

CERTIFICATION OF ENROLLMENT  
**SECOND SUBSTITUTE HOUSE BILL 1696**

69th Legislature  
2025 Regular Session

Passed by the House March 6, 2025  
Yeas 57 Nays 39

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**Speaker of the House of  
Representatives**

Passed by the Senate April 14, 2025  
Yeas 30 Nays 19

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**President of the Senate**

Approved

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**Governor of the State of Washington**

CERTIFICATE

I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SECOND SUBSTITUTE HOUSE BILL 1696** as passed by the House of Representatives and the Senate on the dates hereon set forth.

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**Chief Clerk**

FILED

**Secretary of State  
State of Washington**

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SECOND SUBSTITUTE HOUSE BILL 1696

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Passed Legislature - 2025 Regular Session

State of Washington

69th Legislature

2025 Regular Session

**By** House Appropriations (originally sponsored by Representatives Taylor, Peterson, Ryu, Ortiz-Self, Stearns, Salahuddin, Duerr, Reed, Cortes, Street, Mena, Entenman, Hill, Gregerson, Simmons, Obras, Santos, Ramel, Donaghy, Berry, Goodman, Parshley, Stonier, Scott, Fosse, Berg, Macri, Kloba, Nance, Hunt, Springer, Fey, Walen, Leavitt, Reeves, Bergquist, Bernbaum, Doglio, Zahn, Pollet, Ormsby, and Thomas)

READ FIRST TIME 02/28/25.

1 AN ACT Relating to modifying the covenant homeownership program  
2 by adjusting the area median income threshold for program  
3 eligibility, introducing loan forgiveness, and modifying the  
4 oversight committee membership; and amending RCW 43.181.040 and  
5 43.181.050.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 **Sec. 1.** RCW 43.181.040 and 2023 c 340 s 6 are each amended to  
8 read as follows:

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

15 (a) The contract must authorize the commission to use up to one  
16 percent of the contract funding for costs related to administering  
17 the program including, but not limited to, costs related to  
18 completing a covenant homeownership program study required under RCW  
19 43.181.030, and other administrative, data collection, and reporting  
20 costs;

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

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

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

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

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

34 (b) ~~((Require))~~ (i) Except as provided in (b)(ii) of this  
35 subsection, require a program participant to repay loans for down  
36 payment and closing cost assistance at the time that the house is  
37 sold;

38 (ii) For a program participant who has a household income at or  
39 below 80 percent of the area median income for the county where the  
40 home is located at the time that the loan is made, a special purpose

1 credit program authorized under this section may fully forgive a loan  
2 entered into at any time after enactment of the special purpose  
3 credit program once the loan has been outstanding for at least five  
4 years; and

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

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

10 (a) Have a household income at or below (~~100~~) 120 percent of  
11 the area median income for the county where the home is located;

12 (b) Be a first-time homebuyer; and

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

14 (A) Was a Washington state resident on or before the enactment of  
15 the federal fair housing act (Title VIII of the civil rights act of  
16 1968; P.L. 90-284; 82 Stat. 73) on April 11, 1968, and was or would  
17 have been excluded from homeownership in Washington state by a  
18 racially restrictive real estate covenant on or before April 11,  
19 1968; or

20 (B) Is a descendant of a person who meets the criteria in  
21 (c) (i) (A) of this subsection;

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

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

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

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

11 **Sec. 2.** RCW 43.181.050 and 2023 c 340 s 7 are each amended to  
12 read as follows:

13 (1) The department of financial institutions shall establish the  
14 covenant homeownership program oversight committee consisting of the  
15 following members appointed by the governor, except for the  
16 legislative members who must be appointed by the president of the  
17 senate or the speaker of the house of representatives as described in  
18 this section:

19 (a) One person who meets the eligibility criteria for the special  
20 purpose credit program described in RCW 43.181.040(4) and is from  
21 east of the crest of the Cascade mountains;

22 (b) One person who meets the eligibility criteria for the special  
23 purpose credit program described in RCW 43.181.040(4) and is from  
24 west of the crest of the Cascade mountains;

25 (c) One representative of an organization that operates a special  
26 purpose credit program, counseling service, or debt relief program  
27 that serves persons who were commonly subject to unlawful exclusions  
28 contained in racially restrictive real estate covenants as defined in  
29 RCW 43.181.010;

30 (d) One representative of a (~~community-based~~) nonprofit  
31 organization that (~~specializes in the development of permanently~~  
32 ~~affordable housing that serves~~) provides housing counseling to  
33 persons who were commonly subject to unlawful exclusions contained in  
34 racially restrictive real estate covenants;

35 (e) One representative of the real estate sales profession;

36 (f) One representative of the home mortgage lending profession  
37 who has a minimum of five years' lending or underwriting experience;

38 (g) One representative of the nonprofit affordable housing  
39 development industry;

1 (h) Two senators, one from each of the two largest caucuses,  
2 appointed by the president of the senate; and

3 (i) Two members of the house of representatives, one from each of  
4 the two largest caucuses, appointed by the speaker of the house of  
5 representatives.

6 (2)(a) Nonlegislative members shall each serve a three-year term,  
7 subject to renewal for no more than one additional three-year term.  
8 The oversight committee shall develop rules that provide for the  
9 staggering of terms so that, after the first two years of the  
10 committee's existence, the terms of one-third of the nonlegislative  
11 members expire each year.

12 (b) Legislative members shall each serve a two-year term, subject  
13 to renewal for no more than one additional two-year term.

14 (c) On the expiration of the term of each member, the governor,  
15 president of the senate, or the speaker of the house of  
16 representatives, as authorized under subsection (1) of this section,  
17 shall appoint a successor to serve for a term of two years if the  
18 successor is a legislative member, or three years if the successor is  
19 a nonlegislative member.

20 (d) The governor may remove a nonlegislative member of the  
21 oversight committee for cause. The president of the senate may remove  
22 a senator serving as a legislative member of the oversight committee  
23 for cause, and the speaker of the house of representatives may remove  
24 a member of the house of representatives serving as a legislative  
25 member of the oversight committee for cause.

26 (e) Vacancies on the oversight committee for any reason must be  
27 filled by appointment as authorized under subsection (1) of this  
28 section for the duration of the unexpired term.

29 (3) The oversight committee:

30 (a) Shall oversee and review the commission's activities and  
31 performance related to the program, including the commission's  
32 creation and administration of one or more special purpose credit  
33 programs authorized in RCW 43.181.040;

34 (b) Shall work with the department of financial institutions to  
35 convene meetings, create a charter and operating procedures, and to  
36 coordinate the oversight committee's ongoing activities;

37 (c) Shall convene the initial meeting of the oversight committee  
38 and select a chair by October 1, 2023;

39 (d) Shall work with the department of financial institutions to  
40 convene a meeting at least once a quarter and may hold additional

1 meetings at the call of the chair or by a majority vote of the  
2 members of the committee;

3 (e) May conduct its meetings by conference telephone call,  
4 videoconference, or using similar technology that enables all persons  
5 participating in the meeting to hear each other at the same time; and

6 (f) May, from time to time, make recommendations to the  
7 appropriate committees of the legislature regarding the program.

8 (4) (a) The oversight committee is a class one group under RCW  
9 43.03.220. Except as provided in (b) of this subsection, members of  
10 the committee receive no compensation for their services as members  
11 of the committee but may be reimbursed for travel and other expenses  
12 in accordance with rules adopted by the office of financial  
13 management.

14 (b) As authorized by RCW 43.03.220, the department of financial  
15 institutions may provide a stipend to individuals who are low income  
16 or have lived experience to support their participation on the  
17 oversight committee.

18 (5) (a) The department of commerce and the commission shall work  
19 together to supply the oversight committee and the department of  
20 financial institutions with any information requested by the  
21 oversight committee or the department of financial institutions that  
22 the oversight committee or the department of financial institutions  
23 deems necessary for the committee to carry out its duties under this  
24 section. This information may include, but is not limited to, books,  
25 accounts, records, policies, procedures, files, and information from  
26 relevant third parties.

27 (b) Any information shared among the oversight committee, the  
28 department of financial institutions, the department of commerce, and  
29 the commission that is confidential and exempt from public disclosure  
30 under RCW 42.56.270 shall remain confidential when received by the  
31 receiving party.

32 (6) The department of commerce and the commission must report to  
33 the oversight committee on a quarterly basis. The report must address  
34 the results of targeted education, homeownership counseling, and  
35 outreach efforts by the department of commerce as authorized under  
36 this chapter, and the results of any special purpose credit program  
37 formed by the commission under this chapter, and down payment and  
38 closing cost assistance to program participants.

39 (7) (a) The department of financial institutions shall:

1 (i) Provide subject matter expertise, administrative assistance,  
2 and staff support to the oversight committee; and  
3 (ii) Work in coordination with the department of commerce and the  
4 commission to conduct outreach and financial education to the  
5 communities served by this chapter, in accordance with RCW  
6 43.320.150.  
7 (b) The department of financial institutions may:  
8 (i) Have one or more staff present at oversight committee  
9 meetings;  
10 (ii) Employ staff necessary to carry out the purposes of this  
11 section; and  
12 (iii) Hire outside experts and other professionals it deems  
13 necessary to carry out its duties under this section.  
14 (8) The department of commerce shall reimburse the department of  
15 financial institutions for costs related to the oversight committee  
16 from the moneys that the legislature appropriates to the department  
17 of commerce for this purpose from the covenant homeownership account  
18 under RCW 43.181.020(1).

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