of foreign credentials (likely to be addressed by SB 855)

   b. Require more transparent licensing requirements (some can be extremely complex)

   c. Increase access to courses for professional English/ other educational gaps

VII. LOCATION BASED

This category addresses geographical barriers to homeownership for communities of color. Program capacity and funding in rural areas was also discussed in the Housing Programs and Policy Gaps and Attractiveness of Programs categories at the July 29 meeting.

Rural Access and Service

1. Background: Homeownership barriers to diverse communities in rural areas include access to services that are either culturally specific or in the appropriate language. Travel distances or geographic barriers also make it more difficult to provide tailored services to rural communities of color.

2. Current Law, Policies or Programs: In 2018, Oregon Housing and Community Services (OHCS) adopted a five-year Statewide Housing Plan that articulates how they will pave the way for more Oregonians to have access to the stable housing opportunities necessary for self-sufficiency. The plan includes a rural priority to change the way OHCS does business in small towns and rural communities to be responsive to the unique housing and service needs and unlock opportunities for housing development. The goal for this priority is to increase OHCS funded housing development in rural areas by 75 percent.

   The 2019 strategies for rural communities are:

   - Facilitate access to OHCS resources and information by partners in Oregon's small towns and rural communities by building consistent and reliable working relationships with local service providers, development partners, city and county governments, and tribal communities.

   - Remove systemic barriers to accessing OHCS resources by tailoring programs intended to serve small towns and rural communities to the needs and context of those areas.

   - Engage the agricultural worker community to understand the housing and service needs of Oregon farmworkers and develop strategies to meet these needs.

3. Policy Options:

   a. Adopt best practices or standards for rural service and access, including creating a rural focus to existing programs (such as the OHCS priority and goal), adapting funding strategies to support rural communities, or implementing approaches to strengthen and empower rural communities to partner and collaborate on solutions.

   b. Consider funding distribution formulas that account for population density and the language or cultural needs of service areas.

c. Explore ways to systematically deliver certain services, for example language access to program materials or counseling, to both increase service availability and reduce costs to individual providers.

Community Access to Affordable Homes

1. Background: Given the divergent trends in home costs and household wealth and income, a growing barrier is the ability to afford homes within a homebuyer's community. As mentioned at the July 29 meeting, even with significant down payment assistance, many potential homebuyers in Portland are not able to afford homes in their communities or the geographic area eligible for homeownership assistance. A 2017 article quotes the executive director of the African-American Alliance for Homeownership stating that while their homeownership classes are full, they are "sending clients as far as Estacada to find affordable $300,000 homes for sale."[68]

2. Policy Options: Related policy options have already been discussed in both the July 29 meeting (finances) and in other sections of this document (supply, education, racial wealth gap, and historical).

[68] Mark Kirchmeier and Camela Raymond. Open: Housing. "How a history of discrimination drove displacement of African-Americans in Portland" June 6, 2017.

VIII. LIST OF ACRONYMS

AAFCI ... African American Financial Capability Initiative
CDFI ... Community Development Financial Institutions
CFPB ... U.S. Consumer Protection Financial Bureau
DCBS ... Department of Consumer and Business Services
DLCD ... Department of Land Conservation and Development
ECOA ... Equal Credit Opportunity Act
FDIC ... Federal Insurance Deposit Corporations
FHLB ... Federal Home Loan Bank
HUD ... U.S. Department of Housing and Urban Develpment
ITIN ... Individual Taxpayer Identification Number
KKK ... Klu Klux Klan
LEP ... Limited English Proficient
LPRO ... Legislative Policy and Research Office
MAF ... Mission Asset Fund
NGO ... Nongovernmental Organization
OHCS ... Oregon Department of Housing and Community Services
ORS ... Oregon Revised Statutes
PMAR ... Portland Metropolitan Association of Realtors®
UGB ... Urban Growth Boundaries
USDA ... United States Department of Agriculture
VA ... U.S. Department of Veterans' Affairs