



# Increase Homeownership and Protect Homeowners from Home Loss and Equity Stripping

Homeownership is a primary pathway to housing stability and wealth creation. For many low-income families and Black, Indigenous, and people of color (BIPOC), the path is blocked by discrimination, predatory practices, and inadequate regulation. An increasingly commodified housing market, high interest rates, and the soaring costs of homeowners insurance and maintenance limit homeownership opportunities for historically marginalized communities and first-time homebuyers.

Many of these same problems also threaten the housing stability of low-income families that have managed to achieve homeownership. A growing number of these homeowners face challenges to sustaining homeownership that can be traced to patterns of

structural racism and insufficient governmental oversight and support.

The next administration should ensure that financially vulnerable and historically excluded families can become homeowners and that existing homeowners can keep their homes, even when faced with financial hardships. The next administration must protect homeowners from unfair and abusive mortgage servicing practices and predatory loan products designed to strip home equity. Finally, the new administration must continue the current administration's historic efforts to modernize its housing stock through green and resiliency upgrades supported by *Inflation Reduction Act* (IRA) programs.



# Recommendations

## The Consumer Financial Protection Bureau (CFPB) should finalize important regulations to keep low-income families in their homes and improve transparency of mortgage servicing data.

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- **Finalize and implement updated loss mitigation regulations.** CFPB should finalize its July 2024 proposed rule to amend the loss mitigation rules in Regulation X. The rule keeps families in their homes by revising existing regulations, improving loss mitigation practices, and preventing avoidable foreclosures.
- **Finalize the Property Assessed Clean Energy (PACE) proposed rule.** CFPB should finalize its 2023 proposed PACE rule to establish key consumer protections for PACE loans that enable single-family homeowners to finance green home improvements. Since its inception, residential PACE has operated without robust consumer protection measures, resulting in predatory practices that harm low- and moderate-income homeowners, particularly in BIPOC communities.
- **Increase transparency of mortgage servicing and delinquency data.** The CFPB should collaborate with other federal agencies to make mortgage servicing and delinquency data available to the public through expanded collection and reporting, including data disaggregated by race, ethnicity, and language preferences. Accurate mortgage servicing and delinquency data is necessary to target policy interventions, allocate resources effectively, and identify predatory lending and abusive practices.

## The Department of Agriculture (USDA) must strengthen support for sustainable homeownership in rural areas.

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USDA's single-family direct loan program helps low- and very-low-income families finance homeownership in eligible rural areas through interest rate reductions for borrowers in the program. More than 200,000 households rely on the direct single-family loan program, and the program serves many of the poorest homeowners in the country.

- **Improve loss mitigation options for borrowers who experience financial hardship.** Borrowers in the USDA direct loan program do not have the same access to loss mitigation tools as borrowers with other federally-backed loans. Current USDA regulations improperly limit access to moratorium (forbearance) relief. Further, USDA does not offer loan modification options designed to provide payment relief, and borrowers are barred from taking advantage of the meager loss mitigation options that are available once their loans have been accelerated. USDA must revise the moratorium regulation, permit loss mitigation after acceleration, and work with Congress to expand the loss mitigation tools available to borrowers so more rural families can keep their homes.
- **Eliminate the subsidy recapture requirement.** The USDA direct loan program offers subsidies to eligible borrowers to reduce their monthly mortgage payments. Currently, borrowers are required to repay some or all of the subsidy when their loans mature or are paid off. This recapture requirement undermines the intended purpose of the payment assistance program, often exacerbating financial hardship and making it even more difficult for low-income families to keep their

homes or build wealth. The next administration should work with Congress to overturn the subsidy recapture requirement.

- » USDA must also ensure that recapture obligations are calculated using transparent and consistent guidelines that allow borrowers to understand and, if appropriate, challenge subsidy recapture demands.

- **Minimize referrals to the Treasury Offset Program (TOP).** USDA is one of the only lenders in the mortgage market that engages in debt collection before a foreclosure occurs. The agency regularly refers borrowers in the direct loan program to the Treasury Offset Program, which garnishes tax refunds and federal benefits from poor families who rely on these wages and benefits to pay for essential needs like food and health care. USDA should take steps

to minimize the Treasury referrals by improving communications with delinquent borrowers and offering loss mitigation alternatives that do not deprive borrowers of essential benefits.

- **Overhaul servicing operations.** USDA's servicing of borrowers' accounts suffers from systemic problems that exacerbate delinquencies, increase the risk of home loss, and unreasonably delay everything from providing basic account information to applying payments to fixing servicing errors. USDA must:
  - » Ensure that borrowers have access to accurate account information and payment histories within 30 business days of a request;
  - » Apply payments promptly; and
  - » Institute policies that protect borrowers from the consequences of the agency's own servicing errors.

## The Department of Energy (DOE) should increase oversight of IRA implementation in financially vulnerable and historically excluded communities.

- **The DOE should more closely monitor IRA implementation to ensure low-income borrowers are protected from predatory actors.** The Department of Energy (DOE) should play a proactive role in monitoring the state-level implementation of *Inflation Reduction Act* (IRA) programs and grants to protect homeowners from predatory financing products and practices. Without adequate oversight and regulation, IRA implementation could exacerbate gentrification, displacement, inequity, and discrimination by replicating racialized, predatory lending practices. In order to preserve low and moderate-income and BIPOC homeownership, energy efficiency investments must be:

- » Affordable for homeowners, as determined by individualized ability-to-pay assessments;
- » Transparent, and the parties marketing energy efficiency products and financing to homeowners must not have conflicts of interest;
- » Audited and inspected to make sure the work at a specific property is necessary, appropriate, and effective;
- » Monitored by agencies to prevent any wealth-stripping; and
- » Paired with a pathway to relief for homeowners if their rights are violated.

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