

## Advancing Innovative Homeownership Financing Solutions

<b>LOI Release Date:</b>	May 5, 2023
<b>LOI Information Session:</b>	May 17, 2023
<b>LOI Deadline</b>	May 26, 2023
<b>LOI Decisions Announced</b>	May 31, 2023
<b>RFP Information Session:</b>	June 6, 2023
<b>Full Application Deadline:</b>	July 14, 2023, at 11:59 p.m.
<b>Site Visits:</b>	June 26, 28 11-1 p.m. virtual
<b>Funding Decisions:</b>	August 25, 2023
<b>Announcements:</b>	August 31, 2023

### **Background:**

The Chicago Community Trust is committed to closing the racial and ethnic wealth gap and increasing the share of economic prosperity for Black and Latinx individuals, households, and communities in the Chicago region. The Trust believes that addressing our significant wealth and economic disparities will help to achieve our vision of a thriving, equitable, and connected region. One of the key ways the Trust addresses the wealth gap is by advancing homeownership in communities of color. Research shows homeownership is the single largest source of household wealth among Black and Latinx residents in the Chicago region, anchoring families to long-term economic security and generational wealth.

In recent years there has been a widespread focus on advancing homeownership opportunities for Black and Latinx communities. Yet the homeownership gap continues to persist with 68 percent of White households owning homes in Chicago compared to 52 percent of Latinx households and 41 percent of Black households. One key factor driving the ownership gap is the lack of safe, flexible, and affordable capital readily available to Black and Latinx homebuyers and homeowners. For low-to-moderate-income Black and Latinx homeowners, this lack of capital is even wider. According to a report conducted by the Institute for Housing Studies at DePaul University,<sup>1</sup>, rising housing costs because of shifts during the COVID-19 pandemic have increased the demand for capital.

The Protecting & Advancing Equitable Homeownership strategy at the Trust has four goals:

1. Increase and sustain the rate of homeowners of color in Chicago.
2. Increase financial support for homeowners.
3. Contribute to the knowledge base and build the public will to address the homeownership gap.
4. Advocate for structural change.

**Important Note:** This RFP focuses on the **second** goal. While we recognize Black and Latinx borrowers fall into various income brackets, there is special attention given to LMI borrowers that are Black and Latinx in this funding opportunity. We believe that if capital can be made more accessible to reach LMI borrowers there is a greater likelihood that mortgage-ready renters and prospective homebuyers in Black and Brown neighborhoods can ascertain

homeownership opportunities. (Recognizing that financial interventions require policies and regulations that scale and sustain them, the Trust is simultaneously supporting policy-oriented coalitions focused on expanding equitable homeownership financing in another funding program.)

### **Need/Opportunity:**

An examination of mortgage lending in Chicago displays another layer of disparity across both income level and race. A recent study by Urban Institute noted that while Black Chicagoans account for 22% of the city's homeowners, they only receive 14.5% of purchase mortgage lending.<sup>1</sup> A closer examination of why capital is not as available to Black and Latinx Chicagoans reveals that the disparity is more of a systems issue as opposed to a product issue. Recently, The Chicago Community Trust commissioned research conducted by Urban Institute's Housing & Policy Finance team and New America's Future of Land and Housing on lending patterns in Chicago and the types of capital available for advancing affordable homeownership. The New America report specifically highlighted three barriers to financing homeownership for LMI households: affordability; access to credit; and lack of information.<sup>2</sup>

When a homebuyer or homeowner seeks capital, they directly or indirectly interact with several entities and processes that determine their ability to obtain capital. Starting with the supply of affordably priced homes and the property's appraised value to the lending institution's ability to underwrite a loan, all of these factors are influenced by the economic condition of the neighborhood and region. During a Protecting & Advancing Equitable Homeownership learning series hosted by the Trust, we learned from housing stakeholders that the interplay between these factors has a profound impact on the flow of capital into a neighborhood, the value of homes in underinvested communities, and the opportunities available for Black and Latinx residents to purchase homes and build wealth through homeownership.

Prospective buyers and homeowners continue to face challenges accessing financing best suited for their homeownership goals, both at the initial stage of purchasing and as ongoing homeowners (e.g., obtaining home equity line of credits, loan re-modifications). There is a need for capital to be flexible and suited for the LMI borrowers' needs, directly addressing their buyer profile. To uplift innovative solutions to the barriers preventing Black and Latinx households from achieving and benefiting from homeownership, the Trust commissioned a [comprehensive scan](#) of capital that demonstrates ways lenders can flexibly examine the creditworthiness of borrowers and use creative loan structures to distribute capital at scale. Within this scan, there are products that creatively use first and second mortgages to mitigate risk by covering a percentage of the home's purchase price and optimizing down payment assistance programs. We see this approach utilized by [Homewise](#), a CDFI in Sante Fe, New Mexico. Homewise has helped more than 2,000 LMI borrowers to achieve homeownership goals.<sup>3</sup>

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<sup>1</sup> Urban Institute, "Measuring Lending Gaps in Mortgage and Small Business Loans in Chicago's Communities". John Walsh and Karolina Ramos. November 23, 2022.

<sup>2</sup> New America, "Increasing Access to Homeownership Financing in Low-and-Moderate Income Communities and Communities of Color". Sabiha Zainulbhai and Ellis O'brien. 2022.

<sup>3</sup> <https://communitycapital.unc.edu/wp-content/uploads/sites/340/2014/11/RTD-Case-Studies-Nov-2014.pdf>

Many of the products in the scan illustrate that alternative financing models are empowered by strategic partnerships among diverse actors. This funding opportunity is a response to the need to provide products that give buyers and homeowners flexible capital suited for their unique needs. Recognizing that no one institution can design and implement and share these solutions alone, this funding opportunity will provide resources to organizations (Community Development Finance Institutions, Credit Unions, and Housing Counseling Agencies) to work together collectively to either develop or implement a product or solution that widens the availability of capital for LMI borrowers.

Questions that may be answered in a collective effort could be the following:

***How can products such as fixed-rate loans, home equity loans, and adjustable-rate loans be utilized to target individuals outside of the traditional bracket?*** While most products aim to support a buyer within 80-120% of a neighborhood's Area-Median Income (AMI), this income bracket presents a challenge for transitioning South and West side renters into homeowners. The City of Chicago's Area Median Income chart suggests that 80-120% AMI for a three-person household would require an income ranging between \$75,000-\$110,000.<sup>4</sup> This income bracket is not representative of most residents in underinvested communities, thus shutting out homeownership as an option for many.

***How can products that have unique components be utilized to reach a wider population?***

***How can a system of providers support the development and deployment of capital to provide upfront credits to buy down high-interest rates for LMI borrowers?***

The Trust recognizes that there are many other questions that might be asked and answered with the goal of advancing financial solutions for homeowners and homebuyers. The questions are listed above as examples. Applicants should clearly define the financial issue your collective process is solving and the key question or hypothesis that is driving your work toward a theory of change. Please do this in the **Project Detail** section.

### **Funding Priorities:**

This funding program calls for collaborative proposals that involve the work of **three** organizations working to increase access to safe and affordable financing for homebuyers and homeowners. The collaborative partnership should be comprised of a lender and housing counseling organizations so that the work of matching buyers to capital is ensured. Each partner must demonstrate specific skill sets that help to build financial solutions and wrap-around services.

Financial solutions should target LMI:

- Renters (prospective homebuyers)
- New homeowners
- Existing homeowners

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<sup>4</sup> City of Chicago 2022 Area Median Income Chart:

[https://www.chicago.gov/city/en/depts/doh/provdrs/renters/svcs/ami\\_chart.html](https://www.chicago.gov/city/en/depts/doh/provdrs/renters/svcs/ami_chart.html)

Grants awarded will cover the **planning and design** of the financial solution. Grant funding may be used to support the organization's capacity to develop and implement programs that creatively increase visibility and access to products and programs. The types of programs supported may be:

- first-time homebuyer programs;
- products that advance flexible underwriting and saleable tactics;
- programs that build upon shared equity homeownership models;
- and programs that increase home equity line of credit products.

### **Grant Year Terms**

Should your submission be selected for funding, each collaborative partnership will receive distinct support through a series of learning & design sessions throughout the year. During these sessions, the Metropolitan Planning Council will facilitate learning modules that help partnerships build knowledge and skills to affect structural change.

Attendance at each session is mandatory to maintain funding.

### **Priority Strategies and Activities:**

Organizations invited to submit a full application will be evaluated based on the organization's and project's experience with and connection to the second goal of the homeownership strategy: to increase financial support for homeowners.

### **Successful applicants will describe a deliverable that does one of the following:**

- 1) Leverages an existing financial product to extend the scale and/or flexibility to increase access to a wider targeted population.
- 2) Develops a new financial product that extends access to a wider targeted population.

### **Goals and Outcomes:**

This funding program advances the Trust's 10-year goal to increase the growth of wealth of Black and Latinx households relative to white households. It also advances the Growing Household Wealth goals to:

- Outcome: Expand Partnership Opportunities
  - Changes in relationships that lead to new investments or economic opportunities.
- Outcome: Increase Investment Opportunities
  - Changes in access to types of capital (debt, credit financing)
- Outcome: Improve Overall Financial Health
  - Changes in clients' ability to access loans and other financial products.

## **The Process:**

### **Phase 1**

- Organizations are invited to submit a letter of interest (LOI) for this opportunity. The LOI should describe the core financial issue being addressed, the questions your process would seek to answer, and the type of partners your organization would like to work with to accomplish the plan's goals.
  - Deadline to submit the LOI is **May 26, 2023, 11:59 p.m. CDT.**
  - 15 organizations (5 CDFIs/Credit Unions and 10 Community-Based Organizations) in total will be selected to move forward to the next phase.
  - An LOI information session will be hosted on **May 17, 2023.**
- For selected proposals, the Trust will host an RFP information and partnership session for all selected organizations on June 6, 2023, at 10 a.m. CDT.
  - During this session, we will share application details for phase 2.
  - During this session, you will connect with other selected organizations and begin to identify whom you'd like to work with to submit a full proposal. Each selected organization will receive a planning grant to cover the time for planning and development of their collaborative proposal.

### **Phase 2**

- The RFP must be submitted by **July 14, 2023, 11:59 PM CDT.**
  - This will entail **one project support application** that should represent a proposal written by one CDFI/Credit Union and two housing counseling agencies working together to advance a work plan.
- Each application will require a memorandum of understanding (MOU), an activities and milestones work plan, and a budget.
- Submissions should be received from the **lead partner.**
- The lead partner that is the CDFI/Credit Union will be responsible for passing through determined grants to each partner.
- Awarded partnerships will be notified by **August 31, 2023.**

## **Grant Criteria and Amounts:**

Given that this program calls for capital to be developed or deployed, we require that the lead of each partnership be either a Community Development Financing Institution (CDFI) or a Credit Union.

The lead partner will be responsible for coordinating the partnership, overall implementation of the work plan, distribution of the grants to two organizations (Housing Counseling Agencies), and adherence to the reporting structures.

To be eligible, the CDFI or credit union must apply with a minimum of two housing counseling agencies. Each partnership should be no more than three organizations in total and must be formalized by a memorandum of understanding (MOU) between the lead and each partner agency.

MOUs must entail:

- Description of each partner's role.
- A work plan that outlines how the partnership plans to communicate over the course of the grant year.
  - o Please include a preliminary meeting schedule and the means of communication.
- A reporting plan that outlines how the partnership plans to track its measures of progress. Note, the lead organization is responsible for reporting back to the Trust according to the grant terms.
- Signatures from each partner's executive director.

### **Grant Amounts Available and Grant Term:**

If a collaborative partnership is awarded, each partnership will receive a \$280,000 grant in total requiring \$110,000 to be distributed to the lead CDFI/Credit Union and \$85,000 to be distributed to Housing Counseling Agency partners each.

Grant recipients are expected to meet the Trust's requirements for submitting financial and narrative reports at the midpoint and end of the grant cycle.

Note, this grant will require partnerships to attend a set of workshops in which partnerships will work directly with MPC as described above. Future scheduling will be communicated at the release of the grant for sessions throughout the year.

### **Eligible Applicants:**

To be eligible for a grant award, an applicant must be:

- A nonprofit organization with evidence that it (a) has been recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Code; (b) is fiscally sponsored by a Section 501(c)(3) organization; (c) or is a governmental unit within the meaning of Section 170(c)(1) of the Code;
- Described in Section 170(b)(1)(A) of the Code, other than a "disqualified supporting organization" within the meaning of Section 4966(d)(4) of the Code; and
- Located within and/or primarily serving residents of Cook County, Illinois.

Sponsored organizations without 501(c)(3) status must identify their fiscal sponsor as soon as possible and ask the sponsor to complete an organization profile in the Trust's grants management system, GrantCentral, prior to the sponsored organization's application submission. Fiscal sponsors must log in to complete and certify an organization profile in GrantCentral at <https://community-cct.force.com/grantcentral/login>. An MOU confirming the project's relationship with the fiscal sponsor is also required as part of the grant application.

**Ineligible Uses:**

Funds are not available through this RFP for operating support, or to pay down existing project debt. Grant funds will be restricted to uses that are outlined in the awardee's grant application.

- Applicants that do not meet the Eligible Applicants requirements outlined above.
- Capital campaigns or endowments.
- Inherently religious activities.

**Evaluation and Learning:**

Sharing successes or challenges in achieving measures of progress is critical to our collective learning, decision-making and impact.

The Trust is committed to achieving our long-term goals and outcomes. We are developing outcome measures both internally and with our partners that inform progress toward our shared mission. Your project outcomes should be informed by your theory of change. After you identify those outcomes, we ask grant applicants to develop specific, time-limited measures of progress. For shorter term grants (1-year), these outcomes may not be achieved during the duration of the project. Measures of Progress provide measurable and reportable evidence that a proposed project and/or organization has effectively achieved – or is on the path to achieving -- its objectives. These are measured during the term of the grant period and contribute to your longer-term outcomes that align to the Trust's strategic priorities. We recognize that there could be challenges implementing a grant, many of which are not under grant recipient's control, which may prevent you from achieving your targets. Learning with you about the progress made towards your outcomes and measures is part of the Trust's evaluation and learning efforts.

For potential grantees from whom developing metrics or workplans is a new activity or for those individuals who would like to learn more about developing Measures of Progress, the Trust will be providing webinars, in-person sessions, and opportunities for ongoing peer learning. Further details on schedules and to register may be found at <https://community-cct.force.com/grantcentral/login>.

**Collection of Diversity, Equity, and Inclusion Demographic Data:**

The Trust asks that grant-seekers provide demographic data on board and staff as well as clients/beneficiaries of programs and services. The Trust believes that the board and staff composition of grantees should be inclusive and reflect the diversity of the demographics of the region and the individuals they serve. Diversity for the Trust encompasses but is not limited to ethnicity, race, gender, sexual orientation and identification, age, economic circumstance, class, disability, geography, and philosophy. For this reason, the Trust does take into consideration the demographic makeup of the board, staff and clients of a grant applicant as an important proposal evaluation criterion.



**Application Process:**

Applicants must complete their application via GrantCentral, The Chicago Community Trust's online grants management system. To access an application, grant seekers must log into GrantCentral at <https://community-cct.force.com/grantcentral/login>.

Applicants must complete an Organization Profile, which is on the last tab within their GrantCentral account. If the Organization Profile was completed for a previous funding opportunity, it must be reviewed and, if needed, updated and certified prior to application submission.

Sponsored organizations without 501(c)(3) status must identify their fiscal sponsor as soon as possible and ask them to complete an organization profile in GrantCentral prior to the sponsored organization's application submission. Fiscal sponsors must log in and complete and certify an organization profile in GrantCentral at <https://community-cct.force.com/grantcentral/login> prior to application submission.

Late or incomplete LOIs or Full Applications will not be considered. Applicants may receive a site visit, telephone call or other communication from foundation staff as part of the application review process.

**Contact Information:**

For technical questions regarding GrantCentral, email [grants@cct.org](mailto:grants@cct.org).

For programmatic and application content questions, email Shandra D. Richardson at [srichardson@cct.org](mailto:srichardson@cct.org).