

Strategies to Minimize Displacement Down Payment and Closing Cost Assistance Programs



Benefit: Closing homeownership gap; building generational wealth



Problem addressed: Removal of potential barrier to homeownership



Administered by: Government or Nonprofit organizations



Scale of impact: Community-wide, individuals

Introduction

[Brownfields](#)—or properties with environmental contamination or potentially contaminated land—are disproportionately located in or near communities of color and low-income communities. Residents near these properties may face [heightened health hazards and economic disinvestment](#) until the site undergoes assessment and cleanup, which can be costly and lengthy. Safely reusing a brownfield site is an opportunity to improve community health, spur economic investment, and bring in new amenities. However, brownfield redevelopment can also exacerbate affordability and displacement concerns. As rent and property taxes rise and it becomes more expensive to live in a community, lower-income residents and small businesses may be displaced. Strong, early community engagement in the brownfields reuse process presents an opportunity for the community to have a meaningful role and input on how to minimize displacement throughout the planning, cleanup, and reuse process. Community leaders, stakeholders, and practitioners can be proactive and implement strategies to minimize the risk of displacement. These strategies take time, resources, and political will to implement, and they are most effective if put into place before displacement is already occurring.

Tool: Down Payment and Closing Assistance Programs

Homeownership is an important tool for families to build generational wealth in the United States. Supporting homeownership in communities experiencing brownfield redevelopment is critical to helping long-term residents remain in their communities, maintain community connectivity, and benefit from the economic impacts likely to accrue from neighborhood revitalization.

Unfortunately, the high upfront costs of home buying, such as the necessary down payment and closing costs, are barriers to entry for many first-time or first-generation homebuyers. This is especially true for younger people and people of color who have been historically excluded from homeownership opportunities.

Down payment assistance (DPA) programs can support first-time homebuyers who qualify for assistance by providing grants, loans or other incentives to defray the expense of down payment and closing costs. Federal, state, and local governments typically fund public DPA programs. Other organizations in the private or nonprofit sectors often leverage DPA programs to further assist first-time homebuyers in the process of buying a home.



Source: [ANDP](#), Example of ANDP's single-family development in partnership with BIPOC developer Fortas Homes.

Types of Down Payment Assistance

Some common ways down payment assistance can be provided to the homebuyer include:

1. **Grants, or direct payments**, are the most common type of assistance. This assistance does not need to be repaid.
2. **Deferred Payment Loans** do not need to be repaid until the home is sold, refinanced, or otherwise paid off.
3. **Interest Rate Reductions** provide a lower interest rate than a typical home loan.
4. **Forgivable Loans** do not need to be repaid if the buyer lives in the home for a certain number of years.



Tips for Success

Reaching prospective homebuyers through education, engagement, and information-sharing is essential for a successful and sustainable DPA program. State and local governments, nonprofits, and other organizations offering DPA should have a targeted plan to engage community members and other audiences about the program. Education and information outreach should be ongoing and available on demand. Target audiences for outreach should include prospective homebuyers, real estate professionals, mortgage lenders, and HUD-approved housing counseling agencies. Tracking participation in DPA programs is critical; strong participation demonstrates the need to prioritize and allocate funding to support DPA.

To ensure eligible community members can access DPA programs, program administrators should leverage engagement strategies that educate people before they start the process of buying a house. This way, potential homebuyers will know how to access these important tools before making a home purchase decision. Effective communication about DPA programs for first-time homebuyers can significantly impact homeownership and build generational wealth.

The importance of DPA is outlined in a national study of Home Mortgage Disclosure Act data that found denied mortgage applications totaled \$3.7 billion and that 33 percent of the denied mortgage applicants were eligible for down payment assistance.¹

Case Study



The [Atlanta Neighborhood Development Partnership \(ANDP\)](#) is a nonprofit organization with a mission to develop, finance, and advocate for affordable housing at a scale that promotes racial equity and healthy communities where families thrive. A chartered member of the [NeighborWorks Network](#), ANDP implemented a three-pronged affordable homeownership model to increase Black homeownership. Within their model, ANDP established a loan fund aimed at increasing the number of affordable housing units in the Atlanta region. The low-interest loans provide growth opportunities for Black-owned development and real estate firms, directly finance projects, and support other local organizations committed to affordable housing. As a part of its “Closing the Gap” initiative to build or preserve 2,000 units of affordable housing by 2025, ANDP has also committed to conducting at least \$50M in business with BIPOC construction, real estate, property management, and other sector-related organizations.

To address the homeownership gap for minority residents, ANDP maintains its own DPA program. Combined with other service providers such as the City of Atlanta and other local jurisdictions, the Georgia Department of Community Affairs, Federal Home Loan Bank of Atlanta, and local banks, ANDP offers 0 percent interest loans up to \$20,000 through New Market Tax Credits to eligible households. These loans help homebuyers cover closing costs to secure a mortgage.²

ANDP found that 93 percent of the 482 households benefiting from its DPA program were still currently living in the same house paid for through ANDP. 215 homeowners who received DPA and lived in their homes for five or more years accumulated an average of \$88,797 in housing wealth in 2019, and \$135,421 by 2021. These results demonstrate real impacts in terms of wealth generation anti-displacement measures. The organization is also partnering with place-based organizations like [Westside Future Fund](#) which focuses on Atlanta’s historic westside neighborhoods at risk of displacement due to a strengthening housing market.

Though its main intent is to close the gap in Black homeownership, ANDP has increasingly served submarkets with other BIPOC communities. Since 2010, when ANDP began focusing on single-family homeownership during the Great Recession, the organization has provided nearly 1,000 homebuyers with \$15.7M in down payment assistance.

1 <https://downpaymentresource.com/professional-resource/analysis-finds-33-of-declined-mortgage-applications-were-eligible-for-homebuyer-assistance/>

2 <https://www.urban.org/sites/default/files/2023-09/How%20ANDP%20Is%20Advancing%20Affordable%20Homeownership%20from%20Development%20to%20Down%20Payment.pdf>



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