

# BANKER & TRADESMAN



THE FINANCIAL SERVICES AND REAL ESTATE WEEKLY FOR MASSACHUSETTS

## HOUSING MATTERS

# More Support for First-Generation Homebuyers Will Help Close Homeownership Gaps

Three Mass. Programs Offer Examples of Good Solutions

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**H**ome ownership is a key component of the American dream. It brings a number of financial benefits: wealth creation, access to credit through home equity, a mortgage interest tax deduction and long-term savings over renting. But we have a problem, which is that homeownership rates among nonwhite Massachusetts residents are much lower than those of white families. This creates dire implications for generating wealth in communities of color.

This disparity is part of the legacy of biased federal housing policies, which systematically denied buyers of color access to mainstream financing and effectively locked them out of many housing markets. For example, for decades many homebuyers of color were denied FHA-insured mortgage loans because of redlining.

Subprime mortgages issued in the early 2000s were highly damaging for those who lost their homes in the foreclosure crisis. Since that time, the market has recovered, but nonwhite homeownership has fallen farther behind.

Massachusetts, along with California and Hawaii, has the most expensive housing costs in the country. Our commonwealth is among the most racially segregated in the country, and there is an extreme racial wealth gap among its citizens. There is a need to create race-conscious public policy solutions to set a different course.

A new program aided by former Boston Mayor Marty Walsh offers an example of a race-conscious solution. The first-in-the-nation Massachusetts Affordable Housing Alliance (MAHA) First-Generation Homebuyer Program was created with a grant from Boston Children's Hospital and the Wells Fargo Foundation in 2019. In 2020, Mayor Walsh redirected funds to this program from the Boston Police Department's overtime budget, and the city of Boston partnered with MAHA to make a significant investment in equity and inclusion.

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First-generation buyers, who often cannot tap resources from family members, need down payment and closing cost assistance. This program assists eligible buyers with 2 to 1 matching. It makes \$5,000 available to help families purchase a home, with \$2,500 of their own money for the down payment.

Of the 200 initial participants in the program, 97% are persons of color. That is consistent with one of the goals in Boston's 2030 plan – to increase homeownership rates for people of color, lower-income buyers, immigrants and first-generation buyers.

"We are trying to do something innovative by pushing the envelope on narrowing the racial homeownership and wealth gaps," said Symone Crawford, MAHA's director of homeownership education, adding that a record 2,452 people graduated from its 12-hour financial education program in 2020.

MAHA has been educating and counseling first-time homebuyers since 1991 and has graduated more than 37,000 people in that time. About 20 percent of graduates actually move to purchase homes in the first year after participating and more do so in subsequent years.

## Lenders Look to Assist

Another organization, Massachusetts Housing Partnership (MHP), also has long promoted ownership. MHP recently celebrated the 30th anniversary of the first loan in its flagship program, One Mortgage, which uses state funds to incentivize first time homebuyers. MHP makes 750 to 800 loans a year.

"Lenders are looking for ways to serve Black and Latinx buyers, immigrants and people for whom the housing system has discriminated against [them] for centuries," said Elliot Schmiedl, MHP's director of home ownership.

MassHousing, a quasi-public agency that helps finance affordable housing, also assists income qualified first-time buyers by helping with down payment or low-interest-rate financing products. In the past three years, more than 30 percent of MassHousing home lending has gone to borrowers of color, which is double the statewide average.

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## Other Barriers Exist

These are important solutions to closing the racial homeownership gap, but there are other obstacles that need to be addressed.

A 2019 Boston Foundation Greater Boston Housing Report Card study noted that 61 municipalities were over 90 percent white as of 2017. The report said that “...of the total 147 municipalities in the region, almost 70 percent of the people of color living in Greater Boston lived in only 18 municipalities.” There are many reasons

for that, but one significant reason that we can help alleviate is the limited type of housing stock available in many communities.

Further race-conscious policies can be developed to help us achieve a more just housing market – and a more equitable society. Policies can be applied to influence where homebuyers of color feel welcome and want to live. Additional efforts to restore and strengthen the Affirmatively Furthering Fair Housing policy that are being discussed by the Biden administration are promising.

Given the historic roots of housing inequality, expanding ownership opportunity and enabling more families of color to build equity in their homes are critically important to closing the racial wealth gap. Now is the chance to take this on. ◀

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