

**RCW 43.181.040 Special purpose credit programs.** (1) As part of the covenant homeownership program, the department shall contract with the commission to design, develop, implement, and evaluate one or more special purpose credit programs to reduce racial disparities in homeownership in the state by providing down payment and closing cost assistance. The contract must authorize the commission to use the contract funding as follows:

(a) The contract must authorize the commission to use up to one percent of the contract funding for costs related to administering the program including, but not limited to, costs related to completing a covenant homeownership program study required under RCW 43.181.030, and other administrative, data collection, and reporting costs;

(b) The contract must authorize the commission to use up to one percent of the contract funding to provide targeted education, homeownership counseling, and outreach about special purpose credit programs created under this section to black, indigenous, and people of color and other historically marginalized communities in Washington state, including outreach to relevant affinity groups for mortgage lenders; and

(c) The contract must authorize the commission to use the remainder of the contract funding to provide down payment and closing cost assistance to program participants. This portion of the contract funding may not be used to provide any type of assistance other than down payment and closing cost assistance.

(2) The commission shall create one or more special purpose credit programs to provide down payment and closing cost assistance for the benefit of one or more economically disadvantaged classes of persons identified in a covenant homeownership program study under RCW 43.181.030. In creating a special purpose credit program, the commission must consider the evidence-based documentation and programmatic and policy recommendations set forth in the initial covenant homeownership program study and any subsequent program studies. If the covenant homeownership program study identifies an economically disadvantaged class or classes of persons that share one or more common characteristics such as, race, national origin, or sex and the board of the commission finds it necessary to consider this information in tailoring a special purpose credit program to provide credit assistance to economically disadvantaged classes of persons, the commission may consider these characteristics in designing and implementing the program.

(3) At minimum, a special purpose credit program authorized under this section must:

(a) Provide loans for down payment and closing cost assistance to program participants that can be combined with other forms of down payment and closing cost assistance;

(b) Require a program participant to repay loans for down payment and closing cost assistance at the time that the house is sold; and

(c) Be implemented in conjunction with the commission's housing finance programs.

(4) To be eligible to receive down payment and closing cost assistance through a special purpose credit program authorized under this section, a special purpose credit program applicant must:

(a) Have a household income at or below 100 percent of the area median income;

(b) Be a first-time home buyer; and

(c) (i) Be a Washington state resident who:

(A) Was a Washington state resident on or before the enactment of the federal fair housing act (Title VIII of the civil rights act of 1968; P.L. 90-284; 82 Stat. 73) on April 11, 1968, and was or would have been excluded from homeownership in Washington state by a racially restrictive real estate covenant on or before April 11, 1968; or

(B) Is a descendant of a person who meets the criteria in

(c) (i) (A) of this subsection;

(ii) Records that show a person's address on or about a specific date or include a reference indicating that a person is a resident of a specific city or area on or about a specific date may be used to provide proof that a person satisfies the criteria in (c) (i) of this subsection, such as genealogical records, vital records, church records, military records, probate records, public records, census data, newspaper clippings, and other similar documents.

(5) The commission may adopt rules, and shall adopt program policies, as necessary to implement this section. Program rules or policies must include procedures and standards for extending credit under the special purpose credit program, including program eligibility requirements. From time to time, including in response to a covenant homeownership program study's evaluation of program efficacy, the board of the commission may amend the special purpose credit programs, rules, and policies.

(6) By July 1, 2024, one or more of the special purpose credit programs must begin providing down payment and closing cost assistance to program participants.

(7) By December 31, 2025, and by each following December 31st, and in compliance with RCW 43.01.036, the commission shall submit an annual report to the appropriate committees of the legislature on the progress of the special purpose credit program or programs developed under this section. The report shall include, at minimum, the program eligibility requirements, the type and amount of down payment and closing cost assistance provided to program participants, the number of program participants and their corresponding eligibility categories, the location of property financed, and program outreach efforts. The report must be posted on the commission's website. [2023 c 340 § 6.]

**Short title—2023 c 340:** "This act may be known and cited as the covenant homeownership account and program act." [2023 c 340 § 12.]

**Conflict with federal requirements—2023 c 340:** "If any part of this act is found to be in conflict with federal requirements that are a prescribed condition to the allocation of federal funds to the state, the conflicting part of this act is inoperative solely to the extent of the conflict and with respect to the agencies directly affected, and this finding does not affect the operation of the remainder of this act in its application to the agencies concerned. Rules adopted under this act must meet federal requirements that are a necessary condition to the receipt of federal funds by the state." [2023 c 340 § 14.]