



80th OREGON LEGISLATIVE ASSEMBLY
TASK FORCE ON ADDRESSING RACIAL DISPARITIES IN HOME OWNERSHIP

PRELIMINARY RECOMMENDATIONS – SEPTEMBER 2019

The Task Force on Addressing Racial Disparities in Home Ownership has been charged with identifying the barriers to homeownership 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 developing solutions to improve other conditions that reduce or prevent homeownership among people of color in this state. The Task Force meetings from October 2018 to January 2019 focused on identifying the systemic barriers to homeownership for people of color. Task Force meetings on July 29, 2019 and August 14, 2019 focused on discussing each barrier to identify policy solutions for further research and develop recommendations. The list of the policy options discussed at these meetings is contained in Attachment A.

At the September 19, 2019 meeting, staff will review preliminary recommendations developed from the policy options so that the Task Force may discuss, revise, approve, and prioritize a list of recommendations.

SUMMARY

Task Force staff consolidated similar or duplicate policy options and then analyzed each policy option for how well it advanced the Task Force's charge to address racial disparities in homeownership. Based on that analysis, staff organized the policy options into four groups: (1) addressing racial disparities in homeownership; (2) addressing educational, occupational, or income disparity barriers; (3) addressing the housing system, lending, land use, or supply; and (4) homeownership barriers controlled or regulated by the federal government.

Staff have developed preliminary recommendations for the policy options in the first group, which are categorized as Phase I recommendations and are described in this document. The policy options for the remaining groups are included in Attachment B as suggested Phase II recommendations.

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.

Preliminary Recommendations

1. Fund outreach by culturally specific organizations to increase the visibility of and access to homeownership assistance programs by communities of color, including increasing access to culturally specific homebuyer education and counseling, down payment assistance, down payment savings credits, and individual development accounts (IDAs).
2. Improve education and training required of and provided to mortgage and real estate professionals to cover homebuyer assistance programs and incorporate racial bias training. Explore changing licensure requirements or specifying continuing education content requirements for real estate and mortgage lending professionals in statute or administrative rule through the Oregon Real Estate Agency and Department of Consumer and Business Services (DCBS).
3. Develop pilot programs to address racial disparities in homeownership.
4. Have Oregon Housing and Community Services (OHCS) provide additional financial support and technical assistance to non-profits and culturally specific organizations to conduct outreach, tailor programs, and deliver community-specific financial literacy courses and homebuyer assistance, education, and counseling programs.
5. Increase funding for down payment assistance and IDAs to support homeownership by people of color.
6. Set goals, reporting requirements, and program standards for OHCS specific to homeownership by people of color.
7. Recommend that OHCS explore offering state private mortgage insurance with lower rates than currently available private mortgage insurance.
8. Explore ways to ensure compliance with fair housing and lending laws at the state level.
9. Explore ways to address lender and broker education and compensation incentives.
10. Convene a work group to explore ways to improve language accessibility related to homeownership.
11. 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.
12. Explore ways to help communities of color build credit.
13. Extend the Task Force on Addressing Racial Disparities in Home Ownership through September 2020 to continue developing recommended solutions to address the barriers that reduce or prevent homeownership among people of color in Oregon.

1. INCREASING VISIBILITY OF HOMEOWNERSHIP ASSISTANCE PROGRAMS

Fund outreach by culturally specific organizations to increase the visibility of and access to homeownership assistance programs by communities of color, including increasing access to culturally specific homebuyer education and counseling, down payment assistance, down payment savings credits, and individual development accounts (IDAs).

Under this recommendation, funding would be provided to support outreach to communities of color for homeownership assistance, pre-qualification programs for individuals (i.e. millennials of color) who are mortgage-ready, and pilot programs that increase homeownership (recommendation #3). Funding may also be provided to support efforts to make programs more accessible through media channels, employers, non-profits, and real estate and lending professionals, or to support alternative delivery of homeownership programs or assistance (i.e. online tools).

Oregon Housing and Community Services (OHCS) currently provides funding to 17 Homeownership Centers. This recommendation should be implemented with recommendations #3 (pilot programs), #4 (financial and technical assistance to tailor and deliver programs), #5 (funding for down payment assistance and IDAs), and #6 (OHCS goals and program). In addition, this recommendation likely connects to the implementation of recommendations #10 (language accessibility) and #11 (tribal homeownership).

Barriers Addressed

- Education/Awareness
- Finances – Down Payment, Mortgage Readiness
- Mortgage Lending – Lender and Broker Incentives

Preliminary Research Policy Options: 22, 26, 74

2. PROFESSIONAL EDUCATION AND TRAINING REQUIREMENTS

Improve education and training required of and provided to mortgage and real estate professionals to cover homebuyer assistance programs and incorporate racial bias training. Explore changing licensure requirements or specifying continuing education content requirements for real estate and mortgage lending professionals in statute or administrative rule through the Oregon Real Estate Agency and Department of Consumer and Business Services (DCBS).

As described in the July 29 Preliminary Research document, the education and testing requirements for applicants for a mortgage loan originator license 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 of the mortgage loan originator license 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). Courses are Nationwide Mortgage Licensing System and Registry reviewed and approved.

ORS 86A.215 and ORS 86A.221 could be amended to require implicit bias training and provide the DCBS Director the flexibility to require other types of training designed to decrease racial disparities in homeownership.

The Oregon Real Estate Agency licenses real estate brokers and principal brokers. A real estate broker must complete 150 hours of broker pre-license education from an agency-approved real estate school. Principal brokers must complete the 40-hour Brokerage Administration and Sales Supervision (BASS) 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 the real estate broker is 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 course topics and learning objectives to be met for the required continuing education credit.

Similarly, the Task Force could recommend changes to ORS 696.022 (licensing system for real estate brokers) and ORS 696.174 (license renewal and continuing education courses) to require implicit bias training and training to increase broker awareness of homeownership assistance programs.

Barriers Addressed

- Education/Awareness – Professionals
- Mortgage Lending – Funding Sources
- Other Policies or Regs – Professional Licensure

Preliminary Research Policy Options: 18, 59, 82

3. EXPLORE THE DEVELOPMENT OF PILOT PROGRAMS TO ADDRESS RACIAL DISPARITIES IN HOMEOWNERSHIP.

Direct OHCS to explore the development of pilot programs to address racial disparities in homeownership. OHCS would likely need additional staff capacity to fully explore these ideas. Programs explored could be similar to those below:

- The HUD Good Neighbor Next Door Sales Program, which includes the state purchase of dilapidated or foreclosed homes combined with rehabilitation (sweat equity, grants, or other financing), down payment assistance, and certain residency requirements to support homeownership. Funds could be made available to investors and low-income homebuyers. This could also expand eligibility to government and non-profit employees.

- The Detroit home mortgage program, which seeks to remedy the loss of black-owned homes during the recession by allowing qualified buyers to borrow against the replacement value of a home rather than the appraised value. This program offers two mortgages: one for the appraised value of a home, and a second to cover the gap between the appraised value and replacement value.
- The Chicago Neighborhood Rebuild Pilot Program or the Portland Community Reinvestment Initiatives (PCRI) model, with a culturally competent focus on communities of color (developing new homes for purchase by qualified first-time home buyers and providing homeowner education and counseling).
- Subsidizing land purchases for certain types of projects focused on building in communities of color.
- Explore alternative models of homeownership, including lease-purchase mortgage programs (“rent-to-own”) that allow a household to rent a home for a set time period before taking on the mortgage and ownership of the property. This model allows households to build a positive credit history, increase savings, and often lock in a lower interest rate and purchase price. Lease-purchase agreements are similar to rental agreements with the option to purchase the home at some future date and provisions for determining the purchase price. There are both non-profit and private sector models of lease-purchase.
 - One nonprofit model is the Cleveland Housing Network’s Lease Purchase Program, which converts units developed through the Low-Income Housing Tax Credit program to lease-purchase. Units stay rentals for 15 years, and at year 16 they begin a three-year process to sell the properties to existing tenants with a renter-to-homeowner conversion rate of 85-90 percent.
 - Portland Community Reinvestment Initiatives includes a lease-purchase option as a homeownership strategy for households with high debt loads, credit issues, limited savings, or other financial impediments to immediate homeownership. During the lease/purchase period, payments are usually lower than comparable rents, so participants can save more for down payment or debt reduction. The steady lease payments at a similar level to the eventual mortgage payment helps build positive credit history and shows lenders that the household can handle a monthly mortgage payment.
 - There are also private sector models of lease-purchase. Trio offers the OwnOption assumable mortgage, which is an FHA-insured, 30-year term, fixed-rate mortgage to help save failed closings or provide a bridge to homeowners not yet ready or qualified to purchase. Trio also pays for homeownership counseling.

Barriers Addressed

- Finances – Income and Market Price Disconnect
- Wealth Gap
- Historical

Preliminary Research Policy Options: 25, 30, 56

4. FINANCIAL SUPPORT AND TECHNICAL ASSISTANCE FOR ORGANIZATIONS

Have Oregon Housing and Community Services (OHCS) provide additional financial support and technical assistance to non-profits and culturally-specific organizations to conduct outreach, tailor programs, and deliver community-specific financial literacy courses and homebuyer assistance, education, and counseling programs.

Under this recommendation, financial support should be provided as grants from OHCS to:

1. Support homeownership services that incorporate cultural values, increase knowledge about financial and credit systems, incorporate opportunities for participants to access and use financial tools and services, incorporate multigenerational learning where appropriate, and include family services or meals to bolster participation.
2. Support or expand culturally specific homeownership counseling and education programs for Native American, American Indian, and Alaska Native populations in Oregon.
3. Leverage partnerships with the private sector, credit unions, or other financial institutions, and funding from other non-profit or philanthropic sources.

OHCS should also develop and provide technical assistance to non-profits and culturally-specific organizations by identifying program best practices, establishing course content guidelines, and exploring ways to systematically deliver certain services (language access, program materials, and counseling) to increase service availability and reduce costs to individual providers, especially in rural areas.

Seventeen Homeownership Centers currently receive funding from OHCS. This recommendation should be implemented with recommendations #1 (outreach), #5 (funding for down payment assistance and IDAs), and #6 (OHCS goals and program). This recommendation also connects to the implementation of recommendations #10 (language accessibility) and #11 (tribal recommendations).

Barriers Addressed

- Credit
- Education/Awareness – Tailoring Programs and Culturally-Specific
- Finances – Mortgage Readiness, Down Payment and IDAs
- Historical
- Housing Program Gaps – Tribal and Rural Capacity
- Location – Rural Access
- Mortgage Lending – Illegal Discrimination
- Program Funding – Rural Service
- Status

Preliminary Research Policy Options: 3, 14, 15, 16, 22, 24, 27, 40, 65, 77

5. FUNDING FOR DOWN PAYMENT ASSISTANCE AND IDAS

Increase funding for down payment assistance and individual development accounts (IDAs) to support homeownership by people of color by:

1. Allocating additional funding to Oregon Housing and Community Services (OHCS) for down payment assistance and asking OHCS to collaborate with delivery organizations to identify and implement ways to streamline the down payment assistance transaction process.
2. Increasing the savings match available for IDAs used for homeownership either by increasing the total amount available for IDA match, providing a higher match rate (4:1), or accelerating match earnings to benefit those saving for homeownership.

Since additional down payment assistance and IDA funds may not be targeted to individual people or communities, this recommendation must be combined with recommendations #1 (outreach), #4 (financial and technical assistance to tailor and deliver programs), and #6 (OHCS goals and program) to increase the awareness and use of these additional resources by people of color.

Down Payment Assistance

The OHCS Homeownership Section assists very low to moderate income families [at or below 100% Area Median Income (AMI)] by partnering with Homeownership Centers across Oregon. Program funds are awarded to qualified Oregon organizations to create, continue, or expand down payment assistance programs. Homebuyers who have completed a homeownership education program may qualify for up to \$15,000 for down payment and/or closing costs. This program is funded by the Home Ownership Assistance Program (HOAP) and is awarded to Oregon organizations through a competitive application process. HOAP is funded by a percentage of the Document Recording Fees submitted to the State. In fiscal year 2019, nearly \$4.8 million was received for down payment assistance.

Individual Development Accounts

OHCS works with Neighborhood Partnerships to manage the IDA Initiative. Neighborhood Partnerships contracts with ten Initiative Partners to work directly with clients in all parts of the state. Clients save for a defined goal and receive support, training, and coaching from Initiative Partners, such as on home buying education. When clients reach their savings goal and meet benchmarks of their savings plan, their savings are matched with Initiative resources. In the 2017-2018 program year, 34 percent of IDA participants saved for homeownership.

The IDA Initiative is fueled by the contributions of individuals and businesses from all corners of the state, including the Oregon IDA Tax Credit. In 2015, the Tax Credit was renewed until 2022. The renewing legislation (ORS 315.271) also specified a state contribution of \$7.5 million. Due to changes in federal tax rules, the IDA Initiative expects to have a net loss of approximately \$2 million from 2019 and \$2.5 million from 2020, which will affect the total amount of match savings available for IDAs in the 2019-2021 biennium.

Current law allows up to a five-to-one match rate for IDAs, although only one partner uses that rate. The acceleration of savings match from \$3,000 every 12 months to \$3,000 every six months would require a statutory change.

Barriers Addressed

- Finances – Down Payment and IDAs
- Mortgage Lending – Funding Sources
- Wealth Gap

Preliminary Research Policy Options: 21, 23, 60, 93

6. SET GOALS, REPORTING REQUIREMENTS, AND PROGRAM STANDARDS FOR OHCS SPECIFIC TO HOMEOWNERSHIP BY PEOPLE OF COLOR.

Setting clear goals is an initial step toward collecting data and measuring progress over time that will help the Task Force and OHCS evaluate the results of efforts to address homeownership disparities.

- In alignment with the Statewide Housing Plan, OHCS should continue to identify ways to set targets and increase reporting on housing disparities faced by communities of color, especially related to any Task Force recommendations.
- Create and support dedicated staffing within OHCS to increase language access, provide technical support for grantees, and research additional tools to address the racial disparities in homeownership. The current Assistant Director of Homeownership position is funded with administrative fees associated with programs that reside in the Homeownership division. This is a limited duration position.
- Continue the OHCS rural focus to existing programs as outlined in the Statewide Housing Plan. OHCS should consider funding strategies that support development in rural communities, considering population density and the language and cultural needs of unique communities.
- OHCS will continue to support relationships between grantees and the communities they serve, particularly with culturally-specific and culturally-responsive organizations.
- Support and incentivize authentic community participation and culturally relevant processes to develop policy and programs at the state and local level.

Barriers Addressed

- Housing Program Gaps – Goals
- Historical
- Housing Program Gaps – Rural Capacity
- Program Funding – Rural Service
- Location – Rural Access

Preliminary Research Policy Options: 11, 28, 37, 38, 85, 86

7. STATE PRIVATE MORTGAGE INSURANCE

Recommend that OHCS explore offering state private mortgage insurance (PMI) with lower rates than currently available private mortgage insurance. OHCS would likely need additional staff capacity to fully explore this idea.

Most lenders require the borrower to pay for PMI if the borrower does not have at least a 20 percent down payment. PMI typically costs 0.5 percent to 1 percent of the loan amount, and different banks have different policies regarding when PMI can be removed. Private mortgage lenders play an important part in lending. Minorities tend to have smaller down payments and higher loan-to-value ratios and are thus more likely to need PMI to receive a home loan. There has been evidence suggesting, “That the applicant’s race does not determine whether PMI is granted but that the racial composition of the neighborhood where the property is located seems to play a role.”¹

Barriers Addressed

- Mortgage Lending – PMI

Preliminary Research Policy Options: 76

8. EXPLORE WAYS TO ENSURE COMPLIANCE WITH FAIR HOUSING AND LENDING LAWS AT THE STATE LEVEL

Although various fair housing and lending laws exist, violation of the laws is difficult to prove, and the laws can be difficult to enforce. Ensuring compliance will require additional resources.

1. Recommend additional support for legal advocates and housing counselors (legal services, foreclosure prevention counselors, fair housing programs) to ensure the existing laws are being used to hold lenders accountable. Additional discussions are needed to determine where the service gaps exist.
2. Consider creating stronger state regulations or stronger consumer protections related to banking fees and costs as they disproportionately affect communities of color.

Barriers Addressed

- Mortgage Lending – Illegal Discrimination
- Cultural – Trust in Lending

Preliminary Research Policy Options: 12, 13, 64

¹ Tootell, Geoffery, “Discrimination, Redlining and Private Mortgage Insurance” Working Paper Series, Federal Reserve of Boston, No. 95-10, Oct. 1995.

9. ADDRESS LENDER AND BROKER EDUCATION AND COMPENSATION INCENTIVES

Create a work group to explore ways to address lender and broker education and compensation incentives, considering the following options:

- Consider creating a program or organization with brokers and agents who specialize in various types of loans, without the incentive for providing higher interest rates or larger loans. This could include a salary structure with clearly articulated performance goals or a flat fee for each approved loan regardless of the amount of the loan.
- Support an industry certification program with training and certification requirements similar to HOWNW.com for mortgage and real estate professionals across the state. The program could be offered through Homeownership Centers and OHCS.
- Incentivize real estate professionals or brokers to volunteer to visit K-12 schools and teach personal finance, including providing limited continuing education credits for this type of contribution. This may require a change in law to allow these individuals to communicate with minors for this purpose. Continuing education requirements for mortgage loan originators are specified in ORS 86A.215 and 86A.221.

Barriers Addressed

- Education/Awareness – Professionals
- Mortgage Lending – Funding Sources
- Mortgage Lending – Lender and Broker Incentives
- Other Policies or Regs – Professional Licensure

Preliminary Research Policy Options: 19, 73, 84

10. LANGUAGE ACCESSIBILITY

Convene a work group to explore ways to improve language accessibility.

1. Review language accessibility requirements for the financial sector and for state and community homeownership programs, and to identify ways to improve accessibility.
2. Explore ways to systematically deliver language services, especially in rural areas, including developing statewide resources or consumer tools.
3. Provide housing counselors who speak other languages where needed across the state.
4. Explore ways to have written translations or verbal interpretations of closing or servicing documents provided in the preferred language of the borrower, and have banks accept certain documents in languages other than English.

As outlined in the July and August research materials, approximately six percent of Oregon residents are Limited English Proficient (LEP), which is defined by the United States Census Bureau as someone who speaks English less than “very well.” LEP individuals face significant barriers when attempting to access financial products and services, which are geared toward

servicing English-language proficient customers. Language access also means providing materials in English using common language and reducing technical jargon.

Additional work is needed on this recommendation to identify specific gaps and ways to address language needs in mortgage lending, homebuying, and homeownership assistance. Language requirements in statute should be reviewed to identify those needing to be updated, including ORS 86A.198 and similar mortgage lending or homeownership assistance statutes that establish requirements to provide materials in languages other than English.

Language accessibility should be reviewed in the context of implementing recommendations #1 (outreach), #4 (financial and technical assistance to tailor and deliver programs), #5 (funding for down payment assistance and IDAs), #6 (OHCS goals and program), and #11 (tribal homeownership).

Barriers Addressed

- Historical – Access & Language
- Mortgage Lending – Language

Preliminary Research Policy Options: 33, 67, 68, 69, 70, 71, 88

11. TRIBAL HOMEOWNERSHIP

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. The current homeownership rate for American Indian or Alaska Native households is 44.78 percent.

As discussed in the July and August meeting materials, there are a number of barriers to homeownership for 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 lending programs available are complicated and not widely available through local financial institutions.

There has not been time in this process to engage the housing contacts with Oregon's nine federally recognized Tribes to identify barriers to homeownership specific to tribal members on and off tribal trust land. Under this recommendation, representatives from the Legislative Commission on Indian Services, tribal housing directors or specialists, and appropriate agencies would convene to identify homeownership barriers and develop recommendations for Task Force consideration.

Barriers Addressed

- Historical
- Housing Program Gaps – Tribal

Preliminary Research Policy Options: 39

12. EXPLORE WAYS TO HELP COMMUNITIES OF COLOR BUILD CREDIT

Reporting rent payments creates the opportunity to build credit without assuming additional debt and serves as an additional incentive for renters to pay on time. In the Power of Rent Reporting Pilot (in which Oregon participated), 79 percent of participant consumers had an increase in their credit scores, with an average score increase of 32 points (on a VantageScore 3.0 scale).²

According to FICO, less than 1% of credit histories have rental payment data (60% of renters rent from small business owners). Transunion, Experian, and Equifax have services that allow tenants/landlords to report renters' payment histories. There are also third-party programs that allow the tenant or the landlord to register, for a fee. Explore ways to encourage use of these services, including through a state pilot program, or require landlords to either report positive rent payments to at least one credit bureau quarterly or offer a reporting option to tenants.

Another way to help communities of color build credit is by encouraging the credit bureaus to accept reports from lending circles, such as the Mission Asset Fund program, as they can be a more accessible financial tool for certain communities.

Barriers Addressed

- Credit
- Cultural – Lending Circles

Preliminary Research Policy Options: 1, 5, 9

13. TASK FORCE EXTENSION

Extend the Task Force on Addressing Racial Disparities in Home Ownership through September 2020 to continue developing recommended solutions to address the barriers that reduce or prevent homeownership among people of color in Oregon.

This document has been prepared by the Legislative Policy and Research Office (LPRO) for the Task Force on Addressing Racial Disparities in Home Ownership. LPRO provides centralized, professional, and nonpartisan research, issue analysis, and committee management services for the Legislative Assembly.

² Rent Reporting for Credit Building, Credit Builders Alliance, [https://prosperitynow.org/sites/default/files/event/2019-04/Credit percent20Building percent20Through percent20Rent percent20Reporting percent20- percent20CBA percent20Slides.pdf](https://prosperitynow.org/sites/default/files/event/2019-04/Credit%20Building%20Through%20Rent%20Reporting%20-%20CBA%20Slides.pdf)