
SUBSTITUTE HOUSE BILL 1696

State of Washington

69th Legislature

2025 Regular Session

By House Housing (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)

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~~) 140 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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