

Covenant Homeownership Program

First-Year Annual Report to the Legislature

July 1, 2024, through June 30, 2025

Submitted by the Washington State
Housing Finance Commission

December 2025



Opening doors to a better life

INTRODUCTION

In spring 2023, the Washington State Legislature passed the Covenant Homeownership Act (House Bill 1474, codified at Chapter 43.181 RCW). This legislation required the Washington State Housing Finance Commission (WSHFC) to complete or commission a study to inform the development of a new special purpose credit program (SPCP) to remedy racial disparities in homeownership left by the state's long involvement in housing discrimination.

The law required the Commission to then develop and implement, by July 1, 2024, a special purpose credit program that would provide loans for downpayment and closing costs, thus bringing homeownership within reach of lower-income households.

The Covenant Homeownership Act also requires an annual report on the program's progress:

(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.

This first annual report on the Covenant Homeownership Program covers the program's inaugural year, beginning with the program's launch on July 1, 2024, through the end of fiscal year on June 30, 2025.¹

About the Housing Finance Commission

The Washington State Housing Finance Commission is a self-sustaining state agency that works to provide equitable access to capital through strong partnerships and innovative financing, in order to create and sustain affordable rental housing, homeownership, and community spaces across Washington State.

Since 1983, more than 116,000 low- and moderate-income Washington households have used the Commission's home loan and downpayment assistance programs to purchase a home. These programs are offered by hundreds of loan officers and lending companies across the state. Homebuyer education is required for every borrower to ensure long-term success.

¹ Note that in 2025, the state legislature made several changes to the program, notably increasing the income limit from 100% to 120% of area median income and also allowing the forgiveness of Covenant downpayment assistance loans in certain circumstances. These changes all went into effect in July 2025 and so are not reflected in this report, which covers only the program's first fiscal year through June 30, 2025.

Key Components of the Covenant Act

Basic Eligibility

The Act mandates that program participants meet the following eligibility requirements:

- A household income at or below 100 percent of the Area Median Income (AMI),
- A first-time homebuyer (specifically defined in the Act), and
- A Washington resident who: (i) was a resident of Washington before the enactment of the Federal Fair Housing Act on April 11, 1968, and was, or would have been, excluded from homeownership in Washington by a racially restrictive covenant on or before that date; or (ii) is a descendant of a resident described in (i).

Covenant Homeownership Account

To fund this program, the Act creates a new source of funding for homebuyer assistance, through a \$100 document recording fee on all real-estate transactions. The state Department of Commerce is responsible for overseeing these revenues in the Covenant Homeownership Account and making them available to the Commission. The account began collecting the fee on January 1, 2024.

Covenant Research Study

As required by the Covenant Homeownership Act, the Commission's first step in developing the program was to contract with researchers to undertake an in-depth research study of housing discrimination in Washington state and its current impacts.

In March 2024, the Covenant Homeownership study was released. Conducted by the National Fair Housing Alliance and also informed by community input, the study fulfilled the statutory requirements of the Covenant Act to:

- Document historical discrimination in housing, the role of government entities in that discrimination, and its impacts on current homeownership opportunities in Washington;
- Analyze the effectiveness of current programs and policies on racial disparities in homeownership rates;
- Recommend an approach to remedy lingering inequities.

The study confirmed that state institutions played both active and passive roles in perpetuating housing discrimination against a range of marginalized groups. It also found that impacts of that discrimination are still felt today in the lower homeownership rates and net worth of many of those groups. Finally, the research showed that without specifically aiming to help these groups that were excluded for so long, a program would be ineffective in remedying the disparities.

In addition, the study made specific recommendations on the eligible ethnic groups of the pre-1968 resident (whether the homebuyer or their direct ancestor). Based not just on historic discrimination but also on current homeownership disparities, the recommended groups were: Black/African American, Hispanic/Latinx, Native American/Indigenous, Alaska Native, Native Hawaiian, Other Pacific Islander, Korean, or Asian Indian.

Finally, the study recommended customized downpayment assistance that would enable households with incomes between 80% and 100% of area median income to afford a modest-cost home in their county.

The Covenant Homeownership Study can be found at heretohome.org/covenant.

Oversight Committee

The Covenant Act also established an oversight committee with 11 members appointed by the Governor or by legislative leadership. The Covenant Oversight Committee, staffed by the state Department of Financial Institutions (DFI), is charged with meeting quarterly to review and evaluate the progress of the Housing Finance Commission and the state Department of Commerce in managing the Covenant Homeownership Account and the program itself. It is also expected to make recommendations to the appropriate committees of the legislature regarding the activities and operation of the program. More details about the Oversight Committee can be found at www.chpoversight.com.

PROGRAM STRUCTURE

The Housing Finance Commission developed the Covenant Homeownership Program based on the recommendations of the study, and in consultation with executive leadership, legal counsel, legislators, lenders, and a range of community stakeholders.

The new program joined the Commission's suite of downpayment assistance (DPA) loan programs, structured on the same model and using the same infrastructure.

The Commission currently offers eight DPA programs with varying eligibility requirements and levels of assistance. Downpayment assistance is available with every Commission home loan.

Like all of the Commission's other DPA programs, the Covenant Homeownership loan is a secondary loan attached to a Commission Home Advantage or House Key Opportunity first-mortgage loan. These first-mortgage home loans can be originated as conventional or government (Fannie, Freddie, VA, USDA, etc.) mortgages based on the needs and eligibility of the homebuyer.

Like most of the Commission's other DPA programs, the Covenant DPA is a 0% interest loan, with payment deferred until the time the home is sold, transferred, refinanced, paid off, or no longer occupied as a primary residence, or until 30 years have passed – whichever comes first.

The Covenant program's unique features include:

- Maximum loan amount of up to 20% down, not to exceed \$150,000, plus applicable and customary closing costs (when paid by the borrower).
- First-time homebuyers only, as defined in the Covenant Homeownership Act.
- Homebuyer income under 100% of Area Median Income² in the county where the home is located.
- Family history eligibility: Each borrower seeking Covenant downpayment assistance must document that either they or their direct ancestor (parent, grandparent, etc.) was a resident of Washington state before April 11, 1968.

Furthermore, based on the research and recommendations of the Covenant Homeownership Study, the program also requires documentation that the person who was a resident of Washington before April 11, 1968 – whether the borrower themselves or their direct ancestor – is Black, Hispanic, Native American/Alaska Native, Native Hawaiian or other Pacific Islander, Korean or Asian Indian.

Each borrower must provide documents that show the residency and ethnicity of the pre-1968 resident of Washington who establishes their eligibility, as well as documentation of their relation to that person (if not themselves).

The Homebuying Process

Borrowers access the Covenant downpayment loan by working with one of hundreds of lenders across the state who are trained and approved by the Commission to originate Commission home loans in our online loan reservation system.

Every homebuyer is required to take a free homebuyer education class, preferably before or early in the process of working with a lender. These five-hour classes are provided by loan officers, real-estate professionals and nonprofits throughout the state who have undergone training by the Commission. With no obligation to take any further steps, the class uses a Commission-approved curriculum to teach the whole process of buying a home.

The homebuyer's lender prequalifies and preapproves the borrower using their usual underwriting guidelines for credit score, debt-to-income ratio, and other factors. This information determines the type of mortgage loan and Commission downpayment assistance program that the borrower can use. (Again, the Covenant DPA, like the Commission's other DPA

² As noted earlier, the Legislature increased this income limit to 120% of Area Median Income in the 2025 legislative session. This change did not go into effect until July 2025 and thus is not addressed in this report.

programs, is a secondary loan attached to a Commission Home Advantage or House Key Opportunity first-mortgage loan.)

If using the Covenant DPA, the homebuyer must also gather their family-history documentation. The Commission must verify all of these documents before a loan can close and strongly encourages loan officers to submit this documentation for review early in the process, or at least before they reserve a loan in our online system, to avoid delays in closing.

The homebuyer then searches for a home in their price range, usually with the help of a real-estate broker or agent. When the buyer's offer on a home is accepted, the lender reserves the first-mortgage and Covenant loans in the Commission's online reservation system. As in any home-purchase transaction, a closing date is set; the buyer, seller and their representatives then complete the remaining steps in the process of closing.

Program Entry Points

While homebuyers must work with a Commission-trained loan officer to use the Covenant program, they can arrive at that point through many different pathways. These include:

- Calling the Washington State Homeownership Hotline at 1-877-894-4663 to be connected with a housing counselor or lender.
- Taking a free Commission-sponsored homebuyer education class. Dozens of these classes are offered each week across the state by trained loan officers and real-estate professionals. With no obligation to take any further steps, the class teaches the whole process of buying a home using an approved five-hour curriculum.
- Contacting a housing counselor in our state's network of nonprofit counseling agencies which provide a variety of one-on-one services to homebuyers, homeowners and others in need of assistance.
- Contacting a Commission-partnering loan officer directly.

In all the above interactions, homebuyers who are not eligible for the Covenant program are informed about and assisted in accessing other downpayment resources and programs.

OUTREACH

The Covenant program has benefitted from the outreach efforts of many community partners, beginning before the launch in July 2024. These efforts grew out of the widespread community participation in advocating for and passing the Covenant Homeownership Act, especially by the Black Home Initiative. After launch, this community effort increased and many BHI network partners and workgroups were at the forefront of proactive outreach efforts to eligible community members, which are ongoing.

In addition, many loan officers and real-estate professionals promote and market the program through their usual business networks and channels. Several have been active in spreading the word about this opportunity because of a strong motivation to help eligible communities to which they have a connection.

In addition to this support and outreach by advocates, BHI network partners, and real-estate and mortgage professionals, the Commission directly engaged in community outreach as a staff and through contractors.

Outreach Position at WSHFC

In June 2024, the Commission created a Homeownership Community Outreach and Engagement Specialist (HCOES) position to plan, conduct, and track statewide community engagement and outreach for the Commission's homeownership programs and resources, particularly the Covenant program. This position reports to the Commission's communications director and leads the program's community engagement and outreach, in addition to tracking, analyzing and reporting outreach metrics to internal and external partners.

2024 Budget Proviso

In 2024, the Washington State legislature approved a budget proviso with additional funds for outreach and homebuyer counseling to support the launch of the Covenant Homeownership Program. Consequently, the Commission released a competitive Request for Proposals (RFP) to solicit proposals from non-profit entities interested in providing homeownership counseling, support, and outreach related to the Covenant program.

As a result of the RFP, four nonprofit organizations were selected. These contracts were overseen by the Commission's outreach and engagement specialist described above.

1. Healthy Smart Homes (HSH) in partnership with Urban League of Metropolitan Seattle: \$350,000 for statewide outreach and homebuyer counseling services.
2. Washington Housing Resource Center (WHRC): \$50,000 for statewide outreach.
3. HomeSight: \$50,000 for homebuyer counseling and outreach.
4. American Financial Solutions: \$50,000 for homebuyer counseling and outreach.

Outreach Activities and Results

Activities by the Commission and our two main outreach contractors (Healthy Smart Homes and the Homeownership Research Center) included the following:

Commission staff:

- Launched HeretoHome.org/Covenant web page for eligible homebuyers and those seeking more information about the programs.
- Developed outreach materials including Covenant flyers in English and Spanish, shared throughout our network of outreach partners.
- Offered virtual and in-person informational sessions for community-based organizations and other partners.
- Attended/led presentations, tabling, and community events.
- Engaged with Covenant homebuyers to share their stories and influence a positive narrative for other impacted residents.
- Established relationships with statewide Native American organizations and Tribal communities.
- Engaged in successful social media campaigns.

Contractors:

- Attended and shared program information at statewide events.
- Presented about the program to a wide range of community organizations.
- Provided regularly scheduled virtual homebuyer information sessions in both English and Spanish.
- Brought particular cultural/linguistic expertise to outreach to Spanish-speaking communities around the state, including partnering with the Washington State Commission of Hispanic Affairs to develop a homeownership video in Spanish featuring the Covenant program.
- Used ambassadors in different areas of the state to engage with communities on a personal level, building trust, relationships and confidence with homebuyers, nonprofits, for-profits and tribal communities.
- Collaborated with houses of worship.
- Developed relationships in Asian communities to reach Covenant-eligible homebuyers.

Collectively, the Commission and these two contractors documented a total of 1,195 outreach interactions in 37 out of 39 Washington counties. These comprised a mix of in-person events, virtual meetings, email campaigns, and other contacts. They also engaged directly with 575 organizations statewide. The majority of these engagements were with nonprofits (358), followed by government organizations (98) such as state/city agencies, institutions and schools; faith-based entities (47); for-profits such as small business owners, entrepreneurs, and real-estate professionals (41); and Native American leaders, groups, and housing authorities among Tribes both federally recognized and unrecognized (31).

COVENANT HOMEOWNERSHIP PROGRAM FIRST-YEAR RESULTS

July 1, 2024 – June 30, 2025



Total Homebuyers: 547

**Total Household
Members:** 1,236



Total Amount Loaned: \$60,196,685

**Maximum Loan Amount
Per Borrower:** \$150,000 plus
closing costs

**Average Loan Amount
per borrower:** \$110,049



**Loan Officers Who Closed
Covenant Loans:** 160

Lending Companies: 42

GEOGRAPHIC DISTRIBUTION

Covenant Loans Closed July 1, 2024 – June 30, 2025

Property County	Property City	Loans per City	County Total
Benton	Grandview	1	
	Kennewick	2	
	Prosser	3	
	Richland	2	8
Clallam	Clallam Bay	1	
	Forks	1	
	Port Angeles	1	
	Sequim	1	4
Clark	Battle Ground	1	
	Vancouver	6	7
Cowlitz	Castle Rock	1	1
Franklin	Pasco	3	3
Grant	Grand Coulee	1	
	Quincy	1	2
Grays Harbor	Oakville	1	
	Ocean Shores	1	2

Property County	Property City	Loans per City	County Total
King	Algona	4	
	Auburn	45	
	Black Diamond	2	
	Burien	4	
	Covington	3	
	Des Moines	4	
	Enumclaw	1	
	Federal Way	32	
	Kent	36	
	Kirkland	1	
	Milton	1	
	Pacific	1	
	Redmond	1	
	Renton	13	
	Seatac	2	
Kitsap	Seattle	39	
	Tukwila	2	
	Bremerton	2	
	Kingston	3	
Kittitas	Port Orchard	4	
	Poulsbo	2	11
Kittitas	Ellensburg	3	3
Lewis	Centralia	1	
	Chehalis	1	
	Doty	1	3
Mason	Belfair	1	
	Shelton	3	4
Pacific	Grayland	1	1

Property County	Property City	Loans per City	County Total
Pierce	Bonney Lake	3	
	Buckley	1	
	Dupont	1	
	Eatonville	2	
	Fife	1	
	Fircrest	1	
	Graham	3	
	Lakebay	1	
	Lakewood	11	
	Orting	1	
	Puyallup	39	
	Spanaway	21	
Skagit	Steilacoom	1	
	Sumner	1	
	Tacoma	129	
	Mount Vernon	3	
	Sedro Woolley	3	6
Snohomish	Arlington	2	
	Darrington	1	
	Everett	4	
	Granite Falls	1	
	Lake Stevens	1	
	Lynnwood	1	
	Marysville	1	
	Mountlake Terrace	1	
	Snohomish	1	
	Sultan	1	
	Tulalip	1	

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Property County	Property City	Loans per City	County Total
Spokane	Airway Heights	1	
	Spokane	18	
	Spokane Valley	7	26
Stevens	Loon Lake	1	
	Valley	1	2
Thurston	Bucoda	1	
	Lacey	3	
	Olympia	4	
	Rochester	1	
	Yelm	10	19
Walla Walla		Walla Walla	1
Whatcom	Blaine	2	
	Ferndale	2	
	Nooksack	1	5
Yakima	Grandview	1	
	Granger	1	
	Moxee	1	
	Selah	1	
	Sunnyside	1	
	Tieton	1	
	White Swan	1	
	Yakima	9	
	Zillah	1	
Total Loans Statewide			547

Eligibility Categories of Covenant Borrowers

Income Eligibility

As established in the Covenant Act, to be eligible for the Covenant program during the first program year through June 30, 2025, the homebuyer could earn no more than 100% of the Area Median Income (AMI) for the county in which the home was located.

Area Median Income is calculated annually by the U.S. Department of Housing and Urban Development (HUD) and released each spring. Thus, Covenant borrowers whose loans were reserved on or after May 5, 2025, were subject to the new AMI limits, represented in the second column below.

(As noted earlier, in the 2025 legislative session the Legislature increased the program's income limit to 120% of Area Median Income. This change did not go into effect until July 2025.)

Income Limits During Year 1 of the Covenant Homeownership Program

County	Income Limit through May 5	Income Limit as of June 30	County	Income Limit through May 5	Income Limit as of June 30
Adams	\$72,700	\$76,400	Lewis	\$ 89,000	\$ 92,100
Asotin	\$84,300	\$87,100	Lincoln	\$ 83,800	\$ 91,000
Benton	\$99,900	\$105,600	Mason	\$ 99,000	\$104,300
Chelan	\$100,300	\$96,500	Okanogan	\$ 72,800	\$ 78,200
Clallam	\$93,900	\$90,400	Pacific	\$ 82,400	\$ 89,900
Clark	\$116,900	\$124,100	Pend Oreille	\$ 80,300	\$ 83,400
Columbia	\$101,300	\$109,800	Pierce	\$112,300	\$120,800
Cowlitz	\$86,400	\$85,500	San Juan	\$104,700	\$113,200
Douglas	\$100,300	\$96,500	Skagit	\$102,800	\$111,600
Ferry	\$75,500	\$80,700	Skamania	\$116,900	\$124,100
Franklin	\$99,900	\$105,600	Snohomish	\$147,400	\$157,100
Garfield	\$79,500	\$86,500	Spokane	\$100,100	\$100,800
Grant	\$81,800	\$91,700	Stevens	\$ 82,800	\$ 88,400
Grays Harbor	\$80,800	\$89,000	Thurston	\$116,700	\$116,700
Island	\$102,000	\$112,300	Wahkiakum	\$72,600	\$71,300
Jefferson	\$ 88,300	\$106,200	Walla Walla	\$90,200	\$97,900
King	\$147,400	\$157,100	Whatcom	\$106,300	\$108,400
Kitsap	\$119,700	\$124,300	Whitman	\$93,400	\$98,300
Kittitas	\$ 99,800	\$107,700	Yakima	\$78,600	\$82,300
Klickitat	\$ 84,900	\$ 93,500			

Family History Eligibility

Each borrower seeking Covenant downpayment assistance must document that either they or their direct ancestor (parent, grandparent, great-grandparent, etc.) was a resident of Washington state before April 11, 1968. Furthermore, based on the research and recommendations of the Covenant Homeownership Study, the program also requires that person who was a resident of Washington before April 11, 1968 – whether the borrower themselves or their direct ancestor – is Black, Hispanic, Native American/Alaska Native, Native Hawaiian or other Pacific Islander, Korean or Asian Indian.

Each borrower must provide documents that show the residency and ethnicity of the pre-1968 resident of Washington. In addition, they must document their own relationship with that person (if not themselves).

The tables below show the ethnicity and relationship of the pre-1968 party who established the eligibility of the Covenant borrowers in the first year of the program.

Family History During Year 1 of the Covenant Homeownership Program

Ethnicity of Pre-1968 Resident	Number	Percent of Total
American Indian	95	17.4%
Black/African American	390	71.3%
Hispanic/Latino	58	10.6%
Native Hawaiian	2	0.4%
Korean	2	0.4%
Total	547	100%

Relationship of Pre-1968 Resident to the Homebuyer	Number	Percent of Total
Self	22	4.0%
Parent	236	43.1%
Grandparent	236	43.1%
Great-Grandparent	45	8.2%
Great-Great Grandparent	7	1.3%
Great-Great-Great Grandparent	1	0.2%
Total	547	100%

FURTHER INFORMATION

For further information about the Covenant Homeownership Program, including an extensive question-and-answer section, please visit HeretoHome.org/Covenant.

Homebuyers interested in exploring this and other downpayment assistance programs should **call the state Homeownership Hotline at 1-877-894-4663 or visit HeretoHome.org** to find a free homebuyer education class or contact a Commission-partnering loan officer.

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