



U.S. HOUSE COMMITTEE ON FINANCIAL SERVICES

– *RANKING MEMBER MAXINE WATERS* –

FACT SHEET: THE DOWNPAYMENT TOWARD EQUITY ACT OF 2025

Bill Summary: This bill would help close the U.S. racial wealth and homeownership gaps by providing \$100 billion in direct assistance to help first-time, first-generation homebuyers purchase their first home. This would include assistance for downpayments, closing costs, and to help buydown mortgage interest rates.

The Need for Legislation: For decades, homeownership has been the primary driver of household wealth in the United States. Homeowners held over 40 times the median net worth of renters in 2024. Homeownership not only financially outperforms stocks and bonds in terms of an investment vehicle, but it has a practical utility of housing families, and its returns make it more beneficial than renting for most. Home equity also provides economic security, serving as a cushion in times of crisis, like during a pandemic or a recession. Downpayment requirements and other upfront costs remain among the greatest barriers to entry for many first-time, first-generation homebuyers. This is especially true for younger people and people of color who have been historically excluded from homeownership opportunities.

At the height of the coronavirus pandemic, interest rates hit historic lows and we saw mortgage originations reach record highs at \$4.8 trillion in 2021, surpassing the previous record of \$4.1 trillion in 2020 and more than doubling 2019 pre-pandemic levels (\$2.4 trillion). While low rates provided greater buying power and more affordable home financing options, creditworthy borrowers who lacked the intergenerational wealth to cover upfront costs were too often left behind. Indeed, between 2023 and 2024, the share of first-time homebuyers not only reached an all-time low (24%), and the age of first-time homebuyers also reached an all-time high of 38 years old. Today, the 30-year fixed-rate mortgage stands at approximately 7%, reflecting a significant increase over the past four years, and home prices have increased by nearly 50% since May 2020.

These concerning trends threaten to push the American dream of homeownership further out of reach than ever before, weakening the financial well-being of U.S. households and widening the racial wealth and homeownership gaps, which have contributed to a loss of more than \$16 trillion in U.S. GDP over the last 20 years.

According to an Urban Institute analysis, targeting downpayment assistance to first-generation homebuyers, as defined in the bill, could reach 5 million eligible homebuyers who are disproportionately Black and Latinx. Researchers have also found that the highly targeted eligibility requirements in this bill will stymie the potential for systemic home price inflation caused by increased demand, especially in housing markets where there is currently adequate supply.

The Solution: This bill would help address the legacy of discrimination in our housing markets by providing downpayment and other financial assistance, along with housing counseling requirements, to expand access to sustainable homeownership and reduce barriers to entry for credit-worthy borrowers with lower wealth.

Downpayment Program.

- This section would establish a grant program at the Department of Housing and Urban Development (HUD) to provide financial assistance for downpayment costs, closing costs, and cost to reduce the rates of interest of up to \$20,000 for first-generation homebuyers and up to \$25,000 for socially and economically disadvantaged homebuyers, in connection with acquiring owner-occupied primary

residences using an eligible mortgage loan. States administering programs are allocated 75% of funds through a formula based on population size, median home prices, and racial disparities in homeownership rates. Eligible entities administering programs, including some Community Development Financial Institutions and Minority Depository Institutions, will receive 25% of funds on a competitive basis.

Qualified Homebuyers.

- This section establishes that homebuyers must meet certain eligibility requirements. Homebuyers must have an income that is equal to or less than 120 percent of the area median income (AMI) for either the area where the home being purchased is located or the area where the homebuyers' place of residence is located. For homebuyers in high-cost areas, the income limit is raised to 180 percent of the AMI for the area in which the home is being purchased. An eligible homebuyer must be a first-time homebuyer, meaning that they have not held property ownership in the last 3 years, and must be a first-generation homebuyer, meaning that their parents or guardians have not owned a home in the last 3 years. Any individual who was ever placed in foster care and meets the income requirements would be considered an eligible first-generation homebuyer.

Eligible Homes.

- This section would authorize a qualified homebuyer to purchase a residential property with 1 to 4 dwelling units, including cooperatives, condominiums, and manufactured homes, that will be occupied by the homebuyer as a primary residence.

Eligible Mortgage Loans.

- This section would authorize the use of program funds to assist in the purchase of any home financed with a mortgage that is eligible for purchase by Fannie Mae or Freddie Mac, is made, insured, or guaranteed by the Federal Housing Administration (FHA), the U.S. Department of Agriculture (USDA), or the U.S. Department of Veteran Affairs (VA), is a guaranteed loan under HUD's Section 184 program, or meets the definition of a qualified mortgage.

Housing Counseling Requirement.

- This bill would provide 5% of authorized funds for HUD-approved housing counseling agencies that help homebuyers complete the home purchase counseling program requirement to qualify for assistance. If a homebuyer is unable to complete a program within 30 days due to housing counseling agency capacity issues, the homebuyer may complete homebuyer education as an alternative requirement. All homebuyers are required to be made aware of post-purchase counseling opportunities. Any individual who receives a commitment for assistance under the program but whose mortgage application is denied, will be referred to a HUD-approved counseling agency for furthering counseling and requalification for assistance.

Administrative Costs.

- This bill would authorize states to use up to 5 percent of any grant funds for administrative costs and training to carry out the program.

Reports.

- This bill would require the Secretary of HUD to submit a report of program performance and outcomes to Congress every fiscal year. The Secretary shall use no more than 1% of funds to assist States and

eligible entities to develop the capacity to adhere to the requirements under this section and shall encourage States and eligible entities to consult with community-based and nonprofit organizations that have as their mission to advance fair housing and fair lending.

Compelling Interest Study.

- The secretary and attorney general are authorized by this bill to survey and compile evidence to demonstrate whether there is a compelling interest to grant funds for downpayment assistance to socially and economically disadvantaged individuals and, in accordance with the Secretary's recommendations, States and eligible entities that are granted awards would have an opportunity to modify their programs to better assist socially and economically disadvantaged applicants.

Definitions.

- This section provides definitions.

Authorization of Appropriations.

- This bill authorizes \$100 billion, to remain available until expended.

118th Congress Stakeholder Support: National Rural Housing Coalition, National ADAPT, National Coalition for the Homeless, Louisiana Fair Housing Action Center, OnTrack WNC, Neighborhood Housing Services of Los Angeles County, National Housing Conference, National Fair Housing Alliance, Center for Responsible Lending, National Urban League, National Housing Resource Center, Mortgage Bankers Association, National Association of Realtors, National Council of State Housing Agencies, National Consumer Law Center (on behalf of its low-income clients), PolicyLink, UnidosUS, The Leadership Conference on Civil and Human Rights, Prosperity Now, ROC USA, Grounded Solutions Network, Center for Community Progress, RESULTS, National Community Reinvestment Coalition, National Coalition for Asian Pacific American Community Development (National CAPACD), Asian Real Estate Association of America, RESULTS, ROC USA, Veterans Association of Real Estate Professionals, National Community Stabilization Trust, Homeownership Alliance, National Association for Latino Community Asset Builders, Habitat for Humanity International, Massachusetts Affordable Housing Alliance, California Reinvestment Coalition, Americans for Financial Reform, Housing Opportunities Made Equal of Virginia, Inc., Community Service Programs of West AL, Administration of Resources and Choices, Family Housing Resources, Inc.. Greater Phoenix Urban League, Newtown Community Development Corporation, Take Charge America, Inc., Trellis, Community Housing Council of Fresno, Homeownership Council of America, Ventura County Community Development Corporation, Latino Economic Development Center, National NeighborWorks Association, NFCC - National Foundation for Credit Counseling, Delaware Federation of Housing Counselors, Inc., Neighborhood House Inc, Affordable Homeownership Foundation Inc., Debthelper.com, Neighborhood Housing Services of South Florida, Inc., St. Petersburg Neighborhood Housing Services, Inc. dba Neighborhood Home Solutions, Economic Opportunity for Savannah-Chatham County Area, Inc, Morningstar Urban Development Inc, Sconiers Homeless Preventive Organization Inc, Southwest Georgia United Empowerment Zone, Inc., Housing Action Illinois, Madison County Urban League Inc, Universal Housing Solutions CDC, HomesteadCS, CHAPA, MA Affordable Housing Alliance, Arundel Community Development Services, Inc, Centro de Apoyo Familiar, Neighborhood Housing Services of Baltimore, Avesta Housing HomeOwnership Center, Coastal Enterprises, Inc., Greater Kansas City Housing Information Center, Kalamazoo Neighborhood Housing Services, Minnesota Homeownership Center, Washington County (MN) Community Development Agency, Greater Kansas City Housing Information Center, Financial Pathways of the Piedmont, Monroe Union County CDC, Sandhills Community Action Program, Inc., Family Housing Advisory Services, Omaha 100 Incorporated, Central Jersey Housing Resource Center Corp., Consumer Credit and Budget Counseling, Inc d/b/a National Foundation for Debt Management, New Jersey Citizen

Action, CCCS of Buffalo, Opportunities for Otsego, Inc., Rockaway Development & Revitalization Corporation, Affordable Housing Centers of Pennsylvania, Clarifi, Mt. Airy CDC (Community Development Corporation), NWCS, Inc., Knoxville Area Urban League, Housing Channel, Marshall Housing Authority, SouthFair Community Development Corp., Piedmont Housing Alliance, Housing Action Illinois, Massachusetts Fair Housing Center, Inc., Americans for Financial Reform Education Fund, Hudson County Housing Resource Center, HPP CARES CDE, GS Community Ventures, EK Sattler Assoc., LLC, Lawrence CommunityWorks, HomesFund, Spanish Coalition for Housing (SCH), Long Island Housing Services, Inc., HomeFree-USA, Community Housing Development Corporation, Lifelines Counseling Services, Community Development Network of MD, Fair Housing Advocates of Northern California, Reinvestment Partners, Lee County Housing Development Corp, The Bronx Neighborhood Housing Services CDC Inc, Local Initiatives Support Corporation, Los Angeles Homeless Services Authority, LeadingAge, Community Coalition, Southern California Association of Nonprofit Housing, WSRAR, Low Income Investment Fund (LIIF), Liberation in a Generation, National Housing Law Project, Center for NYC Neighborhoods, Council of State Community Development Agencies, Covenant Faith Outreach Ministries / Covenant CDC.

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