

# Joint Task Force Addressing Racial Disparities in Home Ownership

## Funding and Organizational Capacity Work Group - Focus Area #1 Policy Option Proposals – August 10, 2022

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# Joint Task Force Addressing Racial Disparities in Home Ownership Funding and Organizational Capacity Work Group - Focus Area #1

## Individual Development Account Proposal

### Proposal

- Support the Oregon Housing and Community Services (OHCS) budget request of a one-time \$35 million allocation for the 2023-2025 biennium to boost program support for homeownership savers, particularly in regions where gaps exist for participants from Black, Latinx, or Native American communities. As of July 2022, the draft OHCS budget request specified the following allocations within the \$35 million package:
  - \$10 million to fund Individual Development Accounts (IDAs) for currently wait-listed participants (all asset areas), and support two new fiduciary organizations, NeighborImpact and Habitat Oregon, to scale up to their capacity
  - \$7.5 million for Homeownership IDAs
  - \$7.3 million for Education IDAs
  - \$3 million to fund IDAs supported by new, culturally specific, community-based organizational partners
  - \$3.2 million for Microenterprise IDAs
  - \$4 million for administrative modernization within the IDA initiative, including database updates, and streamlining the administrative process to reduce barriers to partner participation
- Recommend the Legislative Assembly identify permanent biennial funding for the IDA Program that is responsive to evolving funding needs, specifically through savings from eliminating the Mortgage Interest Deduction for second homes.
- If the Mortgage Interest Deduction is not eliminated, recommend that the Legislative Assembly seek other IDA funding sources as appropriate.
- Consider an increase in the IDA tax credit in the 2027 legislative session (tax credit sunsets on January 1, 2028).

### Background

Individual Development Accounts (IDAs) are matched savings accounts that can be used to accrue funds to invest toward an asset goal. IDA account holders may use their savings and match funds to help them purchase a home, fulfill an educational goal, develop and launch a small business, complete home repairs, or make a range of investments toward the financial stability that is necessary for building wealth including assistive technology to increase independence, vehicle, rental, debt repayment, and emergency savings.

Every dollar saved by a participant is matched by IDA funds, typically five dollars for every one dollar saved. The average length of program participation is between 12 and 24 months. A tax credit serves as a funding mechanism and was last increased in 2009 to \$7.5 million in available credits per tax year. Current tax credits are sold at 90 percent on the dollar to yield approximately \$8.3 million per year in available revenue for the IDA initiative. [House Bill 2433](#) (2021) extended the tax credit sunset for individual development account contributions to January 1, 2028.

In the last two biennia, the Legislative Assembly has approved one-time funding to assist the program in supporting additional homeownership savers, including \$2 million in 2019 and \$7 million in 2021. For the 2023-2025 biennium, OHCS has requested \$35 million in General Fund dollars to support the Initiative in bringing new fiduciary organizations online and addressing unmet demand for existing partner organizations, as well as specifically increasing the match available to homeownership savers from a maximum of \$6,000–\$9,000 to a maximum of \$12,000–\$18,000, based on a saver’s timeline.

Statewide, the IDA Initiative currently supports approximately 4,300 savers per year. Between July 2019 and June 2021, Black, Indigenous, Asian/Pacific Islander, and Latinx populations comprised 54.9 percent of enrollments and 43.8 percent of program completions.

## **Problem Statement**

The IDA Initiative has been in a flat funding cycle with the tax credit capped at \$7.5 million since 2009, despite adding providers, assets, and program innovations to better reach underserved communities. In 2020 and 2021, the program received additional one-time, General Fund allocations from the legislature, totaling \$9 million. The program needs a secure, ongoing funding stream to allow continuity for nonprofit partners and IDA account holders, and to address unmet demand among communities of color throughout the state. Based on February 2022 waitlist numbers for existing fiduciary organization partners, the IDA Initiative estimates a projected unmet demand of \$39.5 million for 3,200 savers across all asset areas statewide. This estimate does not account for staff capacity increases necessary to expand program reach to waitlisted savers.

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## Down Payment Assistance Proposal

### Proposal

- Recommend the Legislative Assembly allocate \$10 million in additional down payment assistance moneys to specifically support culturally-responsive and tribal organizations.
- Support the Oregon Housing and Community Services (OHCS) budget request of a one-time \$25 million allocation for the 2023-2025 biennium for additional Down Payment Assistance to support borrowers utilizing the Flex Lending Program.
- Direct OHCS to promulgate rulemaking to identify and eliminate barriers for Individual Taxpayer Identification Number (ITIN) holders in accessing state-administered down payment assistance programs, while maintaining compliance with federal laws, where required, and report findings to the Oregon Housing Stability Council by December 1, 2023.

### Background

Down payment assistance (DPA) is available to help first-time homebuyers cover some or all of the down payment or closing costs on a home. There are currently four different funding sources for down payment assistance programs:

1. Homeownership Assistance Program (HOAP) DPA;
2. HOAP-Veteran DPA;
3. Construction Excise Tax (CET) DPA; and
4. Culturally Responsive Organization (CRO) DPA.

Ongoing funding comes from a state [document recording fee](#) and a Construction Excise Tax in certain jurisdictions. HOAP DPA does not exclude ITIN holders, though eligible applicants must be an income-qualifying Oregon resident as defined by the Department of Justice (DOJ), which requires status as a legal citizen of the U.S. and a resident of Oregon.

According to the [OHCS Homeownership Dashboard](#), 44 percent of homebuyers receiving DPA statewide are people of color. All homebuyers have received an average of \$14,745 in DPA, though the agency estimates that, on average, homebuyers need \$25,918 in addition to down payment assistance funds to purchase a home.

In response to previous Task Force recommendations, [Senate Bill 79](#) (2021) directed OHCS to focus grants and technical assistance efforts within its Home Ownership Assistance Program (HOAP) to specifically serve Black, Indigenous, and people of color (BIPOC) communities. As part of OHCS' 2021-2023 biennial budget, the Legislative

Assembly allocated \$20 million in General Fund down payment assistance funds. \$10 million of the funds will be paired with existing Flex Lending products and available to homeownership organizations as a mix of grants or five-year, forgivable loans. The Legislative Assembly directed \$10 million be allocated to culturally responsive organizations as grants. In 2022, those funds supplement \$18.5 million in down payment assistance funds made available through the document recording fee.

OHCS has increased down payment assistance limits for recipients, with total assistance per homebuyer ranging from \$30,000–\$90,000 for certain focus populations (first-generation homebuyer, first-time homebuyer, veteran, or veteran family) in instances where DPA funding sources are combined. The agency expects these new Down Payment Assistance funds will serve approximately 600 new homebuyers statewide.

### **Problem Statement**

Rising interest rates and home prices, alongside relatively stagnant wages, have highlighted, in some cases, inefficiencies of current down payment assistance levels in lowering the financial hurdle for first-time homebuyers of color in purchasing a home. State-provided Down Payment Assistance is typically only effective when it is layered with local DPA or other funding sources. Additionally, ITIN borrowers face certain barriers to accessing state down payment assistance programs, in part related to the DOJ interpretation of “income qualifying resident” status.

# Joint Task Force Addressing Racial Disparities in Home Ownership Funding and Organizational Capacity Work Group - Focus Area #1

## Homeownership Organization Funding and Capacity Proposal

### Proposal

- Funding for Tribal Homeownership:
  - Direct Oregon Housing and Community Services (OHCS) to create dedicated, noncompetitive, and flexible funding set-aside that is responsive to unique tribal homeownership needs, including but not limited to down payment assistance, homebuyer education, and home repair.
  - Recommend the Legislative Assembly allocate \$4 million in one-time funding to each of the nine federally recognized Oregon Tribes, to support the expansion of homeownership counselor staff positions, with baseline funding of \$120,000 per tribal organization and additional funding based on tribal membership size and need.
  
- Funding for Homeownership Centers and Culturally-Responsive Organizations supporting homeownership:
  - Allocate [XX amount] to the OHCS base budget to support ongoing staffing for homeownership centers and culturally responsive organizations supporting homeownership services for communities of color.
  
- Training/Technical Assistance:
  - Direct OHCS to facilitate regular, consistent peer learning and networking opportunities, specifically geared toward new and continuing housing counselors.
  
  - Allocate \$200,000 to OHCS for the 2023-2025 biennium to convene virtual trainings to support homeownership center counselors in fulfilling annual training requirements, and to maintain an online calendar of those trainings on its website.
  
- Reporting/Evaluation:
  - Direct OHCS to investigate various state program evaluation requirements, and any relevant evaluation platforms/software, and recommend strategies for streamlining evaluation and reporting processes for grantees/subgrantees to the Oregon Housing Stability Council by December 1, 2023.

### Background

Oregon Housing and Community Services (OHCS) has formal funding relationships with 17 homeownership centers throughout the state to support homebuyers and potential homebuyers in various stages of the process. In addition to these formal funding partners, community-based, culturally specific organizations provide homeownership support, either utilizing nonstate funds or as subgrantees of homeownership centers.

The previous Task Force on Addressing Racial Disparities in Home Ownership recommended that the legislature convene a work group with Oregon's nine federally recognized tribes to identify homeownership needs and develop recommendations for state programs and investments to increase homeownership rates for tribal members.

To more deeply explore organizational funding and capacity issues that limit or prevent organizations from supporting homeowners or potential homeowners of color, the Task Force determined it would directly reach out to organizations that support homeownership in Oregon. In July 2022, the Legislative Policy and Research Office (LPRO), which staffs the Task Force, fielded a series of surveys over a two-week period. Three separate surveys were tailored to three recipient groups, which included homeownership centers, tribal leadership or housing directors, and culturally specific organizations that do not have a formal funding relationship with OHCS related to homeownership support.

## **Problem Statement**

*Emergent survey themes -- to be completed by LPRO staff*

### **Homeownership center survey results illustrated the following organizational capacity challenges:**

- **Recruitment barriers:**
  - inability to offer competitive salary;
  - limited opportunities for professional growth or development; and
  - competition with other employers.
- **Hiring qualified staff:** Respondents indicated their greatest challenges include hiring HUD-Certified Counselors (five out of ten respondents), and hiring certified counselors who are bilingual or have BIPOC customer service experience.
- **Employment tenure:** Nine out of ten respondents indicated the average length of employment for homeownership counselors is five years or less; for six out of ten respondents, the average length of employment is three to five years.
- **Vacant positions:** Respondents were asked about the number of current vacant or unfilled homeownership positions in their organization. Two centers reported having one or two vacant positions with the length of time of vacant positions averaging six to twelve months. A third center reported having five or more unfilled positions, with a vacancy rate averaging one to three months.
- **Employee training:** Respondents indicated the following barriers to supporting necessary staff training:

- Training grants provided by OHCS cover some training, but the budget is used up quickly for NeighborWorks Training Institute (approx. \$5,000/person).
- Need additional funding to cover employee travel to certifications/trainings.
- Challenges with course availability for HUD or foreclosure counselor certification.
- **Barriers to serving clients from communities of color:** The top three most frequently identified barriers in serving clients from communities of color were:
  - limited funding for outreach;
  - clients have limited or no access to technology such as email or internet; and
  - other reasons described by respondents, including:
    - limited staff capacity to engage in more intense service delivery models;
    - limited capacity and funding to create BIPOC-specific programming;
    - too many documents required of an individual to access counseling or concerns about sharing personal information;
    - need for evening/weekend counseling to align with working client schedules; and
    - limited Spanish-speaking lenders.
- **Support needed to improve reach to communities of color:** Suggestions to improve client reach among BIPOC and other communities of color included:
  - stable funding to support hiring and retention of housing counselors; senior counselors leaving the organization for better pay.
  - funding for dedicated, culturally specific staff positions to effectively serve each community of color.
  - funding for three-to-five-year pilot programs focused on quality (people better served) vs. quantity (number of people served).
  - peer-to-peer networking and learning opportunities with community organizations working more directly with BIPOC communities.
  - additional funding to help community members access and use technology.
- **Barriers to evaluation and reporting:**
  - System inefficiencies:
    - state reporting requirements require different formats or programs;
    - software/platforms are not integrated; and
    - cumbersome work of pulling information from client database to meet unique reporting requirements.
  - Staffing challenges:
    - limited staff time dedicated to this function relative to the time it takes; and
    - difficulty hiring data analysts without competitive pay.
  - Disconnect between actual service, reported outcomes, and funding:

- Some current state funding is fee-for-service based but does not account for the cost/time of reporting, or program management.
  - Evaluation typically does not account for work agencies due to support clients who do not end up submitting paperwork which converts them to “billable” status.
- **Support for reporting and evaluation:**
  - Reducing “red tape” with state funding:
    - reduce multiple reporting platforms to single (or fewer);
    - creation of report templates that can align with client management system;
    - verbal consent form as alternative when signatures cannot be obtained; and
    - reduce time it takes for funding to be made available to organizations.
  - Training videos, best practices, and direct technology support for reporting software (CounselorMax specifically)
  - Additional funding for grant management or data/evaluation staff positions

**Tribal Organization survey results illustrated the following organizational capacity challenges and opportunities:**

- **Homeownership staff:**
  - Three tribal organizations indicated they have three to five staff members who work on homeownership programs. Three organizations indicated they have one to two staff members focused on homeownership.
  - Of six respondents, four indicated they have no certified homeownership counselors on staff. two indicated they have one to two certified counselors on staff.
- **State funding and access to services:**
  - Five tribal organizations indicated they do not receive state funding for homeownership. One organization indicated they receive state funding for rental counseling and rent assistance.
  - Five respondents indicated their services are available to tribal members only, and one respondent indicated tribal services were available to all community members. One organization indicated a tribal member must own a home on a tribal reservation to receive services.
- **Barriers to achieving homeownership:** All six respondents pointed to the lack of available land and affordable housing supply as barriers to achieving homeownership. Additional barriers included:
  - cost of purchasing home on reservation higher than off reservation;
  - lack of mortgage and home loan education and support for many tribal members who are first-generation homebuyers;
  - lack of support for home repairs to preserve habitability; and
  - limited or restricted well water access on buildable lots.
- **Barriers to serving clients interested in homeownership:** Staff and organizational capacity, as well as language barriers (three responses each),

were the top barriers to serving homeownership clients, slightly above limited funding for outreach or advertising, or client technology barriers (two responses each). Other barriers included:

- Racism in institutions/systems leads to programs/grant structures that are not designed for tribal people. too many conditions are placed on the housing that is provided.
- New (housing) programs would require additional staffing.
- Inability to serve families over HUD income limits.
- **Growing homeownership services:** Respondents indicated a number of areas in which they would like to grow their organization to meet tribal community homeownership needs.
  - The top responses included down payment assistance, homeownership counseling, and affordable homeownership development. (four responses each).
  - Other services identified by respondents included land title records office information, and training for homeowners post-purchase, such as budgeting and maintenance.
- **State support and resources needed:** Respondents indicated the top barriers to accessing state funds are lack of flexible funding sources, lack of administrative funds for staff/capacity, and contractual obligations that are in potential conflict with tribal sovereignty (three responses each).

In describing state resources that would be most useful in supporting tribal homeownership, respondents indicated the following priorities:

- flexible, noncompetitive resources to meet specific tribal needs;
  - surplus or excess state land returned to tribes for affordable housing development;
  - combine tribal set-asides from State housing-related programs into single block grant that allows tribes to determine their priority for spending;
  - more coordinated approach to tribal engagement to assist state agencies in their work with tribes;
  - clarity from State and Tribe in how each operates in regard to housing opportunities;
  - education and training for staff; and
  - need for more water tanks to build on reservation areas in rural settings.
- **Building affordable homes for purchase:** Respondents indicated the top barriers their tribal communities face in affordable homeownership development include:
    - cost of development;
    - buildable land availability; zoning challenges for nontrust lands;
    - lack of available subcontractors/construction crews;
    - aging infrastructure/infrastructure gaps (access to well water); and
    - limited lending options on Trust land.

**Culturally specific survey results illustrated the following organizational capacity challenges and opportunities:**

- **Homeownership staff:**
  - Only one organization indicated it has three to five staff who work on homeownership programs, while two organizations indicated they have one to two staff focused on homeownership, and another two said they have no staff dedicated to homeownership.
  - Of five respondents, only one has a certified housing counselor (one to two) on staff.
- **State funding relationship:** Three of five respondents indicated they receive funds from Oregon Housing and Community Services as subgrantees. Two organizations indicated they do not receive OHCS funds; one of those organizations said it is because they currently do not provide direct housing services.
- **Growing homeownership services:** Respondents indicated a number of areas in which they would like to grow their organization to meet affordable homeownership for their clients or community members:
  - The top responses included rental counseling/rental assistance (three responses) and down payment assistance (two responses).
  - Other services identified by respondents included assuring homeowners have access to justice and legal service, and support for clients to catch up on past dues.
- **State grant readiness:** Respondents were asked about their organization's readiness to apply for state government grants. Four respondents indicated they were "very ready" or "ready." One respondent indicated their organization does not intend to apply for state funding.
- **State support needed:** Respondents described the types of support or resources from OHCS they would need to apply for state or other government funds, including:
  - funding (competitive salary) to hire new staff;
  - capacity building – more time to support clients in foreclosure;
  - low-barrier grant application process with clear/understandable guidelines; and
  - financial support for full-time housing staff to support deaf, blind, and hard of hearing Oregonians in their native language.
- **Technical assistance:** Respondents indicated technical assistance is needed to support homeownership that includes:
  - expanding services to historically underserved communities (two responses);
  - housing development (one response);
  - peer learning opportunities (one response); and
  - training in preparing and submitting government grant applications (one response).

# **Joint Task Force Addressing Racial Disparities in Home Ownership Funding and Organizational Capacity Work Group - Focus Area #1**

## **Education and Financial Literacy Proposal**

### **Proposal**

#### **Inventory and development of pre-purchase counseling and education materials**

- Distribute [\$ amount], via contract with Oregon Housing and Community Services (OHCS), to one or more organizations, to conduct an inventory of existing offerings at the local, state, and national level, where appropriate. Direct contractor(s) to determine what can be elevated for broader use, and identify where new materials and curriculum need to be developed to meet needs of various culturally specific communities.
- Issues to consider in conducting the inventory should include, but are not limited to:
  - Availability of an array of financial literacy items directly related to purchasing a home, including how to establish good credit, the importance of savings, how to budget, and the basics of investment.
  - Curriculum models that are inclusive of Down Payment Assistance, Individual Development Accounts, and other mortgage-related topics.
  - Collect and assess materials that are accessible, culturally and geographically relevant, and easy to adapt and implement.
  - Explore strategies for consistent translation of curriculum and materials, as appropriate, into the five most commonly spoken languages in Oregon, other than English.
- Based on findings, contractor(s) shall develop a model curriculum related to pre-purchase education and counseling.
- Distribute [\$ amount], via contract with (OHCS), to one or more organizations to translate curriculum materials into the five most commonly spoken languages in Oregon, other than English.
- Direct OHCS to consolidate and make the curriculum available and easily accessible on its website.

#### **Inventory and development of written financial literacy materials**

- Distribute [\$ amount], via contract with OHCS, to one or more organizations, to conduct an inventory and audit of written financial literacy materials produced and made available by state agencies, non-profit organizations, and financial institutions for new homebuyers and homeowners, as well as those who need assistance retaining their home.

- The contractor(s) shall work in consultation with OHCS, the Department of Consumer and Business Services, the Bureau of Labor and Industries, the Oregon Bankers Association, and the Northwest Credit Union Association to examine existing offerings, develop a catalog of materials, determine what can be elevated for broader use, and identify language, cultural or other accessibility barriers.
- Distribute [\$ amount], via contract with OHCS, to one or more organizations to translate written materials identified by the inventory for broader use into the five most commonly spoken languages in Oregon, other than English.
- Require OHCS, in partnership with DCBS and BOLI, to make financial literacy material available across all financial institutions offering mortgage lending products.

## Background

Financial literacy (education to understand financial concepts and systems and manage money) enables individuals to make informed decisions about personal finances and helps them to navigate the current financial system. Homeownership education and counseling includes many types of training and support. Typically, counseling involves personalized services and focuses on identifying and addressing specific issues, but many programs include components of both education and counseling. Education and counseling programs can also help potential buyers navigate the homebuying process.

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 communication with lenders, and improved underwriting qualifications).<sup>1</sup>

The Task Force learned that financial literacy is not commonly taught in Oregon high schools, and available homebuyer education or financial literacy courses are not culturally specific or responsive to all community needs or locations. This is relevant as individuals are often not mortgage-ready because of a lack of financial literacy or culturally specific homebuyer education programs, and mortgage lenders or realtors have limited knowledge about homebuyer assistance programs.

The Task Force frequently discussed the need for, and interest in, providing financial education to students in K-12 settings 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 to which students may not necessarily be exposed to in community or family settings.

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<sup>1</sup> Marina L. Myhre, Ph.D. Nicole Elsasser Watson, U.S. Department of Housing and Urban Development, *Housing Counseling Works* (2017).

Existing financial capability curricula and homeownership education and counseling programs can be retooled to include cultural and socioeconomic components based on community needs and input. However, current homeownership organizations testified that using 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. As reported by researchers with the Institute on Assets and Social Policy at Brandeis University, “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.”<sup>2</sup>

## **Problem Statement**

Inconsistent, insufficient, and nonculturally responsive educational materials provided by financial institutions to potential mortgage product customers are a barrier to homeownership and home retention for communities of color. Not-for-profit organizations often translate these materials, which are primarily provided in English, in an attempt to make them more accessible to customers who speak languages other than English. These organizations often have limited staff and capacity to adequately provide the breadth of translation services needed to make mortgage products, homeownership, and home retention accessible to communities of color.

Some homeownership centers or other nonprofit organizations offer culturally specific homebuyer education programming, but limited training and technical assistance staff and funding inhibits these organizations in reaching a broader client base. Limited resource sharing exists between organizations that could likely benefit from best practices and other materials.

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<sup>2</sup> 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](http://www.hawaiiancommunity.net/info/171009_FOUNDATIONS_FOR_THE_FUTURE.pdf) (last visited August 1, 2019).