

REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: August 14, 2023

TO: Honorable Members of the Rules, Elections, and Intergovernmental Relations Committee

FROM: Sharon M. Tso 
Chief Legislative Analyst

Council File No.	23-0002-S74
Assignment No.	23-08-0420

SUBJECT: Resolution (Hutt – Harris-Dawson) to support H.R. 4231, the Downpayment Toward Equity Act of 2023, which would provide \$100 billion in direct assistance to help first-time, first-generation homebuyers purchase their home nationwide.

CLA RECOMMENDATION: Adopt the attached Resolution (Hutt – Harris-Dawson) to include in the 2023-2024 Federal Legislative Program SUPPORT for H.R. 4231, the Downpayment Toward Equity Act of 2023, which would provide \$100 billion in direct assistance to help first-time, first-generation homebuyers purchase their home.

SUMMARY

Resolution (Hutt – Harris-Dawson), introduced August 1, 2023, states that, according to the Los Angeles Almanac, the median home price in the City has increased from \$212,855 in 1990 to \$799,670 in 2022. The Resolution states that homeownership is a primary driver of American household wealth, outperforming stocks and bonds as an investment, providing practical housing for families, and creating a cushion in times of crisis. The Resolution notes that downpayment and other upfront costs remain the greatest barriers to entry for many first-time, first-generation homebuyers, particularly for younger people and people of color who have been historically excluded from homeownership opportunities. The Resolution argues that steep increases in home prices across the country threaten to push the dream of homeownership further out of reach for many Americans, thus weakening the financial stability and prosperity of American households and widening the racial wealth and homeownership gap. The Resolution notes that Congresswoman Maxine Waters introduced H.R. 4231, the Downpayment Toward Equity Act of 2023, which would provide \$100 billion in direct assistance to help first-time, first-generation homebuyers purchase homes by providing assistance for down payments, closing costs, and to help buydown mortgage interest rates. The Resolution argues that the legislation could help address the legacy of discrimination in our housing markets by creating a grant program at the Department of Housing and Urban Development that would provide financial assistance of up to \$20,000 for first-generation homebuyers and up to \$25,000 for socially and economically disadvantaged homebuyers to purchase residential properties with 1 to 4 dwelling units, to be occupied by the homebuyer as a primary residence.

The Resolution therefore recommends the City's support for H.R. 4231, the Downpayment Toward Equity Act of 2023, which would provide \$100 billion in direct assistance to help first-time, first-generation homebuyers purchase their home.

BACKGROUND

Homeownership is a primary driver of wealth accumulation for Americans. The Federal Reserve has found that homeowners have a median net worth 40 times that of renters. Home equity tends to outperform stocks and bonds. From 2010 to 2020, the total housing wealth for middle-class homeowner households grew by \$2.1 trillion.

The barriers to homeownership are significant. Housing supply remains at near historic lows, which has driven up the price of homes across the nation. Upfront costs, such as down payments, are correspondingly high. Home prices have declined slightly since 2022, but not enough to counteract high mortgage interest rates. According to Harvard University's annual State of the Nation's Housing study, the average mortgage payment rose from \$2,200 in January 2022 to \$3,000 in March 2023. This jump corresponds with a sharp spike in average interest rates, which in the same time period rose from 3.4 percent to 6.5 percent. Meanwhile, rising rent costs place an additional burden on renter households, making it more difficult to transition to homeownership.

Increasing costs disproportionately price people of color out of homeownership, particularly those from the Black community. Black families had a typical net worth of \$24,000 in 2019, compared to a typical white family with \$188,200, with intergenerational wealth a significant factor in the difference between the two. Historically in the United States, there has been a large gap in homeownership between Black (44 percent) and white (72.7 percent) families.

H.R. 4231 addresses these findings by providing \$100 billion in down payment assistance to first-time homebuyers across the nation, with additional financial assistance for first-generation homebuyers.

Support for H.R. 4231 would be consistent with City efforts to address the ongoing housing and homelessness crisis at a City, County, State, and Federal level by addressing multigenerational inequities in access to homeownership and narrowing the racial homeownership gap.

DEPARTMENTS NOTIFIED

Los Angeles Housing Department

BILL STATUS

06/21/23 - Introduced and referred to Comm. on Appropriations and Comm. on Financial Services



E. Travis Rust
Analyst

Attachments: Resolution (Hutt – Harris-Dawson)

RESOLUTION

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations, or policies proposed to, or pending before a local, state or federal governmental body or agency must have first been adopted in the form of a Resolution by the City Council; and

WHEREAS, according to the Los Angeles Almanac, the median home price in the City has increased from \$212,855 in 1990 to \$799,670 in 2022; and

WHEREAS, homeownership is a primary driver of American household wealth, outperforming stocks and bonds as an investment, providing practical housing for families, and creating a cushion in times of crisis; and

WHEREAS, downpayment and other upfront costs remain the greatest barriers to entry for many first-time, first-generation homebuyers, particularly for younger people and people of color who have been historically excluded from homeownership opportunities; and

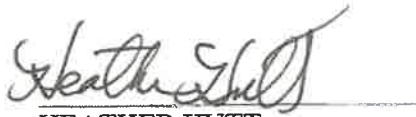
WHEREAS, steep increases in home prices across the country threatened to push the dream of homeownership further out of reach for many Americans, thus weakening the financial stability and prosperity of American households and widening the racial wealth and homeownership gap; and


WHEREAS, Congresswoman Maxine Waters introduced H.R. 4231, the Downpayment Toward Equity Act of 2023, which would provide \$100 billion in direct assistance to help first-time, first-generation homebuyers purchase homes by providing assistance for downpayments, closing costs, and to help buydown mortgage interest rates; and

WHEREAS, the legislation could help address the legacy of discrimination in our housing markets by creating a grant program at the Department of Housing and Urban Development that would provide financial assistance up to \$20,000 for first-generation homebuyers and up to \$25,000 for socially and economically disadvantaged homebuyers to purchase residential properties with 1 to 4 dwelling units, to be occupied by the homebuyer as a primary residence;

NOW, THEREFORE, BE IT RESOLVED, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2023-2024 Federal Legislative Program SUPPORT for H.R. 4231, the Downpayment Toward Equity Act of 2023, which would help close the racial wealth and homeownership gaps in the United States by providing \$100 billion in direct assistance to help first-time, first-generation homebuyers purchase their first home.

PRESENTED BY


HEATHER HUTT
Councilmember, 10th District


MARQUEECE HARRIS-DAWSON
Councilmember, 8th District



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