

WHITEPAPER



# The State of Down Payment Assistance 2019



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## Executive Overview

Down payment assistance is not a cure-all for societal ills. However, when DPA is administered properly it lifts households out of poverty, reduces the ranks of renters, and thereby decreases subsidization. This not only costs taxpayers nothing, but also reduces their dependency on government aid and ultimately cuts federal costs.

We encourage all political parties to set aside their differences and support responsible, experienced organizations in increasing access to down payment assistance and other sustainable housing opportunities. Deserving American citizens deserve no less.

# The State of Down Payment Assistance Today

THE DESIRE TO own a home is a core American instinct. Homeownership not only helps families build wealth and financial security, but also creates a sense of stability and control that enhances quality of life.

Given such benefits, why don't more people ditch the landlord and buy a home?

Affordability is one barrier, and the tough credit environment certainly plays a role. Following the foreclosure crisis, many lenders tightened access to safe and affordable



The desire to own a home is a core American instinct

mortgages, restricting people with moderate credit scores from buying homes. But experts suggest that the down payment may be another perceived obstacle significant enough to restrict interest in home ownership.

A recent study by the [Urban Institute](#)<sup>1</sup> found that 53% of renters believed that saving for a down payment was a key hurdle to

homeownership. Along with that finding, the report showed that 80% of consumers were either unaware or misinformed of down payment requirements set by lenders.

Only 19% of consumers believe lenders make loans with a down payment of five percent or less. Nearly one in three people surveyed said they believe lenders expect borrowers to put down 20%.

Exacerbating the confusion is that most would-be homebuyers are unaware of down payment assistance programs. Even those who have heard of down payment assistance programs assume that help is only available for targeted census tracts, distressed neighborhoods, or very low-income households.

That's unfortunate, because 87% of properties across the country are in an area eligible for one or more homeownership programs. By taking advantage of such programs, many renters could obtain a mortgage and begin reaping homeownership's powerful economic benefits. Such benefits include tax advantages and the ability to accumulate savings for a child's college education, a medical emergency, or a secure retirement.



# SECTION 01

THE STATE OF DOWN PAYMENT ASSISTANCE TODAY

Congress explicitly stipulated that receiving down payment assistance in the form of a second mortgage from a governmental program must not prevent FHA from approving and insuring the loan

The Urban Institute study reported that there are more than 2,144 active down payment assistance programs in operation, and 1,295 housing finance agencies offering them at the local, state, and national levels. Some states have multiple programs and providers. California is the king of them all, with 262 active programs offered by 243 state or local housing finance agencies.

Eligibility for down payment assistance is based on multiple criteria, including loan amount, homebuyer status, borrower income, and family size. Help is available for a variety of loan types, and programs may target a geographic area as large as the nation or as small as a city, with some programs focusing on individual neighborhoods. While many serve first-time homebuyers, military personnel, veterans, or other specific populations, others are open to any homebuyer who meets income and purchase price limits.



The Federal Housing Administration (FHA) has been helping homebuyers of modest means overcome the down payment hurdle and other obstacles since 1934. To assist borrowers, the FHA insures the first mortgage, making it possible for lenders to approve loans requiring a down payment as low as 3.5 percent. Congress explicitly

stipulated that receiving down payment assistance in the form of a second mortgage from a governmental program must not prevent FHA from approving and insuring the loan.

Borrowers with strong credit scores may qualify for a loan to help cover the down payment, while those with poor credit—a score below 620—may be required to come up with the down payment. Under FHA rules, such borrowers may meet their down payment obligation with gifted funds from approved sources, such as relatives, employers, labor unions, government entities, and charitable organizations.

Down payment assistance is often used in conjunction with FHA loans and can dramatically reduce the amount a homebuyer must put down. In some cases, borrowers can use multiple assistance programs to reduce their up-front costs.

The money that buyers receive through such programs may take the form of a grant, or an interest-free loan or a deferred payment second mortgage (often called a “soft second”) to be paid off in the future. Typically, buyers must occupy the home as a principal residence for a certain period to avoid having to repay the grant, and must pay off any loan before selling the property.



## SECTION 01

THE STATE OF  
DOWN PAYMENT  
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TODAY

The Rate Advantage program's down payments are funded by banks in need of credit under the Community Reinvestment Act

In recent years, down payment assistance has become an increasingly important piece of affordable mortgage programs offered by state Housing Finance Agencies (HFAs). Established to address affordable housing needs in their states, HFAs are independent entities that administer a variety of housing and community development programs and typically are guided by a board of directors appointed by the governor. About one-quarter of all down payment assistance programs are available statewide through HFAs.

Organizations like Utah-based [Chenoa Fund](#) offer down payment assistance on a national basis. Buyers who meet eligibility criteria may receive a second mortgage to cover their 3.5% minimum down payment requirement when purchasing an FHA-insured home.

In the summer of 2017, Chenoa Fund launched an innovative twist on its standard down payment assistance program known as Rate Advantage. This new program's down payments are Community Reinvestment Act (CRA) eligible, resulting in significant monthly payment savings for borrowers when compared to many down payment programs, which tend to have higher first mortgage interest rates.

The innovative CRA-backed approach is accompanied by an even more intriguing innovation, a web-based marketplace known as the CRA Note Exchange. Open to all providers of down payment assistance who seek liquidity for their mortgage paper (1st or 2nd), the Exchange facilitates the sale of mortgage loans to depository institutions seeking to augment their CRA loan portfolio. The site is searchable by census tract and other criteria relevant to a lender's CRA performance and it serves as a portal for all holders of CRA-eligible notes to create liquidity that will help purpose driven entities better serve communities in need.

As this new initiative demonstrates, the variety of options for helping homebuyers discouraged by the down payment barrier expands almost daily. With nearly nine out of ten renters expressing a desire to buy a home someday in the Urban Institute study, the lending and real estate industries would be well-served to spread the word about such programs—and encourage more people to begin the path to homeownership and building equity.

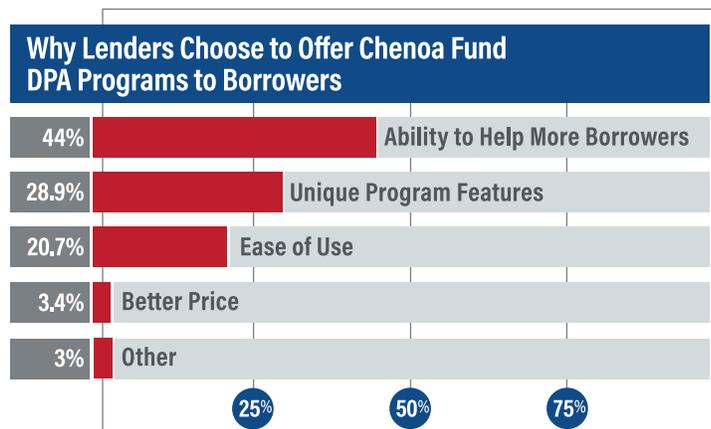
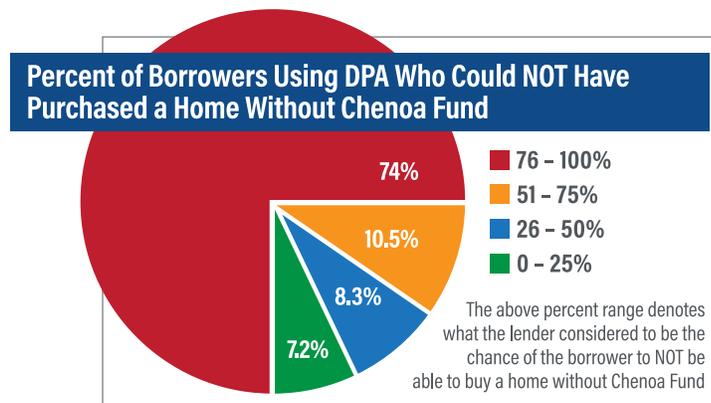
<sup>1</sup> [Urban Institute: Barriers to Accessing Home Ownership, 2017](#)

# National DPA Lender and Borrower Study

IN THE SUMMER of 2019, CBC Mortgage Agency conducted three nationwide down payment studies in the United States that included one lender and two borrowers. The lender study captured the responses from 735 lenders who utilize Chenoa Fund DPA programs. Borrower study one (388 respondents) and study two (754 respondents) were separate surveys conducted among borrowers who were recipients of the Chenoa Fund DPA. The focus of the studies was to measure the impact that the DPA had through the personal experiences of lenders and borrowers.

## CBC Mortgage Agency Lender Responses

Lenders were given a choice of four answers to explain what percent of borrowers would not have been able to purchase a home without the Chenoa Fund. An overwhelming majority of lenders indicated that the borrowers who used Chenoa Fund DPA programs would not have been able to purchase a home.



Next, the lenders were asked why they chose to offer Chenoa Fund programs to borrowers. Chenoa Fund program was preferred among lenders because of its ability to better serve more borrowers because of the program's unique features. When asked to elaborate, lenders identified several main features as to why Chenoa Fund offers a superior product:

- Ability to help more borrowers
- Flexible, common sense underwriting
- Standardization across the nation
- Better pricing for borrowers than State Housing programs



## SECTION 02

NATIONAL DPA  
LENDER AND  
BORROWER  
STUDY

"DPA programs like Chenoa are there to help where a local- or state-run program fails."

The following reflects the comments that were made by lenders about Chenoa Fund.

**"This program is better than all other DPAs.** Most DPAs give the borrower with little-to-no savings a path to purchase a home. The difference between Chenoa Fund and the other DPA programs is Chenoa's rates are more in line with standard FHA Loans. The other DPAs are one-half point or higher in rate which translates to a higher payment. Chenoa Fund also follows HUD's 4000.1 which allows more borrowers to qualify in buying a home." —Dave Johnson

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**"This program provides lenders a down payment assistance program that we can use in most states instead of having to learn and use fifty unique state-specific lending programs. Chenoa's forgivable second is an abundant lending feature that makes the program more attractive than many state specific options."** —John Brown



**"Because it's a national program that assists people nationwide, it's a benefit to lenders to work with one agency over one hundred."** —Stacy Brigdon

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**"Chenoa Fund offers a second lien similar to a bond to help borrowers get into homes just like a bond loan will, and since it is offered in many**

states, it really helps us streamline this process. Our loan officers like the program for its ease of use and it lets you **stay familiar with the product instead of having fifty different bonds that are all very different than one another.**" —Patrick Purcell

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**"Not all state-run down payment assistance programs can serve all the needing home buyers for a multitude of reasons: credit score, income near misses, overly strict and inflexible guidelines. DPA programs like Chenoa are there to help where a local- or state-run program fails** and I have personally and professionally used Chenoa to help families obtain their first home." —Bob Rutledge

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**"All state-run DPA programs are ridiculously restrictive, expensive,** and often do not provide sufficient funds for down payments, requiring prospective home buyers an inability to purchase a home. The feature of this program that allows for anyone who is not a homeowner to use it is a huge benefit. All other programs require a three-year waiting period before someone can buy again." —Jeffrey Lobel

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**"There are very few down payment assistance programs that can service an expanded client base. Chenoa Fund is one of those programs. The rates provided are lower than most state bond programs,** but they also have programs that allow the borrower's second mortgage to be forgiven with an on-time payment history for 3 years. I don't know any other down payment assistance programs that benefit the consumer as much as Chenoa Fund." —Christopher Wolfe

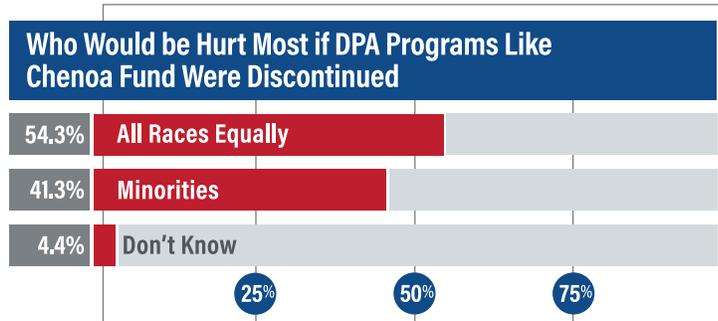


# SECTION 02

NATIONAL DPA LENDER AND BORROWER STUDY

“This is a **great alternative to using state bond DPA mainly because the fees are a lot less** so it makes it easier for people to qualify. Also, what helps to qualify more people is the DTI limit and credit score requirement. It also offers to a large group of my leads the choice to either pay it back or have it forgiven.” —Marjorie Carrie Paddon

Chenoa Fund has brought innovation and competition to the marketplace, bringing costs down to consumers, and even spurring innovation amongst state programs in improving their offerings.



Lenders were then asked who they felt would be affected most if they were not able to provide DPA options like Chenoa Fund to their borrowers.

Interestingly, lenders felt that Chenoa Fund DPA

programs were needed by borrowers from all races, with minorities ranking almost as high. Lenders were asked to expand why certain borrowers were offered Chenoa Fund DPA Program. Fifty-eight percent of respondents, representing lenders from 45 states, took the opportunity to respond to the question. The lenders’ responses follow, grouped by category of said responses.

“This program provides hope and allows an average, everyday person to achieve homeownership which I believe is vital to our community.”

### DPA serves borrowers who have difficulty saving for a down payment.

“As a licensed mortgage originator with over fifteen years experience, the feedback I get from my borrowers is very important. The biggest hurdle to homeownership I see today is not having sufficient liquid assets to cover down payment and closing costs. I value Chenoa Fund and recently closed a DPA Edge loan. Without this program, my borrowers would not have qualified to purchase a home.” —Elon Bodden

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“Chenoa Fund provides a great program and offers an outstanding loan option for home buyers that are unable to provide a full down payment but able to afford a new home. This allows for home ownership for people who would otherwise have to rent and not provide a benefit to the communities nor themselves and their families. **The program is a much better program than our local programs** such as CDA and MMP.” —Scott Nortman

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“This program has afforded many people who otherwise wouldn’t qualify for the opportunity of homeownership. It can be difficult for many to save enough money for both a down payment and closing costs. This program provides hope and allows an average, everyday person to achieve homeownership which I believe is vital to our community.” —Joshua Thompson



## SECTION 02

NATIONAL DPA  
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STUDY

**“The Chenoa Fund quite frankly is a better program than state-run programs.”**

**“Down payment is the biggest challenge my clients face. My clients have good jobs and have seen their income rise with the better economy but student loans and other debts continue to make it hard for them to save money to buy a home. Without programs like Chenoa Fund, these people might have to wait years to become homeowners. Instead, they get a fair rate and payment and a chance to take advantage of the strong housing market.”** —Jeffrey E Nunley

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**“Lots of borrowers are paying more in rent than they ever would pay for a mortgage. Due to bills, household expenses, and family obligations, many people do not have money set aside for down payment on a home. The Chenoa Fund has made this possible for many people and should not be ruled out as a source of funding for future home buyers.”** —Tanisha Treadwell

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**“This program is extremely important because often we find people who will qualify for home loans but do not have funds to close: so, again, my clients make the income but cannot save enough money for down payment of a home, in which they deserve the American dream and will be able to have an equitable future for their children because it is the biggest investment that each citizen can and should have.”** —Demetria Smith

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**“There are people out there that have good credit, [have] job and residence stability, [and are] paying their debts and rents on time, that unfortunately are challenged to save enough money for the required down payment. For some, the down payment is the only limiting factor that prevents them from achieving the American dream of home-ownership. With our current rental market and high rents folks can benefit from homeownership now more than ever.”** —Debra Basile

### **DPA helps minorities and underserved communities in need of extra assistance.**

**“My minority clients work multiple low paying jobs and support their families while paying high rent; this DPA program allows them the opportunity to achieve the American Dream while building wealth for them and their families. Losing this program will financially hurt this segment of our population.”** —Kathren J Rosales

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**“The Chenoa Fund quite frankly is a better program than state-run programs. It helps minorities and supports homeownership that wouldn't be possible any other way. This supports the economy and low-to moderate-income families in our community.”** —Matt LeBaron



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“This program allowed a Mexican immigrant family who did not have access to other down payment assistance programs... They had been working and working, cleaning up credit, trying to build savings, everything they could do to get into a home, but the housing costs just kept creeping up, and every time they took one step forward, the market took them one step back. **This niche program is designed to catch the people**

**who are falling between the cracks** of traditional down payment assistance, and allows them to get their foot in the door on properties instead of always playing catch up to a target advancing at the same rate.” —Michael Distad

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“I have had many borrowers who we helped get into homeownership with the Chenoa program who start crying at closing because they never thought they could own their own home.”

“Chenoa Fund allows me to offer down payment assistance to a broader range of people: qualified, middle- to lower-class people who would love to accomplish the dream of homeownership that wouldn’t be able to otherwise. When you are in the lower/middle class, it is hard to come up with the down payment necessary to buy a home. This program makes it possible!” —Ashley Kelly

### DPA helps families, first-time homebuyers, blue-collar and single parents.

“Chenoa Fund is a great program as it allows all buyers to purchase a home. Many young adults struggle to save 3.5% with their current student loan debts, so this program helps them out a lot to purchase a home vs renting.” —Marie Lifschultz

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“This program is never our first choice for a borrower who can qualify with any other loan program. However, there are a select few who just need assistance due to their need for a down payment. Some of these people include families who are paying more for rent than they would for a house payment and can’t save up for a down payment. Some of these borrowers have medical issues preventing them from building up a savings. There are many more reasons that this is a necessary option for people **who would otherwise qualify but cannot save to own their own home. These are the people that we need to continue to help.**” —Angela Gerhardson

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“I have been able to provide financing and homeownership to a first-time homeowner who was working two jobs, had great credit but just lacked the down payment funds. I have been able to provide financing and homeownership to a first-time homeowner minority couple with two kids who were buying their first home. This is a great program that affords individuals and families a chance to own their American Dream.” —Robert Frick



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"I stay in contact with the buyers to make sure they are making their payments on time and to help if they are having any issues."

"A lot of first-time home buyers need down payment assistance. With housing costs in WA state, it is almost impossible for first-time home buyers to save enough money to purchase their first home. Most of them already have an **extreme amount of college debt**. Having a program with a forgivable second and with FHA so the debt to income ratio is more forgiving is essential to helping the first-time home buyer make homeownership a possibility." —Leigh

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"I have used the program since 2016 and found it extremely beneficial to all types of borrowers. In the case of minorities and nurses, first responders and teachers, it has gotten them into a home when under normal circumstances they would not have been able to purchase one." —Raymond Wolff

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"There are customers that cannot catch a break. **They finally start making enough money to consider purchase of a new home and then now they make too much and get penalized for getting a raise or job advancement, but due to the years of being underpaid, they have no chance to get ownership in a home.** Without this program, they would be forced to continue to be home renters and would not be afforded the ability to own their first home. This is very important to them to get a chance to start to benefit from benefits of home ownership which is obvious. Most of my clients that need this program have a little higher credit score (near 660 or 680), but they have no down payment and no way to bridge that gap." —Brent W Powell

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"This program is important to every single borrower it helps. We have used this product on a single borrower who not only needed it but deserved it. I have had many borrowers who we helped get into homeownership with the Chenoa Fund program, **who start crying at closing** because they never thought they could own their own home. **Especially helping single mothers** get into a home for their families, so they don't have to move every year." —Rebecca Skiles

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"I was introduced to Chenoa Fund in 2018—this program has helped my business along with a lot of buyers that thought they could never buy. I stay in contact with the buyers to make sure they are making their payments on time and to help if they are having any issues—we all need to support the first-time home buyer with giving them the ability to own a home. **Most of my buyers were paying more in rent** than what their new current mortgage payment is." —Tammy Swift

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"It is important for new families to have a safe, affordable home. Many first-time homebuyers do not have a saved down payment due to lack of knowledge about the market, using their funds for current expensive rents, or due to young families and expenses for their children. This program allows us to have an option for them to have a safe place, build equity, and create wealth to move up into new real estate in the future. It is important to be able to offer this type of help for those who need it." —Angela Gerhardson

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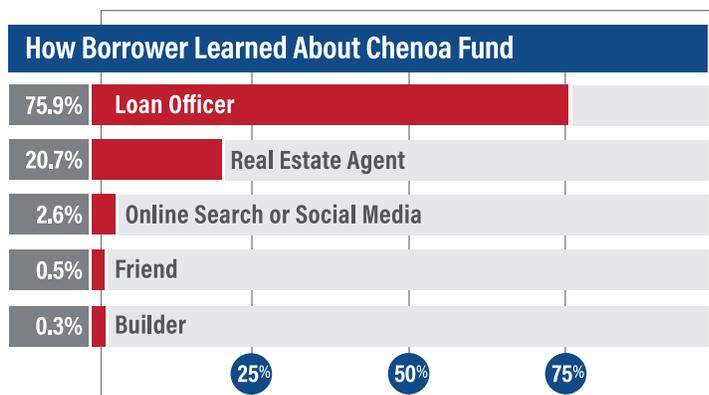
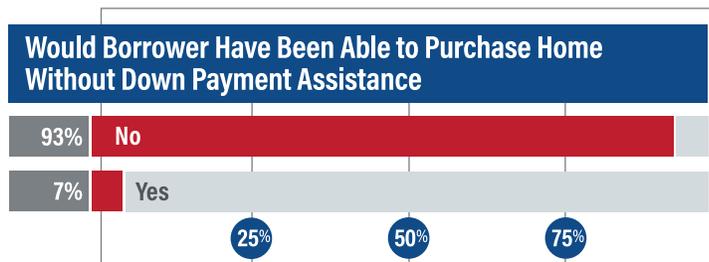
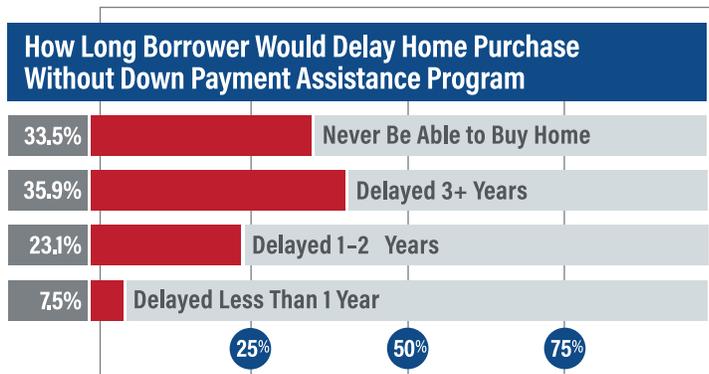
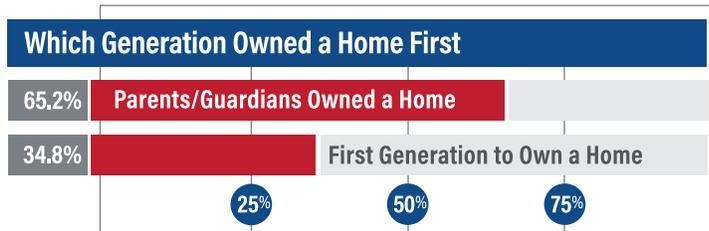
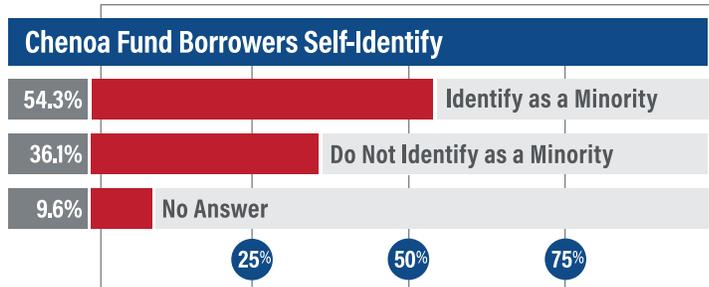
"Many of my Chenoa Fund eligible borrowers are single mothers with children—**eliminating this program will drastically hurt their chances** of buying a home!" —Tony Carroll



# SECTION 02

NATIONAL DPA LENDER AND BORROWER STUDY

## CBC Mortgage Agency Borrower Responses



Chenoa Fund is represented by lenders throughout the United States. CBC Mortgage Agency wanted to understand who and to what extent Chenoa Fund affects the lives of borrowers. The first question asked respondents to self-identify their racial status.

Most Chenoa Fund borrowers self-identified as a minority. Next, borrowers were asked whether they or previous generations were the first to own a home. Over a third of the respondents said that they were the first generation to own a home.

Borrowers were also asked how long they would have had to wait to purchase a home had they not secured down payment assistance.

Over 66% of borrowers indicated that they would have been delayed three years or would have never secured a home.

Borrowers were asked if they would have been able to purchase their home without Chenoa Fund down payment assistance to which 93% said they could not have purchased a home without Chenoa Fund DPA.

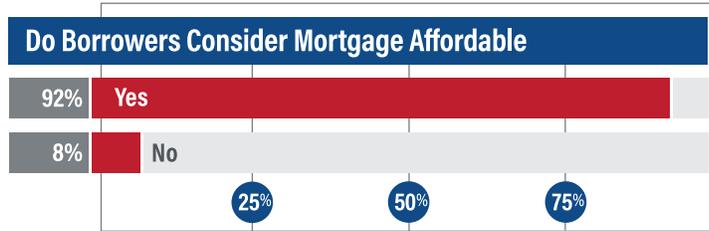


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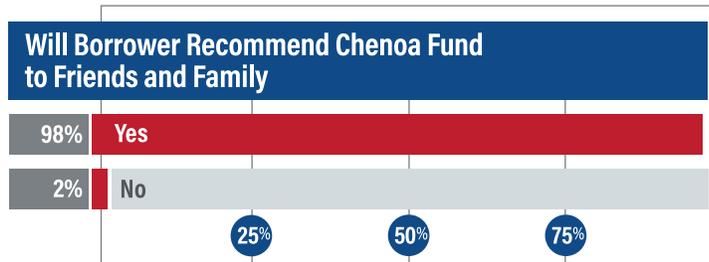
"They made sure we could financially afford the home and had us take a class on how to stay financially stable so that we can keep our home. We were so ready for this step, and we have never been happier."

### Over 75% of borrowers primarily learned about Chenoa Fund DPA from their loan officer.



Overwhelmingly, 92% considered their mortgage affordable.

When the borrower was asked if they would recommend a friend or family member to the Chenoa Fund down payment assistance, 98% responded yes.



Borrowers were asked to share what down payment

assistance meant to them. Over 600 borrowers from forty-two states took the opportunity to share their thoughts. Sample responses follow grouped by what borrowers said most often.

### 48.6% of borrowers said that saving for a home was the main barrier they faced in being able to purchase a home.

"My husband and I have rented our whole lives together (twenty-six years), and we were so excited when Chenoa Fund made it possible to finally own a home! We made every sacrifice necessary to get the house of our dreams. **They made sure we could financially afford the home and had us take a class** on how to stay financially stable so that we can keep our home. We were so ready for this step, and we have never been happier with our beautiful home." —Bonnie Johnson

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"I am very appreciative of this program. Without this help, I would not have been able to buy my home. I live paycheck to paycheck and it's very hard to save money. With this program I now pay **the same I was paying for rent** but the home is mine." —Elizabeth Allende

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"Buying a home is a milestone in a person's life; with it comes a great sense of accomplishment. When you want to purchase a home and are told it's out of your reach, it **causes you to feel inferior and like a failure**. Thanks to this down payment assistance program I was able to purchase a great home for my family after 5 years of trying and never being able to clear all the hurdles." —Christine

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"With home prices skyrocketing in my area, we may have never been able to buy a home if it weren't for down payment assistance. We got in just before it became unaffordable, and that was only because of the Chenoa Fund. Homeownership has been the most rewarding thing I have experienced in life thus far and **I owe all my gratitude to the Chenoa Fund**. It is amazing what they do. I always had good credit, but was never able to save a lot with rent being so high." —Nicole



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**"It puts my mind at ease knowing my disabled husband and my toddler will never have to think or wonder where home will be next month."**



**"Being able to own a home (in our 40s!) for the first time has given us security and a sense of belonging to the community. We were previously a homeless family, and worked our way out of the shelter and into our own apartment. We lived there for seventeen years, and with rising rent, were never able to save up a down payment. Chenoa Fund allowed us to purchase a home and **a place that our son can feel is permanent.**"** —Claudia Camarillo-Dievendorf

### **28.1% of borrowers said having a home provides them a real sense of accomplishment, well-being and/or security.**

**"Our small family has been beyond thrilled with the first nine months of homeownership, and we couldn't have done it without your assistance! **As a child, I was never blessed with a stress-free environment, or even a guaranteed place to call home.** Thanks to the Chenoa Fund, it puts my mind at ease knowing my disabled husband and my toddler will never have to think or wonder where home**

**will be next month. They'll never have to choose between a full belly or a warm blanket, and I can't thank you enough for that! Let alone, the accomplishment one feels from owning their first home. Thank you, Chenoa Fund, from the bottom of our hearts!"**  
—Holly Dockstader

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**a better circumstance to be able to keep being employed. I would have lost my job because I was too far from my work and in an apartment where I barely slept because of the noise. **My health is better,** and I'm more sociable. This may seem minor, but property managers are the worst: they do very little to assure your safety and well-being."** —Quincia Berry

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**"We would not have been able to purchase our home without down payment assistance provided by Chenoa Fund. We have owned our home for one year now, **have never made a late payment,** have made home improvements, and have built our credit, and Chenoa's down payment assistance gave us the jump start we needed."** —Kati

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**"At the time I started looking for a house, me and my family were living in a dangerous neighborhood. A lot of break ins and robberies started taking place in the community. I have four kids and I was so afraid for their safety. I had just landed a new job and didn't have enough money saved just yet to make a down payment. By being able to receive this fund—which was **definitely a gift from God—I moved my family to a new community which was much safer and quiet.**"** —Carl Williams



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"I always had good credit but was never able to save a lot with rent being so high."

"Coming up with down payment money is a huge obstacle along the path to home ownership. We are truly thankful every day we drive up to our home."

"Owning a home makes me feel as I belong somewhere. I moved from **an unsafe apartment building to a cute little house I can call my own**. The Chenoa Fund program made it possible for me to buy a home in a neighborhood that's much safer for me." —Cindy Rhoads

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"Before I bought my house, my family moved from apartment to apartment because I want my kids to feel safe in their home and the apartments didn't do that. Then we rented a house, and after a year the lady said we had to move out because she was going to move her mom in there. She gave us a couple of months to find a place, and if it wasn't for the Chenoa Fund, I wouldn't have been able to get the down payment in time to move in a new home. Thank you for the help. Now I have a safe place for my kids to grow up and me and my wife to grow old in." —Michael Leto



**15.1% of borrowers said down payment assistance was the only option for a single parent.**

"I feel it's a dream to some; a dream that many people would not be able to achieve without this type of program. I'm a single mother of two that participated in the Section eight program when my eldest child was younger. I was able to attend my local community college and obtain a degree which

significantly increased my income. Without the down payment assistance, I would not have been able to purchase my first home, despite nearly tripling my income since becoming a nurse. I was not able to save enough money for a significant down payment."

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"Programs like this **defeat the odds of poverty** and give people an opportunity to achieve home ownership. I am grateful a program like this exists, it has made my dream of home ownership a reality." —Doni Anders

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"It's important for me to provide a stable home for my children as a single parent. I found the Chenoa Fund to be of great help in securing my home compared to what other people have told me about their FHA loans. I couldn't have done this without them, and I'm so thankful to them. I think **it's good that they follow up to see how everything is going, offer advice, and if there is anything they can do**. Please allow them to continue!!" —Shmim Capewell

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"As a single mom, owning my own home was a dream come true for myself and my child. Without the financial assistance of down payment programs like Chenoa Fund, I would not have had the opportunity to live the American Dream of being a homeowner." —Salima Bennou



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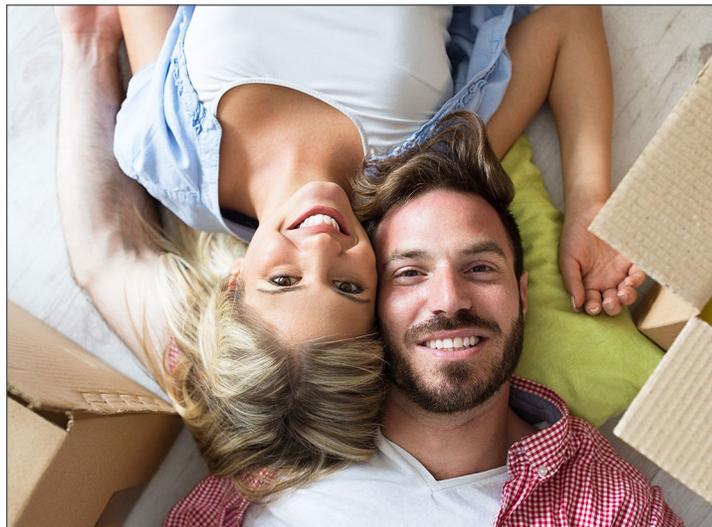
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LENDER AND  
BORROWER  
STUDY

**"It would have taken me several more years to save up for a down payment. Now, my mortgage is even cheaper than rent would be for a same-size house."**

**"I am a 37-year-old mother of two. It would have taken me several more years to save up for a down payment. Now, my mortgage is even cheaper than rent would be for a same-size house. This program made my dream come true."** —Kathryn Holmes

..

**"I was suddenly headed for a divorce and had not had time to save money or budget to be on my own with a teenage daughter. Rentals in my area are far above mortgage costs, and are difficult to come by. I have a good job—I am a high school teacher—but not so much that I could immediately come up with any kind of a down payment for a home. This program gave me the hand up that I needed to purchase my own home in my own name. I was able to keep my family pets and provide a stable, long-term housing option for me and my daughter as my newly-separated life began."** —Jennifer Alatorre



**8.2% of borrowers said down payment assistance helped them escape ever-increasing rent.**

**"Homeownership is extremely important to me because I work in the apartment industry. I witness people throwing away their money every month on something they will never own. They will never see that money that is put into someone else's asset. Not to**

**mention little money is placed back into those apartments until renters move out. I just did not want to be that individual. With the help of Chenoa Fund, I did not have to be."** —Jennifer Michel

..

**"Rents in my area have gone sky-high—can no longer afford to rent—kept having to move my elderly mother and myself, which is expensive and difficult. Buying seemed the only affordable option, but I was unsure of how to pay closing costs, down payment, etc. Without Chenoa Fund, I would have never been able to buy a place. I am so grateful for it, and for the fact that I feel we can unpack and not to have to move again in a year or two. **Please keep this fund in place to help others!**"** —David

..

**"I live in a city where housing is very expensive. **I was locked in the rental cycle** and had to settle for subpar housing in a less than desirable neighborhood. Every year the rent would increase, outdistancing my salary increases, making it harder to save a suitable down payment to purchase a home. Chenoa Fund helped me bridge that gap. With their assistance, I was able to purchase a home for my family. **They stayed in touch with me throughout my first year, offering support and advice,** helping to make the transition as smooth as possible. I am a forever fan of Chenoa Fund and have referred others who, like myself, desire the security of home ownership."** —Darlene Griffin Times



## SECTION 02

NATIONAL DPA  
LENDER AND  
BORROWER  
STUDY

“When you own a home, you are putting your money into something for you. Owning a home allows you not to be taken advantage of paying high over-priced rents that are currently out of control, which keeps you down, and makes it totally impossible to save for a down payment. Without the help from Chenoa Fund, I would not have been able to buy my home. Thank you so very much, forever grateful.”

—Ronald Breeden



### **Key Takeaway:** Chenoa Fund Is Increasing Access to Homeownership

The innovative Chenoa Fund program hopes to give more affordable homeownership access to qualified buyers by breaking through the down

payment barrier. You can view recent successes from the Chenoa Fund program here: [chenoafundreviews.com](https://chenoafundreviews.com)

- Additional information about Chenoa Fund can be found on the [Chenoa Fund website](https://chenoafund.com) as well as [training materials](https://chenoafundtrainingresources.org).
- Chenoa Fund training resources can be found here: [chenoafundtrainingresources.org](https://chenoafundtrainingresources.org)



SECTION  
**02**

TITLE OF  
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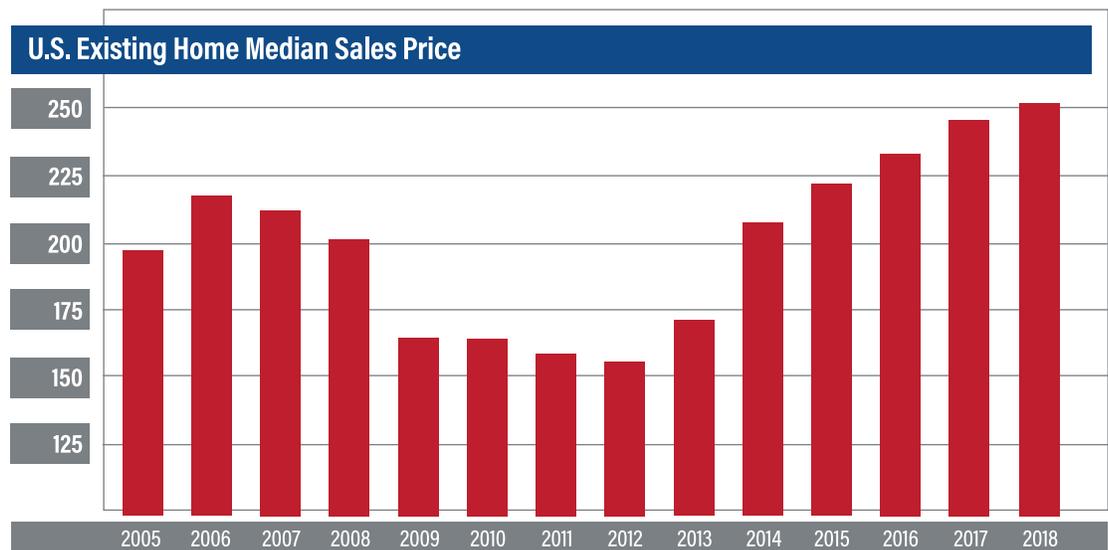
# Cost Benefit Analysis of DPA vs Renting

WHILE MANY POLICY makers tout the importance of homeownership for the evident economic and social benefits it brings, many are reluctant to support down payment assistance programs (DPA). Instead, they suggest that a new borrower should save up for their down payment before making application to purchase a home. However, according to an [Urban Institute](#) study<sup>1</sup>, 80% of renters think they need a sizable portion of the purchase price as a down payment, with many being unaware that they probably qualify for some form of down payment assistance.

While on the surface it may appear prudent for a borrower to save up for a down payment, this article explains how the borrower is potentially financially worse off by having to wait years to save a down payment. The following are headwind factors for renters and Millennials:

1. **Increasing rents**—making savings difficult
2. **Student loan debt**—payments preventing savings
3. **Increasing home prices**—making homeownership more difficult each month.

While on the surface it may appear prudent for a borrower to save up for a down payment, the borrower is potentially financially worse off by having to wait years to save a down payment



Most renters do not have a family able to provide them a down payment gift. These same renters find it exceptionally difficult to save up the funds needed to purchase a home, especially when rent and real estate prices grow together and are thereby further out of reach. Minorities are hit particularly hard with [the cause], and as such, their homeownership rates hover around 40%. Meanwhile, the white populace enjoy homeownership rates around 70%.



## SECTION 03

COST BENEFIT  
ANALYSIS OF  
DPA VS  
RENTING

There are a large variety of down payment assistance programs available, which generally speaking, fall into one of three categories

Given these factors, prudent social and regulatory policy should encourage down payment assistance in order to allow a renter to get on the escalator of wealth creation through equity gains in the real estate they purchase.

Take a hypothetical example of a couple just out of college, earning \$70,000 per year between them and saddled with an average \$80,000 in student loan debt.<sup>2</sup> After taxes, they bring home \$4,500 per month. Their monthly rent payment is \$1,500, having increased by \$100 since last year. They have student loans which are now due, costing \$700 per month. After health insurance, transportation expenses and food, they are left with a few hundred dollars per month in disposable income. They have a goal to set aside \$300 per month to save up for a down payment.

With the average starter home in their area selling for \$300,000, they need to save up a minimum of \$10,500 just for the down payment, which, at a rate of \$300 per month savings, will take them 3 years to save up while hoping their apartment rent does not go up too much.

There are a large variety of down payment assistance programs available, which generally speaking, fall into one of three categories.



1. True grants for down payment, which have no effect upon the interest rate of the 1st mortgage loan. These are fairly rare.
2. Forgiven down payment assistance coupled with interest rates generally 0.75% higher on the 1st mortgage loan.
3. Repayable down payment assistance in the form of a 2nd mortgage, coupled with a normal rate 1st mortgage loan.



## SECTION 03

COST BENEFIT  
ANALYSIS OF  
DPA VS  
RENTING

The analysis demonstrates the wisdom of buying now rather than waiting years to purchase a home

The following chart is an analysis of the financial situation of someone who receives DPA options 2 or 3 (preceding page), and buys now, compared to saving for a down payment for 3 years. The chart assumes a 5% home price increase per year and a tax rate between state and federal tax of 20%, on a home price of \$300,000 today.

The scenario assumes interest rates will not increase, which is a risk for renters waiting to buy.

Financial Analysis of Buyer Using a Down Payment Assistance Program			
	Buy Now; Forgivable DPA	Buy Now; Repayable DPA	Buy in 3 Years; Save for Down Payment
Interest Rate	5.75%	5%	5%
Starting Home Price	\$300,000	\$300,000	\$345,000
FHA 1st Mortgage Loan	\$294,566	\$294,566	\$338,751
2nd Mortgage Loan	\$0	\$10,500	\$0
1st Payment	(-\$1,719)	(-\$1,581)	(-\$1,818)
2nd Payment	\$0	(-\$87)	\$0
Total Payment	(-\$1,719)	(-\$1,668)	(-\$1,818)
1st Mortgage Balance	\$287,725	\$286,030	\$345,000
Equity End of 36 Months	\$67,775	\$58,970	\$10,500
Cumulative Tax Savings	\$10,080	\$9,800	0
<b>Net Wealth Effect, Month 36</b>	<b>\$77,855</b>	<b>\$68,770</b>	<b>\$10,500</b>

The analysis demonstrates the wisdom of buying now rather than waiting years to purchase a home. While lenders and policy makers should avoid inordinate risks to the mortgage market, renters should be informed of down payment assistance options that provide the opportunity to buy a home now and begin building equity for their futures.

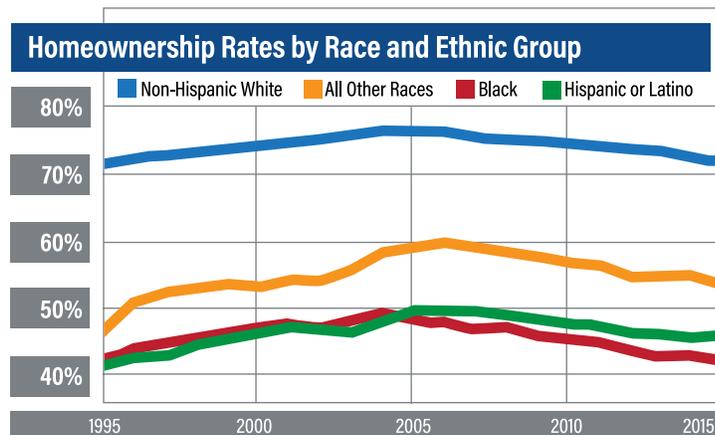
<sup>1</sup> [Urban Institute: Barriers to Accessing Home Ownership, 2017](#)

<sup>2</sup> [Average student loan data provided by Mark Kantrowitz with Private Student Loans Guru](#)

# Homeownership: Race and Risk

MINORITIES HAVE SEEN [affordable housing dry up](#) due to rising costs and gentrification.

Historically, African Americans have had the lowest homeownership rates in the country. Despite fifty-plus years of federal policy and programs designed to improve this situation (e.g. FHA, the Fair Housing Act), the homeownership rate for African Americans hasn't changed. One exception was the period leading up to the Great Recession in 2008, when rates showed a steady gain. The recession, however, wiped out all of that progress.



Despite fifty-plus years of federal policy and programs designed to improve this situation, the homeownership rate for African Americans hasn't changed

Unfortunately, a movement launched by well-meaning federal officials threatens to further limit homeownership opportunities for the most disadvantaged among us. (See [WSJ article](#) and [HUD Mortgage Letter 2019-06](#))

Here's how: FHA and federal policy have always allowed family members to gift the 3.5% required for a down payment on FHA loans. That's great, but what if you come from a family that lacks the ability to gift you the \$10,000 or more needed for the average purchase price? White households have ten times the net worth of [African American](#) households. In recent years, state and local government programs have begun helping people without access to family wealth clear the down payment barrier. But if actuaries within the federal bureaucracy have their way, the ability of government entities to provide down payment assistance may be severely curtailed.

These actuaries are concerned that borrowers receiving down payment assistance from a government entity are riskier than borrowers who receive a gift from mom and dad. Recent data from the [FHA's report](#) to Congress does indicate a slight difference over the last decade, although that difference has vanished in recent years. Naturally, a higher default rate leads to higher claims rates to the FHA insurance fund, hence the concern.



## SECTION 04

HOMEOWNERSHIP:  
RACE AND RISK

In essence, minorities are being shut out of the market while the government subsidizes a senior, wealthier, home-owning class

But a careful reading of the FHA report to Congress shows the Home Equity Conversion Mortgage (HECM) program for wealthier seniors is draining the FHA insurance fund at a much higher rate than slightly higher defaults from those receiving down payment assistance from any source. Page nine of the report shows that the HECM program has a negative capital ratio of over 18%, while the single-family insurance capital ratio is a positive 3.93%, up from 3.33% a year earlier. Federal law requires this fund to be 2%. The combined capital ratio for the FHA insurance Fund improved year over year.



At the close of the Obama Administration, FHA published the intent to reduce the mortgage insurance premium on single family homes. The move was opposed by the incoming Trump Administration, and officials ultimately declined to reduce the premium, citing concerns about the health of the FHA insurance fund. To this day, FHA

homebuyers are paying higher insurance premiums due to the poor performance of the HECM program. In essence, minorities are being shut out of the market while the government subsidizes a senior, wealthier, home-owning class.

There's something seriously wrong with this picture. While this white paper is not questioning the merits of the HECM program, it is troubling that the FHA apparently intends to shore up the FHA insurance fund by limiting programs that provide down payment help to those seeking to buy single-family homes. FHA officials would not likely limit the ability of family members to provide down payment assistance, but they are making efforts to restrict the ability of government entities to determine who they can help and where they can help. If the actuaries at the FHA get their way, they will sacrifice minorities on the altar of an insurance fund propping up an HECM program that serves wealthier, senior homeowners.

Research shows that minorities typically lack the access to wealth enjoyed by white households. Democrats and Republicans will argue over why that is, but one truth is undeniable: our nation's legacy of slavery continues to exert negative effects on African American household wealth. Federal policy should seek to increase homeownership in these minority communities, including allowing responsible government entities to provide down payment assistance, just as wealthier white families do for their children now. Any efforts to limit access to down payment assistance only hurts those most in need and perpetuates the wealth, social, and educational inequalities that continue to [divide the races](#).



## SECTION 04

HOMEOWNERSHIP:  
RACE AND RISK

The worth of every individual is great, and each among us deserves to enjoy the peace and security that come from homeownership

At a recent Sacramento homebuyer seminar, a woman in her 50s who had never owned a home, shared a troubling statement when she said that she never thought of herself as “worthy” of buying a home. To think that someone didn’t see enough value in herself or believe she deserved to own a home? That is tragic.

The truth is, everyone deserves to own a home. Some may have issues to address before they are ready, like poor credit histories or the need to secure stable employment, but such barriers can be overcome. The worth of every individual is great, and each among us deserves to enjoy the peace and security that come from homeownership.

Could the past be causing an entire race to feel they are not “worthy” of buying a home—the cornerstone of the American Dream?



# Politics and Housing

WHETHER YOU'RE AN Independent, a Republican, or a Democrat, we can all agree that today's political environment is toxic and unproductive, preventing Washington from accomplishing important work for our nation. Every policy proposal is viewed through the lens of maximizing political advantage instead of what is best for the people. Decorum and civil dialogue are rare. The following are a few observations on housing policy that seek to strike common ground in this highly polarized political time.

## Political Philosophies

In general, conservatives have core beliefs in individual liberty and self-determination. They eschew the role of government in our lives and see it as generally limiting to liberty. Conservatives believe that people should be rewarded in society by individual merit and effort.

These underlying principles, as it relates to housing, means that some conservatives begrudge government involvement in the mortgage and housing market, whether through direct or indirect subsidization of housing or through risk transfer to the federal government in the mortgage market. In the wake of the mortgage meltdown ten years ago, some conservatives believe that the federal government should not be involved in guaranteeing FHA loans. As for down payment assistance, conservatives typically are opposed, given the added perceived risks it transfers to the federal government in terms of loan guarantees. Generally, conservatives argue that if a borrower is unable to save up enough money for a down payment, he or she should not be buying a home.

Liberals, meanwhile, typically believe that fairness and equality should be the hallmark of our nation. As such, they seek to help the underdog by using government programs, funds, and policies to lift people up in their efforts to achieve fairness. Under this approach, government should tax advantaged groups in order to transfer some benefits to disadvantaged groups. As it relates to housing policy, liberals believe in a highly regulated market to curtail bad actors, coupled with generous subsidies and benefits to help minorities and underserved markets get the help they need. Liberals are staunch supporters of government programs administered by HUD. As it relates to down payment assistance, they tend to be more favorably disposed, viewing it as a tool that helps constituents they tend to champion.

Is there a way, at least in the housing arena, to create policies that conform to the core beliefs of each party? We believe so.



# SECTION 05

POLITICS AND  
HOUSING

## The Gap in Homeownership

There is an abiding perception in our nation that the rich are getting richer while the poor and middle class are stuck at the bottom of the socioeconomic ladder, faring worse than their parents in income and social mobility. If this is true, can we see evidence of it in the state of housing today?

Here are some supporting facts. According to data from 2016, 71% of white households own a home, while only 41% of African American households and 46% of Latino households do.<sup>1</sup> Since 2001, the African American homeownership rate has declined dramatically compared to other ethnic groups, falling 5% compared with a 1% drop for whites and an increase for Latinos and “other” families, defined mostly as Asian Americans and Pacific Islanders.<sup>2</sup> The latest Survey of Consumer Finances, published every three years by the Federal Reserve, found that the average net worth of a homeowner was \$195,400—thirty-six times that of the average renter, with a net worth of \$5,400.

Given this picture, it’s easy to see why many Democratic constituencies see the American Dream as applicable to only the privileged, reinforcing their core principle of pursuing equality for all. We also know that owning a home is the number one determinant of household wealth. Homeowners enjoy more family stability, less stress, improved physical and psychological health, and higher rates of childhood educational achievement.



It is not surprising that our country continues to struggle with racial tensions given such a disparity in homeownership rates and opportunities for upward mobility.

One of the main factors preventing homeownership is a lack of a down payment. Whites enjoy a much higher level of familial

wealth. Programs such as FHA allow for families to gift down payments to help a new household get on the path of homeownership. If you come from a family that lacks savings and disposable income (a reality in many minority communities), homeownership may be delayed or never happen, as young households become old households, ever trying to save up a down payment, while the price of homes becomes further and further out of reach. If such families had access to down payment assistance, it would have enabled them to achieve homeownership early in life, enjoy equity appreciation, and reap all of the social and emotional benefits that flow from homeownership.

Homeowners  
enjoy more family  
stability, less stress,  
improved physical  
and psychological  
health, and higher  
rates of childhood  
educational  
achievement



## SECTION 05

POLITICS AND  
HOUSING

### Down Payment Assistance—An Elevating Tool

What if there were a way for a Republican to lift the poor out of poverty while at the same time reduce their dependence upon government, improve neighborhoods, and reduce crime? What if it were possible for a Democrat to help those most in need in a manner that preserved individual dignity and self-worth without creating costs for the federal government?

In fact, there is such a tool. Down payment assistance provides a means to allow a homebuyer to purchase a home now, instead of waiting years to accumulate savings while real estate becomes ever more unaffordable. Countless studies have shown that individuals who are homeowners are less dependent upon government handouts, enjoy higher education for children, have better long-term wealth creation, and create more stable communities. These are outcomes that Republicans and Democrats jointly support. If used responsibly, down payment assistance can be a tool that is mutually appealing to the right and left and, most importantly, benefits those Americans who need it most.

### Addressing Objections

Despite the effectiveness of down payment assistance, there are concerns that merit attention. Several of these are addressed below.

An educational component for recipients of down payment assistance has been shown to drastically improve loan performance

**1. People with down payment assistance have a higher likelihood of defaulting on the loan, which creates a risk to the federal government because of its guarantees.**

This statement is likely accurate, and on the surface, it validates concerns expressed by Republicans and other opponents of down payment assistance. But risk can be actuarially managed. In addition, steps can and should be taken to reduce risk. One of these is requiring a bona fide educational component for recipients of down payment assistance, which has been shown to drastically improve loan performance. Even after accounting for this and other risk-lowering strategies, it's worth considering whether the cost—a slightly higher risk—is worth taking for the benefits. The average default rate for people receiving down payment assistance is 5%, which is 2% higher than the default rate for traditional loans. As a society, do we believe that this slightly higher level of default risk is worth taking if it means helping the remaining 95 out of 100 people who will not default and have a shot at achieving the benefits of homeownership outlined above? To those of us at CBC Mortgage Agency, the answer is a resounding *yes*.



## SECTION 05

POLITICS AND  
HOUSING

### 2. Are we returning to the loose lending standards that led to a prior market crash?

In the years leading up to the most recent crash, irresponsible lending practices were distorting the market. These practices included “liar loans,” which allowed people to make up income and assets in order to qualify for a loan. Aided by such practices, rampant speculation fueled a housing bubble, leading to a cascade of problems. In the wake of the crash, Congress passed laws to prevent a repeat of these lending practices—and the troubles they caused. Down payment assistance should only be provided to people who demonstrate an acceptable credit history and an ability to repay.

### 3. We already have a critical shortage of affordable housing in this country. Won't enabling more people to buy homes exacerbate this problem?

This is a legitimate concern. But it is not an excuse for keeping more than one-third of our population—including nearly 60% of African Americans—in a permanent economic underclass, bound to intergenerational dependence on landlords concerned only about maximizing their project CAP rates. As rents get more expensive, the federal government, through programs administered by HUD, is pouring an increasing amount of taxpayer dollars into rent subsidies, enriching landlords along the way. Conservatives should not stand for this. Housing supply is a real issue. Policies that promote housing development, such as President Donald Trump's Opportunity Zones, should be applauded. Barriers to developing available land should be lifted. If we decrease the number of renters, subsidies will decline, decreasing federal costs.

<sup>1</sup> Goodman, Laurie and McCargo, Alanna, [\*A closer look at the 15-year drop in black homeownership\*](#), February 13, 2018. Urban Wire: Housing and Housing Finance, The Urban Institute, Washington, D.C.

<sup>2</sup> Ibid.



## About CBC Mortgage Agency

**MISSION:** As a federally chartered, public purpose, government agency, we work to increase affordable and sustainable homeownership opportunities for creditworthy individuals who lack down payment funds.

**ABOUT:** CBC Mortgage Agency (“CBCMA”) was formed in 2013 by Cedar Band Corporation, (CBC) a federal instrumentality of government, which received its charter to operate nationally through the federal government. CBC is owned by the Cedar Band of Paiutes’ (“Cedar Band”). Without any outside investment, the Cedar Band spent several years to organically build CBCMA’s financial capacity and operational expertise, and painstakingly developed and cultivated key industry relationships. This approach, though slow and difficult at times, allowed CBCMA to safely grow into the mature housing finance agency it is today.

The Cedar Band’s principal concern has always been that CBCMA operate its nationwide program in compliance with Department of Housing and Urban Development (“HUD”) guidelines and that the borrowers it assists are capable of sustaining homeownership. From the beginning, CBCMA has had each FHA loan that it purchases receive a second underwriting review to ensure that it is underwritten to FHA standards. CBCMA is very careful to ensure that each borrower receives the protection of every federal and state mortgage regulation and receive appropriate disclosures. In addition, borrowers with FICO scores between 620 and 639 must complete one-on-one pre-purchase education and counseling. All borrowers receive twelve months of counseling from a HUD approved counseling agency following their home purchase to help them successfully transition to homeownership.



CHENOA FUND IS INCREASING  
ACCESS TO HOMEOWNERSHIP

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