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2021 Financial Management Conference

Alternative Approach to Underwriting: State Housing Finance Agencies & Homeownership

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Questions

All participant lines are muted.

Please use the **Raise Hand** feature if you would like to speak.

- Raise hand feature is located in the Participant panel.
- You may also use the **Chat** feature to ask questions.
- Send a **Chat** to the Host if you have a technical issue.

Continuing Professional Education Requirements for CPAs

Polls are Required for CPEs

- If you are seeking CPE credits, please submit ALL polls within each session, and the conference evaluations.
- If you miss a poll, send a **Chat** message to the Host immediately.

We use **Polls and the Zoom attendance record** to verify participation throughout the webinar.

- **Participants must submit ALL polls and be logged in no later than 10 minutes after the scheduled session start time to receive a certificate.**

Continuing Professional Education Credits (CPEs) for CPAs

Check your Zoom display name

- If the correct name is not shown, email your Zoom display name and your full name to consult.lwells@gmail.com.

You may **request a certificate of completion via the conference evaluations.**

- Links to the evaluations are emailed to all registrants.

For more information on CPE credits, contact Lindsay Wells at consult.lwells@gmail.com.



Give Us Credit

STATE OF NEW YORK MORTGAGE AGENCY

Poll #1

Is your state housing finance agency exploring the use of alternative underwriting to help increase homeownership among non-white households?

- a. Yes
- b. No
- c. Not sure

RACIAL DISPARITIES IN MORTGAGE LENDING

NY STATE

Using the Home Mortgage Disclosure Act (HMDA) aggregate data from 2014-17 in New York, NYS Homes and Community Renewal (HCR) found...

Statewide mortgage application rejection rates for Households of Color (HOC) are nearly **double** the rejection rates for White Households (White HH).

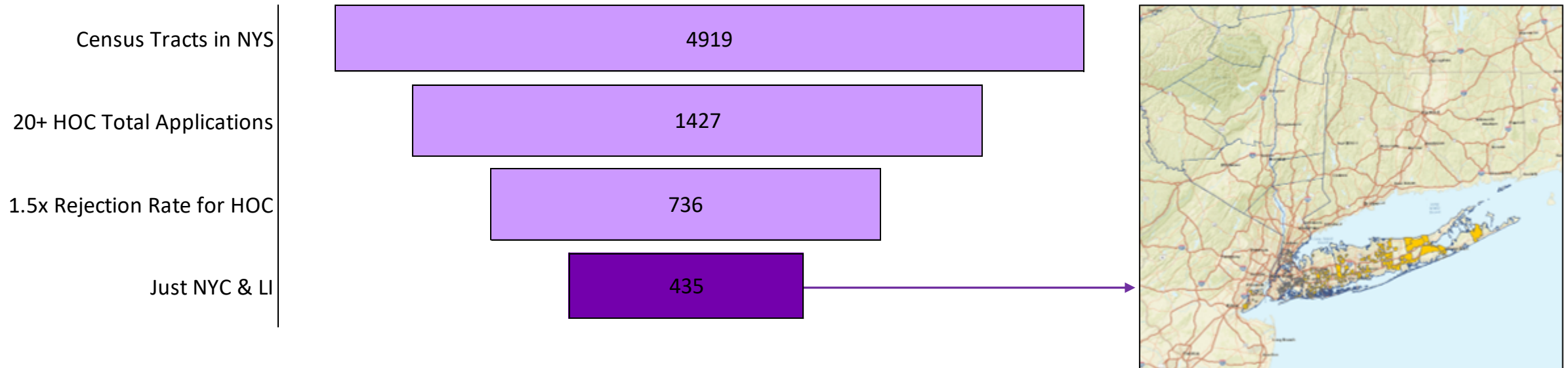
% Population	Race/Ethnicity	% Accepted	% Rejected
56.40%	White, non-Hispanic/Latinx	90.50%	9.50%
8.70%	Asian, non-Hispanic/Latinx	85.80%	14.20%
6.60%	(All races), Hispanic/Latinx	83.40%	16.60%
5.80%	Black, non-Hispanic/Latinx	81.30%	18.70%
0.40%	American Indigenous, Native Hawaiian, Pacific Islander, non-Hispanic/Latinx	80.60%	19.40%

~ HOC: primary applicant is either Black/African American, Hispanic/Latinx, American Indigenous

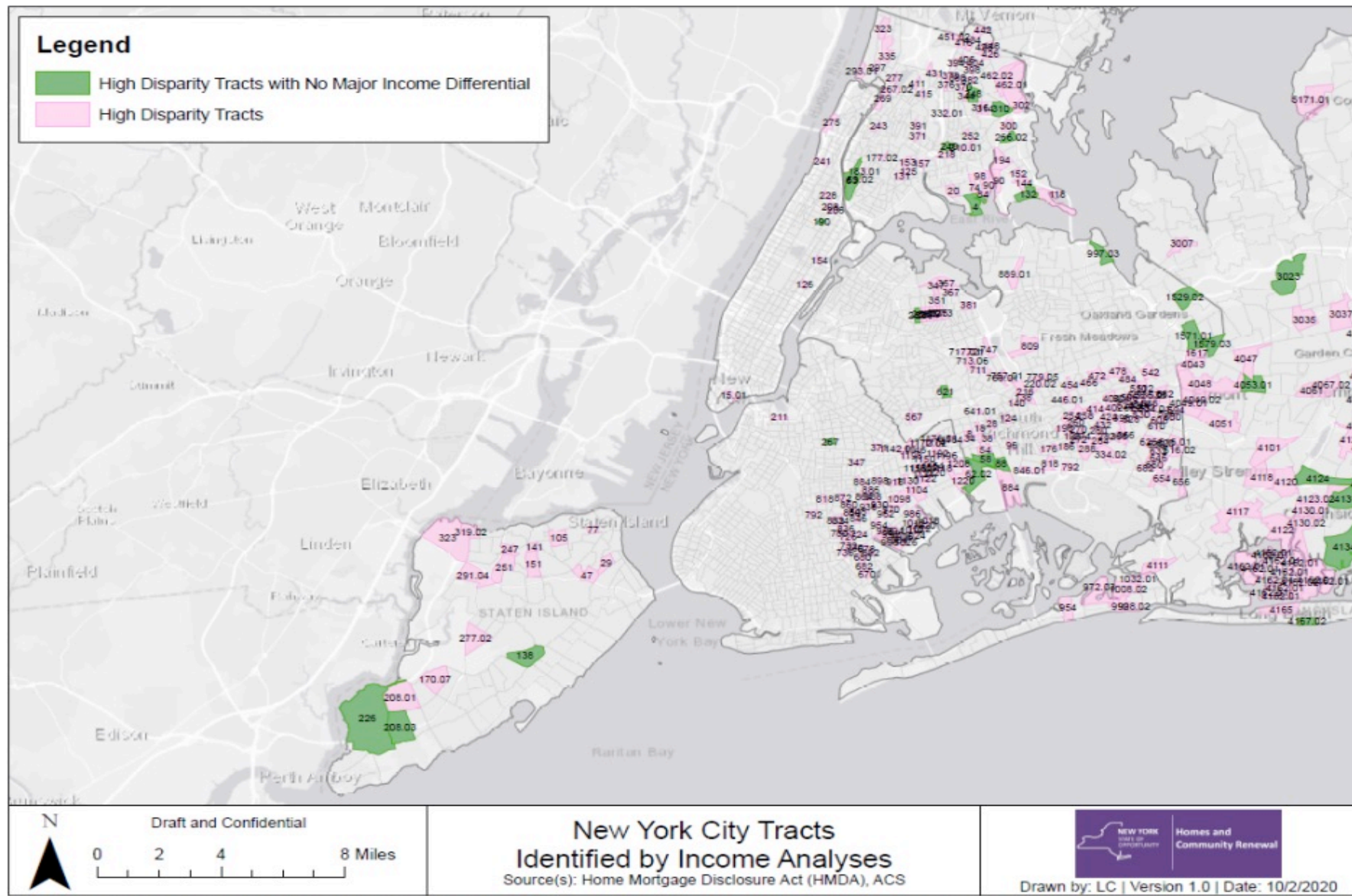
~ Overall, 765,842 mortgage applications in NYS from 2014-17.

~ 22% race/ethnicity not provided

Disparities in NYC and Long Island



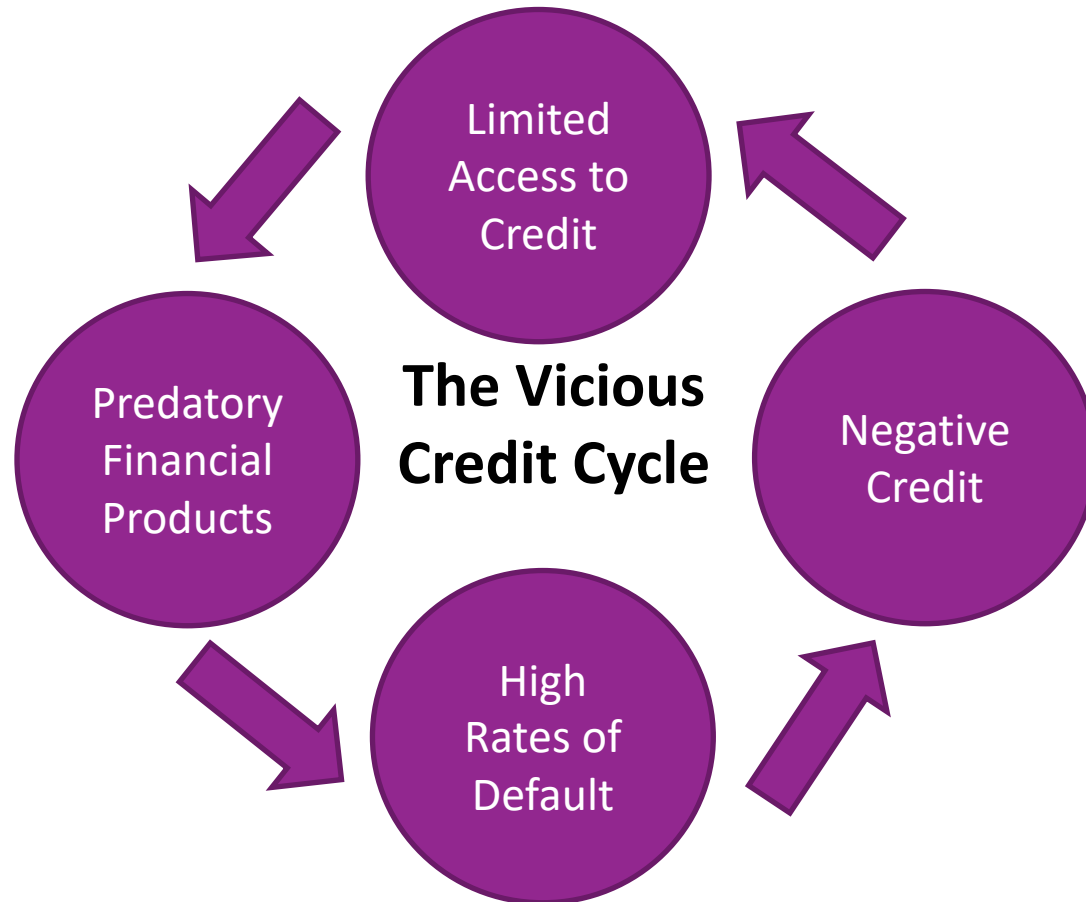
Out of the 736 tracts with significantly higher HOC rejection rates, **435 census tracts were in NYC and Long Island.**



NYC
census
tracts

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Reliance on “Credit Scores” Perpetuates Past Discrimination



- The racial wealth gap didn't happen by accident.
- Centuries of discrimination, redlining, and exclusion pushed communities of color into predatory products, with higher default rates
- Traditional credit reports perpetuate racial and economic inequality by restricting access to future financial access

Poll #2

Given today's economic and social environment, do you believe your bank partners would be receptive to alternative underwriting?

- a. Yes
- b. No
- c. Not sure

“Give Us Credit”

A PILOT PROGRAM AIMED TO
INCREASE HOMEOWNERSHIP FOR
HOUSEHOLDS OF COLOR

SONYMA is launching a pilot program, beginning with NYC and Long Island, to address racial disparities in mortgage lending and increase homeownership in targeted communities.

GIVE US CREDIT will reimagine the metrics and standards we use to evaluate who is creditworthy

In Summary “Give Us Credit” will target...



Income

Applicants with non-traditional or fluctuating sources of income;



Community Support

Applicants who may receive support from family and friends;



Down Payment

Applicants with varied sources of down payment assistance;



Financial History

Applicants who have overcome financial difficulties; and/or



Financial Management

Applicants who practice (but don't always get credit for) good financial management.

Poll #3

Does your organization partner with CDFIs and/or credit unions that are often more receptive to alternative underwriting practices?

- a. Yes, regularly
- b. Yes, sometimes
- c. No

Highlights of New Credit Standards

- **Non-Traditional Savings:** savings plans found in immigrant communities (including sou-sou, pardna, tanda, hui, ayuuto, cundinas, pandeiros, eMoneyPool.com, PayPal MoneyPools, etc.)
- **2-4 family homes:** Lowering the amount of cash reserves required to purchase a stable income producing property. Only 1-month of reserves required. Down Payment lowered to 5%.
- **Debt History:** No requirement to pay off medical collections. No requirement to pay off any collection older than 2 years.
- **Financial Management:** Less need for established tradelines. Instead, we will look to:
 - Rental payments;
 - Bills paid using debit accounts;
 - Money orders, money transfers, deposit slips, Venmo, payment receipts, etc.;
 - Payments on a Chapter 13 bankruptcy; and/or
 - Allow for no credit lines when sufficient reserves can be demonstrated.

“DPAL Plus” Terms

Increasing Homeowners
for Lower Income
Households

- Borrower must be low-income (at or below of 60% of the AMI)
- No interest rate increase for this pilot program
- Can be used to pay down payment and closings costs until purchase money mortgage amount is 80% LTV
- Capped at \$30,000 per home
- Can be used to pay single premium mortgage insurance (MI) for transactions over 80% LTV

CPE Feedback Poll

If you are seeking CPEs, please complete this brief feedback poll.

Note: All registrants will receive links to the conference evaluations via email.

- Please complete the conference evaluations to request CPE credit and to provide qualitative feedback.