

Give Us Credit: An Innovative and Replicable Program to Close the Housing Wealth Gap

New York State Homes and Community Renewal
Homeownership: Empowering New Buyers

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OVERVIEW

NYS Homes and Community Renewal’s State of New York Mortgage Agency is committed to helping low- and moderate-income families become homeowners. To do this SONYMA works with lenders to offer our mortgage products across New York State and help qualified buyers purchase their first home.

As part of its mission to remove obstacles to homeownership, SONYMA spent a year working with HCR’s internal research team to examine homeownership rates across the state, eventually uncovering a pattern of practice that, unfortunately, is not unique to the Empire State, i.e.: people’s credit scores and credit reports often perpetuate past discrimination and reflect the racial economic divide and wealth gap in this country. This wealth gap is the result of centuries of discrimination, redlining and exclusion, as well as minority populations being disproportionately targeted for predatory mortgages.

To combat chronic lending discrimination in underserved communities, SONYMA launched “Give Us Credit” in July 2020; a pilot program to consider non-traditional measures of credit history and credit worthiness to enable more borrowers to qualify for mortgages. The package of targeted reforms will increase the number of community-based lenders that offer SONYMA loans in low-income communities, increase down payment assistance for borrowers in underserved areas of the state, and grant SONYMA the flexibility to make mortgage modifications in times of crisis so borrowers can remain in their homes.

The Give Us Credit program:

- Expands the criteria used to evaluate responsible financial management.
- Increases eligibility of families and individuals who rely on non-traditional savings and sources of income.
- Offers greater flexibility for potential borrowers who have overcome past financial hardships.

Key features include:

- Competitive 30-year, fixed-rate mortgages with a 120-day rate-lock period.
- Down Payment Assistance Loan (DPAL) offers up to 3% of the purchase price (minimum of \$7,500 to maximum of \$15,000). DPAL is a loan that has no interest rate and no



monthly payments and will be forgiven after ten years as long as the owner keeps the SONYMA financing in place and continues to occupy the home.

- Cash reserves are not required, except under certain circumstances such as when purchasing a 2-4 family home or when unable to demonstrate a history of on-time rental payments.
- Additional funding sources can be combined with other grants and subsidies.
- Only 1% borrower contribution is required for most property types.
- Property type options are 1-4 family homes, coops, condos and manufactured homes.
- Borrowers need to occupy the property as their primary residence; however, non-occupant co-borrowers are permitted.
- Allows non-traditional and fluctuating income sources and financial support from family, friends and community.
- Allows flexibility on credit review, including, but not limited to:
 - Permits no trade-lines on credit reports, under certain circumstances, such as proof of rental payment history.
 - Allows for some late payments, under certain circumstances.
 - Offers shorter post-foreclosure and post-bankruptcy waiting periods.

Give Us Credit works with:

- Applicants with non-traditional or fluctuating sources of income.
Example: Borrowers who may rely on regular overtime income to be used in determining the affordability of a loan.
- Applicants who may receive support from family and friends.
Example: Greater acceptance of non-bank savings plans found in immigrant communities, such as sou-sou.
- Applicants with varied sources of down payment assistance.
Examples:
 - Down payment assistance from SONYMA, equal to 3% of the purchase price of the property (minimum of \$7,500; maximum of \$15,000).
 - Allows for funds saved outside banking institutions – “mattress money” – of up to \$5000 to be applied to the transaction.
- Applicants who overcome financial difficulties.
Examples:
 - Allows one late payment (up to <60 days) with explanation.
 - No requirement to pay off medical collections.
- Applicants who practice (but don’t always get credit for) good financial management.
Examples:
 - Rental payments.
 - Bills paid using debit accounts.
 - Money orders, money transfers, deposit slips, Venmo, payment receipts, etc.
 - Payments on a Chapter 13 bankruptcy.
 - Allow for no-credit lines when sufficient reserves can be demonstrated.



RESPONDS TO AN IMPORTANT STATE HOUSING NEED

The racial wealth gap is overwhelmingly a housing wealth gap and New York remains steadfast in our commitment to correcting a long history of discriminatory, racist housing policies and practices that have targeted and hindered people of color and plagued our communities for far too long.

SONYMA explored publicly available data sets to identify areas in New York where mortgage applicants of color are rejected for loans at a rate of at least 1.5 times or more than white borrowers. SONYMA found significant disparities in at least 738 census tracts across the state where mortgage application rates for applicants of color lagged as compared to white applicants.

% Population	Race/Ethnicity	% Accepted	% Rejected
56.40%	White, non-Hispanic/Latinx	90.50%	9.50%
8.70%	Asian, non-Hispanic/Latinx	85.80%	14.20%
6.60%	(All races), Hispanic/Latinx	83.40%	16.60%
5.80%	Black, non-Hispanic/Latinx	81.30%	18.70%
0.40%	American Indigenous, Native Hawaiian, Pacific Islander, non-Hispanic/Latinx	80.60%	19.40%

- ~ Households of Color: primary applicant is either Black/African American, Hispanic/Latinx, American Indigenous
- ~ Overall, 765,842 mortgage applications in NYS from 2014-17.
- ~ 22% race/ethnicity not provided

The pilot Give Us Credit program was launched in July 2020 in New York City and Long Island using the reimagined metrics and standards to evaluate credit worthiness and was expanded in 2021 to other communities across the state as part of Governor Cuomo’s comprehensive plan to fight housing inequality and close the racial wealth gap in communities that have historically suffered the harmful effects of redlining and lending discrimination.

To start, the number of loans is limited to 300 mortgages whose performance HCR will carefully monitor over a 24-month period to test the alternative credit standards. At the same time we’ll compare lending patterns in those target areas with a three-year look-back. We expect to see an uptick in lending in the areas we identified as having disparate lending patterns. The ultimate goal is to expand the program to cover a much greater portion of SONYMA’s lending activity, using our revised credit guidelines and underwriting standards to address historic and racist disadvantages embedded in traditional credit reporting that effectively bar so many from building wealth and enjoying the opportunities and stability that homeownership can bring.