THE VILLAGE GREEN
OF MAPLEWOOD & SOUTH ORANGE

UPDATE: South Orange-Maplewood Coalition on Race Announces Loan Program to Incentivize Black Homebuyers

Written By South Orange/Maplewood Community Coalition On Race March 31, 2022

Updated April 1, 2022: This release has been updated with supporting information on the legality of the program.

From the South Orange-Maplewood Community Coalition on Race:

In an effort to address racialized housing inequities, the South Orange-Maplewood Community Coalition on Race is launching a loan program—the Wealth Gap Equalizer Loan (WGEL)—with the goal of supporting a new generation of Black and non-white Hispanic homebuyers in South Orange and Maplewood, NJ (SOMA).

The historical racial inequities in homeownership that are still present in Essex County, NJ today threaten to constrain the racial diversity of South Orange and Maplewood. NJ. In fact, non-Hispanic White households in Essex County New Jersey are 41% more likely to own a home than their Black and non-white Hispanic counterparts. This gap is greater today than it was fifty years ago, prior to the passage of the Fair Housing Act.

The WGEL program is structured to narrow this ownership gap by making home-buying more attainable for Black and non-white Hispanic families in the South Orange and

Maplewood communities. WGEL is a Special Purpose Credit program that offers qualifying first-time home-buyers loans up to $7,500.

The program relies on interest-free, unsecured loans that will enable these historically disadvantaged families to successfully compete in the home buying process by providing supplemental cash for purchase offers, down payments, closing costs, legal fees and other transactions related to home buying.

In collaboration with HUD-approved counseling agencies, mortgage lenders, and real estate professionals serving the South Orange and Maplewood communities, the Community Coalition on Race has designed the program to ensure that WGEL loan applicants receive counseling, referrals, and reliable support throughout the application and home-buying process. These loans feature a five-year repayment plan with no early penalties, and are designed to provide homebuyers with their funds as quickly as possible, if approved. The Community Coalition is the administrator of the loans.

“I am so excited to partner with the Community Coalition on Race to intentionally recruit and welcome new families to South Orange while doing our part to address the unconscionable racial homeownership disparities that plague New Jersey,” said Sheena Collum, Village President of the Township of South Orange. “The diversity, progressive values, and inclusive nature of our towns are the cornerstone of what makes us so desirable, and this special purpose loan reinforces that commitment.”

Dean Dafis, Mayor of Maplewood Township in New Jersey added, “The Community Coalition’s demonstrated work in equity and integration is further cemented with its new innovative initiative, the Wealth Gap Equalizer Program. As a housing and social justice advocate and former member of the Coalition’s Residential Committee which conceived this program, I’m particularly excited about and very proud of this strategy to better integrate SOMA with Black and non-White Hispanic first time homeowners. Congratulations to the Coalition and to SOMA – this is yet another reason to move to South Orange and Maplewood!”

The Coalition also has provided supporting information on the legality of the program: “The Community Coalition on Race’s Residential Committee has spent many months and dollars investigating the legality of our loan offering, and all current indicators point to moving forward,” reports Program Director Audrey Rowe. “Our loan is based on the § 1002.8 Special Purpose Credit Program (SPCP) as defined under the Consumer

Financial Protection Bureau which is attached. We are covered under item 5 in the attached overview program description which states that 'In designing a special purpo credit program under § 1002.8(a), a for-profit organization must determine that the program will benefit a class of people who would otherwise be denied credit or would receive it on less favorable terms. This determination can be based on a broad analysis using the organization's own research or data from outside sources, including governmental reports and studies.' Some of the Community Coalition on Race's "broad analysis" is included in the attached Special Purpose Plan for the *Wealth Gap Equalizer Loan (WGEL)*."

To learn more and to apply for the Wealth Gap Equalizer Loan, go to https://choosesoma.com/move/WGEL.

About The South Orange-Maplewood Community Coalition on Race

The South Orange-Maplewood Community Coalition on Race is a nationally recognized non-profit focused on racial integration and inclusion in suburban communities for over 25 years. Founded in 1996 by a diverse group of concerned residents, government members, and business owners, the organization is committed to building and preserving a unique, suburban community that is free of racial segregation in all areas of community life, including housing patterns, schools, leadership, and community involvement.

We envision a community where prospective homebuyers are shown all available homes and are welcomed into our diverse and truly inclusive community made up of individuals of varied races, faiths, and economic backgrounds. The Wealth Gap Equalizer Loan is part of a broad effort to address home-buying inequities in our towns, including a Realtor Equity Town Hall Training program, Unconscious Bias Trainings for organizations, and Conversations on Race. Learn more about our work at www.communitycoalitiononrace.org.

SOUTH ORANGE/MAPLEWOOD COMMUNITY COALITION ON RACE
WEALTH GAP EQUALIZER LOAN (WGEL)
SPECIAL PURPOSE PLAN[1]
(updated 2022.02.26)

PURPOSE: The Wealth Gap Equalizer Loan (WGEL) is an unsecured, low interest loan intended to help close the racial homeownership gap by reducing financial barriers for prospective Black and non-White Hispanic home buyers purchasing in the South Orange/ Maplewood NJ community. The loan provides supplemental cash for making home purchase offers, down payments, closing costs, legal fees and other transactions related to home purchase.

BACKGROUND:
(See attached document from US Department of Housing and Urban Development regarding Special Purpose Credit Programs)

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I. **Housing in New Jersey is a Story of Racialized Housing Inequity and Barriers to Property Ownership[2]**

A. New Jersey was one of the first Northern states to restrict the vote to white men. The state also opposed the Emancipation Proclamation and was the *last* Northern state to abolish slavery.

B. After the Civil War, New Jersey also refused to ratify the Reconstruction Amendments.

C. In the first half of the 20th century, racially restrictive covenants—which prohibit the purchase, lease, or occupation of a property by a certain group of people —prevented Black homeownership across the nation and in New Jersey. These covenants were used by white communities to prevent Black people from living near them.

D. Banks and other financial institutions explicitly denied Black World War II veterans to use the homeownership opportunities through the GI Bill, by denying them mortgages.

[1] This plan is created pursuant to the requirements of Consumer Financial Protection Bureau "Special Purpose Credit Program," 12 CFR § 1002.8(a).

[2] New Jersey Institute of Social Justice,

last visited 1/26/22), pp. 7-10.

E. Redlining dominated the housing market throughout the early to mid-20th century in New Jersey, leaving Black communities shut out of homeownership opportunities. Though redlining has come to a legal end, evidence of unequal lending and investment opportunities continue to pervade New Jersey cities today.

II. **New Jersey's RACIAL WEALTH GAP is dramatic and far exceeds the national average.**

a. The average white household in New Jersey has over fifty times the wealth of Black and Hispanic households throughout the state.[3]

b. The median household net worth for New Jersey's white families is $352,000—the highest in the nation—but for New Jersey's Black and Hispanic families it is just $6,100 and $7,300, respectively.[4]

c. This disparity pales in comparison to the national reality. Nationwide, the net worth of white households is $141,825 whereas the net worth of households of color, Black and Hispanic households is only $25,410, $ 12,470 and $ 20,479, respectively.

d. Almost 40% of households of color in New Jersey - and 44.7% Black and 60.1% Hispanic households - do not have sufficient liquid assets to subsist at the poverty level for three months in the absence of income. Less than 19% of white households report the same.[5]

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U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-0500

GENERAL COUNSEL

Office of General Counsel Guidance on the Fair Housing Act's Treatment of Certain Special Purpose Credit Programs That Are Designed and Implemented in Compliance with the Equal Credit Opportunity Act and Regulation B

I. Introduction

Lenders, stakeholders, and other federal agencies have asked the Department of Housing and Urban Development (HUD) whether the Fair Housing Act[1] (Act) forbids Special Purpose Credit Programs (SPCP)[2] for real estate loans or credit assistance that are compliant with the Equal Credit Opportunity Act (ECOA)[3] and its implementing regulation, Regulation B.[4] These questions arose because SPCPs are explicitly authorized by ECOA and Regulation B, but are not mentioned by the Act, which regulates some of the same conduct and prohibits discrimination against many, of the same classes of persons as those protected from discrimination by ECOA.[5] For the reasons set forth below, this guidance concludes that SPCPs, where instituted in conformity with ECOA and Regulation B, generally would not violate the Act.[6] This guidance does not address whether such loans or credit assistance could violate any other laws, nor does it opine on ECOA's relevant requirements for SPCPs, which are addressed by Consumer Financial Protection Bureau (CFPB) regulations and guidance.[7] Furthermore, this guidance does not address SPCPs created by non-profit organizations for the benefit of their members as that was outside the scope of the question presented to this office as requiring guidance.

II. The Act

The Act prohibits discrimination in the sale or rental of housing, in residential real estate-related transactions, such as mortgage lending transactions, and in other housing-related activities based on race, color, religion, sex, disability, familial status, or national origin.[8] The

[1] 42 U.S.C. §§ 3601-3619.
[2] 15 U.S.C. § 1691(c) (authorizing Special Purpose Credit Programs).
[3] 15 U.S.C. §§ 1691-1691f.
[4] *See* 12 C.F.R. pt. 1002 (2021). CFPB has rulemaking authority over ECOA. *See* 15 U.S.C. § 1691b(a).
[5] *Compare* 42 U.S.C. § 3605(a), prohibiting discrimination under the Act because of race, color, religion, sex, disability, familial status or national origin *with* 15 U.S.C. § 1691, prohibiting discrimination under ECOA on the basis of, among other things, "race, color, religion, national origin, sex or marital status, or age (provided the applicant has the capacity to contract)." The Act is chiefly administered and enforced by HUD pursuant to the terms of the Act and HUD's implementing regulations at 24 C.F.R. pt. 100 (2021).
[6] This guidance relates to loans or credit assistance provided by a non-profit organization to benefit an economically disadvantaged class of persons or by a for-profit organization to meet special social needs.
[7] *See* 12 C.F.R. § 1002.8 (2021); Advisory Opinion on Special Purpose Credit Programs, 86 Fed. Reg. 3762 (2021).
[8] 42 U.S.C. §§ 3601-3619.

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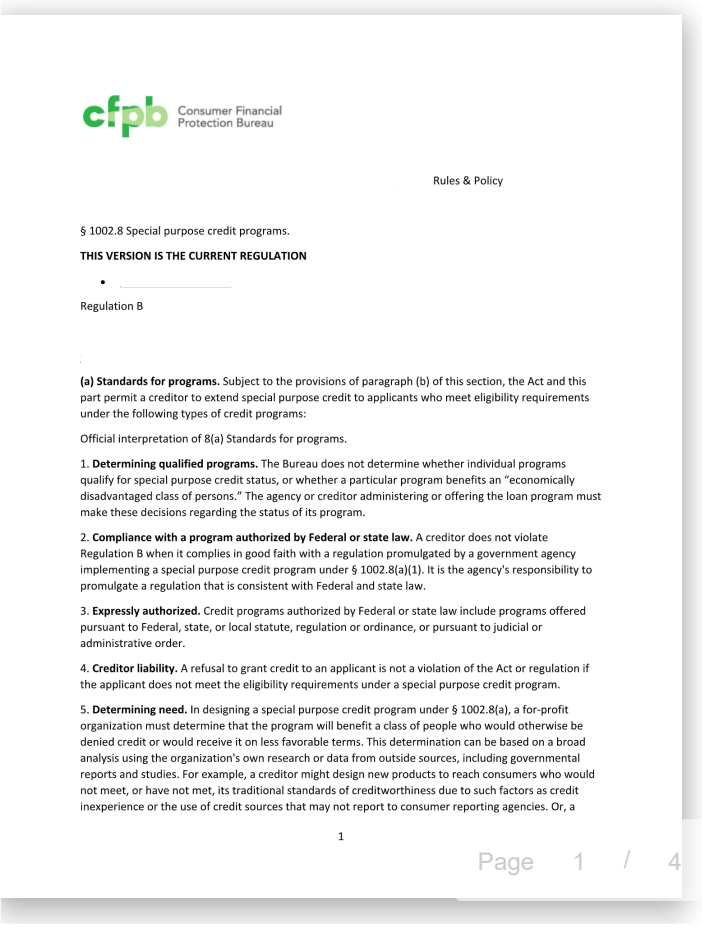

cfpb Consumer Financial Protection Bureau

Rules & Policy

§ 1002.8 Special purpose credit programs.

THIS VERSION IS THE CURRENT REGULATION

Regulation B

(a) Standards for programs. Subject to the provisions of paragraph (b) of this section, the Act and this part permit a creditor to extend special purpose credit to applicants who meet eligibility requirements under the following types of credit programs:

Official interpretation of 8(a) Standards for programs.

1. **Determining qualified programs.** The Bureau does not determine whether individual programs qualify for special purpose credit status, or whether a particular program benefits an "economically disadvantaged class of persons." The agency or creditor administering or offering the loan program must make these decisions regarding the status of its program.

2. **Compliance with a program authorized by Federal or state law.** A creditor does not violate Regulation B when it complies in good faith with a regulation promulgated by a government agency implementing a special purpose credit program under § 1002.8(a)(1). It is the agency's responsibility to promulgate a regulation that is consistent with Federal and state law.

3. **Expressly authorized.** Credit programs authorized by Federal or state law include programs offered pursuant to Federal, state, or local statute, regulation or ordinance, or pursuant to judicial or administrative order.

4. **Creditor liability.** A refusal to grant credit to an applicant is not a violation of the Act or regulation if the applicant does not meet the eligibility requirements under a special purpose credit program.

5. **Determining need.** In designing a special purpose credit program under § 1002.8(a), a for-profit organization must determine that the program will benefit a class of people who would otherwise be denied credit or would receive it on less favorable terms. This determination can be based on a broad analysis using the organization's own research or data from outside sources, including governmental reports and studies. For example, a creditor might design new products to reach consumers who would not meet, or have not met, its traditional standards of creditworthiness due to such factors as credit inexperience or the use of credit sources that may not report to consumer reporting agencies. Or, a

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BLACK HOMEOWNERSHIP | HOUSING INEQUITY | MAPLEWOOD MAYOR DEAN DAFIS | SOUTH ORANGE VILLAGE PRESIDENT SHEENA COLLUM | SOUTH ORANGE/MAPLEWOOD COMMUNITY COALITION ON RACE | SUBURBAN INTEGRATION | SUPPORTING BLACK HOMEBUYERS | WEALTH GAP EQUALIZER LOAN

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