

**Chapter 43.181 RCW**  
**COVENANT HOMEOWNERSHIP PROGRAM**

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**RCW 43.181.010 Definitions.** The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "Commission" means the Washington state housing finance commission.

(2) "Covenant homeownership program study" means an evidence-based written report prepared by or on behalf of the commission as required in RCW 43.181.030.

(3) "Department" means the department of commerce, except as otherwise indicated in RCW 43.181.050.

(4) "First-time homebuyer" means:

(a) An individual or the individual's spouse who has had no ownership in a principal residence during the three-year period ending on the date of purchase of the property;

(b) A single parent who has only owned a home with a former spouse while married;

(c) An individual who is a displaced homemaker as defined in 24 C.F.R. Sec. 93.2 as it exists on July 23, 2023, or such subsequent date as may be provided by the department by rule, consistent with the purposes of this section, and has only owned a home with a spouse;

(d) An individual who has only owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations; or

(e) An individual who has only owned a property that is determined by a licensed building inspector as being uninhabitable.

(5) "Oversight committee" means the covenant homeownership program oversight committee established in RCW 43.181.050.

(6) "Program" means the covenant homeownership program described in RCW 43.181.040.

(7) "Program participant" means a person who receives down payment and closing cost assistance through a special purpose credit program created by the commission for purposes of the covenant homeownership program.

(8) "Racially restrictive real estate covenant" means a recorded covenant or deed restriction that includes or included racial restrictions on property ownership or use against protected classes that are unlawful under RCW 49.60.224. For example, these unlawful restrictions commonly included exclusions against black, indigenous, and people of color and other historically marginalized communities in Washington state, using terms, many of which are offensive, such as "African blood" meaning all sub-Saharan African ancestries; "Aryan" meaning not Jewish, not eastern or southern European, nor any ancestry except northern European; "Asiatic" meaning all Asian ancestries; Chinese; "colored person" meaning all sub-Saharan African ancestries;

"colored races" meaning all nonwhite races; "Ethiopian" meaning all sub-Saharan African ancestries; "gentile" meaning non-Jewish; Hawaiian; "Hebrew" meaning Jewish; "Hindu" meaning all South Asian ancestries; "Indian" meaning Native Americans and also possibly South Asian ancestries; Japanese; "Malay" meaning Filipino; "Mongolian" meaning all East Asian ancestries; "Negro blood" meaning all sub-Saharan African ancestries; "oriental" meaning all Asian ancestries; "Turkish empire" meaning all middle easterners; and "yellow races" meaning all Asian ancestries.

(9) "Special purpose credit program" means a credit assistance program created by the commission as authorized by the federal consumer financial protection bureau under regulation B, 12 C.F.R. 1002.8(a)(1), pursuant to Title VII of the consumer credit protection act (the equal credit opportunity act, 15 U.S.C. Sec. 1691 et seq.) as amended, allowing a creditor to extend special purpose credit to applicants who meet eligibility requirements under a credit assistance program expressly authorized by state law for the benefit of an economically disadvantaged class of persons. [2023 c 340 s 3.]

**Reviser's note:** The definitions in this section have been alphabetized pursuant to RCW 1.08.015(2)(k).

**Short title—Conflict with federal requirements—2023 c 340:** See notes following RCW 43.181.040.

**RCW 43.181.020 Covenant homeownership account.** The covenant homeownership account is created in the state treasury. All receipts from the assessment established in RCW 36.22.185 must be deposited into the account. Moneys in the account may be spent only after appropriation. Expenditures from the account may be made only for the purposes of the program described in RCW 43.181.040. The legislature may appropriate moneys in the account as follows:

(1) The legislature may appropriate up to one percent of moneys in the account to the department for costs related to the program described in RCW 43.181.040 including, but not limited to, costs related to administering one or more contracts with the commission for purposes of the program, costs related to outreach and stakeholder engagement, costs related to reimbursing the department of financial institutions for its costs related to the oversight committee created in RCW 43.181.050, and other administrative, data collection, and reporting costs; and

(2) The legislature may appropriate the remainder of the moneys in the account to the department to contract with the commission for the purposes of the program described in RCW 43.181.040. [2023 c 340 s 4.]

**Severability—Effect on moneys in account—2023 c 340:** "(1) If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

(2) In addition, if the covenant homeownership program described in section 6 of this act is held invalid, in whole or in part, the legislature may appropriate moneys in the covenant homeownership account to the department of commerce to contract with the Washington state housing finance commission for one or more other programs that support homeownership for first-time homebuyers." [2023 c 340 s 15.]

**Short title—Conflict with federal requirements—2023 c 340:** See notes following RCW 43.181.040.

**RCW 43.181.030 Program studies.** (1)(a) The commission shall complete, or cause to be completed, an initial covenant homeownership program study. The initial covenant homeownership program study must:

- (i) Document past and ongoing discrimination against black, indigenous, and people of color and other historically marginalized communities in Washington state and the impacts of this discrimination on homeownership in the state, including access to credit and other barriers to homeownership in the state;
- (ii) Analyze whether and to what extent existing programs and race-neutral approaches have been insufficient to remedy this discrimination and its impacts;
- (iii)(A) Recommend and evaluate potential programmatic and policy changes, including creation of one or more special purpose credit programs, to remedy this discrimination and its impacts;
- (B) As part of the recommendations related to creation of one or more special purpose credit programs, identify through evidence-based documentation the economically disadvantaged class or classes of persons that require down payment and closing cost assistance in order to reduce racial disparities in homeownership in the state. The class or classes of persons identified in the study may share one or more common characteristics such as, race, national origin, or sex; and
- (iv) Identify methodology to evaluate the efficacy of any recommended programmatic and policy changes over time.

(b) By March 1, 2024, and in compliance with RCW 43.01.036, the commission shall submit a copy of the initial covenant homeownership program study to the appropriate committees of the legislature and post a copy of the study to the commission's website.

(2)(a) At least every five years after the initial covenant homeownership program study is completed, the commission shall complete, or cause to be completed, an updated covenant homeownership program study. The updated covenant homeownership program study must:

- (i) Update and reevaluate the findings and recommendations contained in the initial covenant homeownership program study and any subsequent program studies;
- (ii) Document the experience of program participants and others impacted by past and ongoing discrimination, including their experience accessing or attempting to access credit and any barriers to homeownership in the state that they have faced or continue to face;
- (iii) Evaluate the special purpose credit program or programs' efficacy in providing down payment and closing cost assistance to the economically disadvantaged class or classes of persons identified in the initial covenant homeownership program study and any subsequent program studies, and the special purpose credit program or programs' impacts on remedying discrimination and reducing racial disparities in homeownership in the state; and
- (iv) Recommend program modifications and improvements.

(b) By December 31, 2028, and by December 31st every five years thereafter, and in compliance with RCW 43.01.036, the commission shall submit a copy of an updated covenant homeownership program study to the appropriate committees of the legislature and post a copy of the study to the commission's website.

(c) The board of the commission shall review each subsequent covenant homeownership program study and consider the evidence-based documentation and recommendations in designing and implementing program amendments. [2023 c 340 s 5.]

**Short title—Conflict with federal requirements—2023 c 340:** See notes following RCW 43.181.040.

**RCW 43.181.040 Special purpose credit programs.** (1) As part of the covenant homeownership program, the department shall contract with the commission to design, develop, implement, and evaluate one or more special purpose credit programs to reduce racial disparities in homeownership in the state by providing down payment and closing cost assistance. The contract must authorize the commission to use the contract funding as follows:

(a) The contract must authorize the commission to use up to one percent of the contract funding for costs related to administering the program including, but not limited to, costs related to completing a covenant homeownership program study required under RCW 43.181.030, and other administrative, data collection, and reporting costs;

(b) The contract must authorize the commission to use up to one percent of the contract funding to provide targeted education, homeownership counseling, and outreach about special purpose credit programs created under this section to black, indigenous, and people of color and other historically marginalized communities in Washington state, including outreach to relevant affinity groups for mortgage lenders; and

(c) The contract must authorize the commission to use the remainder of the contract funding to provide down payment and closing cost assistance to program participants. This portion of the contract funding may not be used to provide any type of assistance other than down payment and closing cost assistance.

(2) The commission shall create one or more special purpose credit programs to provide down payment and closing cost assistance for the benefit of one or more economically disadvantaged classes of persons identified in a covenant homeownership program study under RCW 43.181.030. In creating a special purpose credit program, the commission must consider the evidence-based documentation and programmatic and policy recommendations set forth in the initial covenant homeownership program study and any subsequent program studies. If the covenant homeownership program study identifies an economically disadvantaged class or classes of persons that share one or more common characteristics such as, race, national origin, or sex and the board of the commission finds it necessary to consider this information in tailoring a special purpose credit program to provide credit assistance to economically disadvantaged classes of persons, the commission may consider these characteristics in designing and implementing the program.

(3) At minimum, a special purpose credit program authorized under this section must:

(a) Provide loans for down payment and closing cost assistance to program participants that can be combined with other forms of down payment and closing cost assistance;

(b) Require a program participant to repay loans for down payment and closing cost assistance at the time that the house is sold; and

(c) Be implemented in conjunction with the commission's housing finance programs.

(4) To be eligible to receive down payment and closing cost assistance through a special purpose credit program authorized under this section, a special purpose credit program applicant must:

(a) Have a household income at or below 100 percent of the area median income;

(b) Be a first-time homebuyer; and

(c) (i) Be a Washington state resident who:

(A) Was a Washington state resident on or before the enactment of the federal fair housing act (Title VIII of the civil rights act of 1968; P.L. 90-284; 82 Stat. 73) on April 11, 1968, and was or would have been excluded from homeownership in Washington state by a racially restrictive real estate covenant on or before April 11, 1968; or

(B) Is a descendant of a person who meets the criteria in

(c) (i) (A) of this subsection;

(ii) Records that show a person's address on or about a specific date or include a reference indicating that a person is a resident of a specific city or area on or about a specific date may be used to provide proof that a person satisfies the criteria in (c) (i) of this subsection, such as genealogical records, vital records, church records, military records, probate records, public records, census data, newspaper clippings, and other similar documents.

(5) The commission may adopt rules, and shall adopt program policies, as necessary to implement this section. Program rules or policies must include procedures and standards for extending credit under the special purpose credit program, including program eligibility requirements. From time to time, including in response to a covenant homeownership program study's evaluation of program efficacy, the board of the commission may amend the special purpose credit programs, rules, and policies.

(6) By July 1, 2024, one or more of the special purpose credit programs must begin providing down payment and closing cost assistance to program participants.

(7) By December 31, 2025, and by each following December 31st, and in compliance with RCW 43.01.036, the commission shall submit an annual report to the appropriate committees of the legislature on the progress of the special purpose credit program or programs developed under this section. The report shall include, at minimum, the program eligibility requirements, the type and amount of down payment and closing cost assistance provided to program participants, the number of program participants and their corresponding eligibility categories, the location of property financed, and program outreach efforts. The report must be posted on the commission's website. [2023 c 340 s 6.]

**Short title—2023 c 340:** "This act may be known and cited as the covenant homeownership account and program act." [2023 c 340 s 12.]

**Conflict with federal requirements—2023 c 340:** "If any part of this act is found to be in conflict with federal requirements that are a prescribed condition to the allocation of federal funds to the state, the conflicting part of this act is inoperative solely to the extent of the conflict and with respect to the agencies directly affected, and this finding does not affect the operation of the

remainder of this act in its application to the agencies concerned. Rules adopted under this act must meet federal requirements that are a necessary condition to the receipt of federal funds by the state." [2023 c 340 s 14.]

**RCW 43.181.050 Oversight committee.** (1) The department of financial institutions shall establish the covenant homeownership program oversight committee consisting of the following members appointed by the governor, except for the legislative members who must be appointed by the president of the senate or the speaker of the house of representatives as described in this section:

(a) One person who meets the eligibility criteria for the special purpose credit program described in RCW 43.181.040(4) and is from east of the crest of the Cascade mountains;

(b) One person who meets the eligibility criteria for the special purpose credit program described in RCW 43.181.040(4) and is from west of the crest of the Cascade mountains;

(c) One representative of an organization that operates a special purpose credit program, counseling service, or debt relief program that serves persons who were commonly subject to unlawful exclusions contained in racially restrictive real estate covenants as defined in RCW 43.181.010;

(d) One representative of a community-based organization that specializes in the development of permanently affordable housing that serves persons who were commonly subject to unlawful exclusions contained in racially restrictive real estate covenants;

(e) One representative of the real estate sales profession;

(f) One representative of the home mortgage lending profession who has a minimum of five years' lending or underwriting experience;

(g) One representative of the nonprofit affordable housing development industry;

(h) Two senators, one from each of the two largest caucuses, appointed by the president of the senate; and

(i) Two members of the house of representatives, one from each of the two largest caucuses, appointed by the speaker of the house of representatives.

(2) (a) Nonlegislative members shall each serve a three-year term, subject to renewal for no more than one additional three-year term. The oversight committee shall develop rules that provide for the staggering of terms so that, after the first two years of the committee's existence, the terms of one-third of the nonlegislative members expire each year.

(b) Legislative members shall each serve a two-year term, subject to renewal for no more than one additional two-year term.

(c) On the expiration of the term of each member, the governor, president of the senate, or the speaker of the house of representatives, as authorized under subsection (1) of this section, shall appoint a successor to serve for a term of two years if the successor is a legislative member, or three years if the successor is a nonlegislative member.

(d) The governor may remove a nonlegislative member of the oversight committee for cause. The president of the senate may remove a senator serving as a legislative member of the oversight committee for cause, and the speaker of the house of representatives may remove a member of the house of representatives serving as a legislative member of the oversight committee for cause.

(e) Vacancies on the oversight committee for any reason must be filled by appointment as authorized under subsection (1) of this section for the duration of the unexpired term.

(3) The oversight committee:

(a) Shall oversee and review the commission's activities and performance related to the program, including the commission's creation and administration of one or more special purpose credit programs authorized in RCW 43.181.040;

(b) Shall work with the department of financial institutions to convene meetings, create a charter and operating procedures, and to coordinate the oversight committee's ongoing activities;

(c) Shall convene the initial meeting of the oversight committee and select a chair by October 1, 2023;

(d) Shall work with the department of financial institutions to convene a meeting at least once a quarter and may hold additional meetings at the call of the chair or by a majority vote of the members of the committee;

(e) May conduct its meetings by conference telephone call, videoconference, or using similar technology that enables all persons participating in the meeting to hear each other at the same time; and

(f) May, from time to time, make recommendations to the appropriate committees of the legislature regarding the program.

(4) (a) The oversight committee is a class one group under RCW 43.03.220. Except as provided in (b) of this subsection, members of the committee receive no compensation for their services as members of the committee but may be reimbursed for travel and other expenses in accordance with rules adopted by the office of financial management.

(b) As authorized by RCW 43.03.220, the department of financial institutions may provide a stipend to individuals who are low income or have lived experience to support their participation on the oversight committee.

(5) (a) The department of commerce and the commission shall work together to supply the oversight committee and the department of financial institutions with any information requested by the oversight committee or the department of financial institutions that the oversight committee or the department of financial institutions deems necessary for the committee to carry out its duties under this section. This information may include, but is not limited to, books, accounts, records, policies, procedures, files, and information from relevant third parties.

(b) Any information shared among the oversight committee, the department of financial institutions, the department of commerce, and the commission that is confidential and exempt from public disclosure under RCW 42.56.270 shall remain confidential when received by the receiving party.

(6) The department of commerce and the commission must report to the oversight committee on a quarterly basis. The report must address the results of targeted education, homeownership counseling, and outreach efforts by the department of commerce as authorized under this chapter, and the results of any special purpose credit program formed by the commission under this chapter, and down payment and closing cost assistance to program participants.

(7) (a) The department of financial institutions shall:

(i) Provide subject matter expertise, administrative assistance, and staff support to the oversight committee; and

(ii) Work in coordination with the department of commerce and the commission to conduct outreach and financial education to the communities served by this chapter, in accordance with RCW 43.320.150.

(b) The department of financial institutions may:

(i) Have one or more staff present at oversight committee meetings;

(ii) Employ staff necessary to carry out the purposes of this section; and

(iii) Hire outside experts and other professionals it deems necessary to carry out its duties under this section.

(8) The department of commerce shall reimburse the department of financial institutions for costs related to the oversight committee from the moneys that the legislature appropriates to the department of commerce for this purpose from the covenant homeownership account under RCW 43.181.020(1). [2023 c 340 s 7.]

**Short title—Conflict with federal requirements—2023 c 340:** See notes following RCW 43.181.040.

**RCW 43.181.900 Findings.** (1) The legislature finds that:

(a) Generations of systemic, racist, and discriminatory policies and practices have created barriers to credit and homeownership for black, indigenous, and people of color and other historically marginalized communities in Washington state. The legislature finds that these policies and practices include redlining, racially restrictive covenants, mortgage subsidies and incentives, and displacement and gentrification.

(b) The state government was both an active and passive participant in this discrimination. For example, the legislature recognizes the role of state courts in facilitating discrimination by property owners; the existence of mandatory recording statutes that required county auditors to record racially restrictive covenants; the passage of the urban renewal law authorizing the designation, regulation, and displacement of certain neighborhoods that were deemed to be blighted; and state funding and regulation of the real estate and banking industries in ways that facilitated or promoted private discrimination. The legislature finds that the specific discriminatory acts and omissions are well documented, including in numerous public and private studies, reports, and other publications.

(c) This discrimination and its impacts continue to exist in the present day. The legislature recognizes that the homeownership rate for black, indigenous, and people of color and other historically marginalized communities in Washington is 19 percent below that of non-Hispanic white households, and the homeownership rate for black households is even lower. The legislature recognizes that credit, including home mortgages, is harder and more expensive to obtain for black, indigenous, and people of color and other historically marginalized communities in Washington than for non-Hispanic white households. The legislature finds that the imbalance in supply and demand in Washington's housing market has only exacerbated these inequities.

(d) These negative impacts extend beyond homeownership and affect wealth generation, housing security, and other outcomes for black, indigenous, and people of color and other historically marginalized communities in Washington. The legislature finds that these impacts



include higher rates of homelessness, rent burdening, substandard or otherwise unhealthy or unsafe housing, and predatory and discriminatory lending practices that lead to further displacement and gentrification.

(e) Existing state and federal programs and other race-neutral approaches are insufficient to remedy that discrimination and its impacts on access to credit and homeownership for black, indigenous, and people of color and other historically marginalized communities in Washington. The legislature finds that race-conscious programs, such as the special purpose credit programs authorized by RCW 43.181.040, are necessary to remedy the past discrimination in which the state was complicit and to remove the structural barriers that persist.

(2) The legislature declares that the state has a compelling interest in remedying past and ongoing discrimination and its impacts on access to credit and homeownership for black, indigenous, and people of color and other historically marginalized communities in Washington. [2023 c 340 s 1.]

**Short title—Conflict with federal requirements—2023 c 340:** See notes following RCW 43.181.040.