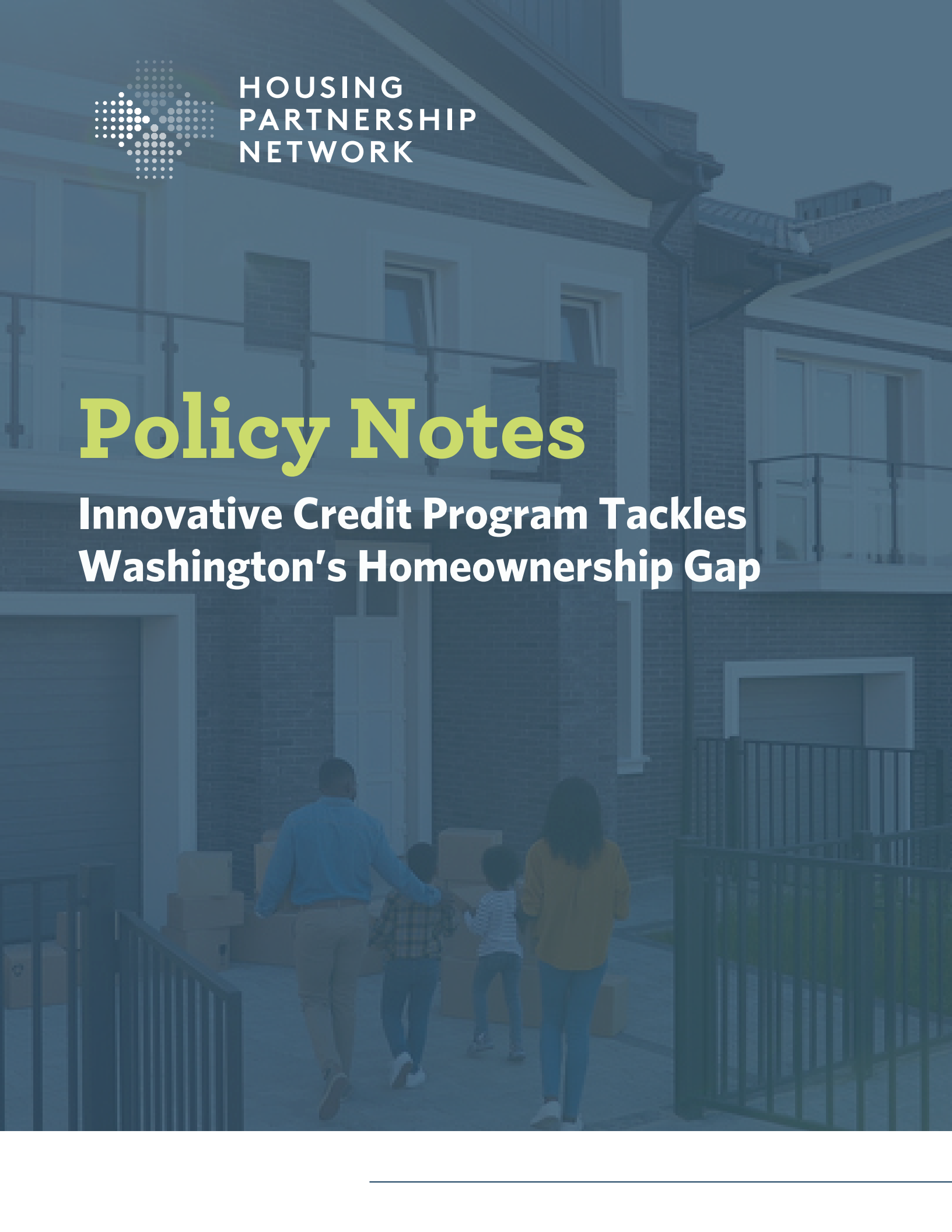




HOUSING  
PARTNERSHIP  
NETWORK

# Policy Notes

**Innovative Credit Program Tackles  
Washington's Homeownership Gap**

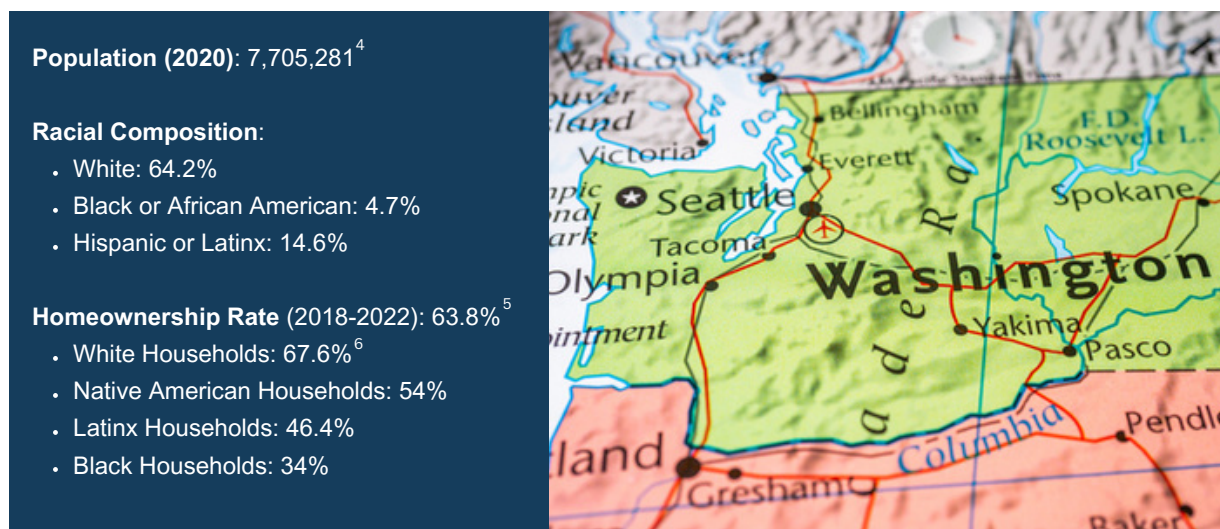


## A History of Racially Restrictive Covenants

Prior to the passage of the Fair Housing Act, some neighborhoods had racially restrictive covenants that prohibited an individual from selling their home to certain groups of people based on factors like race, religion, and ethnicity. These covenants were outlawed by the passage of the 1968 Fair Housing Act.<sup>1</sup> The language of a typical covenant would require the signer to agree to never allow a non-White or non-Christian person to buy or live in their home. Black people, Asians, Native Americans, Pacific Islanders, Latinx, Jewish people and other marginalized groups were excluded from living or buying property in certain areas due to these covenants. Restrictive covenants held an additional purpose – by denying groups of people access to various neighborhoods, covenants naturally segregated cities without the need for zoning laws that could implicate local governments.

An underlying history of redlining, restrictive covenants and racial lending bias have led to 42% of Black households in the state of Washington having zero net worth. In the state, the average net worth for a White household is \$286,200 compared to only \$67,600 for households of color.<sup>2</sup> In the King County region of Washington, racist housing policies have cost Black families an estimated \$12 to \$34 billion.<sup>3</sup> Given the widespread nature of the racial homeownership gap, advocates came up with a statewide legislative solution: the Covenant Homeownership Act.

## State-Level Demographic and Housing Data



HPN members based in Washington as of January 2025:



# On the Ground Perspective: Housing Development Consortium and HomeSight

The Covenant Homeownership Act was created to address the severe racial homeownership gap in Washington. Housing Development Consortium (HDC) and HomeSight led advocacy efforts around the creation and passage of the Covenant Homeownership Act and Program (CHAP).

***Housing Development Consortium of Seattle King County**, a nonprofit membership organization serving the region's affordable housing sector, is led by Executive Director **Patience Malaba**. Like HPN, its diverse members include CDFIs, public funders, financial institutions, contractors, and developers.*

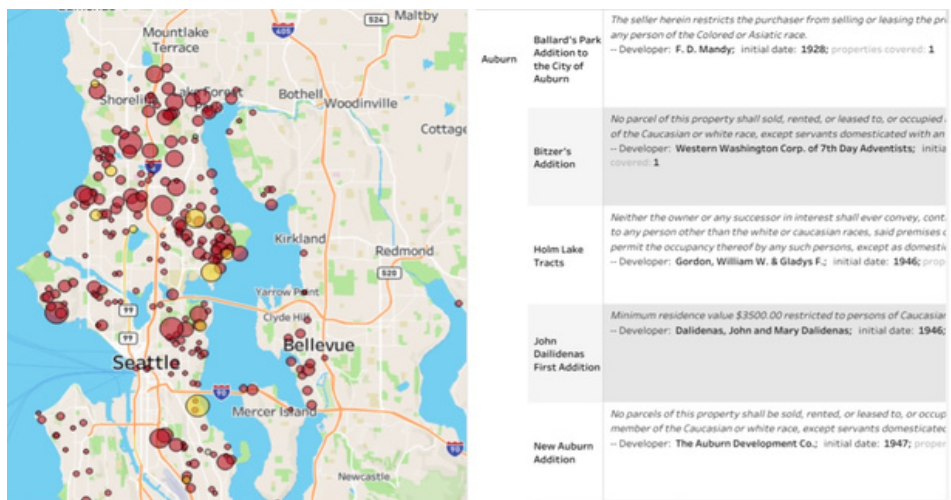
***HomeSight**, a 32-year-old community development corporation and statewide CDFI lender, is led by Executive Director **Darryl Smith**, who serves on HDC's Board.*

In 2021, spurred by George Floyd's murder, HDC convened 115 stakeholders – a mix of banks and partners across the sector who came together to discuss how they could work collectively to address the racial disparities in Washington. HDC felt it was important to follow up their statements about equity by putting values into practice. This convening was the start of the Black Home Initiative (BHI) Network, a network of nonprofits, philanthropy, private companies, governments and associations in Washington committed to increasing Black homeownership through their Black Homeownership 7-point Plan.

The Black Homeownership 7-point plan focuses on: Marketing and Outreach, Pre-/Post Purchase Counseling, Purchase Supports & Tools, Credit and Lending, Housing Production, Policies and Practices, and Sustaining Existing Owners. In 2022, HDC incorporated the Policies & Practices segment into its strategic plan.

## **Racial Restrictive Covenants Project 2022**

Washington's state legislature wanted to further understand the legacy of covenants in the state and how they impacted both past and current residents. Through [HB 1335](#), introduced by State Representative Javier Valdez and signed by Governor Jay Inslee in May 2021, the state legislature invested in the University of Washington and Eastern University to research where racially restrictive covenants were across the state. In 2022, about 50,000 properties with racially restrictive covenants had been documented. To date, over 60,000 racially restrictive covenants have been documented throughout Washington. The University of Washington later created maps showing the reality of racially restrictive covenants in Washington's communities.



The locations of over 44,000 properties with racial restrictions and examples of restriction language.<sup>7</sup>

As a result of the 2021 legislative session, Washington state's Department of Commerce was tasked with creating the Homeownership Disparities Work Group. Convened by the Department in fall 2021, HDC's Executive Director, Patience Malaba, and Homesight's Executive Director, Darryl Smith, became part of the Work Group, a group of 32 stakeholders that spent a year reviewing the data on racial restrictive covenants in the state and developing best practices to "remove barriers to homeownership for Washingtonians of color."<sup>8</sup>

While the research into racially restrictive covenants was being conducted, HDC and HomeSight worked to build a coalition and find legislative champions that could help implement a solution.

### Homeownership Rates in King County (2022):<sup>9</sup>

- White: 61.2%
- Asian: 57.9%
- Native American: 38.3%
- Latinx: 35%
- Black: 28.2%

## Overview of the Legislation

The Covenant Homeownership Act, HB 1474, was passed on April 23, 2023, with the goal of increasing homeownership opportunities for those most impacted by Washington state's history of housing discrimination due to racially restrictive real estate covenants.

The Act required the Washington State Housing Finance Committee to complete a detailed research study, which was carried out by the National Fair Housing Alliance (NFHA) and released in March 2024. The study accomplished the following:

1. "Documented historical discrimination in housing and its impacts on current homeownership opportunities in Washington;
2. Analyzed the effectiveness of current programs and policies;
3. Recommended an approach to remedy lingering inequities."<sup>10</sup>

The study confirmed the state's role (both active and passive) in furthering housing discrimination against marginalized groups. It found that the effects of this discrimination continue to impact these groups today as evidenced by the lower homeownership rates and net worth of most of these groups.<sup>11</sup> The study recommended a program with a customized approach to downpayment assistance specifically tailored to those that had been historically and intentionally excluded from homeownership opportunities as the most effective solution to reducing the racial homeownership gap and remedying the disparities in wealth.

The full study can be found [here](#) and an executive summary of the study [here](#).

### ***The Covenant Homeownership Program***

The Act created a homebuyer assistance program and funding source based on the research study's results. This new assistance program, the Covenant Homeownership Program, is a Special Purpose Credit Program under the Equal Opportunity Act that provides downpayment and closing cost assistance.

The Program is funded through a new state treasury account: the Covenant Homeownership Account. Framed as "righting wrongs and helping homebuyers," Malaba says, funds from the account come from a document recording assessment fee of \$100 that is charged on every real estate transaction as of January 2024. As of early August 2024, the fee resulted in \$13 million reserved in loans for the 2024 program which they anticipate will increase as real estate transactions pick up. The fee is expected to generate between \$75-\$100 million each year.

### ***Details of the Legislation***

The Act establishes a "harm-based" statute, signifying that the state and local governments caused financial harm by allowing and perpetuating racially restrictive covenants.<sup>12</sup> Under the Covenant Homeownership Program, a homebuyer can receive up to 20% of the cost of the home in down payment assistance through a 0% interest loan.

Currently, the program serves those at or below 100% of the Area Median Income (AMI), however, the goal is to serve up to 140% of AMI. To be eligible for the program, one must meet the following criteria:

- Household income at or below 100% AMI<sup>13</sup>
- First-time homebuyer
- Washington resident who was a resident before the enactment of the federal Fair Housing Act on April 11, 1968, or a descendant of such a resident
- The individual who lived in Washington before April 1968 is Black, Hispanic, Native American, Alaska Native, Native Hawaiian, or other Pacific Islander, Korean or Asian Indian

Homebuyers who are selected for the Covenant Program must prequalify for a loan from a lending institution and take a free homebuyer education class, virtually or in person. Selected homebuyers must also provide documentation to confirm the residency and race of the person (themselves or their relative) who was a resident before April 1968. The required documentation looks different depending on the family and what they can find; examples include birth certificates and church records. Counselors, partners, and Washington State Housing Finance Commission (WSHFC) staff are working with qualifying applicants to pull together this documentation.

The program is administered by the Washington State Housing Finance Committee (which sits under the Commission) whose program activities and performance around the Covenant Homeownership Program Study and the Covenant Homeownership Program are in turn overseen by the Covenant Homeownership Program Oversight Committee, chaired by Malaba. Smith also sits on the Committee.

Read the full Covenant Homeownership Act legislation [here](#).

### ***Passing the Legislation: The Process***

HDC had early conversations with Representative Frank Chopp (D - Seattle) about the need for a legislative solution to the racial wealth gap in Washington/Seattle. They hired Bambi Chávez as their Homeownership Policy Manager to support this work and convene the Covenant Homeownership Workgroup in May 2022.

The coalition of 50 focused on the legacy of the covenants in Seattle and how to delineate barriers to Black homeownership through policy.

Within the larger coalition, a smaller planning group, the Covenant Homeownership Strategy Team, was responsible for securing the bill sponsors and working with lead bill advocates – the people they were relying on as key messengers. This core strategy team played an integral role in the rollout of the legislation, from showing up at meetings and being able to speak, to inviting key sector players to lend their voices.

Chávez led the coalition’s legislative testimony work and helped key messengers prepare to speak on behalf of the legislation. At a dedicated public hearing for the bill, over 2000 people expressed support for it in addition to over 40 people that testified. This dedicated public hearing was an opportunity for HDC and the coalition to make a case in support of the bill and share their story.

### ***Passing the Legislation: Gaining Bipartisan Support***

The HDC workgroup continued to mobilize within and outside of the legislature so that in December 2022, the year prior to the bill’s introduction, it had 40 cosponsors. They were thoughtful about who could potentially oppose the legislation, the messengers they used to gain support and the champions they identified.

The Black Legislative Caucus and Democratic Caucus adopted the bill as a priority, which was important to get the bill through committee.

Building a case for bipartisan support was key to passing the legislation. The HDC Strategy Team effectively addressed concerns that the bill would increase the price of homeownership due to the revenue source of the Covenant Homeownership Account. It became almost impossible to counter their argument around the elegance of the document recording fee as the revenue source as there was a direct connection between document recording and covenant recording.

The Covenant Homeownership Workgroup made the case with local information, like showing the 25 restrictive covenants in a Representative’s district that kept people from building wealth. In the end, only one Republican Senator opposed the bill.

## Passing the Legislation: The Results



Governor Inslee signing HB 1474 into law in [signing ceremony](#) at Seattle's Northwest African American Museum– May 8, 2023.<sup>14</sup>

The bill was passed with strong Democratic and Republican majorities in one session, something that is rare but was possible because of the work that went into the legislation and building support long before it was introduced. The bill's success was also due in part to significant external support. Both the *Seattle Times* and Washington REALTORS Chapter endorsed the legislation.

The Black Home Initiative's policy advocacy efforts led by the HDC workgroup with legislative champions Representative Jamila Taylor (D – Federal Way), Representative Frank Chopp (D) and Senator John Lovick (D), resulted in 44 members of the House of Representatives and 14 members of the state Senate who sponsored the legislation.

## Significance of the Legislation

Washington's Covenant Homeownership Act represents the first of its kind use of a special purpose credit program by a state government to address the role government institutions have played in housing discrimination. The Act seeks to reduce the racial disparities in homeownership and barriers in access to credit that the state has created for Black, Latinx and Indigenous people, Asians, and other historically marginalized communities.

Through mortgage assistance in the form of interest free down payment loans, the legislation provides a form of compensation to victims and families who are still feeling the impacts of racially restrictive covenants.



## Status of Implementation

The program launched on July 1, 2024, when the Washington State Housing Finance Commission began awarding down payment assistance loans. So far, there has been significant interest in the program from all over the state. As of September 2024, two loans have been closed utilizing CHA dollars.

One of the first CHA loans was to a single Black woman who purchased a home in Seattle. The loan had \$129,000 of Covenant Homeownership dollars as a second mortgage with 0% interest, as well as \$30,000 of additional downpayment assistance and funding from other sources. For her home to be purchased in Seattle, “it simply would not have happened without CHA,” says Smith.

The Commission is working to ensure that the community across the state is aware of the opportunity without shining a national spotlight for groups who would oppose an initiative like the Covenant Program. They have real estate agents doing TikTok ads and lenders completing training through the Commission if they are interested in taking advantage of the program. The Commission expects word of mouth to promote the program as a means of further exposure to attract applicants.

Because of its first in the nation status, they have had to be extremely careful with their choice in language from the very beginning so as not to cause undue trouble for themselves. The HDC team says they run every part of their talking points and program FAQ through legal with the help of their legal counsel partner, Pacifica Low Group who also helped draft the CHA legislation.

### ***What's Next?***

The hardest part of implementation, Malaba says, is pulling together the required documents to show proof of qualification for CHA as they are difficult to access and can be retraumatizing for families. The Commission is questioning if there could be expanded access to ancestry.com or new infrastructure that they recommend the state sets to become a national motto around genealogical access to documents.

An annual report must be submitted to the state legislature by December 31, 2025 and subsequently by December 31st of each year to evaluate the effectiveness of the Covenant Homeownership program. Every five years, the Commission will update and conduct the Covenant Homeownership Program Study to recommend improvements to the program and continue to evaluate how effective the program is based on the results of a renewed study.

## Advocacy Lessons from HDC and HomeSight

Washington's success in passing the bipartisan Covenant Homeownership Act, holds lessons for other affordable housing legislation in an increasingly polarized political environment.

Some best practice recommendations from HDC and HomeSight in advocating for similar legislation in other states are:

1. Start with a problem and come up with ways to address it. Build a coalition around this.
2. Get core champions who can drive the work in partnership with you. By the same token, be strategic in identifying the voices that might not support the bill and how to win them over or neutralize them.
3. Speak from the same page and solidify your messaging.
4. Have early conversations with key stakeholders and legislators before the work begins to roll out.
5. Coordinate your efforts to roll out the work as effectively as possible.
6. Work collectively towards a unique solution – there is immense value and power in working together and in doing something different.

## Endnotes

[1] [https://depts.washington.edu/civilr/covenants\\_report.htm](https://depts.washington.edu/civilr/covenants_report.htm)

[2] <https://www.wshfc.org/covenant/WSHFCCovenantHomeownershipExecSumMarch2024.pdf>

[3] <https://www.seattletimes.com/opinion/creating-an-ecosystem-for-black-homeownership-in-wa/#:~:text=Today%2C%20only%2035%25%20of%20Black,households%20have%20zero%20net%20worth>

[4] <https://www.census.gov/quickfacts/fact/table/WA/POP010220> (Source for Population and Racial Composition)

[5] <https://www.policymap.com/newmaps/#/>

[6] <https://www.policymap.com/newmaps/e/www> (Source for White Households to Black Households)

[7] [https://depts.washington.edu/covenants/map\\_cov\\_king.shtml](https://depts.washington.edu/covenants/map_cov_king.shtml)

[8] [https://app.leg.wa.gov/ReportsToTheLegislature/Home/GetPDF?fileName=Homeownership%20Disparities%20Recommendations%20Report%20-%20FINAL%20-%20Sep2022\\_e0b6a028-62cf-478c-aa9b-52e5e5c66609.pdf](https://app.leg.wa.gov/ReportsToTheLegislature/Home/GetPDF?fileName=Homeownership%20Disparities%20Recommendations%20Report%20-%20FINAL%20-%20Sep2022_e0b6a028-62cf-478c-aa9b-52e5e5c66609.pdf)

[9] <https://www.policymap.com/newmaps/e/www> (Source for White through Black)

[10] <https://www.wshfc.org/covenant/WSHFCCovenantHomeownershipExecSumMarch2024.pdf>

[11] <https://www.wshfc.org/covenant/index.htm>

[12] <https://depts.washington.edu/covenants/laws.shtml>

[13] <https://wshfc.org/covenant/> (Source for all bullet points)

[14] <https://depts.washington.edu/covenants/laws.shtml>

# Acknowledgements

Thank you to the following people who contributed to this case study:

- Bambi Chávez, Homeownership Policy Manager, Housing Development Consortium
- Darryl Smith, Executive Director, HomeSight
- Patience Malaba, Executive Director, Housing Development Consortium
- Tolu Akintoba, Policy Development Associate, Housing Partnership Network

---

## Contact

HPN Policy Team  
policy@housingpartnership.net  
1120 G. St NW, Suite 800  
Washington DC, 20005

[www.housingpartnership.net](http://www.housingpartnership.net)