



National Council of  
State Housing Agencies

## Downpayment Toward Equity Act of 2021

*Below is a summary of the “Downpayment Toward Equity Act of 2021” discussion draft that has been released by the House Financial Services Committee.*

*Updated April 14, 2021*

- Authorization:** A grant program for states to be used for down payment assistance to first-generation home buyers.
- Funding:** No specific amount set. Congress is authorized to appropriate what funding is necessary for fiscal years (FYs) 2021 through 2030.
- Federal Administration:** The program would be administered under the jurisdiction of the Department of Housing and Urban Development (HUD). Of the total appropriated each year, HUD must use at least five percent to support housing counseling activities.
- State Administration:** Any state receiving grants under this act must administer the funds through its state housing finance agency (HFA) or another state housing agency Treasury considers appropriate. Agencies receiving the funds may of their own volition contract with nonprofit entities to help administer the funds.
- In awarding grants through this program, grantees would be prohibited from giving priority to home buyers purchasing their homes through HFAs or other state agency lending programs.
- For a state to be eligible for funding under this act, its HFA or other administering entity must have adopted a plan for affirmatively further fair housing that Treasury determines is in compliance with HUD’s 2015 [Affirmatively Furthering Fair Housing rule](#).
- Grant Formula:** Funds appropriated each FY will be allocated by HUD based on a formula that takes into account each state’s population, median area home prices, and racial disparities in homeownership.

HUD would reallocate any unused funding at the end of each FY to states that demonstrate the capacity to use the money and that Treasury determines are meeting the program's goals.

Use of Funds & Admin:

Funds may be used solely to assist eligible home buyers purchase homes, either through down payment assistance, closing cost assistance, or payments to reduce the interest rate on a mortgage. Assistance may be provided to home buyers receiving assistance from other sources, including other federal, state, and local programs and private and nonprofit sources.

Grantees may use no more than five percent of their grant amount for administrative and training costs.

Eligible Recipients:

Funds under this act can be provided to first-time home buyers who meet income requirements and qualify as what the act terms "first-generation" home buyers.

"First-time home buyers" are those who have not owned a home in the prior three years.

Regarding income, home buyers must have an income at or below 120 percent of area median income (AMI) for either the area where the home being purchased is located or the area where the home buyer's place of residence is located. For home buyers purchasing homes in high-cost areas, the income limit is increased to 180 percent of AMI for the area in which the home being purchased is located.

The act's definition of "first-generation home buyer" is any individual whose parents or guardians:

- never owned their own home during the home buyer's lifetime or
- previously owned a home during the home buyer's lifetime but lost the home to foreclosure, short sale, or deed-in-lieu of foreclosure and do not currently own a home.

Any individual who lived in foster care also qualifies as a first-generation home buyer.

Assistance Limits: Home buyers may receive up to \$20,000 in assistance, or \$25,000 in assistance if the home buyer qualifies as a “socially and economically disadvantaged individual.”

The act defines “socially disadvantaged individuals” as “those who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual qualities.” An “economically disadvantaged individual” is one who meets the bill’s income requirements.

Any individual identifying as Black, Hispanic, Asian American, Native American, or any combination thereof will be presumed to meet this definition. Any individual who does not identify as such will have to prove by a preponderance of evidence that they are socially disadvantaged.

Eligible Mortgages: Program funds can be used to assist in the purchase of any home bought with a mortgage that:

- is eligible for purchase by Fannie Mae or Freddie Mac,
- is insured by either FHA or USDA, or
- meets the definition of a qualified mortgage.

Counseling Requirements: Home buyers receiving assistance under this act must complete a home purchase counseling program provided through a HUD-approved housing counseling agency. States would be allowed to waive this requirement for home buyers who meet specific underwriting criteria established by HUD.

Any individual who receives a commitment for assistance under the program but whose mortgage application is denied shall be referred to a HUD-approved counseling agency for home purchase counseling.

Repayment of Assistance: Home buyers receiving assistance under this act would be required to pay back all assistance they received if they stop occupying their home less than a year after purchase. The amount the home buyer would be required to pay back would decrease 20 percent for each year they live in the home, and there would be no penalty after five years. The penalty would be waived should the home buyer sell the home and realize a gain on the sale less than the amount they are required to repay.