



National Council of
State Housing Agencies

Summary of “First Generation Down Payment Fund” Proposed in Build Back Better Act

Below is a summary of the proposed “First Generation Down Payment Fund” program. This program has been included in the text of the “Build Back Better Act” that passed the House of Representatives on November 19. This summary reflects the Senate Banking Committee print of its provisions for the Build Back Better Act it released December 9.

NCSHA will update the summary as events warrant.

Updated December 9, 2021

Authorization:	A grant program for states to be used for down payment assistance and other home purchase assistance to first-generation homebuyers.
Funding:	\$10 billion through FY 2026.
Federal Administration:	The program would be administered under the jurisdiction of the Department of Housing and Urban Development (HUD).
Grant Formula:	<p>\$6.825 billion of the funds will be allocated by HUD to the states based on a formula that takes into account the potential amount of qualified homebuyers and housing costs in each state.</p> <p>HUD will award \$2.275 billion to “Eligible Entities” on a competitive basis. “Eligible Entities” include Community Development Financial Institutions (CDFIs), Minority Depository Institutions, local governments, and other nonprofit, mission-driven entities that HUD determines target “services to minority and low-income populations and provides services in neighborhoods having high concentrations of minority and low-income populations.”</p> <p>If a state or entity proves unable to distribute the program funding, HUD can reallocate it to states and entities that have proved the ability to entities that have shown the capacity to use the funding effectively.</p>

\$500 million will go to pay for housing counseling services, and \$400 million to HUD for administering the program.

States and other entities receiving program funds would be able to use a portion of their grant for administrative expenses, up to a limit set by HUD.

Use of Funds & Admin:

Funds may be used for:

- Assistance to help eligible homebuyers purchase a home, either through down payment assistance, closing costs assistance, or payments to reduce the interest rate on the mortgage. Assistance may be provided to homebuyers receiving assistance from other sources, including other federal, state, and local programs and private and nonprofit sources;
- Subsidies to make shared equity homes affordable to eligible homebuyers by discounting the price for which the home will be sold; and
- Funding for pre-occupation home modifications to accommodate eligible homebuyers or members of their household with disabilities.

Any assistance must be provided to beneficiaries in the form of either a grant or forgivable, non-amortizing loan. In awarding grants through this program, grantees would be prohibited from giving priority to homebuyers purchasing their homes through HFA or other state agency lending programs. Grantees would also be prohibited from seeking to recoup any funds used to provide down payment assistance from the recipient.

Grantees would be able to use a portion of program funds for administrative expenses, up to a limit set by HUD. The House Financial Services Committee initially passed a bill that would have allowed grantees to use up to ten percent of program funds for administrative expenses, but it was removed to comply with Senate reconciliation rules.

Eligible Recipients:

Funds under this Act may be provided to first-time homebuyers who meet income requirements and qualify as what the Act terms “first-generation” homebuyers.

“First-time homebuyers” are those who have not owned a home in the prior three years.

A “First-Generation Homebuyer” is any individual whose parents or guardians never owned a home during the homebuyer’s lifetime (excluding heir property) and whose spouse has not owned a home in the last three years. Any individual who lived in foster care also qualifies as a first-generation homebuyer as long as they have not owned a home in the previous three year.

Grantees would not be allowed to require any additional proof that a recipient is a “first-time homebuyer” and “first-generation” homebuyer” than the recipient’s own self-attestation.

Regarding income, homebuyers 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 homebuyer’s place of residence is located. For homebuyers purchasing homes in high-cost areas, the income limit is increased to 140 percent of AMI for the area in which the home being purchased is located.

Assistance Limits:

Homebuyers may receive the greater of ten percent of the home’s purchase price of \$20,000. Assistance used to make homes accessible for those with disabilities will not count toward a homebuyer’s maximum assistance amount. HUD may increase the maximum assistance amount for qualified homebuyers who are “economically disadvantaged” which the legislation does not define.

Funds awarded through this program can be combined with assistance provided through other federal state local, or nonprofit programs.

Eligible Mortgages:

Funds for the program can be used to assist in the purchase of any homes bought with a mortgage that

- Is eligible for purchase by Fannie Mae or Freddie Mac;
- Is insured by either FHA, other HUD mortgage insurance programs, or USDA;
- Meets the definition of a qualified mortgage;
- Is made, insured, or guaranteed for the benefit of a homebuyer who is a military veteran.

Counseling Requirements: Homebuyers receiving assistance under this Act must complete a home purchase counseling program provided through a HUD-approved housing counseling agency or, if such counseling is not available to the homebuyer within 30 days, “other adequate homebuyer education.”

Repayment of Assistance: Homebuyers 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 homebuyer 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 is waived should the homebuyer sell the home and realize a gain on sale less than the amount they are required to repay, or if they are forced to sell the home due to a hardship.

If a homebuyer repays assistance received through a Community Land Trust or shared equity program, the repaid assistance shall remain with the program to help keep the home affordable for the next buyer.