

HB 1474/SB 5496

Covenant Homeownership Account (CHA)

Supporting Homeownership for those Affected by Generations of Systematic and Discriminatory Housing Policies and Practices by Washington State

The racial disparities in homeownership rates must be addressed

Homeownership is the cornerstone of the American dream. It is the primary way households build wealth, stability, and community and pass wealth down to future generations. Yet access to this opportunity has not been evenly distributed.

Generations of systematic, racist, and discriminatory housing policies and practices have created barriers to credit and homeownership for Black, Indigenous, and People of Color (BIPOC) and other historically marginalized communities in Washington state.



The homeownership rate for BIPOC households in Washington is 19% below that of non-Hispanic white households (49% and 68%, respectively, as of 2019). Like in so many other areas where disparities exist, Black households fare even worse than other households of color - the homeownership rate for Black households is only 31%, less than half that of non-Hispanic whites.¹ The imbalance in supply and demand in Washington's housing market has only exacerbated these inequities.

Washington must consider its history of housing discrimination

Washington State was both an active and passive participant in this discrimination. Policies and practices including redlining, racially restrictive covenants, mortgage subsidies & incentives, and displacement & gentrification created the racial disparities we see today. Systematic and structural changes at all levels of government are the only answer to this discrimination and the state must lead in repairing harm to our communities.

16. RACIAL RESTRICTIONS. No property in said Addition shall at any time be sold, conveyed, rented or leased in whole or in part to any person or persons not of the White or Caucasian race. No person other than one of the White or Caucasian race shall be permitted to occupy any property in said Addition or portion thereof or building thereon except a domestic servant actually employed by a person of the White or Caucasian race where the latter is an occupant of such property.

Excerpt from a 1920s Racially Restrictive Covenant²

This bill would create a Covenant Homeownership Account (CHA) to help close the racial gap in homeownership and address the long-standing impacts of our history of housing discrimination.

The Covenant Homeownership Account

The state government will enact a \$100 Document Recording Assessment for each real estate transaction and use the revenues to provide first-time homebuyers affected by the state's discriminatory housing policies and practices with down payment and closing cost assistance.

The Washington State Housing Finance Commission will administer and establish a Special Purpose Credit Program (SPCP) pursuant to Federal Regulation B of the Equal Credit Opportunity Act allowing the Commission to extend special purpose credit to eligible applicants.

¹ [Homeownership Disparities Work Group Report, Washington State Department of Commerce, 2022](#)

² [Racially Restrictive Covenant Project Washington State](#)

Covenant Homeownership Account Frequently Asked Questions (FAQs)

WHAT IS A RACIALLY RESTRICTIVE COVENANT?

They are clauses that prevent, prohibit, restrict, or limit the actions of a person or entity named in a contract. They were commonly used to enact prohibitions based on a person's race, religion, and ethnicity between the 1920's and 1960's. Nearly 50,000 covenants have been documented throughout Washington state. Black people were excluded in every single covenant documented. Asian American Pacific Islander, Latino/a/x, Jewish American, and other groups were also excluded.

WHY INITIATE A SPECIAL PURPOSE CREDIT PROGRAM?

Existing state and federal programs and other race-neutral approaches are insufficient to remedy this discrimination and its impacts on access to credit and homeownership for BIPOC and other historically marginalized communities in Washington. Race-conscious programs, such as the Special Purpose Credit Programs, are necessary to remedy the past discrimination in which the state was complicit and to remove the structural barriers that persist.

WHO IS ELIGIBLE FOR ASSISTANCE?

A Covenant Homeownership Program Study will be completed by the Washington State Finance Housing Commission to identify through evidence-based documentation the persons that require assistance to reduce racial disparities in homeownership in the state. Other eligibility requirements will be:

- Have a household income at or below 100% of the Area Median Income (AMI).
- Be a first-time homebuyer.
- Be a Washington state resident who was a resident before the enactment of the Federal Fair Housing Act or was, or would have been, excluded from homeownership in Washington state by a racially restrictive covenant on or before April 1968.
- Be a descendant of the resident outlined above.

WILL THERE BE SUPPORT BESIDES DOWN PAYMENT AND CLOSING COST ASSISTANCE?

The account funds will be used to support potential homeowners directly through assistance with closing costs, down payments, and pre-and post-purchase counseling. Funds will also be used to support construction capital, predevelopment costs, and capacity growth for nonprofit organizations working with the impacted populations.

IS THE DOWN PAYMENT AND CLOSING COST ASSISTANCE A LOAN OR A GRANT?

A loan. Program participants are required to repay loans for down payment and closing cost assistance at the time that the house is sold.

CAN THIS SUPPORT BE COMBINED WITH OTHER FORMS OF ASSISTANCE?

Yes. Down payment and closing cost assistance can be implemented in conjunction with the Washington State Housing Finance Commission's housing finance programs and other assistance.

HOW WILL YOU EVALUATE THE EFFICACY OF THIS PROGRAM?

The Washington State Housing Finance Commission will submit an annual report to the legislature and at least every five years the Commission will complete an additional Covenant Homeownership Program study to evaluate the program's efficacy and recommend program improvements.

A Covenant Homeownership Program Oversight Committee will be formed to oversee and review the Commission's activities and performance related to the Covenant Homeownership Program and may, from time to time, make recommendations to the legislature regarding the program.