

A HOME OF YOUR OWN

EXPANDING OPPORTUNITIES
FOR ALL AMERICANS

PRESIDENT GEORGE W. BUSH

JUNE 2002



EXECUTIVE SUMMARY

Buying a home is the biggest single investment most people will make in their lives. Homeownership is a cornerstone of America's healthy, vibrant communities, and benefits individual families by helping them build stability and long term financial security. But sadly, homeownership is out of reach for many Americans – especially for minority families. For millions of these families, homeownership is a distant, unreachable dream.

President Bush has a comprehensive agenda to help increase the number of minority homeowners by at least 5.5 million before the end of the decade.

While the overall homeownership rate has reached an all time high of nearly 68 percent, the statistics show a clear and persistent homeownership gap:

- ☑ Despite increases in minority homeownership during the decade of the 1990s, large persistent gaps between non-Hispanic whites and minorities remain and have narrowed only slightly;
- ☑ According to HUD, in 1994 the minority homeownership rate was 26.8 percent below the rate for white households;
- ☑ The African-American homeownership rate was 27.5 percentage points below the white rate, and the Hispanic rate was 28.8 percentage points below the white rate;
- ☑ The second quarter Census data for 2002 shows that non-Hispanic whites have a 74.3% homeownership rate, while African-Americans have a 48% rate and Hispanics a 47.6% rate; and
- ☑ Asian-Americans and other races have a 53.7% homeownership rate.

A new report from the Department of Housing and Urban Development (HUD) – which analyzed the most recent homeownership data from the U.S. Census Bureau – highlights the many barriers that prevent minority families from owning their own home. The barriers include:

- ☑ **A lack of inventory of affordable single-family housing available for sale in many areas where a majority of residents are minority families;**
- ☑ **A need for downpayment assistance, which affects minority families to a greater extent than non-Hispanic whites because they have less accumulated wealth that can be used to help children with downpayments;**
- ☑ **A lack of access to affordable mortgage credit;**
- ☑ **A lack of understanding of the homebuying process;**
- ☑ **Weak credit histories, often arising from a poor understanding of financial matters and where financial counseling is required;**
- ☑ **A lack of information about available homeownership programs in the community; and**
- ☑ **Language difficulties or cultural differences.**

It doesn't have to be this way. The President's agenda will help tear down the barriers to homeownership that stand in the way of our nation's African-American, Hispanic and other minority families by:

- ◆ **Providing Downpayment Assistance.** The single biggest barrier to homeownership is accumulating funds for a downpayment. The President has proposed \$200 million annually for the American Dream Downpayment Fund to help roughly 40,000 families a year with their downpayment and closing costs.
- ◆ **Increasing the Supply of Affordable Homes.** The President wants to dramatically increase the supply of homes available to low and moderate income families. The President has proposed the Single-Family Affordable Housing Tax Credit, which will provide approximately \$2.4 billion to encourage the production of 200,000 affordable homes for sale to low and moderate income families.
- ◆ **Increasing Support for Self-Help Homeownership Programs.** The President's budget triples funding for organizations, such as Habitat for Humanity, that help families help themselves become homeowners through sweat equity and volunteerism in their communities.
- ◆ **Simplifying the Home Buying Process & Increasing Education.** When buying a home today a buyer faces a confusing and complicated process. The President and HUD want to empower homebuyers by simplifying the home buying process so consumers can better understand and benefit from cost savings. The President also wants to expand financial education efforts so that families can understand what they need to do to become homeowners.

The President also believes that government alone can't close America's homeownership gap. It is critical that our government challenge the private sector to take concrete steps to tear down the barriers to homeownership that face minority families. The President is issuing "America's Homeownership Challenge" to the real estate and mortgage finance industries to join in his effort to increase the number of minority homeowners by 5.5 million families by the end of the decade. Many organizations have already responded to the President's challenge by committing to:

- ☑ Substantially increase by at least \$440 billion, the financial commitment made by the government sponsored enterprises involved in the secondary mortgage market, specifically targeted toward the minority market;
- ☑ Launching twenty-five different local initiatives across the nation, geared toward eliminating the specific homeownership barriers faced by minority families in those communities;
- ☑ Raising \$750 million in below-market-rate investments by 2007, which will work in collaboration with local homeownership initiatives and be targeted to heavily minority program areas;
- ☑ Pursuing strategic partnerships in 20 top housing markets between homebuilders, lenders, local officials, and community leaders to develop approaches that address the local challenges to building homes for minority families living in urban centers;
- ☑ Establishing faith-based housing partnerships between the participants and at least 100 churches, mosques, synagogues, and other faith-based institutions;

- ☑ Aggressively developing new mortgage products so that conventional market alternatives are available to combat the predatory loan products that are disproportionately targeted to minorities;
- ☑ Creating new mortgage products to meet the unique needs of recent immigrants;
- ☑ Dramatically expanding financial education efforts for minorities, providing financial counseling to at least 380,000 minority families, and taking measures at the local level to reduce predatory lending; and
- ☑ Establishing multilingual, consumer-oriented internet Web sites designed to help minorities overcome barriers to homeownership, including creation of a central data bank of affordable housing programs made available to real estate agents when working with clients.

BACKGROUND

“[H]omeownership lies at the heart of the American Dream. It is a key to upward mobility for low- and middle-income Americans. It is an anchor for families and a source of stability for communities. It serves as the foundation of many people's financial security. And it is a source of pride for people who have worked hard to provide for their families.”

President George Bush
June 2001

From our Nation's earliest days, homeownership has embodied core American values of individual freedom and self-reliance. Expanding homeownership has been longstanding national policy, dating to the time President Abraham Lincoln signed the Homestead Act. The reasons for this are clear: homeownership benefits individual families by helping them build economic security, and it fosters healthy, vibrant communities.

- **Good for Families:** Owning a home provides a sense of security and allows families to build wealth. A home is the largest financial investment most American families will ever make, and it allows families to build financial security as the equity in its home increases. Moreover, a home is a tangible asset that provides a family with borrowing power to finance important needs, such as the education of children.
- **Good for Communities:** Homeowners work to maintain the value of their investment, which translates into a greater concern for neighborhoods and surrounding communities. A family that owns its home is more likely to upgrade the property, to take pride in its neighborhood, and to feel invested in the community. When citizens become homeowners, they become stakeholders as well. By increasing the ranks of stakeholders, communities not only enjoy increased stability but also benefit from a new spirit of revitalization.

The United States is fortunate to have become a nation composed primarily of homeowners. The overall homeownership rate has reached an all time high of nearly 68 percent, thanks to a variety of factors. Strong economic growth, fueled by low interest rates, encouraged millions of Americans to purchase homes for the first time. The mortgage-finance system of the United States, characterized by the benchmark 30-year mortgage, remains the envy of the world. The Federal Housing Administration provides millions of American families with a pathway to homeownership that might not otherwise be available, and lenders are developing creative mortgage products to increase homeownership opportunities.

Yet this overall homeownership rate does not mean that expanding homeownership opportunities should no longer be a national priority. Despite this success, the reality is that homeownership opportunities are not available to everyone. For example, while minority homeownership rates have in fact increased, Hispanics and African-Americans still lag behind the homeownership rate

of non-Hispanic whites by more than 25 percentage points, and Asian-Americans by more than 20 percentage points:

Homeownership Rates¹:

Non-Hispanic whites	74.3%
African-Americans	48.0%
Hispanic-Americans	47.6%
Asian-Americans	53.7%
(and other races)	

The Department of Housing and Urban Development (HUD) has identified a number of barriers to homeownership. One important factor is a lack of inventory of affordable single-family housing available for sale in many areas where a majority of residents are minority families. This is particularly true in many of America's central cities – urban centers where the housing stock, which is primarily rental property, has deteriorated. According to HUD, the overall homeownership rate for central cities is only 51.5 percent.

A need for downpayment assistance is another very significant barrier. When compared to non-Hispanic white families, many minority families simply lack the accumulated wealth that can provide for downpayment and closing costs. Oftentimes, intergenerational wealth transfers from parents to children serve to boost homeownership.² For most Americans, the most significant component of personal wealth (and consequently a determinant of subsequent ability to help children become homeowners) is the value of their own home. Homeownership is a vehicle to building wealth and assets, which in turn become instruments for homeownership among future generations.

Other barriers include (1) a lack of understanding of the homebuying process; (2) a lack of access to affordable mortgage credit; (3) weak credit histories, often arising from a poor understanding of financial matters and where financial counseling is required; and (4) a lack of information about available homeownership programs in the community. Because of this general lack of financial education, many of these families are subject to predatory practices by some unscrupulous lenders who charge exorbitant fees and make loans with a high likelihood of foreclosure. Language and cultural differences can present significant obstacles, particularly among recent immigrants. Finally, the homebuying process itself is confusing, cumbersome, and unnecessarily costly.

¹ Homeownership rates are as of first quarter, 2002, as reported by the U.S. Census Bureau. The homeownership rate cited for Asian-Americans is the U.S. Census bureau number for "Other Race, total."

² Harvard's Joint Center for Housing Studies noted in their 2001 report, for example, that "[b]ecause white households have more accumulated wealth than minority households, they can make substantial financial gifts to their children. Nearly 17 percent of white households have received assets from their parents, compared with only 5 percent of minority households."

The Administration is committed to ensuring that homeownership opportunities are available to all Americans and to policies that would help more families open the doors of homeownership. This is central to the Administration's efforts to help families advance economically by rewarding work through lower taxes, helping families accumulate assets they can leave to their children, and allowing families to build long-term wealth. Vigorous enforcement of existing fair housing laws and all anti-discrimination statutes is a fundamental part of increasing minority homeownership. The Administration is committed to and will be active in pursuing such efforts to fight discrimination in housing.

Yet the Federal government and the American taxpayer should not undertake this effort alone. The real estate and mortgage finance industries have benefited greatly from government policies that supported greater homeownership. They share an interest in ensuring that all families have access to the American Dream. The government-sponsored corporations created to increase the liquidity of mortgage markets, so more capital would be available for mortgage loans, are supposed to lead the market in reaching underserved populations. While these corporations have increased their commitments to these efforts, they lag behind private lenders in this regard, according to government studies. The Administration will revisit the regulatory goals for these corporations' purchases of affordable housing loans, which are set to expire in 2003. The federal government should demand more and should hold such publicly-chartered corporations accountable for better performance. Similarly, many realtors and homebuilders have undertaken outreach efforts geared to increasing access to minority families. We applaud these efforts, but more needs to be done.

In order to expand homeownership opportunities to all Americans, the Administration's agenda includes the following key elements:

- Innovative financing measures designed to expand opportunity, including (1) a single-family affordable tax credit to encourage the production of affordable homes for sale to low- and moderate-income families; (2) a program to assist families with downpayment needs; and (3) increased support for self-help homeownership programs such as Habitat for Humanity;
- Mobilizing the private real estate and mortgage-finance sector, along with the non-profit sector involved in community development and low-income homeownership, to undertake a concerted, collaborative effort – “America's Homeownership Challenge” -- to eliminate barriers to homeownership and increase minority homeownership by at least 5.5 million families by the end of the decade, through increased financial and organizational commitments; and
- Modernizing, clarifying, and streamlining the homebuying process, so consumers benefit from cost savings and receive timely, accurate information that is reflected at closing, and expanding financial education efforts that can help put families on the pathway to homeownership.

CHAPTER 1

EXPANDING THE DREAM: INNOVATIVE FINANCING MEASURES TO PROMOTE HOMEOWNERSHIP

- *A **Single-Family Affordable Housing Tax Credit** will encourage the production of single-family homes for sale in areas where affordable homeownership opportunities are scarce.*
- *The **American Dream Downpayment Fund** will help Americans overcome one of the greatest hurdles to homeownership: high downpayments that can put a home out of reach.*
- *A tripling of funding for the **Self-Help Homeownership Opportunity Program**, which helps community-based social service providers turn low-income families into homeowners by relying on “sweat equity” in return for assistance.*

Single-Family Affordable Housing Tax Credit

In many distressed neighborhoods, particularly in our Nation’s inner cities, there is a lack of affordable housing units available for sale to residents. In these areas, new construction of residential property intended for sale to the residents is rarely ever undertaken because the costs would exceed the market value of the resulting unit. Existing structures in these areas often need extensive repair or renovation before they are suitable for decent owner-occupied housing, but potential homebuilders or developers will not undertake renovation or rehabilitation of these properties for the same reason -- costs often exceed the price at which the housing units could be sold. As a consequence, lots remain empty and existing properties remain vacant and dilapidated, contributing to neighborhood blight. Moreover, many low- and moderate-income rental families in these areas are locked out of buying homes in neighboring markets because of high prices. Until the gap between development costs in these areas and market prices is lessened or eliminated, homeownership will be an unfulfilled dream for these families.

Current law provides tax credits to owners of qualified low-income rental units through the Low-Income Housing Tax Credit, but a similar tax credit for purposes of expanding homeownership opportunities for low and moderate-income persons does not exist. A tax credit made available to developers of new or rehabilitated, affordable single-family housing in distressed neighborhoods, for the production of homes for low- and moderate-income homebuyers, would achieve two goals: (1) create or increase homeownership opportunities in distressed neighborhoods, and (2) revitalize these neighborhoods through increased homeownership.

In order to expand homeownership opportunities and revitalize distressed communities, the Administration proposes a new Single Family Affordable Housing Tax Credit for developers of single-family affordable housing.

The Single-Family Housing Tax Credit will have the following essential elements:

- Beginning in FY 2003, tax credit authority for a State (including U.S. possessions) would be in the amount of \$1.75 per resident;
- The amount available would be indexed for inflation beginning in 2004;
- State or local housing credit agencies would award the credits;
- Eligible housing units would be those constituting a project for the development of single-family housing in census tracts with median incomes of 80 percent or less of area median income;
- Units in condominiums and cooperatives could qualify as single-family housing;

The taxpayer (developer or investor partnership) owning the housing unit immediately prior to the date of sale to a qualified buyer would be eligible to claim these credits over a five-year period. Developers would not get credits unless the housing unit was sold within a one-year period beginning on the date a certificate of occupancy is issued for the unit.³

The Administration's tax initiative would provide nearly \$2.4 billion for the production of single-family affordable housing units over the next five years and would result in an estimated 200,000 new units available for homeownership.

The American Dream Downpayment Fund

Accumulating the funds needed by low- and moderate-income families for a downpayment on a home and the closing costs related to the transaction is often the single greatest barrier to homeownership. In order to help these families overcome this threshold problem, the Administration has proposed the American Dream Downpayment Fund.

The American Dream Downpayment Fund builds upon an existing program – the HOME program, which helps communities across the country expand the supply of decent, affordable housing. Through the existing flexibility of the HOME program, grants will be awarded to state and local governments to assist eligible families with closing costs and downpayments. Opportunities for low- and moderate-income families looking to purchase their first homes will multiply.

Funded at \$200 million in fiscal year 2003, this Administration initiative will focus on helping low-income families who are also first-time homebuyers. To participate, recipients must have annual incomes that do not exceed 80 percent of the area median income. Based on current experience in the HOME program, it is anticipated that the initiative will help 40,000 families

³ Eligible homebuyers would have incomes at or below 80 percent of the applicable median family income (70 percent for families with less than three members).

annually, with an average subsidy of \$5,000. By opening the door to homeownership to more families, the Administration hopes to stabilize some troubled neighborhoods and revitalize others.

The Self-Help Homeownership Opportunity (SHOP) Program

Through the Self-Help Homeownership Opportunity Program (SHOP), the Administration partners with non-profit organizations that offer homeownership opportunities to families willing to contribute their own “sweat equity.” Grants provided by the Federal government to these organizations enables them to acquire land and improve infrastructure in order to build new homes. An example of such an organization is Habitat for Humanity, which uses volunteers to build homes for others. These groups leverage the money they receive from the federal government with support from other sources, enabling government funds to have a much larger impact than otherwise possible. The program is an excellent example of government maximizing its resources by working with private-sector partners.

The SHOP program revolutionizes the concept of government assistance by offering not only money, but also supporting community values that promote long-term self-sufficiency. These are neighbors helping other neighbors, brought together by a strong commitment to community. The Administration strongly supports these efforts, and has proposed to triple the funding available for such groups. The best opportunity for easing human suffering is to tackle it from within – by Americans breaking through racial, ethnic, and economic barriers and coming together as neighbors concerned for one another and the health of our communities. Through SHOP and other initiatives, the Administration is tapping into the reservoir of compassion that exists in our communities.

CHAPTER 2

MOBILIZING THE PRIVATE SECTOR: AMERICA'S HOMEOWNERSHIP CHALLENGE

- *Establish a national goal of at least 5.5 million new minority homeowners before the end of the decade.*
- *Challenge the private sector real estate and mortgage finance **industries to dramatically increase their efforts to reduce the barriers to homeownership** faced by minority families and to work with the nonprofit sector in a concerted effort to achieve this goal through national and local partnerships.*
- *Convene a **White House Conference on Increasing Minority Homeownership**, to highlight the homeownership barriers faced by minorities and develop proposed solutions.*

The strength of our Nation lies in the diversity of our people and our communities. This diversity extends beyond heritage or ethnicity, however. It also encompasses a diversity of local markets. Factors affecting real estate and, more importantly, homeownership, are greatly affected by local conditions. The various barriers to homeownership differ by locality. Hispanics living in the Bronx face a different set of obstacles and require different solutions than those living in Miami, or in San Antonio.

While minority homeownership rates increased in the 1990s due to a variety of favorable circumstances (including record-low interest rates and a strong economy), these increases are cause for celebration, not complacency. The Administration is intent on fostering a climate conducive to homeownership growth, and dismantling and eliminating the barriers faced by minority families is an integral part of this effort. As long as these barriers exist, homeownership levels for minority families will not be where they should be. Yet because of the variety of needs and differences between our communities, a “one size fits all” approach or government program alone is unlikely to have a sufficiently widespread impact.

The Administration also hopes to expand homeownership opportunities by focusing the energy and creativity of the private sector real estate and mortgage-finance industries, as well as the nonprofit sector, on this important goal. A national campaign that mobilizes thousands of homebuilders, realtors, and lenders, as well as the nonprofit groups involved in community revitalization and financial education efforts, to tear down barriers to homeownership, will have a profound impact. Such an effort is more likely to give rise to approaches tailored to local conditions and driven by local action.

To that end, the Administration has issued “America’s Homeownership Challenge” to homebuilders, realtors, nonprofits, and government-sponsored enterprises that purchase the mortgages made by lenders, to unite in a concerted, multifaceted and collaborative effort to dismantle barriers to homeownership in each community and increase the number of minority homeowners by at least 5.5 million families by the end of this decade. This broad-based effort

will (1) harness the capital and expertise of major private sector financial institutions, (2) involve minority advocacy groups in key roles to guide industry efforts, and (3) complement the legislative and regulatory initiatives put forth by the Administration to achieve this goal.

Although long-range projections of homeownership growth rates can prove unreliable, under almost any projection scenario, adding 5.5 million families to the number of minority homeowners by the end of this decade would be a substantial achievement that could be accomplished only with great effort.

As an initial response to President Bush's challenge, a number of national organizations involved in homeownership have agreed to commit specific resources, devote organizational energy, and begin taking concrete actions to reduce barriers and achieve this goal. Some of the measures to be taken include:

- A substantial increase of at least \$440 billion in the financial commitment made by the government-sponsored enterprises involved in the secondary mortgage market, specifically targeted toward the minority market;
- Twenty-five different local initiatives to be undertaken across the nation, geared toward eliminating the specific homeownership barriers faced by minority families in those communities;
- A commitment to raise \$750 million in below-market-rate investments by 2007, which will work in collaboration with local homeownership initiatives and be targeted to heavily minority program areas;
- Pursuing strategic partnerships in 20 top housing markets between homebuilders, lenders, local officials, and community leaders to develop approaches that address the local challenges to building homes for minority families living in urban centers;
- Establishing of faith-based housing partnerships between the participants and at least 100 churches, mosques, synagogues, and other faith-based institutions;
- Aggressively developing new mortgage products so that conventional market alternatives are available to combat the predatory loan products that are disproportionately targeted to minorities;
- Creating new mortgage products to meet the unique needs of recent immigrants;
- Dramatically expanding financial education efforts for minorities, providing financial counseling to at least 380,000 minority families, and taking measures at the local level to reduce predatory lending; and
- Establishing multilingual, consumer-oriented internet Web sites designed to help minorities overcome barriers to homeownership, including creation of a central data bank

of affordable housing programs made available to real estate agents when working with clients.

These are simply beginning efforts in what is meant to be an ongoing challenge to the private sector. To continue finding new strategies to expand opportunities, and in order to maintain a strong focus on this goal, the White House will convene a conference on increasing minority homeownership, both as a forum for continued discussion of how best to tear down the barriers to homeownership and to promote successful strategies that expand opportunities.

Accountability and results will be expected and measured. The entities will voluntarily report to the Secretary of Housing and Urban Development annually on the progress of each of their initiatives. The Secretary will track the overall progress made in these areas and report annually to the President.

The Administration expects that this concerted national effort will result in greater production and rehabilitation of affordable homes where the existing supply is inadequate, increased innovation in mortgage products, more effective marketing and outreach to minority communities, and increased attention to financial education.

CHAPTER 3

EMPOWERING THE HOMEBUYER: SIMPLIFYING THE HOMEBUYING PROCESS, REDUCING COSTS, AND PROMOTING FINANCIAL EDUCATION

- *Modernize and simplify the homebuying process so that it is less complicated for the purchaser, reduces barriers to homeownership by promoting cost savings, and empowers the consumer with the ability to guarantee the costs charged at closing.*
- *Promote financial education through housing counseling and other efforts.*

Modernizing the Homebuying Process

Today, consumers have certain protections when they make most purchases – basic information about what they are buying, how much it costs, and where the money is going. These protections are too often missing when it comes to buying a home. At closing, too many families sit down only to discover unexpected fees that can add hundreds, if not thousands, of dollars to the cost of their loans. They are not clearly told who is getting their money or what services they are receiving in return. And because these changes may be thrust upon the buyer at the last moment, the buyer often has no realistic opportunity to determine whether these extra costs are at all reasonable. On the spot, the purchaser is forced to make an impossible choice: either hand over the extra cash and sign, or lose the house. The legislation mandating the information to be afforded consumers in connection with their home purchase, the Real Estate Settlement Procedures Act (“RESPA”) dates back to 1974, and often fails to address the onerous paperwork required to buy a home.

If we are to expand the ranks of America’s homeowners, then we must address the challenge of simplifying the homebuying experience to make it less confusing, the paperwork demands less time-consuming, and the mortgage process itself less expensive. The current system does not provide sufficient clarity for lenders or borrowers as to which fees are appropriate or the time at which disclosure of these fees must occur. It does not promote competition so that cost savings can be realized. In short, the current homebuying process is antiquated and unfit for a modern information economy intended to empower the consumer.

The Administration is committed to providing a better way for Americans. Full disclosure of all settlement costs, up front, before homebuyers have to pay fees to a broker or lender should be an element of the process. The guiding principles of the Administration’s approach are that consumers get simpler, clearer, and earlier disclosure, and that they are given a meaningful opportunity to shop for the best mortgage for their needs. The process should be made speedier, structured so as to encourage cost savings, and provide the homebuyer with greater certainty of the costs they will bear at closing.

Empowering Consumers Through Education

In order to expand homeownership, we must also ensure that those who purchase a home are better able to avoid circumstances that might result in foreclosure. An educated homebuyer is the best defense against abusive lending practices, known as predatory lending, that have too often been used by unscrupulous lenders. Borrowers need to be aware that, while most individuals in housing-related industries are professionals who serve their clients well, there are those who will pressure them to accept loans with exorbitant fees or terms that could cause the borrower to default and lose their home. The buyer needs to be prepared for these situations, and the best defense is knowledge. With the proper financial education, borrowers will be better able to identify inappropriate or even illegal terms and are more likely to have the courage necessary to turn down loans with such terms. Informed borrowers are less likely to invest in overpriced or damaged homes, accept exceedingly high interest rates, or lose their homes.

One of the best ways to avoid future problems and promote homeownership is to educate families about the process and responsibilities of homeownership. Housing counseling services can also help low- to moderate-income renters improve their access to affordable housing by improving their ability to budget for needed home expenses and regular rent payments, enhancing their housing conditions, and helping them to avoid rental delinquency. These counseling services have been proven to be extremely important in helping families purchase a home and keep it in times of financial stress. With appropriate advice, families coping with financial difficulties are more likely to survive tough times with their homes intact.

The Administration has proposed increasing funding for comprehensive housing counseling, including such services as pre-purchase, default, and renter counseling to potential homeowners and tenants, by \$15 million for FY 2003, for a total of \$35 million. These housing counseling grants will help take the uncertainty out of homebuying for thousands of Americans, empowering them to avoid predatory lending, make more informed home purchases, and understand the lending process more clearly. Expanding the Administration's housing counseling program will ensure that Americans who want to buy homes have a road map to ownership, and that those who already live in their homes are able to keep them.

Of course, a bank account, a credit record, and a firm understanding of household finances are all necessary steps toward homeownership. Accordingly, the Administration is taking additional steps to ensure that financial education efforts are expanded:

- The Department of the Treasury is leading an interagency effort to coordinate and expand financial education initiatives from the federal government. Treasury has recently established The Office of Financial Education (OFE) to generate and coordinate financial education efforts. OFE will work with the many private sector organizations that provide financial education programs.
- “Bank on Your Schools” is a Treasury-sponsored partnership between schools and financial institutions that encourages financial institutions to open student-run branches in schools. This will give youths from low- and moderate-income areas hands-on experience running a

bank or credit union. The Department of the Treasury and the Department of Education will work to promote the integration of financial education in the schools.

- The Federal Deposit Insurance Corporation is offering a financial education initiative called “Money Smart.” The program is a training curriculum that helps consumers of any age gain a better understanding of banking products and services, savings, and the importance of good credit. The Money Smart program includes instructor-led training modules covering basic financial topics. It is free to those interested in sponsoring financial education workshops. Since July 2001, the FDIC has announced plans to deliver the program nationwide by working with organizations like the Neighborhood Reinvestment Corporation and Operation Hope, Inc. and the Office of the White House Initiative on Asian Americans and Pacific Islanders. The FDIC has also partnered with the Department of Labor (DOL) to deliver financial education through DOL’s Welfare-to-Work and Workforce Investment Act programs. The DOL’s 800 One Stop Centers provide a national network for delivering financial education. Financial institutions have also been encouraged to participate because doing so results in positive consideration under the Community Reinvestment Act.

- The Treasury Department is administering a new grant program called “First Accounts.” First Accounts helps “unbanked” low- and moderate-income individuals to a “banked” status with an insured financial institution. The federal government funds the private sector provision of low-cost accounts at insured depositories, access to automated teller machines, and financial education for unbanked low- and moderate-income individuals. In this way the federal government hopes to increase the pool of potential homeowners. The awardees will provide financial literacy training, offer insured accounts, develop low- or no-cost products and services, and increase access to financial services through installation of automated teller machines. The projects are focused on a wide variety of unbanked people, e.g., youth, new entrants to the workforce, recent immigrants, residents of low-income communities, residents in rural areas, Native Americans living on reservations, people living in public housing, families using childcare facilities. Awardees pledge that the funded demonstration projects will result in more than 35,000 unbanked people moving to a banked status with an insured depository institution.