

Senator Jacqueline Collins - Chair, Financial Institutions Committee
Senator Suzy Glowiak Hilton - Chair, Commerce and Economic Development Committee
Senator Mattie Hunter – Chair, Executive Committee

RE: Racial Equity in Lending and Homeownership

October 15, 2020

10:00 A.M. CT

Senators Collins, Glowiak-Hilton and Hunter,

Thank you for the opportunity to provide this testimony in response to your inquiry about equal access to banking services. We are keenly aware of the issues of economic and racial inequality in our country, which have been exacerbated by the global pandemic caused by COVID-19. We recognize that the private sector can play a pivotal role in helping our communities, and we are committed to doing more to improve economic opportunity and racial equality. Our ultimate goal is to support lasting change.

For many years, we have worked to help drive economic opportunity and upward mobility through education, workforce development, access to healthcare, community engagement, economic development and affordable housing.

Most recently, we announced a \$1 billion, four-year commitment to help local communities address economic and racial inequality through programs focused on assisting people and communities of color who have experienced a greater impact from COVID-19. The programs will include health services, partnerships with historically black colleges and universities and Hispanic-serving institutions in the United States for hiring, research programs, and other areas of mutual opportunity and support for minority-owned small businesses. In addition to previously stated commitments, it is important to note that one of the core elements of our four-year commitment is access to affordable housing.

Affordable homeownership and the pursuit of the American dream are key pillars in our commitment to communities of color. Through history, homeownership has been an important path to wealth-building for millions of Americans. Harvard's Joint Center for Housing Studies found that remains true today. By paying down a mortgage over time, a homeowner's ownership stake in the home increases, creating personal wealth for the individual and family. In fact, the U.S. Census Bureau found that homeowners' median net worth is 80 times larger than renters' median net worth. However, many people, particularly those in underserved communities, have faced barriers to achieving the American dream.

A commitment to providing a path to sustainable homeownership for underserved communities has always been a hallmark of Bank of America. Over half of all BofA mortgages are made to low-to-moderate income (LMI) clients purchasing homes in LMI communities.

We know that many of our clients want the power to own their first home – and we know that can be challenging. One of the ways we're helping is through our suite of affordable homeownership solutions

and professional resources, designed to help overcome barriers and put sustainable homeownership within reach.

In 2019, our Homebuyer Insights study found that nearly 70% of people who want to own a home believe the biggest barrier is saving enough money for a down payment and closing costs. The report findings also underscored a strong desire to own a home and the sacrifices Americans are willing to make to do it. For example, Gen Z (48%) and millennials (38%) said they would be willing to get a second job to afford a home.

In April 2019, we announced a \$5 billion, five-year initiative called Community Homeownership Commitment to help more than 20,000 additional individuals and families purchase a home affordably. While we had provided low down payment loans and closing cost assistance for years, we knew there was more we could do. At the community level, we saw that a lack of substantive buyer assistance programs and educational resources were keeping many in underserved communities from even considering homeownership.

Our Community Homeownership Commitment (CHC) was developed to directly support those most in need – LMI and first-time homebuyers. Beyond low down payment loans, which were already available, substantial grants for the upfront costs – no repayment required – also became a key component of our homeownership initiative.

As part of this initiative, our goals were to:

- Make sustainable homeownership possible for people who had demonstrated creditworthiness but simply had trouble accumulating the out-of-pocket funds they needed to get started;
- Reduce the upfront funds eligible clients need to provide out-of-pocket to purchase a home; and,
- Raise awareness among consumers, real estate professionals and home builders of how the bank's grant programs could make homeownership possible for those who would not previously have been able to purchase a home.

Now well into its second year, we believe the CHC initiative has proven to be successful and doing what it was designed to do, as noted above in the first bullet. Additionally, as part of this initiative and through the grants, we provide eligible buyers the upfront funds they need.

Moreover, we are, to our knowledge, the only full service bank providing this level of direct closing cost and down payment grants to homebuyers.

Through our CHC, we assist LMI buyers attain affordable and sustainable homeownership via specially-designed loan products, significant grants, educational resources and expertise. Our grant program, offering a total of up to \$17,500 to help with upfront costs, can be combined with state and local programs. The program includes:

- A new Down Payment Grant program available in nearly 70 markets (expanded from nearly 50 in 2019), including Chicago, that offers up to 3% of the home purchase price up to \$10,000 with no repayment necessary.

- An expanded America’s Home Grant program that now offers a lender credit of up to \$7,500 to assist with non-recurring closing costs with no repayment necessary. This program is available to eligible borrowers in nearly 800 cities/counties across the country, including Chicago.
- Innovative low down payment mortgages with competitive rates and a down payment as low as 3%; one low down payment loan even eliminates the requirement for mortgage insurance, which is usually an additional cost.
- Partnerships through the Connect-to-Own network of nearly 400 HUD-approved nonprofit housing counseling agencies that help consumers make informed choices about home buying.

Our Chicago Connect-to- Own partners include:

1. Spanish Coalition for Housing
2. Chicago Urban League
3. Neighborhood Housing Services of Chicago
4. Latin United Community Housing Association
5. Agora Community Services
6. Greater Southwest Development Corp.
7. Brighton Park Neighborhood Council

This year, we’ve sponsored several outreach events with these agencies. Camino a Su Casa, is an annual outreach event hosted by Spanish Coalition for Housing.

We worked to educate key industry influencers on these solutions and to understand the unique needs of local communities. The bank hosted partner roundtables and education sessions with national and local multicultural and specialty real estate professional organizations such as the Asian Real Estate Association of America (AREAA), National Association of Hispanic Real Estate Professionals (NAHREP), National Association of Real Estate Brokers (NAREB), and Veteran Association of Real Estate Professionals (VAREP), as well as advocacy groups and a national network of knowledgeable affordable housing nonprofit partners who provide in-depth homebuyer education and counseling.

We also have a lender relationship with Neighborhood Assistance Corporation of America (NACA)¹ that is focused on delivering below-market mortgage products to underserved borrowers and communities including consumer outreach activities.

The bank also works with clients who aren’t necessarily ready for immediate ownership. Since the beginning of 2019, the bank’s lending officers has introduced 20,000 non-mortgage ready clients to homebuyer education providers who are tasked with preparing them for sustainable, long-term homeownership.

To educate these clients, we’ve created programs to educate underserved individuals and communities about home buying and the tangible financial solutions available to them, helping individuals and families build their long-term personal wealth through homeownership. We’ve created:

- A six-episode First-Time Homebuyer Online Edu-Series to demystify the home buying process. In the series, experts provide guidance and tips to prepare finances, make an offer, and apply for a mortgage and more.

¹ See www.naca.com

- The Better Money Habits educational platform, which is offered at no charge, to connect people to advice, tools and guidance to budget, save, manage debt and empower them to take control of their finances.

Being able to serve clients' needs starts with the capabilities of the workforce, particularly its bench of locally-focused Community Lending Officers (CLOs). Additionally, we introduced the Community Homeownership Learning program to provide knowledge, tools and resources through five required modules, preparing employees to match clients' life priorities and unique situations with the various products and programs best suited to assist them in achieving their goal of homeownership. Individuals who complete the sixth optional business development module (required for CLOs) become designated as a Community Homeownership Advocate.

It's clear that awareness is the first step to helping people reach affordable homeownership. Our broad marketing/awareness campaign reached almost 4 billion current and prospective borrowers (including Chicagoans) who learned about grant funds and low down payment loan options and were motivated to reach out to a lending officer. Through marketing and advertising efforts, the CHC was broadly promoted to diverse audiences on Spotify, iHeartRadio, Snapchat, Pinterest, top local daily newspapers and more. Our edu-series, promoted widely online and through social media, has reached over 5,000 viewers to date.

Internally, we have continued to build our CLO force, increasing it by more than four times year-over-year to nearly 150 CLOs today. In Chicago, we have 79 lending specialists, 5 of which are CLOs. Additionally, as of May 2020, more than 3,800 employees completed the Community Homeownership Learning program curriculum. Externally, BofA has delivered more than 6,100 Realtor/homebuilder education sessions and over 1,700 homebuyer workshops since launching the Community Homeownership Commitment, reaching more than 60,000 industry professionals.

As important as getting clients in the homes is ensuring that they are able to keep the homes over different economic cycles. Our focus on lending responsibly is designed to lead to sustained homeownership. We are committed to making financial lives better and to matching our resources to the unique needs of homebuyers in LMI communities across the country. We've come far in working together with industry and community partners to advance economic opportunity for all Americans and continue to do more.

If you have any questions, please contact the Chicago Market President, Paul Lambert, at 312 325 2601 or Paul.Lambert@bofa.com or the Chicago Market Executive, Cara Pan at 312 904 7136 or at cara.pan@bofa.com.

Sincerely,

Bank of America