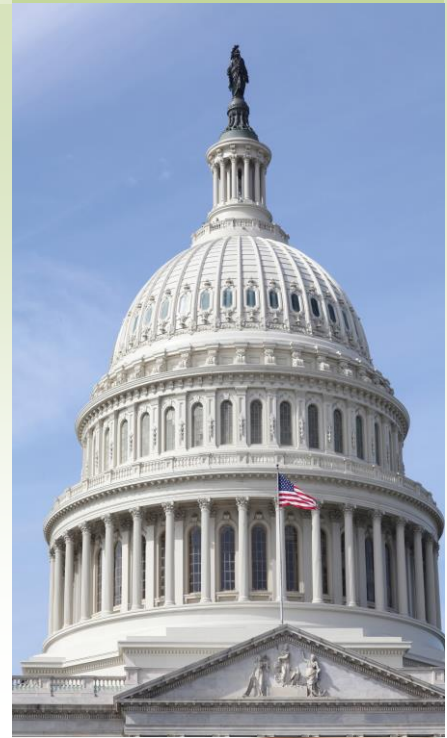


# Washington Report



## Urban on Special Purpose Credit Program Twist

Since taking office, the Biden administration has prioritized narrowing the homeownership gap and identified policy steps to increase minority lending. One vehicle the Administration has promoted is the use of [special purpose credit lending](#) – the targeted lending to a certain demographic consistent with Reg. B and ECOA.

CFPB Director Chopra has [encouraged](#) creditors to take advantage of special purpose credit programs (SPCP) to better serve communities which have been historically shut out or otherwise disadvantaged.

This week the Urban Institute [published](#) a twist on SPCPs where they suggest a simpler route to accomplishing this objective: lenders implement ‘place-based’ SPCPs, which target distinct geographic areas rather than specific people. The Urban paper points out that by targeting areas based on racial composition, SPCPs could effectively address the racial homeownership gap in particular areas of the country.

We expect SPCPs to grow this year and from our experience issues surrounding new program implementation can be challenging. Place-based SPCPs may offer a more expeditious route to underserved borrowers in underserved markets.

Indeed, banks and mortgage companies are already implementing such programs.

## White House to Address Inventory through ADUs

This week the White House Domestic Policy team held a [briefing](#) on steps it is taking to promote the use of Accessory Dwelling Units as a tool to address the growing inventory challenge and affordable housing crisis. We were invited by the White House to attend and we were pleased to do so.

FHFA’s Sandra Thompson spoke as did HUD’s Deputy Assistant Secretary for Single Family Housing, Julienne Joseph, along with agency officials and members of academia.

HUD’s Joseph said that policy review is underway now to streamline FHA approval of ADUs, but that the policy-making process could take up to a year.

## The Week Ahead

### Upcoming Hearings

- [HFSC: Digital Assets and Stablecoins, 2/8](#)
- [SB: Role of CDFIs, 2/9](#)

### Upcoming Events

- [JCHS HUD Secretary Lecture, 2/8](#)
- [NAHB, IBS, 2/8-10](#)
- [MBA Annual Servicing, 2/22-25](#)
- [NAR Broker Summit, 4/5-6](#)
- [MBA Secondary, 5/15-18](#)
- [SFVegas, 7/17-20](#)
- [#HousingDC22, 9/26-27](#)

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## Punchbowl Weighs in on Implications of a 49-50 Senate

We join all of Washington, DC and New Mexico in wishing a speedy recovery to US Senator Ben Ray Lujan (D-NM). ‘BRL,’ as he is known on the Hill, suffered a stroke this week and had brain surgery to relieve swelling. Given he is a youthful 49 years-old, we are optimistic for his recovery.

Punchbowl News founder and [#HousingDC21](#) speaker Anna Palmer, reported there was no timetable for his return at this point, but on two separate

occasions where senators suffered strokes, it took them months to return.

The implications of BRL’s absence are huge and impact nominations of key housing officials.

FHFA Director Nominee Sandra Thompson enjoys bi-partisan support and her speedy confirmation is all but assured. However, nominations for key HUD roles, including FHA Commissioner, are unlikely to proceed to a vote given they tied coming out of the Senate Banking committee.

*“Senate Leader Schumer doesn’t have a working majority without Luján. So Schumer will have to steer an even more careful path than he has for the 50-50 Senate, if that’s even possible. He will only push forward on nominations or bills with clear bipartisan support” said Anna Palmer.*

### ‘Metaverse’ Mortgage Funds

TerraZero Technologies, a vertically integrated Metaverse development group, has [announced](#) closing its first-ever “Metaverse Mortgage” transaction via the Ethereum-based Metaverse platform, Decentraland.

TerraZero now offers Metaverse Mortgage loans to its clients looking to finance the acquisition and purchase of virtual real estate. Real estate is represented in the Metaverse as a non-fungible token (NFT) – a digital asset representing real-world objects like art, collectibles, and even real estate.

NFTs are bought and traded online, usually with cryptocurrency, and are generally secured by the Ethereum blockchain. According to Ethereum.com, this means they can only have one official owner at a time, and no-one can modify the record of ownership or copy/paste a new NFT into existence.

## 2,192 Home Buyer Assistance Programs in US

[Down Payment Resource](#) published its initial 2022 [Homeownership Program Index](#) report and it showed measurable quarter-over-quarter gains in program funding levels and an increased prevalence of programs aimed at assisting community heroes.

The survey found a total of 2,192 homebuyer assistance programs that were active as of January 6, 2022. It reported funding levels are on the rise, with 84% of programs had funds available for eligible homebuyers. That level of funding reflects a nearly 2% increase from Q3 2021.

Additionally, the survey found more programs now target community heroes. Nearly 9% of all homebuyer assistance programs available in Q4 benefit teachers, first responders, law enforcement officers, firefighters, healthcare workers and other providers of critical community services. Another 11% of programs offer benefits for veterans, members of the military and surviving spouses. Other survey findings:

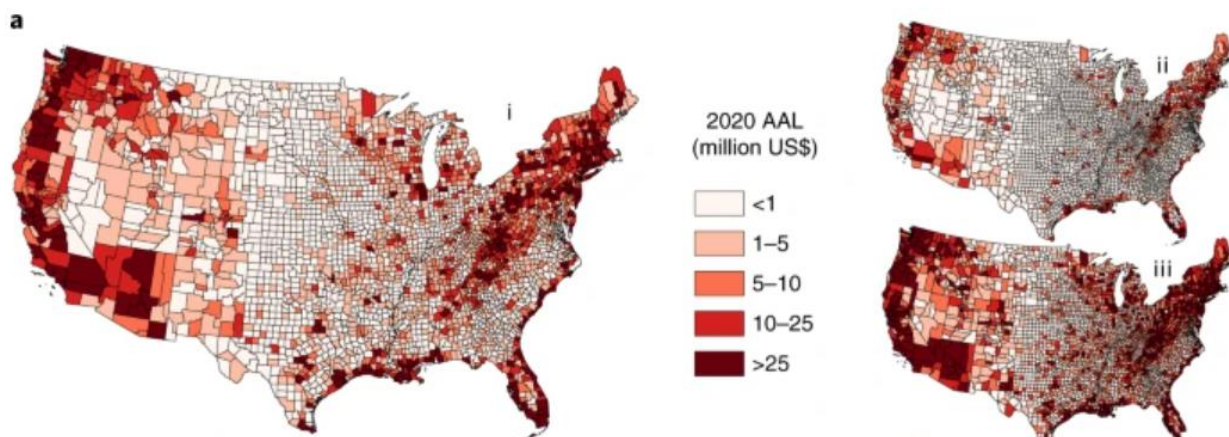
Three of four programs focus on helping homebuyers with down payments and/or closing costs. This figure includes repayable, partially forgivable and fully forgivable programs. Other major categories of assistance include affordable first mortgage programs (11%), Mortgage Credit Certificates (5%), matched savings programs and Housing Choice Vouchers.

Assistance is available for repeat homebuyers and landlords. The report said 38% of programs do not have a first-time homebuyer requirement. In addition, 27% of programs allow buyers to purchase a multi-family property as long as the buyer occupies one of the units.

Availability varies by location. Three out of four (74%) programs are targeted to properties in specific locales such as cities, counties or neighborhoods, with the balance of programs available statewide through state housing finance agencies. The states with the most homebuyer assistance programs are California, Florida and Texas.

Support for manufactured housing is increasing. While homebuyer assistance programs have historically favored site-built homes, as of Q4, 28% of programs allow manufactured housing as an eligible property type.

**Fig. 1: Present and future US flood risk by county.**



## Study: Minorities Face Disproportionate Climate Risk

Climate-driven floods will disproportionately affect Black communities, according to a study published this week titled [Inequitable Patterns of US flood risk in the Anthropocene](#).

Current flood risk mapping, relying on historical observations, fails to account for increasing threat under climate change. Incorporating recent developments in inundation modelling, the report shows a 26.4% (24.1–29.1%) increase in US flood risk by 2050 due to climate change alone.

The national depiction of comprehensive and high-resolution flood risk estimates in the United States indicates current average annual losses of \$32.1 billion (US\$30.5–33.8 billion) in 2020's climate, which are borne disproportionately by poorer communities with a proportionally larger White population.

The future increase in risk will disproportionately impact Black communities, while remaining concentrated on the Atlantic and Gulf coasts. Furthermore, projected population change could cause flood risk increases that outweigh the impact of climate change fourfold.

These results make clear the need for adaptation to flood and emergent climate risks in the United States, with mitigation required to prevent the acceleration of these risks. And the Biden administration has tasked federal agencies with developing climate plans.

In our meetings on this topic with policy leaders at FHA, we see the process starting, but we worry that the timeline to gain consumer attention is lagging.

## Senate to Hold Key Fed Votes on Feb. 15

This week the Senate Banking committee held a [Nominations Hearing](#) on President Biden's Federal Reserve Nominees (Raskin, Cook and Jefferson).

Democrats intend to move the nominees quickly to the Senate floor for confirmation votes. We expect the vote on February 15 and all three to be confirmed along with Jerome Powell for another term as Chair and Lael Brainard as Vice Chair.

### Trades on Defect Taxonomy

A broad group of Washington, DC trades wrote to HUD complaining that [FHA's proposed defect taxonomy](#) did not provide enough specifics on loan-level defects and remedies to be successful.

The groups said HUD should not finalize the taxonomy before doing further engagement with stakeholders.

A staff attorney at the National Consumer Law Center, who focuses on servicing government loans, said that ambiguous penalties could result in severe punishments for trivial mistakes.

He said: "What we're saying jointly is that this is complicated, and we should ... define the really high-priority defects." We agree.



*Faith Schwartz*