

Obstacles and Opportunities for First-Time Homebuyers in Washington State



2003 REPORT





September 2003

The Obstacles and Opportunities for First-Time Homebuyers in Washington State report is the result of a collaborative effort of several groups dedicated to increasing homeownership opportunities in Washington State.

The Community Home Ownership Center (CHOC) would like to recognize the U.S. Department of Housing and Urban Development (HUD) for making the funding available, the Washington State Housing Finance Commission (Commission) for its ongoing education of first-time homebuyers, and the Commission Homebuyer Education instructors who teach the 5-hour seminars. We also thank participants who took the time to complete the CHOC follow-up survey.

Since 1999, CHOC has received annual HUD funding to survey participants of Commission sponsored First-Time Homebuyer Education seminars to track the obstacles and opportunities to homeownership in our state.

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The mission of the Community Home Ownership Center is to increase and preserve homeownership for low and moderate-income people.

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Obstacles AND Opportunities

FOR FIRST-TIME HOMEBUYERS IN WASHINGTON STATE

Executive Summary

Significant barriers to homeownership exist for historically under-served groups, including those with low and moderate-incomes, ethnic minorities, immigrants and special needs populations. These groups are targeted more often by predatory lenders, may receive poorer service from real estate professionals, and generally face greater obstacles to homeownership.

Each year, the Community Home Ownership Center conducts a statewide survey of prospective homebuyers who completed a five-hour homebuyer education seminar through the Washington State Housing Finance Commission. The mission of the Community Home Ownership Center (CHOC) is to increase and preserve homeownership for low and moderate-income people. Through the survey we seek to gain a better understanding of the factors that impact the ability of first-time homebuyers to achieve their goal of homeownership.

The report is useful to advocates of affordable homeownership who want to understand the perceptions of potential first-time buyers in Washington State. The data may be used to evaluate housing policies and to enhance non-profit housing counseling programs. In addition, lenders and real estate professionals may want to review the homebuyers' perceived obstacles in order to modify mortgage programs and reach out to low and moderate-income buyers.

In the summer of 2003 we mailed surveys to 2,641 people who attended a Commission seminar between June-November 2002. Our response rate was 26%, or 630 people. We compared information gathered when the individual attended the seminar to data collected through the CHOC survey.

In the survey, 81% of respondents said the most helpful resource for achieving homeownership was homebuyer education. Fifty-eight percent (58%) of seminar participants said that not knowing how to get started in the homeownership process was an obstacle. In the follow-up survey less than one percent (1%) said that this was an obstacle.

Homebuyer education removes barriers to homeownership. Participants are more knowledgeable of programs and resources to help them purchase a home and avoid predatory lenders. Homebuyer education may also prevent mortgage default.

Other key findings show:

- More seminar participants are in the beginning stages of purchasing a home in 2002 compared to 1999. Forty-six percent (46%) were just starting to look for a home compared to 26% in 1999.
- Seventeen percent (17%) of seminar participants said that facing discrimination would be an obstacle to homeownership.
- Over half (53%) of those surveyed purchased a home. Of those who purchased, seventy-nine percent (79%) bought one to six months after attending a seminar.
- Thirty-one percent (31%) used a down payment assistance program.

The survey also reflected the need for assistance with down payment and closing costs, as well as the need for more affordable housing options. Financial literacy programs would also benefit those with compromised credit and families with day-to-day finance struggles. Based on the survey feedback and our reflection of challenges faced by first-time buyers, our recommendations include:

- Create more down payment assistance with flexible guidelines and higher amounts of assistance. Offer more training and support for loan officers and real estate professionals on the availability of programs, how to layer programs, and the paperwork process.
- Generate more affordable housing options by partnering with developers and the community to build attractive livable developments that bridge the desire for community while maintaining privacy. Increase the use of the Community Land Trust model.
- Expand financial literacy programs for first-time homebuyers. Programs can educate consumers on budgeting, how to build and maintain good credit, saving, and how to choose a home loan they can manage.
- Build stronger partnerships between Fair Housing agencies and homeownership related non-profit and government agencies to address the systematic challenges and develop strategies to overcome them.
- Provide more community based, culturally relevant outreach to New Americans on Fair Housing, avoiding predatory lenders, financial literacy, and homebuyer education.

Community Home Ownership Center

The Community Home Ownership Center (CHOC) increases and preserves homeownership for low and moderate-income people. We are a neutral, unbiased information and education source for consumers as they begin to prepare for homeownership. We provide information, guidance, and resources in the form of our First-Time Homebuyer Guide, website, and workshops. Through our Homeownership Hotline, buyers can talk one-on-one about the home buying process and learn about the financial and educational resources that are available to help with the purchase of a home. Since 1996 over 11,000 first-time homebuyers have utilized CHOC's services.

CHOC is also a resource for housing professionals. We work closely with lenders, real estate professionals, non-profit housing organizations, and government agencies. Since 2001, CHOC and the Seattle King County Association of REALTORS® have sponsored seminars educating nearly three hundred REALTORS® on the resources available to low and moderate-income buyers. CHOC is a member of the Seattle King County Coalition for Responsible Lending that leads a campaign to educate consumers on how to avoid predatory lenders and assist those who have been victimized by predatory lenders.

CHOC partners with the International District Housing Alliance and El Centro de la Raza to form the New Americans Homebuyer Partnership. The Partnership pools expertise from the three agencies to provide homeownership information, referrals and education to immigrants and refugees. Jointly, we have conducted four New Americans Homebuyer Fairs where homeownership seminars and materials are translated into Chinese, Cambodian, Korean, Tagalog, Vietnamese, Spanish, Afan Oromo, Amharic, Somali, and Tigrinya. In 2003, the Partnership is collaborating with Fair Housing Agencies to provide outreach and education to New Americans through culturally appropriate strategies, seminars and materials. We will also educate the public and homeownership professionals on the Fair Housing Act and will form a network for referring complaints to Fair Housing Agencies.

Washington State Housing Finance Commission

The Washington State Housing Finance Commission is an independent, financially self-supporting state agency that encourages and finances affordable private sector housing and facilities for non-profit community organizations, at no cost to the residents of the state. The Homeownership Division of the Commission aims to make the American dream of homeownership possible for first-time, low and moderate-income homebuyers across the state by providing a below market interest rate first mortgage product and several down payment assistance programs for qualified borrowers. The Homeownership Division trains lenders, real estate professionals and non-profit housing counselors to teach the Commission sponsored First-Time Homebuyer Education seminars throughout the state.

Since 1992, the Commission has sponsored 6,631 First-Time Homebuyer Education seminars teaching 99,631 participants. These free, five-hour seminars are taught by mortgage lenders, real estate professionals, or non-profit housing counselors who have been trained by the Commission to deliver a standard curriculum in an unbiased and accessible manner. The curriculum includes educating consumers on: how to qualify for a mortgage, how to choose a real estate professional, warning signs of predatory lenders, fair housing, a glossary of frequently used loan terms, and other related topics. Directories from the Community Home Ownership Center are provided to seminar participants and provide resources on: fair housing, one-on-one counseling, down payment assistance, debt and credit counseling, and more.

Report Methodology

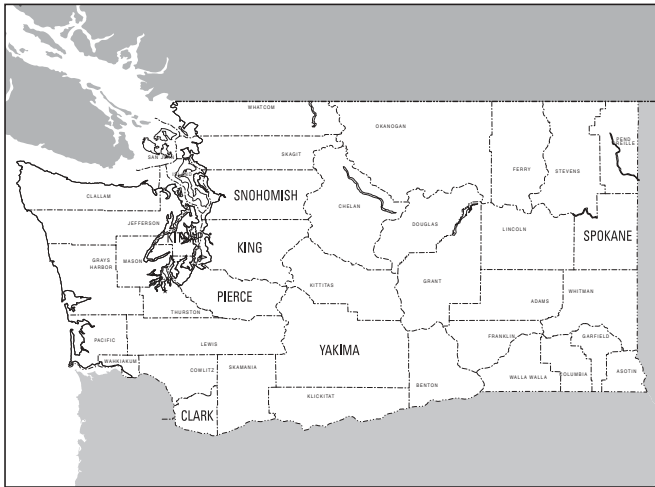
1. All participants of Commission First-Time Homebuyer Education seminars completed a Needs Assessment at the beginning of their seminar (Appendix A).
2. The Needs Assessments were collected from the seminar instructors, sent to the Commission and entered into a database. CHOC has access to this data.
3. CHOC designed a follow-up survey to determine how many people purchased a home after taking a seminar, mortgage products used by homebuyers, the time frame between taking a seminar and buying a home, and the opportunities and obstacles homebuyers experienced (Appendix B).
4. In June 2003, the CHOC follow-up survey was mailed to 2,641 people, six to twelve months after they had taken a seminar (June to November 2002). Six hundred and thirty (630) households returned the CHOC follow-up survey. This was a 26% response rate and a 5% increase from last year.
5. Four percent (4%) of the 2,641 seminar participants attended a seminar taught in a language other than English. CHOC had cover letters translated into the language that the seminar was taught in (Spanish, Cambodian and Vietnamese) and offered interpretation services from El Centro de la Raza and the International District Housing Alliance if the participant needed assistance completing the survey. Both agencies teach Commission seminars and have bi-lingual staff. Of the 106 letters sent in a language other than English, six were returned.
6. Each client was given an identification number in order to match the Needs Assessment information to the CHOC follow-up survey. Information was analyzed and compiled into this report.

Profile of Seminar Participants

The following information was gathered from the Needs Assessment that all participants fill out at the beginning of the seminar. The Needs Assessment gathers demographics (ethnicity, income, county) of participants and asks where are you in the home buying process and what have the obstacles to homeownership been to date. Completion of the Needs Assessment is necessary to receive a certificate required for the Commission's House Key loan and down payment assistance programs. Sixty-nine percent (69%) of participants for this report were from the Puget Sound region.

County Where Participants Took Seminar

	2002
King	49%
Pierce	11%
Snohomish	9%
Spokane	9%
Clark	4%
Kitsap	3%
Yakima	1%
Remaining counties	14%
Total	100%



the same family in Yakima County would qualify with an income of between \$20,000 - 29,000.

Income of class participants



For low and moderate-income first-time homebuyers, utilizing down payment assistance is one way to break down barriers to homeownership. The Community Home Ownership Center helps buyers determine the programs they may qualify for and refers them to the appropriate sources to apply for assistance. Qualification for down payment programs is determined by a formula that is based on county, household family size, and annual income. The U.S. Department of Housing and Urban Development (HUD) creates an annual chart with each county's median income by family size. This chart is often used to determine the borrowers qualifications for down payment assistance programs. Programs have specific guidelines beyond income such as: geographic region, first-time homebuyer status, credit score, and participation in homebuyer education. Based on data from the Needs Assessment we do not have the ability to calculate the median income of seminar participants.

Where are you in the home buying process?

The Needs Assessment gathered information on where people were in the home buying process. Participants could answer in more than one category. Most of the 2,641 participants were in the beginning stages of the home buying process. Forty percent (40%) were saving for a down payment and 46% percent were just starting to look for a home. Twelve percent (12%) had a loan in process and 10% had already accepted an offer.

	2002	2002	2001	1999
Beginning stage				
Saving for down payment	1,048	40%	40%	30%
Just starting to look	1,213	46%	48%	26%
Middle stage				
Shopping for a loan	491	19%	20%	NA
Actively house hunting	370	14%	14%	15%
Late stage				
Loan in process	309	12%	11%	22%
Made an offer on a house	172	7%	6%	10%
Have accepted offer	253	10%	8%	22%

We noticed a significant change between 1999 and 2002 when comparing where participants are in the home buying process. In

Ethnicity of seminar participants

Those that noted their ethnicity when completing the Needs Assessment include: 198 African American, 52 American Indian, 258 Asian/Pacific Islander (API), 1,745 Caucasian, 202 Hispanic and 73 noted "other" as their ethnicity. The last category may reflect ethnicities not listed including multi-ethnic. Since 1999, there has been a growing percentage of API seminar participants. This is largely due to the International District Housing Alliance (IDHA) becoming trained to teach Commission seminars. IDHA teaches seminars in Cambodian, Chinese, Tagalog and Vietnamese. Since 1999, they have taught approximately 300 participants. A number of non-profits across the State are teaching seminars in Spanish. In King County, El Centro de la Raza teaches approximately 250 Hispanic/Latino participants in Spanish each year. Consumer Credit Counseling Service teaches several Spanish seminars a year in Benton and Yakima Counties and the Spokane Homeownership Resource Center plans to add Spanish seminars in the near future.

Income of seminar participants

Fifty-seven percent (57%) of participants earn under \$39,000. A family of four earning between \$30,000 - 39,000 in King County would qualify for most down payment assistance programs while

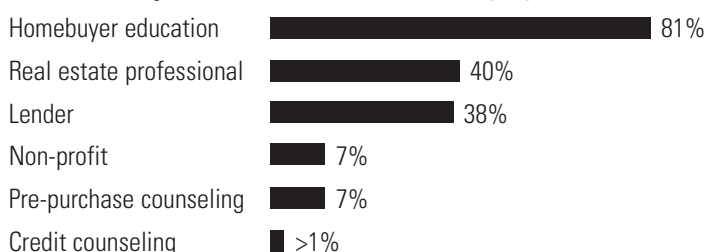
2002, more participants were in the beginning stages of the home buying process. In 1999, more participants were ready to purchase a home than in 2002. There may be several factors for this trend. Prior to 2000, HUD offered a discount on mortgage insurance for participants of homebuyer education seminars. Homebuyers had an incentive to attend a seminar even if it was in the last week before closing on a home. Historically low interest rates have created a housing boom that has supported our weakened economy (2002 Fannie Mae National Housing Survey). Due to this environment, there has been significant media attention regarding the interest rates being advantageous for first-time homebuyers and refinances. Lastly, more buyers may know that many programs (Fannie Mae, FHA, down payment assistance programs) require homebuyer education for loan approval and may go to a seminar in the early stages of the process. We speculate that for these reasons first-time homebuyers may be attending seminars earlier to become educated about homeownership.

CHOC Follow-up Survey

The CHOC follow-up survey (Appendix B) was mailed to 2,641 Commission First-Time Homebuyer seminar participants six to twelve months after taking the seminar (June - November 2002). We received 630 responses. In the follow-up survey we ask more specific questions about obstacles and opportunities that were experienced in the home buying process.

We asked what were the most helpful resources in the home buying process. Eighty-one percent (81%) of the respondents indicated that homebuyer education was one of the most helpful resources. Participants could select more than one category. Assistance from their real estate agent followed with 40% and assistance from their lender with 38%. The support provided by lenders and real estate professionals is a significant part of the homebuyers' experience. Homebuyers come to trust them as advisors on the largest financial purchase most will make in their lifetime. They are oftentimes teachers, financial advisors, and confidants. It is not known how many participants access services through non-profits. Therefore, the results of this survey may not accurately reflect the value of non-profit services and pre-purchase or credit counseling.

The Most Helpful Resources in the Home Buying Process



Homebuyer education is consistently rated as one of the most useful resources in the home buying process for first-time homebuyers. Seminars demystify the home buying process and share information on down payment assistance programs and affordable

housing options. All of the 630 responses to the CHOC follow-up survey reported that they knew about down payment assistance programs. This finding indicates that seminar instructors are educating participants about financial programs available to assist them in becoming homeowners.

Homebuyer education has been shown to prevent mortgage default. A Freddie Mac study found that borrowers who receive homebuyer education have a 19% lower 90-day delinquency rate. (Freddie Mac, A Little Knowledge is a Good Thing, 2001). Mortgage default counselors support this finding. Gretchen Bruce, Program Manager, Fremont Public Association (FPA), one of the main mortgage default counseling agencies in Western Washington, said, "The vast majority of mortgage default clients that receive counseling did not have any homebuyer education prior to purchasing their home. It is our experience that homebuyer education is critical for preventing default." Homebuyer education is especially important now when FPA alone reports a 300% increase in mortgage default calls between 2001 and 2002.

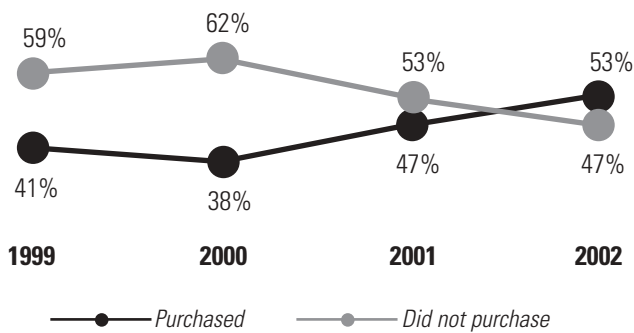
Homebuyer education is also critical for preventing predatory lending. Educated borrowers are far less likely to give in to pressure tactics of predatory lenders who promote loans with high interest rates, extraordinary fees, and credit life insurance. Although the past year has been advantageous for first-time buyers, predatory lending has nearly doubled since 1999 (HUD, Unequal Burden, 2000).

The Coalition for Responsible Lending, formed in 2001, is working to address the issue of predatory lending in the Seattle/King County area. The Coalition is a collaboration of non-profit and government agencies that are working to educate buyers about the warning signs of predatory lenders, helping victims find resolution to bad loans and researching the effect predatory lending has taken on our community. CHOC is an active member of the Coalition and serves as an intake agency for those seeking information, education and referrals regarding predatory lending. Other partnerships and coalitions are being formed by housing counseling agencies in other parts of the state. As we learn more about preventing and remedying predatory lending, we will be able to share information statewide to provide more education to first-time buyers.

Profile of New Homeowners

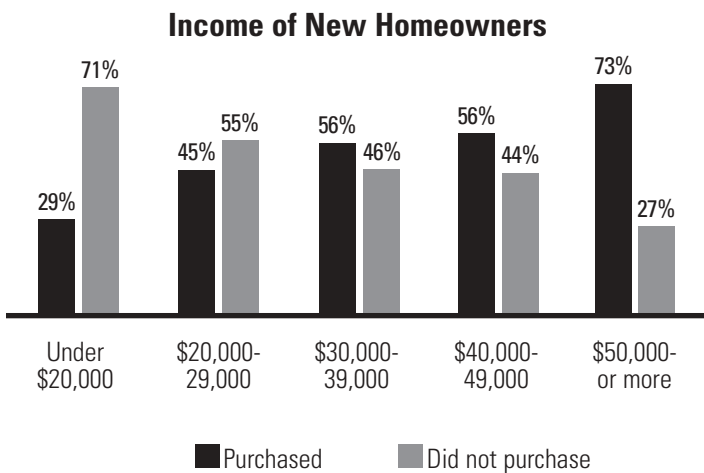
Fifty-three percent (53%) of respondents to the CHOC follow-up survey purchased a home. This is the largest percent of new homeowners since CHOC began conducting the survey in 1999. DeWayne Granacki, 2003 President of the Washington Association of REALTORS® notes, "Low mortgage rates propelled housing affordability to its highest recorded level in late 2002 encouraging potential homebuyers to ignore negative economic headlines and concentrate on their personal opportunities to improve their housing." We speculate that low interest rates, increased attention in the media about home buying, more flexible underwriting guidelines that allow for lower down payment, lower debt to income ratios, and lower credit scores have been contributing factors in the record level of new homebuyers.

Rise in Homeownership by Seminar Participants between 1999 to 2002



Income of New Homeowners

Participants with an annual income of over \$30,000 are more likely to purchase within six to twelve months of taking a home-buyer education seminar than those with a lower annual income. For a household with an annual income of less than \$30,000, it may take longer than six to twelve months to purchase due to obstacles such as: income, down payment, and credit. We do not track seminar participants after twelve months. Forty-five percent (45%) of borrowers with an income between \$20,000 - 29,000 purchased within twelve months of taking a seminar.

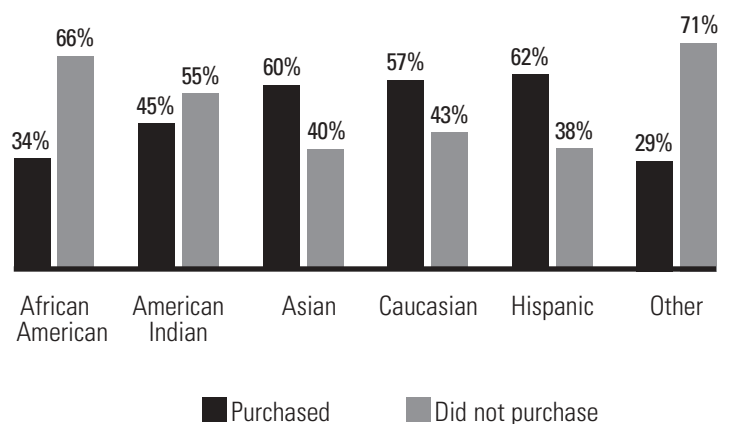


Ethnicity of New Homeowners

The chart below shows by ethnic group, the percent of seminar participants that purchased within a year of taking a seminar. Asian/Pacific Islander, Caucasian, and Hispanic ethnic groups are more likely to purchase a home within a year of taking a seminar compared to African American, American Indian, or "other." Our findings echo national statistics on the homeownership gap between Caucasians and people of color. In 2000, the national census showed the homeownership rate for Caucasians reached seventy-three percent (73%), but the overall homeownership rate for people of color was forty-eight percent (48%). In Washington State, thirty-seven percent (37%) of African Americans own their own home, while 68% of Caucasians, 56% of API and 51% of Native Americans own their own homes. (Seattle Times, Census 2000).

The 2002 Fannie Mae National Housing Survey addressed the disparity and reports, "African Americans see more obstacles to buying a home. A third (32%) say that their credit rating would be a major obstacle to obtaining a mortgage, whereas only 23% of all adults say the same." Job security, not knowing how to get started, and discrimination are all rated as higher obstacles to homeownership for African Americans compared to all other ethnic groups. The Urban League of Metropolitan Seattle works within the African American community and has programs for Money Management/Overcoming Credit Barriers, Fair Housing Law, and Rights of Homeowners. They offer one-on-one pre-purchase counseling and are an active member of the Coalition for Responsible Lending to combat predatory lending.

Ethnicity of New Homeowners



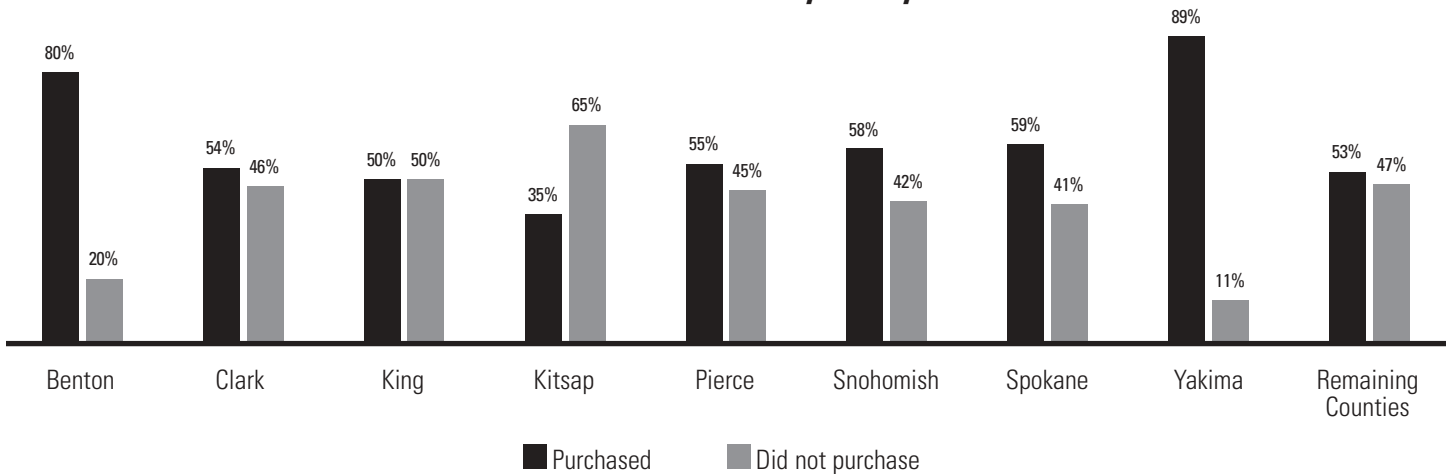
Regional Characteristics of the New Homeowner

Due to the economic diversity of Washington State, we compared the percent of new homeowners by county. The following chart shows that more participants purchased than did not in all counties except King and Kitsap. In King County 50% purchased and 50% did not. There may be several reasons that the Kitsap County seminar participants have taken longer to purchase than other counties. Finding affordable housing is becoming increasingly difficult in Kitsap County. Between 2002 and 2003 housing prices have increased by 12.9% (Seattle Times, June 6, 2003). Laura Paton, Kitsap County Consolidated Housing Authority, comments that most of her seminar participants can afford a house between \$60,000 - \$70,000. In 2002 the median home price in Kitsap County 2002 was \$165,900. The majority of Kitsap County seminar instructors are dedicated to reaching out to low-income, public housing residents. These participants routinely have larger barriers to overcome such as credit, income and saving for down payment assistance than other seminar participants throughout the state.

In Yakima and Benton Counties, which show the largest percentage of new homeowners, participants are routinely further along in the home buying process. Merry Ames, Consumer Credit

Counseling Services, Yakima, teaches homebuyer education seminars and notes that a real estate professional or lender has referred the majority of seminar participants. Our data shows that participants in Yakima and Benton also have higher incomes than Kitsap County participants.

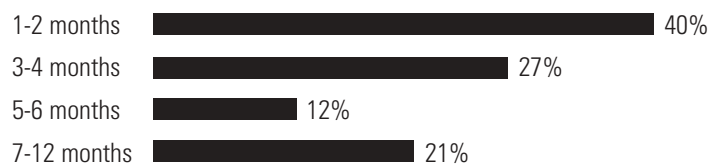
New Homeowners by County



Quincy Jones, Commission Homebuyer Education seminar participant and new homeowner.

Timelines and Loans

There is a common perception that participants take homebuyer education seminars in the late stages, just before closing in order to qualify for down payment assistance programs. The Needs Assessment suggests otherwise. The majority of seminar participants noted that they were in the beginning stages of the home buying process. Seventy-nine percent (79%) of those who purchase a home after taking a seminar do so within one to six months.



Commonly Used Loan Programs Among First-Time Buyers

In 2001, almost equal numbers of homebuyers chose FHA and conventional loans. In 2002 this statistic changed. Of the 331 new homeowners, 48% chose a conventional loan and 27% chose FHA. Between June and November 2002, the market may have been more favorable toward conventional loans. Fannie Mae has the largest market share of conventional loans in Washington State followed by Freddie Mac. Fannie Mae's products offer fewer inspection requirements, higher loans limits and fewer requirements for mortgage insurance compared to FHA.

Down payment assistance

Of the 331 who purchased a home, 31% utilized down payment assistance. We looked for trends in programs used by income, ethnicity and region. We found by region that twelve of the eighteen who purchased in Spokane County utilized a Commission program. All AFL-CIO programs were used in King County. Thirty percent (30%) of the Clark County homeowners used seller assisted programs.

Commonly Used Down Payment Assistance Programs

Commission - Washington State Housing Finance Commission offers several down payment assistance programs. Programs have low interest rates and some are forgivable over a period of time.

Other - A number of programs were mentioned that are for rural areas, particular counties, or for specific ethnic groups. Some of the programs used were: Siletz Indian down payment assistance, USDA, Pierce County down payment assistance.

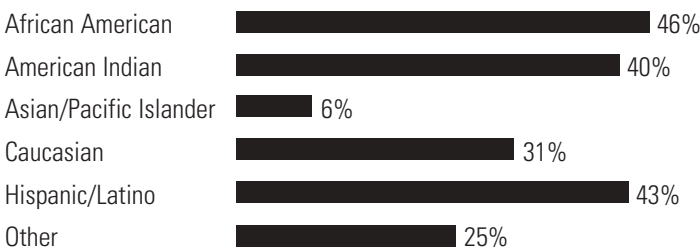
Seller Assisted Programs - The seller contributes funds to a designated non-profit organization, which then provides the funds, minus a processing fee, to the buyer as a gift of down payment. In many cases, the home price has been raised to compensate for the seller their gifted amount. The buyer has a higher loan amount and is financing their down payment over the life of the loan. Some of the common programs are Nehemiah, Hart, Futures, and AmeriDream.

Home\$tart - Member financial institutions use Home\$tart to obtain grants through the Federal Home Loan Bank to match the savings of first-time homebuyers. The Bank matches the prospective homeowner's savings \$3 for every \$1 saved, up to \$5,000.

AFL - CIO - Programs for Union members, City of Seattle employees and over 20 companies and organizations in Washington.

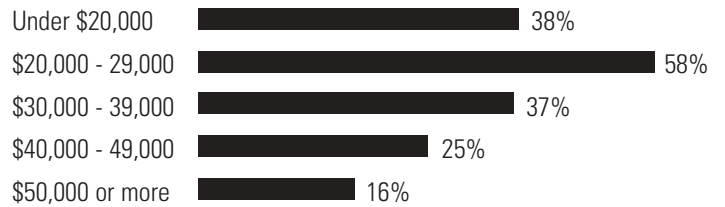
Ethnicity of Those Who Use Down Payment Assistance

We looked at the use of down payment assistance by ethnicity. Six percent (6%) of the Asian/Pacific Islander (API) population used down payment assistance compared to 46% of African Americans, 43% of Hispanics, and 30% of Caucasians. Grace Mandac, Deputy Director, International District Housing Alliance, says, "The API community may be more likely to pool family resources for down payment or have several generations combining incomes to purchase a home. The API community may also regard down payment assistance as a handout which would be looked down upon within the community."



Income of Those Who Use Down Payment Assistance

The chart below shows that the income of those who use down payment assistance varies. The largest income group to use down payment assistance earn between \$20,000 - 29,000. Nearly equal amounts of those who earn under \$20,000 and between \$30,000 - 39,000 use down payment assistance.



Obstacles to Homeownership

Obstacles to homeownership may be based on several different factors including; education level, income, ethnicity and region of the state. The top rated obstacles to homeownership for first-time buyers in Washington State, since the report began in 1999, are down payment assistance and finding a home I like and can afford. We looked at the trends over the years and how income and ethnicity have an impact on a borrower's ability to purchase.

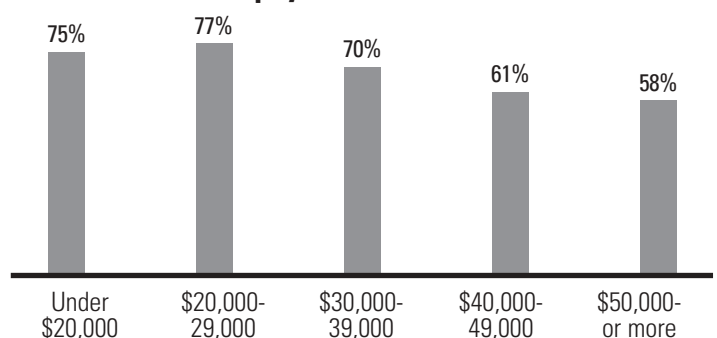
Down Payment Assistance

Since our report began in 1999, participants consistently identify lack of down payment assistance as one of the top obstacles to homeownership when they complete the Needs Assessment. According to the Fannie Mae National Homeownership survey in 2001, 38% of the nation rates down payment assistance as an obstacle to homeownership. Washingtonians consistently rate this as the greatest obstacle and at a rate much higher than reported in the Fannie Mae survey. In 2002, 72% rated this as an obstacle. In 2001 76% identified down payment assistance as an obstacle, 13% more than in 2000.

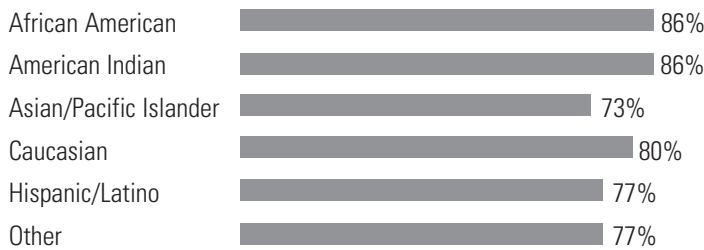


When looking at the income of those who say down payment is an obstacle to homeownership, we find the lower the income, the more difficult it is to have enough for down payment and closing costs. African American, American Indian and Hispanic/Latinos identify having enough for down payment assistance and closing costs as an obstacle more than Asian/Pacific Islander, Caucasian and "other."

Down payment is an obstacle



Down payment is an obstacle



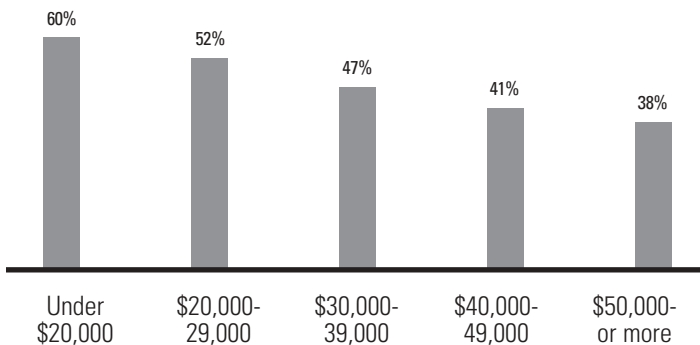
Credit

Credit as an obstacle to homeownership has increased dramatically over the past two years. In 2002, forty-three percent (43%) reported credit issues as an obstacle at the start of their seminar compared to 28% in 2001. Of those that stated credit as an issue at the time of taking a seminar, 81% responded that it remained an obstacle six to twelve months later. This finding is not surprising. A poor credit history due to consistent late payments and collections may take up to two years to repair. Many agencies across the state offer financial literacy programs where participants learn about money management through budgeting, balancing check-books, establishing savings and re-establishing credit.

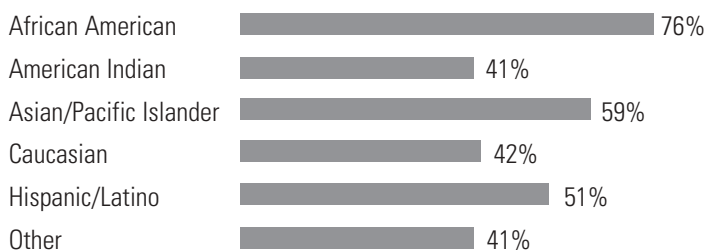
2002	2001	2000	1999
43%	28%	40%	46%

The lower one's income, the larger an obstacle credit becomes. African Americans identify credit as an obstacle at a much higher rate than all other ethnic groups.

Credit is an obstacle



Credit is an obstacle



Getting started

At the beginning of the homebuyer education seminar, 58% of the participants expressed not knowing how to get started in the home buying process as an obstacle to homeownership. In the follow-up survey, six to twelve months after taking a seminar, less than one percent (1%) responded that not knowing how to get started was an obstacle. Curiously, over the years more people are reporting not knowing how to get started as an obstacle when they take a seminar, yet more participants are purchasing a home.

2002	2001	2000	1999
58%	59%	37%	46%

Income

Fifty-four percent (54%) indicated that they do not earn enough money to qualify for a home loan. Uncertainty about continued employment for one or more household members may also contribute to difficulty in purchasing a home.

2002	2001	2000	1999
54%	80%	53%	65%

Obstacles to Homeownership for Those Who Did Not Purchase

CHOC's follow-up survey asked why people had not purchased a home. Of the 299 responses, the main obstacles were: finding a home I like and can afford and having enough money for down payment and closing costs.

	Number	2002	2001	2000
Down payment/closing costs	157	52%	39%	27%
Finding a home I like/can afford	118	39%	40%	13%
Credit issues	79	26%	21%	18%

Discrimination

Over thirty years after the Fair Housing Act was passed our nation is still experiencing housing discrimination. HUD recently released their study, "Discrimination in Metropolitan Housing Markets" and the rates of discrimination are startling. HUD performs paired testing in which two people, a person of color and a Caucasian, pose as home seekers with identical housing needs, income, assets and debt. When each person inquired about a house or apartment, one in five African American, Asian and Pacific Islanders (API) and Hispanic/Latino individuals were discriminated against. They were told that the unit was no longer available or some other unfavorable response. The study also provides the first estimate of the level of discrimination experienced by API individuals. The study found API individuals experienced systematic discrimination occurring in housing availability, inspections, financing assistance, and agent encouragement compared to Caucasians.

Locally we found that seventeen percent (17%) of the Needs Assessment respondents perceived facing discrimination as a barrier to homeownership. Forty-four percent (44%) of African

Americans and approximately one-third of American Indian, API, and Hispanic/Latino individuals who responded to the survey indicated discrimination was a barrier. Only 10% of Caucasians indicated discrimination was an obstacle. In the follow-up survey, two percent (2%) noted that they had experienced discrimination in the process. Anecdotally, at the New Americans Fair Housing and Homebuyer Fair held in 2003, 32% noted that they have experienced unfair treatment in renting or purchasing a home.

Our findings mirror Fannie Mae’s survey that found African Americans are more likely than Hispanics to point to discrimination as an obstacle to homeownership. Half of African Americans say it is harder to get financing from banks or mortgages and 47% say they are treated less fairly in the home buying process compared with the general public.

Of the two percent (2%) in our survey who noted they had experienced discrimination in the home buying process, forty seven percent (47%) said discrimination was due to their financial or lower income status and 13% noted age, race or disability.

One participant describes the financial discrimination, “I felt like the lender wouldn’t work with me because I don’t make much money and don’t have any assets.” Low-income buyers commonly express that lenders or real estate agents will not work them due to their income. It is not clear if these lenders or real estate agents are unaware of resources (down payment assistance, non-profit housing counselors, etc.) or if they choose to work with higher income buyers.

Participants were asked who do you feel discriminated against you. Respondents could check more than one category. There were 18 total respondents. Real estate professional received the most responses with seven and lender received five and seller received three responses. Government, non-profit and “other” each received one response.

How did you feel you were discriminated against?

Statewide Protected Classes

Race	2	13%
Disability	2	13%
National Origin	1	7%
Gender	1	7%
Family Status	1	7%

Protected Class (Seattle, Tacoma, King Co.)

Age	2	13%
Sexual Orientation	1	7%

Not a Protected Class

Financial	7	47%
Speak English with an accent	1	7%
Other	5	33%
Total	38	100%

Perception and Experience of Homebuyers

Of the 86 participants who noted discrimination as an obstacle when they took the seminar and responded to the follow-up survey, 5% of them, four people, noted discrimination as an obstacle. This may indicate that more people anticipate discrimination in the beginning stages of home buying than experience it.

However, an additional 11 people noted that they had experienced unfair treatment that might have prevented them from buying the home they wanted, although they had not checked discrimination as a barrier when they took the seminar. Although they had not perceived discrimination at the start of the process, these individuals experienced some form of discrimination.

Filing Discrimination Complaints

Many non-profit organizations that work with New Americans and people of color indicate that discrimination is widely experienced but rarely reported. Community organizations suggest that many people don’t trust or believe a complaint to a government agency will be resolved and may fear retaliation. Many New Americans do not understand the term Fair Housing and are not aware of their rights. At the New Americans Fair Housing and Homebuyer Fair held in 2003, all participants who completed an evaluation in a language other than English, said that they did not understand the term Fair Housing prior to attending the fair.

Multi-lingual and culturally relevant outreach is critical to the development of programs designed to educate New Americans about their rights, how to file complaints and work with financial institutions. The New Americans Homebuyer Partnership is working to remedy some of these obstacles by partnering with the Fair Housing reporting agencies (Washington State Human Rights Commission, Fair Housing Center of South Puget Sound, and the Seattle and King County Office of Civil Rights). The Fair Housing agencies will train our Partnership staff on the signs of discrimination and we will work together to form a strategy for effective community based, culturally relevant outreach and education.

New Americans

Five percent (5%) of the Needs Assessment respondents noted language barriers as an obstacle to homeownership. Anecdotally, thirty percent of those who completed an evaluation at the New Americans Fair Housing and Homebuyer Fair noted English as a second language as a barrier to homeownership.

It is important to note that the Needs Assessment and CHOC follow-up survey were distributed in English. The CHOC follow-up survey cover letter was translated and explained the purpose of the survey and offered free translation and interpretation from El Centro de la Raza and the International District Housing Alliance. Both agencies teach Commission seminars and have bi-lingual staff. Of the 106 surveys sent out in a language other than English six were returned and none of the participants sought translation or interpretation service. Also, none of these individuals had purchased a home. The low response rate confirms our belief that offering translation and interpretation

of the survey is not enough to receive feedback from limited English speakers. Their perceptions of opportunities and obstacles to homeownership are not fully reflected in this report.

To receive feedback from the limited English speaking community the data gathering tools and processes need to be fully culturally appropriate. Commission seminar instructors that teach seminars in a language other than English report that the process of translating the steps to fill out the Needs Assessment in the current form is too time consuming given the five-hour curriculum they present.

Recommendations

In summary, we have a number of recommendations to improve access to homeownership for low-and moderate-income people.

- In cooperation with mortgage default counselors track the number of homeowners who default on their mortgages and compare those who attended a homebuyer education seminar to those who did not. While most counselors say that very few seminar attendees' default, the data would further support counselors' findings.
- Create more down payment assistance with flexible guidelines and higher amounts of assistance. Offer more training and support for loan officers and real estate professionals on the availability of programs, how to layer programs, and the paperwork process.
- Generate more affordable housing options by partnering with developers and the community to build attractive livable developments that bridge the desire for community while maintaining privacy.
- Expand financial literacy programs for lower-income home buyers. Seminars can educate consumers on how to build and maintain good credit and how to become economically self-sufficient.
- Develop a separate translated and culturally relevant process to gather feedback from the limited-English speaking Commission seminar participants.
- Provide community based, culturally relevant outreach to New Americans on Fair Housing, avoiding predatory lenders and homeownership education.
- Build stronger partnerships between Fair Housing agencies and homeownership related non-profit and government agencies. "HUD has developed a bad reputation over the years in delays in processing cases so that many who have experienced discrimination do not report it" (Statement of Kenneth L. Marcus, General Deputy Assistant Secretary for Fair Housing and Equal Opportunity, HUD, before the US House of Representatives Committee on Financial Services). By partnering to address the systematic challenges and developing strategies to overcome them, we can create access to Fair Housing and expand homeownership opportunity.

Commission Needs Assessment

First and Last Name
Address, City, State, Zip, County
E-mail address

Race/Ethnicity
African American
American Indian/Alaskan Native
Asian/Pacific Islander
Hispanic/Latino
Caucasian
Other
Unknown

Income
\$20,000-29,999
\$30,000-39,000
\$40,000-49,000
\$50,000 or more

Household Size
Number of Adults
Number of Children

1. Where are you in the home buying process?

Saving for down payment
Shopping for a loan
Actively house hunting
Loan in process
Made an offer on a house
Other

2. Are you currently renting?

Yes
No

3. Are you: (mark any and all that apply)

U.S. Veteran
Disabled or disabled person in family

4. Do you need assistance with? (mark any and all that apply)

Credit/debt counseling
Down payment assistance
Mortgage default counseling
Affordable housing options
Other
No additional assistance needed

5. Do you have any special counseling needs

Translation/language
Braille/reader services
Other

6. Are you considering purchasing
Single family home, townhouse, or
condominium
Manufactured home/mobile home
Other

What have been the obstacles to homeownership to date?

1. Having enough money for down payment and closing costs:
No, not an obstacle
Potential obstacle
Yes, this is an obstacle

2. Being able to afford a home in a neighborhood that you like
and can afford:
No, not an obstacle
Potential obstacle
Yes, this is an obstacle

3. Earning enough income to qualify for a mortgage:
No, not an obstacle
Potential obstacle
Yes, this is an obstacle

4. Having good enough credit to qualify for a mortgage:
No, not an obstacle
Potential obstacle
Yes, this is an obstacle

5. Not knowing how to get started buying a home:
No, not an obstacle
Potential obstacle
Yes, this is an obstacle

6. Facing discrimination barriers that might prevent you from
buying the home you want:
No, not an obstacle
Potential obstacle
Yes, this is an obstacle (if yes, please describe)

7. Facing language barriers that might prevent you from buying
the home you want:
No, not an obstacle
Potential obstacle
Yes, this is an obstacle

8. Are you facing other obstacles to homeownership:
Please describe

CHOC Follow-up Survey

1. Have you purchased a home since taking the homebuyer education seminar?

- Yes No (Go to question 6)

2. When did you purchase your home?

Approximate month/year _____

3. What county did you purchase in? _____

4. What type of loan did you use?

- House Key
 VA
 FHA
 USDA Rural Housing Services
 Conventional
 Other
 Unknown

5. Did you use any down payment assistance programs?

- Yes
If yes, what down payment assistance program(s) did you use?
 No
 I was not aware of any down payment programs
 Don't know
 Other _____

6. If you have not purchased a home, why not?

Please check all that apply

- I don't know how to get started
 I don't have enough for down payment and closing costs
 I don't have good enough credit to qualify for a mortgage
 I'm not able to find a home that I like and can afford
 I don't earn enough to qualify for a mortgage
 I have experienced unfair treatment
 Other (please explain) _____

7. Which of the following resources was the most helpful?

Please check all that apply

- Homebuyer education
 Assistance from lender
 Assistance from real estate agent
 Assistance from a non-profit
 One-on-one pre-purchase counseling
 Credit counseling
 Other _____

8. Did you experience unfair treatment that might have prevented you from buying the home you wanted?

- Yes Please call CHOC at 800.317.2918 for information and referrals about your fair housing rights
 No (Go to question 11)

9. Did you feel that you were treated unfairly because of: Please check all that apply

- Race
 Age
 Religion/Creed
 Gender Identity
 National Origin
 Children in the household
 Disability
 Use of a service animal
 Sexual Orientation
 Low income
 Speak English with an accent
 Other _____

10. Who do you feel treated you unfairly?

Please check all that apply

- Lender
 Real estate agent
 Non-profit housing agency
 Government housing agency
 Seller
 Other _____

11. Was communication due to English being a second language an obstacle to homeownership?

- Yes
 No

12. Would you like a copy of the report when it is complete?

- Yes
 No

13. Please share comments about your home buying experience.



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