



Homeownership
Council of America

**Equity DPA &
Your Housing Counseling Agency
SPCP Partnership Presentation**





Our Mission

Building more equitable access to homeownership credit for America's underserved communities.

We work with CDFIs, Investors, Lenders and others to build LMI and minority credit access, products, and mortgage delivery systems.



About HCA

National Nonprofit

- As a 501c3, we serve our mission by providing unique services to other nonprofits, CDFIs, and community lenders supplying access to credit for the underserved.

Uniquely Experienced

- Our team brings a long history of mortgage lending, nonprofit housing, HUD-approved services, and CDFI management.

Effective and Impactful

- We have transformed each organization we work with, bringing them valuable knowledge, concrete processes, enhanced product offerings, and a better-prepared team. We facilitate growth and success.



Equity DPA

HCA's exciting new National SPCP DPA: Equity DPA

“The most innovative and scaled approach we’ve seen to Community Seconds lending, with funds designated to both LMI and BIPOC up to 140% AMI, and available through participating lenders.”

Equity DPA Lender Approval & Closing Process




What is Equity DPA?
Equity DPA is a growing new national SPCP Down Payment & Closing Cost Assistance program designed to assist both low income and BIPOC homebuyers with down payment and closing costs, as major barriers to homeownership. While many programs exist for LMI (90% Area Median Income), Equity DPA reaches up to 140% of the median income for BIPOC homebuyers.

How does it help?
Equity DPA provides the 3% down payment requirement for a conventional first mortgage. It can also be used to cover closing costs and be layered with other assistance up to 105% CLTV. Equity DPA lowers debt-to-income ratios by lowering the mortgage amount and provides necessary cash to close for first time homebuyers.


Lender Approval & Closing Process









- 01 Review Equity DPA Program Documents**
 - Email HCA with a request to become an approved Equity DPA Correspondent Lender.
 - Receive the Credit Policy and Sample Loan Documents along with our Equity DPA Lender Agreement and Seller Guide.
 - Lenders have full control of the closing process and have delegated underwriting using for Equity DPA.
- 02 Become an Equity DPA Correspondent Lender**
 - Complete internal approval process for Equity DPA as a Community Second with delegated lender authority.
 - Provide your documents to HCA along with a signed agreement to participate in Equity DPA as a delegated lender-partner.
- 03 Train Sales & Operations on Equity DPA**
 - Train appropriate MLO staff in applicable market areas on the availability of Equity DPA.
 - Train operations staff on processing, underwriting, closing, and shipping the Equity DPA product.
- 04 Complete funds reservation with HCA**
 - Place funds reservations for your pipeline by LMI and BIPOC production/use of funds.
 - Complete the loan closing and funding with delegated authority by HCA for the program.
- 05 Complete the loan transfer and reimbursement with HCA**
 - Post-closing, package and ship the loan file to HCA along with completed Allonge for review and reimbursement. HCA does not require use of MERS but is a member and can accept MERS transfers.
 - HCA will net-fund the loan reimbursement for the full loan amount, less \$325 in lender fees that may not be charged to the borrower.
 - HCA provides \$325 housing counseling support for each closing to participating local HUD agencies.



The largest source of wealth for Americans is their own home.



Homeowners have 89 X the wealth of Renters according to US Census Data




There were over 159,000* declined primary residence purchase transactions where additional cash to close or down payment would have made a difference - 8 out of 10 of those home buyers were Lower Income or Minority. *According to 2021 FHMA Data

Equity DPA Donors

For Lower Income and Underserved Minority Homebuyers

A \$100,000 Donation makes homeownership possible through 10 Down Payments



\$1,000,000 = 100 Equity DPAs & Homeownership Opportunities in Multiple or Whole States


HCA efficiently makes Equity DPA available through our partner HUD Certified Agencies and approved Mortgage Lenders.

Easy, straight-forward process for Consumers and Partners:

- Register and apply for the Equity DPA program.
- Provide documented borrower eligibility for approval.
- Sign disclosure and closing documents to complete funding and home purchase.

HOMEOWNERSHIP MADE POSSIBLE THANKS TO DONORS

Donors are provided with 5 years of reporting and monitoring on the homeowners made possible through their generosity. A minimum of 90% of donations go directly to underserved home buyers.



Equity DPA

equitydpa.org (reserved/not yet launched)



- 3% LTV Down Payment Assistance
- Open to *any applicant* **under 80% AMI**
 - **Minority applicants up to 200% AMI**
- Forgives after 5 years of Owner Occupancy
 - Repaid if sold within term
 - *Forgiven within term if sold due to documented hardship*
- **No interest, no borrower paid fees, no payments**
- Open through any participating mortgage lender
- Soft-Second – Conventional Compliant
- Reservations of funds through participating lenders for qualified borrowers



Entry points for Equity DPA Borrowers



HUD Approved Partners

Trained partners for each state/area promote Equity DPA. Mortgage Readiness Counseling and Home Buyer Education. Fee for Service Grant with HCA.

2,000+ HUD Approved organizations spreading across the country.



Lenders and Loan Officers

Lenders and Investors who have approved Equity DPA for use with their 1st and as a **Correspondent** to the program. Easy program funds reservation with HCA.

Working with multiple National Lenders and a national Lead Servicer with 800+ lender agreements.



Realtors and Sales Offices

Refer interested and eligible buyers to Equity DPA through our Approved Lenders & Partners.

Makes homeownership more attainable for BIPOC and LMI first time home buyers.

Realtor.com is a leading partner as well as a range of national homebuilder brands.



ROLES OF COUNSELING AGENCY PARTNERS

- **Provide** the standard Homebuyer Education and Pre-Purchase Counseling you offer to consumers
- **Include** materials or information on the availability of Equity DPA for qualified BIPOC or LMI homebuyers
 - You can market this program like it's your own – this is a collaborative approach!
- **Share** contact information for the participating lenders to gain borrower pre-approval and funds reservation for Equity DPA
- **Celebrate** your homebuyer wins and invoice HCA for payment on successful Equity DPA closings.

IT'S THAT SIMPLE.

2 STEP COUNSELING AGENCY PAYMENT PROCESS



Upon the successful closing of a buyer's purchase of a home, the counseling agency will:

- *Submit an invoice to HCA with the HBE certificate for the borrower(s)*
- *HCA will confirm the borrower closing, approve, and send payment out for **\$325.00***

IT'S THAT SIMPLE.



Questions, Discussions, and Next Steps

Don Nash, VP National Programs
nash@homeownershipcouncil.org

Office: 800 – 275 - 2209 x705

Direct: (646) 464 - 3711

For more information on HCA and our work, please visit our website:
www.homeownershipcouncil.org



FAIR HOUSING LAW HISTORY

OVERVIEW

Purpose – to promote the availability of credit to all creditworthy applicants without regard to race, color, religion, national origin, sex, marital status, or age

Fair Housing Act - prohibits discrimination in the sale or rental of housing, in residential real estate-related transactions, such as mortgage lending transactions, and in other housing-related activities based on race, color, religion, sex, disability, familial status, or national origin.

Equal Credit Opportunities Act (ECOA) + Reg B. Congress enacted ECOA in 1974, initially prohibiting discrimination in credit on the basis of sex or marital status. Two years later, Congress expanded the prohibition against discrimination in credit transactions to include age, race, color, religion, national origin, receipt of public assistance benefits, and exercise of rights under the Federal Consumer Credit Protection Act. Dodd-Frank Act (2010) shifted enforcement from FRB to CFPB.

Exceptions – however, at that time, Congress carved out some exceptions to ECOA, stating that it is not discrimination under the Act:

- **“for a creditor to act pursuant to any special purpose credit program offered by a profit-making organization to meet special social needs which meets standards prescribed in regulations by the [Bureau].”**
- **[To create programs] “specifically designed to prefer members of economically disadvantaged classes” and “to increase access to the credit market by persons previously foreclosed from it.”**

ECOA EXCEPTIONS

THREE ELIGIBLE PROGRAM TYPES

Government Programs

Any credit assistance program **expressly authorized by Federal or state law** for the benefit of an economically disadvantaged class of persons;

Not-for-Profit Programs

Any credit assistance program **offered by a not-for-profit organization, as defined under section 501(c) of the Internal Revenue Code** of 1954, as amended, for the benefit of its members or for the benefit of an economically disadvantaged class of persons

For-Profit Programs

Any special purpose credit program **offered by a for-profit organization, or in which such an organization participates** to meet special social needs, if:

SPECIAL PURPOSE CREDIT PROGRAMS

REQUIRED PROGRAM ELEMENTS (2020 CFPB ADVISORY OPINION)

Written Plan - The program is established and administered **pursuant to a written plan that identifies the class of persons that the program is designed to benefit and sets forth the procedures and standards** for extending credit pursuant to the program;

+

Impact - The program is established and administered to **extend credit to a class of persons who, under the organization's customary standards of creditworthiness, probably would not receive such credit or would receive it on less favorable terms** than are ordinarily available to other applicants applying to the organization for a similar type and amount of credit.



WRITTEN PLAN REQUIREMENTS

THE CONTENT REQUIRED IN A WRITTEN PLAN

CLASS OF PERSONS

1. People-based (protected): can be defined with or without reference to a characteristic that is otherwise a prohibited basis under the ECOA
2. People-based (non-protected): operators of small farms in rural counties, minority- or woman-owned small business owners, consumers with limited English proficiency, or residents living on tribal lands
3. Place-based: as minority residents of low-to-moderate income census tracts, residents of majority-Black census tracts

PROCEDURES AND STANDARDS

1. Must be designed to increase the likelihood that a class of persons who would otherwise be denied credit / receive it on worse terms will receive credit / on better terms per the program
2. Describe the procedures and standards adopted and explain how they will increase credit availability with respect to the identified class of persons.
3. If the class of persons the program is designed to benefit will be required to share a common characteristic, the written plan may also explain whether the organization will request and consider information that would otherwise be prohibited under the ECOA.



WRITTEN PLAN REQUIREMENTS

THE CONTENT REQUIRED IN A WRITTEN PLAN

PROGRAM DURATION / REEVALUATION

1. The written plan must provide “a specific period of time for which the program will last” or “contain a statement regarding when the program will be reevaluated to determine if there is a continuing need for it.”
2. If an organization opts for the latter approach, reevaluation could be made contingent on a certain set of circumstances or simply a set date.
3. The written plan could also adopt a combined approach—for example, the special purpose credit program could end on a set date, or when a pre-established origination volume has been reached, whichever occurs earlier.
4. If an organization extends the program beyond what is set forth in its written plan, it must document the terms of that extension in order to ensure the program continues to be administered pursuant to a written plan.

DESCRIPTION OF ANALYSIS

Must contain information that supports the need for the particular program.

RESEARCH & ANALYSIS REQUIREMENTS

THE **TYPE OF RESEARCH AND DATA** THAT MAY BE APPROPRIATE **TO INFORM A** FOR-PROFIT ORGANIZATION'S **DETERMINATION THAT A SPECIAL PURPOSE CREDIT PROGRAM IS NEEDED** TO BENEFIT A CERTAIN CLASS OF PERSONS.

Permissible Sources

Organizations may either use their own research **or** data from outside sources, including governmental reports and studies.

Nexus to Customary Credit Standards

The analysis must show how "a class of people would otherwise be denied credit or would receive it on less favorable terms" under the organization's customary credit standards.

Requests for and Use of Information

Organization cannot request demographic information that it is otherwise prohibited from collecting, [prior to establishment of an SPCP] even to determine whether there is a need for such a program.

OTHER REQUIREMENTS

“Good Purpose + Common Characteristics”

A program described in paragraph (a)(2) or (a)(3) of this section **qualifies as a special purpose credit program only** if it was established and is administered **so as not to discriminate against an applicant on any prohibited basis**; however, all **program participants may be required to share one or more common characteristics (for example, race, national origin, or sex)** so long as the program was **not established and is not administered with the purpose of evading the requirements of the Act or this part.**

[i.e. Whether the class is place-based or people-based, a lender can create a class as long as they don't have discriminatory intent]

+

Permission to Request + Use Information

if participants in a special purpose credit program described in paragraph (a) of this section **are required to possess one or more common characteristics (for example, race, national origin, or sex)** and if the program otherwise satisfies the requirements of paragraph (a) of this section, **a creditor may request and consider information regarding the common characteristic(s) in determining the applicant's eligibility for the program.**

[i.e. If a lender has created a class (and for good reason), then they can request information regarding that class and use it when making their credit decision.]