

# Covenant Homeownership Program FAQ

*Updated May 2025*

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## INFORMATION FOR HOMEBUYERS

If you have deep roots in Washington state (before 1968), you could be eligible for the Covenant Homeownership Program.

**If not, you're still in the right place** – downpayment assistance is available for almost every first-time homebuyer of low or moderate income.

- **Call the Washington State Homeownership Hotline at 1-877-894-4663** to be connected to support, guidance and financial help through the Covenant Homeownership Program – and beyond.
- **Seek out a [Commission-trained lender](#)** to prequalify for a mortgage loan and establish your eligibility for the Covenant or our other programs.
- **Take a [free homebuyer education class](#)** to start on your homebuying journey.

## 2025 UPDATES TO THE COVENANT PROGRAM

In April 2025, the state legislature passed [H.B. 1696](#), amending the Covenant Homeownership Act in two significant ways:

- Increasing the eligibility income limit from 100% to 120% of Area Median Income
- Allowing the forgiveness of Covenant DPA loans for homebuyers earning under 80% Area Median Income who stay in their homes for at least five years.

### When do these changes go into effect?

The new law is effective Sunday, July 27, 2025.

- New Income Limit: On Monday, July 28, 2025, the program will be open to eligible homebuyers earning up to 120% of area median income.
- Loan forgiveness: Loan forgiveness will apply to all eligible Covenant homebuyers even if they purchase(d) their home before July 27, 2025.

## **Why did the legislature increase the eligibility income limit?**

In our state's high-cost real-estate market, steady low-to-moderate wage-earners with good credit struggle to buy their first home. Those earning above 100% of area median income still have a substantial need for downpayment assistance to afford a modest-cost home in the county where they live.

Also, as shown in the Covenant Homeownership Study, this group of homebuyers includes many households within the racial and ethnic groups impacted by housing discrimination.

## **What is 120% of Area Median Income in my area?**

The Commission will publish a chart with this information in the coming months, prior to the implementation of the new income limit. For the Covenant program, Area Median Income is based on the location of the home to be purchased.

## **What is loan forgiveness?**

Loan forgiveness simply means that when you refinance, sell or pay off your home, the Covenant downpayment assistance loan does not need to be repaid, as it would otherwise. The forgiveness applies only to the downpayment assistance loan, not to the main mortgage on the property.

## **Why did the legislature enact the loan forgiveness option for homebuyers earning under 80% of Area Median Income?**

Regardless of income level, everyone who uses the Covenant program can afford to repay their mortgage and their downpayment assistance loan. But, for lower-income households, adding the option of loan forgiveness can help them sustain homeownership if their circumstances change after they buy their homes – for example, a change in employment that requires them to move to a different area.

Loan forgiveness or downpayment assistance grants were also recommended by the Covenant Homeownership Study as a significant path to both wealth-building for families and narrowing our state's racial homeownership gap.

## **How does loan forgiveness work?**

If you are under 80% AMI when you buy your home, your loan will be forgiven after five years of owning your home. The forgiveness applies only to the downpayment assistance loan, not to the main mortgage on the property.

## **Who is eligible for loan forgiveness?**

The new law offers forgiveness of the Covenant downpayment assistance loan to homebuyers who:

- Earned no more than 80% of Area Median Income at the time they bought their home; and
- Still own their home five years after purchase.
- Additional restrictions may apply; details will be published in the coming months.

## **What is 80% of Area Median Income?**

The Commission will post a chart with this information for 2024 and 2025 in the coming months, prior to the implementation of the new law. For the Covenant program, Area Median Income is based on the location of the home to be purchased.

## **How do I know if loan forgiveness is available to me?**

Within one year of loan closing, you will be notified in writing by the Commission and/or our loan servicer if forgiveness potentially applies to you.

## **What if I am eligible for loan forgiveness, but purchase(d) my home before the new law takes effect? Does loan forgiveness apply to me?**

Yes. Loan forgiveness will be offered to all homebuyers who earned no more than 80% of Area Median Income at the time they bought their home, provided they still own their home five years after purchase. (Additional restrictions may apply and will be published in the coming months before implementation of the new law.)

## **Does loan forgiveness affect the cost of the Covenant program?**

Loan forgiveness does not require any additional state investment in the Covenant program. The Covenant program continues to be funded by the document recording fee established by the Covenant Homeownership Act in 2023.

When a loan is forgiven, it means that the amount of the loan will not eventually go back into the Covenant account to be loaned again, as happens when a loan is repaid. (In any case, loan repayments may take some time to return to the Covenant account, because many homebuyers intend to stay in their homes and build equity.)

## ABOUT THE COVENANT HOMEOWNERSHIP PROGRAM

### How does the Covenant Homeownership Program help homebuyers?

The Covenant Homeownership Program provides downpayment and closing cost assistance for first-time homebuyers in the form of a loan, secondary to the primary mortgage loan. The loan has a 0% interest rate. It is paid back on the sale or refinancing of the home. The maximum amount of downpayment assistance is 20% of the cost of the home, or \$150,000, plus closing costs (if paid by the buyer).

### How do I apply for the Covenant Homeownership Program?

You can access this program by working with a [Commission-trained lender](#) to prequalify for a mortgage loan and establish your eligibility.

The Washington State Homeownership Hotline at 1-877-894-4663 is also a great way to easily connect to the Covenant Homeownership Program, as well as other free support, guidance and financial help.

The hotline will help you reach the next step based on your situation, goals and preferences. If you are not quite ready for a mortgage, the hotline will connect you with free support and guidance to get on the path to your goal, no matter where you are today.

### What is the Homeownership Hotline?

The hotline is a free service of the nonprofit [Washington Homeownership Resource Center \(WHRC\)](#). Hotline staff can connect you to the Covenant Homeownership Program through the free, professional support of a housing counselor. The hotline can also share a wide range of other information and resources tailored to your location, income, and specific needs.

### Who is eligible for this program?

Based on the mandates of the Covenant Homeownership Act and the recommendations of the Covenant Homeownership Program Study, the following eligibility criteria apply:

- Household income at or below 100% of the Area Median Income (AMI). **NOTE:** *On July 28, 2025, due to 2025 legislative action, the program will be open to homebuyers earning up to 120% of Area Median Income.*
- First-time homebuyer.

- The homebuyer or a parent/grandparent/great-grandparent lived in Washington state before April 1968.
- The person who lived in Washington before April 1968 is Black, Hispanic, Native American/Alaska Native, Native Hawaiian or other Pacific Islander\*, Korean or Asian Indian. *\*Following the U.S. Census definitions, "Pacific Islander" includes individuals with origins in any of the original peoples of Hawaii, Guam, Samoa, or other Pacific Islands, including, for example, Samoan, Chamorro, Tongan, Fijian, and Marshallese.*

## Why must the homebuyer/family member have lived in Washington before April 1968?

In April 1968, the passage of the Fair Housing Act made racial discrimination in housing illegal. Discrimination persisted despite the new law; however, the state no longer had an official or legal role in enforcing and upholding it.

## What is 100% of Area Median Income (AMI)?

Area Median Income (AMI) is set by county. This program uses the AMI for the county in which you are buying the home. (Further income restrictions may apply depending on the first-mortgage program.) **See county chart below (updated May 2025):**

<u>County</u>	<u>AMI</u>	<u>County</u>	<u>AMI</u>	<u>County</u>	<u>AMI</u>
Adams	\$ 76,400	Island	\$112,300	San Juan	\$113,200
Asotin	\$ 87,100	Jefferson	\$106,200	Skagit	\$111,600
Benton	\$105,600	King	\$157,100	Skamania	\$124,100
Chelan	\$96,500	Kitsap	\$124,300	Snohomish	\$157,100
Clallam	\$ 90,400	Kittitas	\$107,700	Spokane	\$100,800
Clark	\$124,100	Klickitat	\$ 93,500	Stevens	\$ 88,400
Columbia	\$109,800	Lewis	\$ 92,100	Thurston	\$116,700
Cowlitz	\$ 85,500	Lincoln	\$ 91,000	Wahkiakum	\$ 71,300
Douglas	\$96,500	Mason	\$104,300	Walla Walla	\$ 97,900
Ferry	\$ 80,700	Okanogan	\$ 78,200	Whatcom	\$108,400
Franklin	\$105,600	Pacific	\$ 89,900	Whitman	\$ 98,300
Garfield	\$ 86,500	Pend Oreille	\$ 83,400	Yakima	\$ 82,300
Grant	\$ 91,700	Pierce	\$120,800		
Grays Harbor	\$ 89,000				

## **Why are some racial groups eligible and not others?**

The Covenant program's initial eligibility criteria are intentionally narrowly tailored. While many racial, ethnic and religious groups in Washington were subject to unjust and egregious housing discrimination, the Covenant program considers not only this history but also its current impacts.

Some of the groups discriminated against continue to show much lower homeownership rates compared with the general white population. These are named in the initial eligibility criteria. However, for other groups (such as Jewish residents), the data is limited when it comes to documenting the lasting impacts of historical discrimination. Please see [page 93 of the Covenant Homeownership Study](#) for further information.

## **Will other groups be eligible in the future?**

As the study recommends, we are currently exploring how to expand eligibility. We hope to open a second phase of the program in the future. This Phase II could allow participation by applicants who are outside the currently approved racial groups but who are able to show past and ongoing impact by state-supported discrimination, as documented in Chapters 1 and 2 of the study.

People would still have to meet the program's statutory requirements, including being a first-time homebuyer, earning no more than 100% of Area Median Income, and being either a pre-1968 resident of Washington state or a descendant of one.

## **Who qualifies as a first-time homebuyer?**

The Covenant Homeownership Act defines "first-time homebuyer" broadly. You may be eligible if:

- You have not owned a home within the past three years
- You are a single parent who has only owned a home while married to a former spouse.
- You are a displaced homemaker and have only owned a home with a spouse.
- You have only owned a residence that had no permanent foundation (such as a manufactured home)
- You only owned a property that was determined to be uninhabitable.

## **What is required of homebuyers using the Covenant program?**

As with all Commission home loans, homebuyers must meet lender underwriting requirements, i.e. qualify for a home loan from a lending institution. You must also take a

free homebuyer education class, either virtually or in person. Dozens of classes are taught each week by lenders and real-estate professionals across the state. [Find one here.](#)

Further, Covenant homebuyers must provide documentation of the residency and race/ethnicity of the person (whether the homebuyer themselves or their parent/grandparent/great-grandparent) who lived in Washington state before April 1968. Housing counselors, lenders, Commission staff and other program partners are committed to helping homebuyers gather this documentation.

### **What kind of documentation of residency and race/ethnicity do I need?**

The Commission intends to be as flexible as possible in accepting documentation of race and pre-1968 residency in Washington. Again, the homebuyer must submit this documentation for the person who lived in Washington before 1968—whether that person is the homebuyer themselves or their parent/grandparent/great-grandparent.

Some examples of acceptable documents include:

<ul style="list-style-type: none"><li>• Birth &amp; Death certificates</li><li>• School records</li><li>• Death certificates</li><li>• Church records</li><li>• Probate Records</li><li>• Newspaper clippings</li><li>• Marriage certificates</li><li>• Employer records</li><li>• Military records</li></ul>	<ul style="list-style-type: none"><li>• Genealogical records from reliable sources</li><li>• Tribal membership records</li><li>• Draft card</li><li>• Social Security Claims &amp; Applications</li><li>• WA State Concealed Weapon License</li><li>• Census data</li><li>• Obituaries</li><li>• Historical Societies</li></ul>
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### **Where can I find this documentation?**

Your lender and/or housing counselor will help you gather the documents. Some good sources include the following. The Commission will continue to add resources to this section.

- [Vital Records Department](#) of the state Department of Health
- [Legacy Washington](#)
- [FamilySearch.org](#): Create a free account to search family records.
- [Ancestry.com](#): This is a paid service, but you can often access Ancestry.com for free from your local library.
- Public libraries:
  - [Find your local library here.](#)

- [Seattle Public Library](#)
- [King County Library Research](#)
- [Tacoma Public Library](#)
- [Spokane Public Library Research](#)
- [Newspapers.com](#)
- [MyHeritage.com](#)

### **What if I might be eligible for the program, but I'm not mortgage-ready?**

If you are not quite ready for a mortgage, you can start on the path to homeownership with free, individual guidance from a housing counselor. Get connected through the Washington State Homeownership Hotline by calling 1-877-894-4663 or visiting [www.homeownership-wa.org](http://www.homeownership-wa.org).

### **Is there help for me if I'm not eligible for the Covenant program?**

Yes! Downpayment assistance and other supports are available to low- and moderate-income homebuyers throughout the state. Call the Washington State Homeownership Hotline at 1-877-894-4663 or visit [www.homeownership-wa.org](http://www.homeownership-wa.org) for information and resources tailored to your location, income, and specific needs.

Most homebuyers who earn under \$180,000 a year can access financial assistance through the Housing Finance Commission's range of [downpayment assistance programs](#). You can also find a [free homebuyer education class here](#) to start on your homebuying journey.

### **Where does the Covenant Homeownership Program funding come from?**

Starting in January 2024, the state collects a \$100 document recording assessment for real-estate transactions. The fee is projected to generate between \$75 million and \$100 million each year to be used for the Covenant Homeownership Program.

### **Who is responsible for the Covenant Homeownership Program?**

The Washington State Housing Finance Commission designed, developed, and implemented the Covenant Homeownership Program and is responsible for its ongoing operations. The Commission was also responsible for overseeing the Covenant Homeownership Program Study that determined the details of the program.



## **Who holds the Commission accountable?**

A Covenant Homeownership Program Oversight Committee, formed by the [Department of Financial Institutions \(DFI\)](#), oversees and reviews the Commission's activities and performance related to the Covenant Homeownership Program Study and the Covenant Homeownership Program. The oversight committee may also make recommendations to the legislature regarding the program.

## **How do you evaluate the effectiveness of the Covenant Program?**

The Housing Finance Commission is required to submit an annual report to the legislature on the progress of the Covenant Homeownership Program by December 31, 2025, and by each following December 31. The Commission will complete an update to the Covenant Homeownership Program Study at least every five years to evaluate the program's effectiveness and recommend Covenant Homeownership Program improvements.

## **ABOUT THE COVENANT HOMEOWNERSHIP STUDY**

In March 2024, the National Fair Housing Alliance released the Covenant Homeownership Program Study. This study was required by the Covenant Homeownership Act in order to establish the framework for the Covenant Homeownership Program.

- [Executive Summary \(7 pages\)](#)
- [Full Study \(197 pages\)](#)
- [Watch the webinar:](#) (YouTube Link) NFHA researchers discussed the study and answered questions in a recorded webinar on April 2, 2024.

## **What is the Covenant Homeownership Study?**

The study was the first, crucial step in the development of Covenant Homeownership Act assistance programs. This evidence-based research study investigates housing discrimination against marginalized communities in Washington State, what role government institutions have had in the discrimination, the impacts of the discrimination, and what specific assistance would be likely to remedy these impacts.

## Who conducted the Covenant Homeownership Study?

As the result of a competitive Request for Proposals process, the National Fair Housing Alliance (NFHA) was selected to lead the study, overseen by the Washington State Housing Finance Commission (Commission).

- The [National Fair Housing Alliance](#), the lead consultant, has a 33-year history of documenting historical and current discrimination to identify, eliminate and remedy the harms that have resulted. They also bring significant expertise with special-purpose credit programs.
- [Abt Associates](#), the key research partner in the study, is a mission-driven research and consulting firm with deep expertise in publicly administered homeownership programs, data analysis, and fair housing.
- NFHA and Abt were joined by two Washington state groups with years of knowledge and expertise in fighting housing discrimination in our state. The [Northwest Fair Housing Alliance \(NWFHA\)](#), serving central and eastern Washington, and the [Fair Housing Center of Washington \(FHCW\)](#), based in western Washington, subcontracted with NFHA to assist in documenting specific historical discrimination against marginalized groups in Washington.

## How were community members and stakeholders involved in the study?

NFHA and its local fair housing partners incorporated numerous points of active community engagement with stakeholders, from webinars and presentations to key informant interviews, focus groups, and surveys. Many Washington residents shared their personal and family experiences with housing discrimination. Summaries of these stories can be found in Chapters 1 and 2 of the study and in the appendices for these chapters.

## What are the key findings of the study?

First of all, the study confirms that state institutions played both active and passive roles in perpetuating housing discrimination against a range of marginalized groups. Secondly, it finds that impacts of that discrimination are still felt today in the lower homeownership rates and net worth of many of those groups. Third, the research shows that without specifically aiming to help these groups that were excluded for so long, a program would be ineffective in remedying the disparities.

## What are the study's recommendations?

The study recommends a Special Purpose Credit Program with a customized approach to downpayment assistance that allows people who have been impacted by discrimination to buy a home in their county.

Such a program has the flexibility to support homeownership in a way that a normal downpayment assistance program would not, in two ways. First, it could offer a large enough loan to make a home attainable in the county where they live for anyone who qualifies; and second, it would be exclusively available to groups who both suffered housing discrimination by state institutions in the past and continue to show the effects in disparities today. (The Covenant Homeownership Act includes additional specific eligibility requirements for individuals.)

## ABOUT THE COVENANT HOMEOWNERSHIP ACT

In 2023, the [Covenant Homeownership Act](#) was passed by the Washington State Legislature, thanks to the advocacy and leadership of the [Housing Development Consortium](#), the [Black Home Initiative](#), Rep. Jamila Taylor, Sen. John Lovick, and Rep. Frank Chopp. This landmark legislation makes Washington one of the first states to face and address the role of government institutions in housing-related discrimination and racism.

In 2025, the Covenant Act was amended when the legislature passed [H.B. 1696](#).

### **The original law has two important parts:**

1. **A research study** to investigate housing discrimination against marginalized communities in Washington State, what role government institutions have had in the discrimination, the impacts of the discrimination, and potential remedies for the impacts. These findings helped determine who will be eligible for assistance and established the framework for creation of a Special Purpose Credit Program under the Equal Credit Opportunity Act.
2. **A new source of funding** for homebuyer assistance from a new \$100 document recording assessment on every real-estate transaction, starting January 1, 2024. These fees are deposited into the Covenant Homeownership Account and fund the Special Purpose Credit Program.

### **What is a racially restrictive covenant?**

Covenants are clauses that prevent, prohibit, restrict, or limit the actions of a person or entity named in a contract. As part of home deeds and required neighborhood agreements (like HOAs), covenants were commonly used between the 1920's and 1960's throughout Washington state to restrict housing based on race, religion, and ethnicity. A typical covenant required the signer to agree they would never allow a non-white or non-Christian person to buy or live in their home.

Black people were excluded in every racially restrictive covenant. Asian American Pacific Islanders, Latino/a/x, Jewish people, and other marginalized groups were also excluded. To date, nearly 50,000 racially restrictive covenants have been documented throughout Washington state by the Racial Restrictive Covenants Project of the University of Washington and Eastern Washington University. Learn more and read these covenants at the [project website](#).

### **How did the Covenant Homeownership Act come to pass?**

The Covenant Homeownership Act is unique because it began with an extensive stakeholder and community engagement process. In September 2022 the Housing Development Consortium of Seattle-King County (HDC) convened more than 50 stakeholders across multiple sectors who worked together to examine barriers to homeownership as well as policy options that could address these barriers. These comprehensive conversations with possible bill sponsors and champions resulted in a set of suggestions for the legislation. In addition to shaping the legislation, the stakeholder and community engagement process ensured strong and effective advocacy that led to the bill's passage with bipartisan support.

### **Why is the Covenant Homeownership Act needed?**

Homeownership is the cornerstone of the American dream. It is the primary way households build wealth, stability, and community and pass wealth down to future generations.

Yet in Washington, only 49% of BIPOC households in Washington are homeowners, compared with 68% of non-Hispanic white households. As is common where disparities exist, Black households fare even worse than other households of color: the homeownership rate for Black households is only 31%. Despite the Fair Housing Act and the end of "legal" discrimination, the national homeownership rate for Black households has not improved since 1960.

Research shows that these inequities did not arise by chance or because of individual choices. They are the result of policies and practices that favored white Washingtonians. Previous research has also shown that existing state and federal programs and other race-neutral approaches are insufficient to remedy this discrimination and its impacts. That is

why the Covenant Homeownership Act proposes the first-in-the-nation use of a Special Purpose Credit Program by a government agency.

### **What is a Special Purpose Credit Program?**

Special Purpose Credit Programs were made available by the Equal Credit Opportunity Act of 1974 to benefit a specific class of persons who share common characteristics (for example, race, national origin, or sex). They are an important tool in expanding fair access to credit, particularly for consumers and communities impacted by discrimination.

### **Why create a Special Purpose Credit Program?**

The racial homeownership gap will persist without specific intervention that goes beyond “colorblind” or “race-neutral” assistance. A Special Purpose Credit Program can be race-conscious, allowing our state to directly remedy the harm caused by its discriminatory policies and practices.

Until now, only private businesses have utilized Special Purpose Credit Programs to remedy harm caused by their actions. To our knowledge, the Covenant Homeownership Act is the first programmatic use by a government agency to remove persistent structural barriers to homeownership.

### **Why require a Covenant Homeownership Program Study?**

The Covenant Homeownership Program Study provides the foundation for a Special Purpose Credit Program that can benefit homebuyers affected by racial discrimination.

### **Why does the Covenant Homeownership Act enact a \$100 document recording fee?**

For many years, Washington state mandated that county auditors record racially restrictive real-estate covenants. Legislators found it fitting that this same document-recording process should help remedy the harm created by these actions.

### **Is the Covenant Homeownership Act reparations?**

The Covenant Homeownership Act is one small effort to remedy past and ongoing discrimination and its impacts on access to credit and homeownership for BIPOC and other historically marginalized communities in Washington state. It does not represent a formal reparations effort. The United Nations has defined reparations as including five conditions, [outlined here](#).