



## SPCP Toolkit for Mortgage Lenders

# Special Purpose Credit Programs

for Mortgage Lenders

## Welcome to the SPCP Toolkit!

**NFHHA** NATIONAL  
FAIR HOUSING  
ALLIANCE

**MTRa**

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## SPCP Toolkit for Mortgage Lenders

This Toolkit is intended to facilitate mortgage lenders as they take on the process of considering and building Special Purpose Credit Programs. The Toolkit provides examples of SPCPs from leading Banks as well as other examples of SPCPs in the market. In addition, the Toolkit provides a host of resource information on the background and need for SPCPs, guidance and examples on the data analysis required, and other useful links to aid mortgage lenders in their work to bring more SPCPs to market. Homeownership is the greatest source of wealth for most people, and SPCPs are a critical tool in narrowing the racial wealth and homeownership gaps that persist in America.

**Thank you for taking the time to review SPCPs and for seeking solutions that you can implement to increase your lending to underserved and economically disadvantaged populations.**

**Legal Disclaimer:** The information provided in this Special Purpose Credit Program Toolkit does not, and is not intended to, constitute legal advice; instead, all information is for general informational purposes only. As with any lending program, designing and implementing a SPCP raises a number of legal, compliance, and operational considerations, decision points, and risks. Readers of this Toolkit should contact their attorney to obtain advice with respect to any particular legal or regulatory matter. This Toolkit may contain links to other third-party websites. Such links are only for the convenience of the reader; the authors of this Toolkit do not recommend or endorse the contents of the third-party sites.

## SPCP Toolkit Quick-Links to Sections

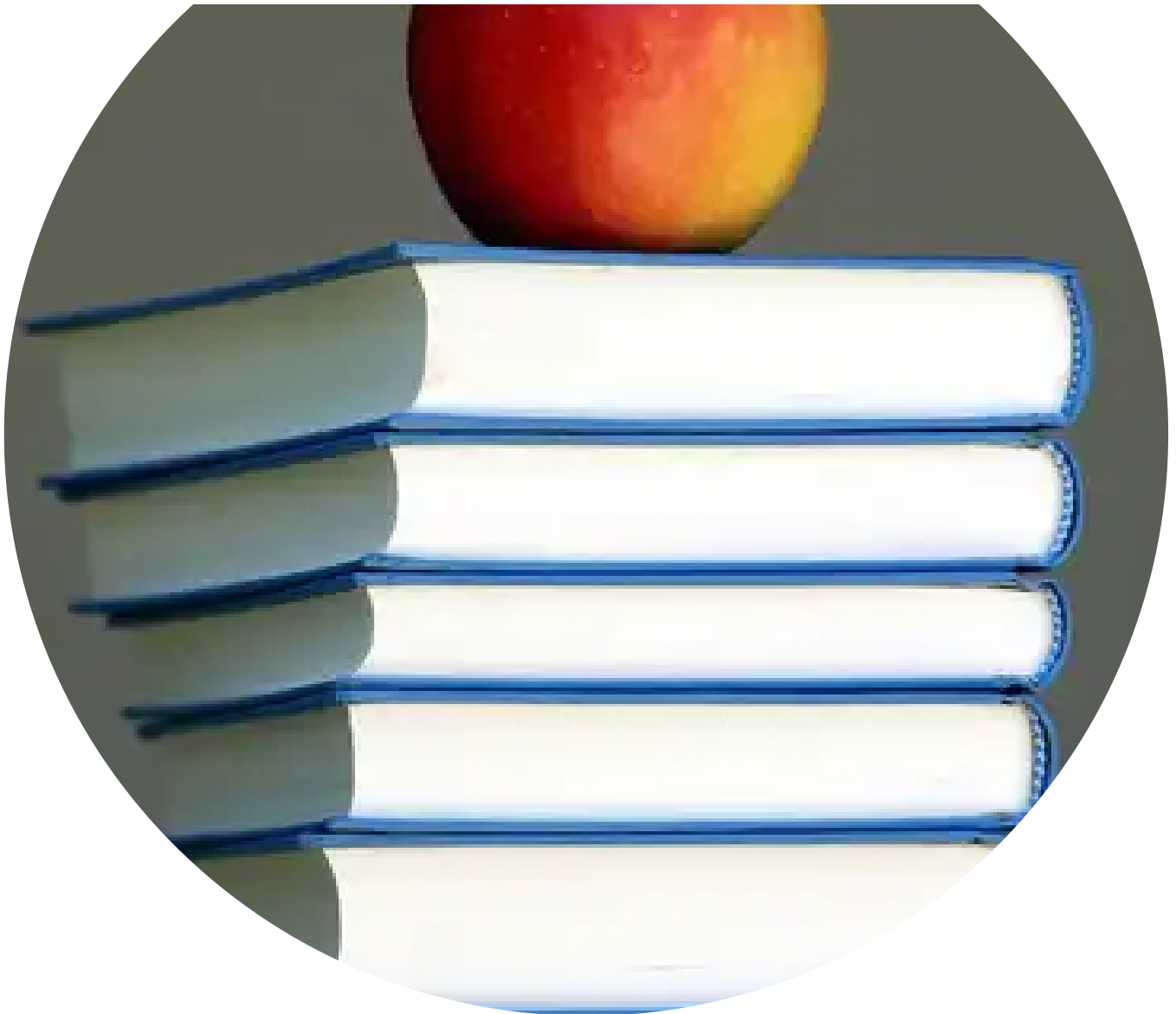
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## SPCP Basics

The rules and the regulatory guidance that has been released regarding SPCPs.

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## Why SPCPs are needed

Background, historical perspective, changing demographics, and current gaps.

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## Legal FAQs

Answers to the most commonly asked questions - not to substitute for legal advice.

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## Market examples of SPCPs

What's a product or service you'd like to show.

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## Building your SPCP

Process overview and sample timeline feedback gathered from successful SPCPs.

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## Data & Design FAQs

Sample credit interventions for SPCPs and answers to common questions.

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## Data Analysis Examples

Sample checklist, resources, and case study for SPCP using market and lender data.

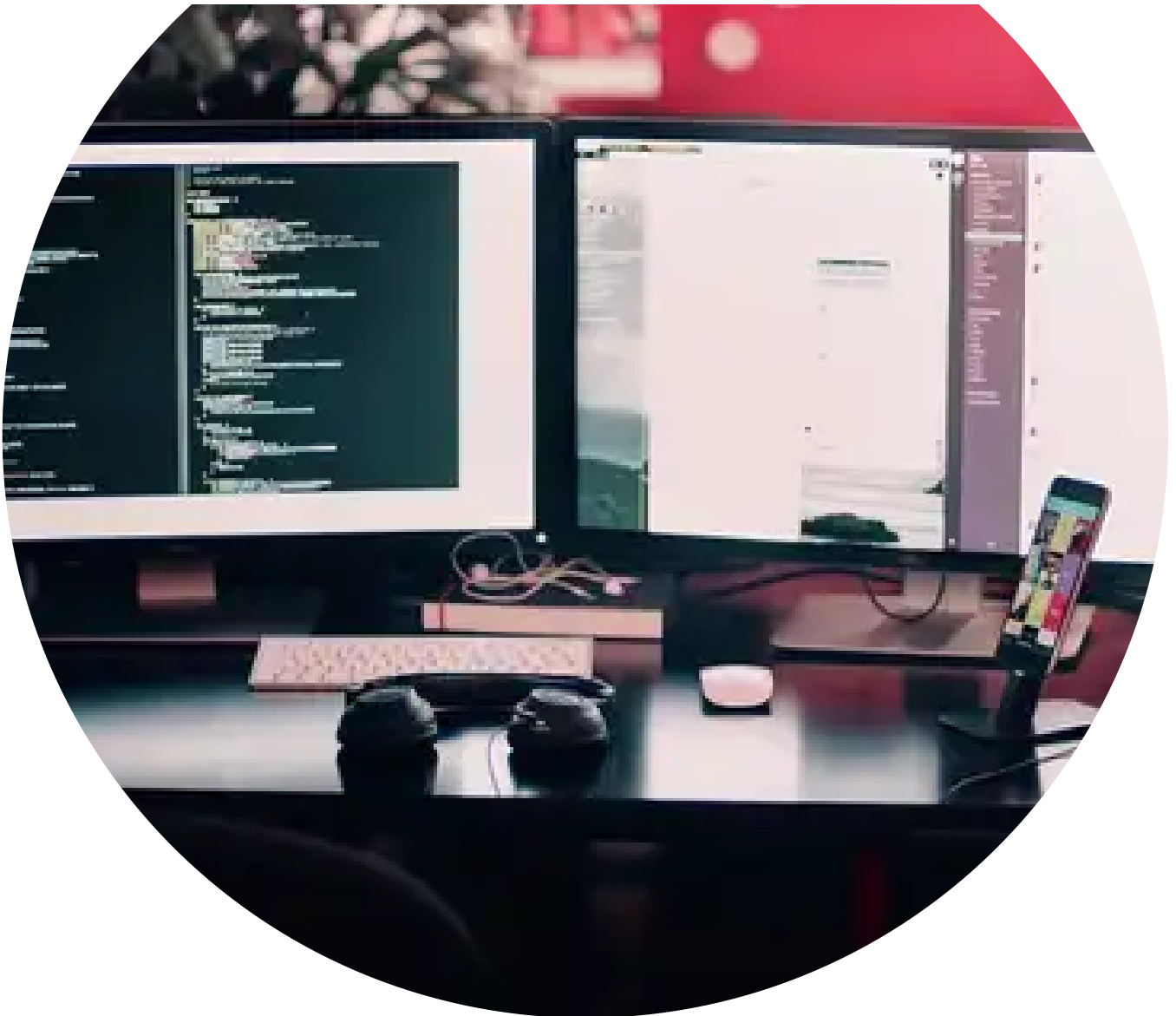
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## Compliance and Monitoring

Sample KPIS for SPCPs and answers to common compliance questions.

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The CFPB issued an Advisory Opinion that provides detailed agency guidance regarding the content that a for-profit organization should include in a SPCP written plan.

[READ IT HERE](#)

## CFPB SPCP Resource Blog



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## HUD General Counsel Opinion



HUD issued guidance that confirms that SPCPs that conform with ECOA and Reg B generally do not violate the Fair Housing Act (“FHA”).

**[READ IT HERE](#)**

## Interagency Statement on SPCPs

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The OCC, Board of Governors of the Federal Reserve System, FDIC, NCUA, CFPB, HUD, the U.S. DOJ, and FHFA issued a joint statement that “encourage[s] creditors to explore opportunities to develop special purpose credit programs consistent with ECOA and Regulation B requirements as well as applicable safe and sound lending principles.”

[READ IT HERE](#)

### HUD FHEO Statement



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## SPCP Basics

# What is a Special Purpose Credit Program?

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**SPCPs are targeted lending products designed to specifically advantage an economically disadvantaged group of people. SPCPs can be created to benefit designated protected classes of people.**

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SPCPs.

**SPCPs are explicitly permitted by statute.** The Equal Credit Opportunity Act (ECOA), first passed in 1974, prohibits discrimination in credit on the basis of race or national origin, among other factors. 15 U.S.C. § 1691(a)(1). However, ECOA also states that it does not constitute discrimination for a for-profit organization to refuse to extend credit offered pursuant to a special purpose credit program in order “to meet special social needs” or for a nonprofit to administer a “credit assistance program” for its members or an “economically disadvantaged class of persons” (collectively “SPCPs”). *Id.* at § 1691(b)-(c). Congress ensured that these programs permit consideration of prohibited bases such as race, national origin, or sex in order to “increase access to the credit market by persons previously foreclosed from it.”

**Regulation B contains the official regulations that implement ECOA.** Regulation B prescribes different standards for three types of SPCPs, those that are:

1. “authorized by law,”
2. offered by a not-for-profit, and
3. offered by a for-profit organization.

Programs **authorized by law or provided by non-profit organizations** must be “for the benefit of an economically disadvantaged class of persons” or for members of the not-for-profit organization. 12 C.F.R. § 1002.8(a)(1)-(2)

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applying to the organization for a similar type and amount of credit.

12 C.F.R. § 1002.8(a)(3)

# Why SPCPs are needed in the marketplace

## History & Background Presentation by NFHA

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## SPCPs & Antidiscrimination Law

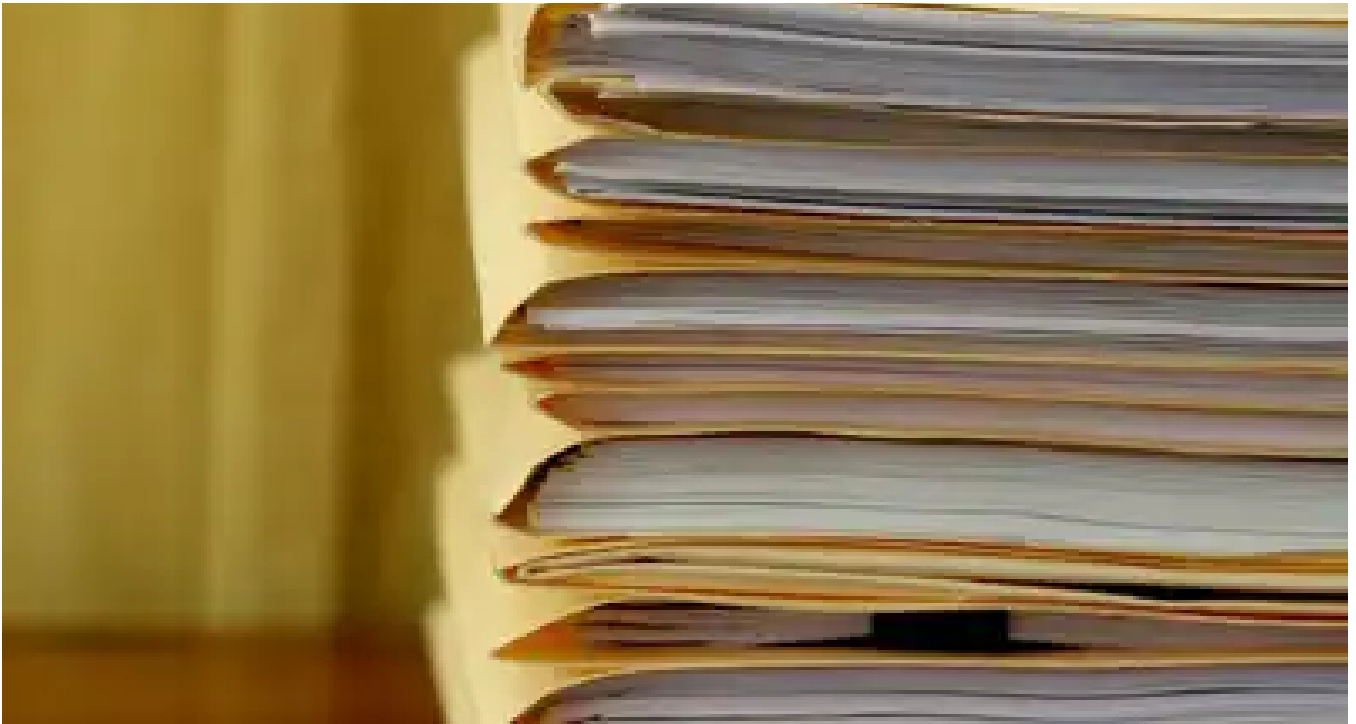
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The National Fair Housing Alliance and Relman & Colfax PLLC prepared the following memorandum to address legal questions about implementing Special Purpose Credit Programs under the Equal Credit Opportunity Act and the scope of liability under the federal Fair Housing Act and other civil rights laws.

Click the image to read the memorandum or download a copy.

## Background Research & Data by Urban Institute

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## Urban Institute – Background Research and Data

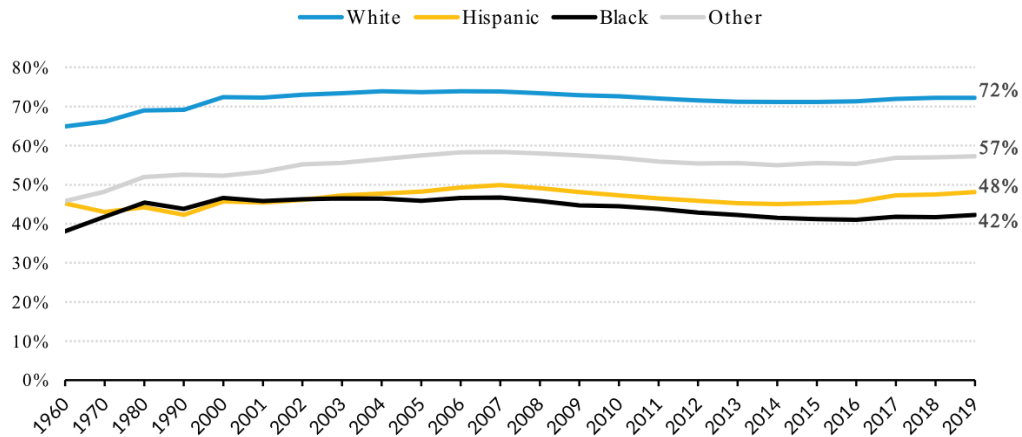
May 26, 2022

### Part I: Why use SPCPs in home lending? Background Research and Data.

*Topic 1: Large gaps in homeownership rates and wealth persist between racial groups as households of color face significant disadvantages relative to white households in both attaining and sustaining homeownership*

- The white homeownership rate is 72 percent, which is 30 points higher than the Black homeownership rate (42 percent) and 24 points higher than the Hispanic homeownership rate (48 percent) ([American Community Survey](#), [McCargo & Strochak, 2018](#))
- Median wealth for white families’ is \$188,200, compared to \$24,100 for Black families and \$36,100 for Hispanic families; the median white family has over 7 times the wealth of the median Black family and over 5 times the wealth of the median Hispanic family ([Bhutta et al. 2020](#), [Nine Charts about Wealth Inequality in America \(Updated\)](#)).
- The Black-white homeownership rate gap is wider now than it was in 1960, when the Fair Housing Act had not yet been passed and housing discrimination was still legal ([McCargo & Choi 2020, Figure 1](#))

**Figure 1: Homeownership rates by race/ ethnicity, 1960-2019**



**Source:** Census Bureau.

- In 2019, households of color accounted for 32 percent of all households but only held 24 percent of primary-residence housing wealth ([Neal et al. 2021](#), [Dettling et al. 2017](#)).

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What are our legal risks with a Special Purpose Credit Program? ▼

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What about state laws as they relate to SPCPs? ▼

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How can a lender identify eligibility criteria, and what protections exist from individuals claims or lawsuits? ▼

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## Publicly Announced Examples of SPCPs

Chase



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# ROCKET Mortgage

SPCP purchase mortgage providing discounts and up to 1% down payment assistance.

Bank of America



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SPCP Mortgage in targeted geographies.

## Guaranteed Rate

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SPCP Mortgage in targeted geographies.

## Movement Mortgage

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Business Diversity Lending SPCP is designed to empower woman-, minority- and veteran-owned businesses.

Nonprofit: LISC DPA - San Diego

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Low Income Investment Fund (LIIF) CDFI partners with National Affordable Housing Trust to address systemic market gaps with this black developer capital initiative.

## Nonprofit: Equity DPA - National

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The City First Homes, Homes by CFE program provides an affordable second mortgage of up to 20% LTV for qualifying African-American and Hispanic first-time homebuyers.

## Building your SPCP

### How to complete the requirements for SPCP

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*gathered from SPCP example providers to give insight into what other lenders have seen while building their SPCPs.*

**1) Assess data and determine the needs of the economically disadvantaged underserved population(s) and/or areas. Engage counsel in legal review early in the process as you begin the analysis and planning for your SPCP.** Using both public data from the market and your own production data, determine if an SPCP is needed or if you can solve for increased lending to the population another way. If an SPCP is determined to be needed, continue the process. *Timeline: 3-4 Weeks*

**2) Design credit intervention for SPCP.** Based on what you as a lender and your investors will allow, determine what credit interventions and enhancements can be made to create a Special Purpose Credit Program product that will increase the likelihood of approval-for or access-to the designated credit product(s). See our sample credit interventions in the FAQs for ideas. *Timeline: 2-4 Weeks*

**3) Build a written plan to support your SPCP.** Document your plan from the analysis, through the credit intervention design, the product, how you'll originate and deliver the program, the timeframe for the product(s) and how you will monitor and measure the program. This written plan facilitates your next steps in bringing an SPCP to market. *Timeline: 3-4 Weeks*

*In accordance with Regulation B, the written plan should contain information supporting the need for the program, including:*

1. The class of persons that the program is designed to benefit;
2. The procedures and standards for extending credit pursuant to the program;
3. Either (i) the time period during which the program will last or (ii) when the

*program will be re-evaluated to determine if there is a continuing need for it.*

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policy, compliance, IT, training, and other internal departments that facilitate the successful delivery and monitoring of your credit products. Document any changes or additions to your SPCP written plan as you complete the internal review and approval process. *Timeline: 4-8 Weeks*

**5) Regulator review of your SPCP plan.** While there is no specific approval by a regulator of any particular SPCP, it is best practice to review your plan with your appropriate regulatory agencies. Consider this from a federal perspective as well as any applicable state regulatory agencies. *Timeline: 4-6 Weeks (varies by lender type and location)*

**6) Train sales and operations staff on new product(s) and your SPCP plan as you prepare for a successful launch and program delivery.** Training is critical, especially in the mortgage industry, and SPCPs may have additional or new steps for your staff in successfully delivering and monitoring the program. *Timeline: 2-4 Weeks*

An effective SPCP should be dovetailed with a fair housing marketing plan to ensure the program will be successful and reach requisite consumers and communities.

Without a thoughtful, well-constructed, directed marketing plan, SPCPs can be ineffective and fallow. The team developing the SPCP should consult with fair lending and fair housing experts to ensure marketing plans are robust and comply with the law. [This guide from NFHA on responsible advertising can be a useful resource.](#)

**7) Delivery and monitoring period.** Now it's time to make the impact you planned on! Monitor your program delivery with active reporting and metrics that track the effectiveness of your SPCP. Should you find that the program is not reaching the intended populations or goals, document and perform iterative changes or

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communities.

**FIND OUT MORE**

## Useful Blogs on SPCPs

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CFPB Blog on SPCPs

**Expanding Access to Credit to Underserved Communities**

Susan M. Bernard and Patrice Alexander Ficklin – July 31, 2020

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## **Racial Justice in Housing Finance: A Series on New Directions**

Jay Sizer Cullen, Bryan Kim, Zachary Levine, Jaden Powell, Julie Rong, and Christopher Shenton - May, 2021

### Using SPCPs to Expand Equality

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## **Closing the Homeownership Gap Will Require Rooting Systemic Racism Out of Mortgage Underwriting**

Liam Reynolds, Vanessa G. Perry, Jung Hyun Choi - October 13, 2021

### Place-based SPCPs

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## How People-Based Special Purpose Credit Programs Can Reduce the Racial Homeownership Gap

Liam Reynolds, Jung Hyun Choi, Vanessa G. Perry - April 22, 2022

# FAQs: Data Analysis & SPCP Planning

What are some examples of SPCP credit interventions or policy changes? ▼

Do I need a variance from the GSEs to sell them a loan originated under an SPCP? ▼

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What does the SPCP needs analysis entail? ▼

## Data analytics and resources for SPCPs

Examples of data analysis used in SPCP Planning

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## SPCP Analysis Case Study Example

Provided by Polygon Research

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Can we pay MLOs differently for SPCPs? ▼

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How can we best monitor the SPCP? ▼

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What if an SPCP borrower defaults on their loan? ▼

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## MBA

**Mortgage Bankers Association** represents and serves its members to successfully deliver fair, sustainable, and responsible real estate financing within ever-changing business environments.

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## HCA

**Homeownership Council of America** is a national solutions and technical assistance provider dedicated to increasing equitable access to credit for America's underserved communities.

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