

A close-up photograph of two hands, one light-skinned and one dark-skinned, holding a single metal key together. The background is blurred, showing what appears to be a person in a white shirt and a red tie.

Homebuyer Toolkit



Keys Unlock Dreams is a nationwide initiative led by the National Fair Housing Alliance (NFHA) dedicated to increasing homeownership opportunities for Black and brown individuals, while simultaneously closing the racial wealth gap.

The homeownership rate for people of color is lower now than when the Fair Housing Act was passed in 1968. Millennial homeownership has declined by 20% in the last decade.

- The Urban Institute, 2019

For too many Americans, the dream of homeownership feels unattainable. The Fair Housing Act was passed in 1968 among a string of laws that sought to clarify and ensure equal opportunities in housing and lending irrespective of race, color, sex, national origin, religion, and later amended to add familial status and disability. Today, there are still obstacles to overcome in pursuit of the American dream of homeownership.

Attitudes towards homeownership have shifted among millennials and other young and mid-career professionals. For many, major national crises including the financial crisis, student debt, and the slow recovery from the Covid-19 pandemic have all contributed to a shift in questioning the value and cost of homeownership. Potential homebuyers are unaware of assistance programs that provide access to low-and-no-down payment mortgages. According to the Urban Institute, 21 million millennials, including 1.7 million Black and 4.6 million Latinx, have the income and credit-scores necessary to qualify for mortgage loans but don't pursue homeownership.

How to Use this Toolkit

The KUDI Homebuyer's Toolkit will take readers through the process of buying a home: from financial readiness and knowing your rights, to finding a Realtor and closing the sale. It connects potential homebuyers with free, online resources to check their credit reports, locate housing counselors, identify loan programs, and more. This toolkit also outlines the critical implications of homeownership not just for individuals and families, but for the American economy, and the future of the American middle class.

The Homebuying Process - Step by Step

"The typical homeowner spends significantly less of their income on housing than the typical renter, a **pattern that holds true for low- and very low-income households and across all races and ethnicities.**"

- The Urban Institute, May 2021

Getting Started

- Learn how to increase your financial readiness.
 - It is never too early to begin preparing for homeownership.
 - **Did you know?** Federal law entitles you to obtain a free copy of your credit report from the three major credit reporting agencies once every 12 months at this official website only www.annualcreditreport.com.
 - **Did you know?** A high percentage of credit reports contain significant errors. Review your credit reports to confirm their accuracy.
 - Work with a U.S. Department of Housing and Urban Development (HUD) certified housing counselor to determine how much you can spend on a mortgage and down payment, and learn about the factors that impact affordability, like your debt-to-income ratio.
Set aside money for your down payment.
- Your housing counselor can let you know about local, state, and federal programs that may provide help with your down payment and provide affordable mortgage loans.
- Find a HUD approved housing counseling agency.
 - **Did you know?** HUD-certified counselors help assess your financial readiness and will work with you to develop a plan to increase your credit score. Counselors also assist with budget and financial literacy.

Start the Homebuying Process

- Know your rights!
 - In order to avoid predatory or unfair loan terms, it's always a good idea to shop for a mortgage by talking to several lenders so you can be sure you're getting the best rates.
 - **Did you know?** Housing providers who refuse to rent or sell homes to people based on race, color, national origin, religion, sex, familial status (families with children, or disability are violating federal law. Learn more about your rights under the Fair Housing Act of 1968 and how to report civil rights violations [here](#).
 - Educate yourself on predatory lending schemes and how to avoid them.
 - Do not sign a "rent to own" agreement unless it is first reviewed by your attorney.
- Buying a home represents the biggest financial transaction most people make in their lifetimes. Work with a licensed, professional local real estate agent to help guide you through the process.

- **Did you know?** There are a number of real estate trade associations working to help you reach your dream of homeownership. These groups partner with NFHA to advance fair housing goals and are listed below. Just click on the name of the group to get connected to an agent who can assist you in your homebuying search.
 - Asian Real Estate Association of America
 - LGBTQ+ Real Estate Alliance
 - National Association of Hispanic Real Estate Professionals
 - National Association of Real Estate Brokers
 - National Association of Realtors
- Read about finding the best mortgage for you and discover the benefits of getting pre-approved for a mortgage.
 - **Did you know?** Getting pre-approved for a mortgage can help your offer stand out in a competitive market by showing sellers you're a credible buyer who can secure the financing needed to purchase a new home.
- Use the Keys Unlock Dreams Initiative's free Down Payment Assistance Resource to see if you qualify for federal, state or local assistance on making a down payment.

Buying a Home

- Before you make an offer, ask your agent for a list of recent comparable sales. Get a home inspection to obtain detailed information about the overall condition of a home before you buy it, including its physical condition, items that need to be repaired or replaced, and estimating the remaining life of major systems in the home.
 - **Did you know?** Home inspections aren't automatically part of the homebuying process. A home inspection will only occur if you include this in your offer.
 - Not all states regulate home inspectors. If licensing is not required, ask for the inspector's credentials before hiring.
- Shop around for a mortgage. Ask more than one lender for a "Loan Estimate" to compare loan terms. You do not have to submit a full application to obtain a Loan Estimate.
 - Submit a complaint to the Consumer Financial Protection Bureau (CFPB) if a lender insists that they cannot give you an official CFPB Loan Estimate without a complete mortgage application.
- Shop for homeowner's insurance. Your mortgage lender will require you to purchase homeowner's insurance to protect their interest on your home. Homeowners insurance, also known as hazard insurance, is different from mortgage insurance. Even if your lender does not require, also consider insurance against floods, hurricanes or earthquakes.
 - Close the sale.
 - Move in!
 - Tips for Packing and Moving
 - Settling into Your New Home, Neighborhood and Life

Why it Matters

Homeownership is the pathway to the middle-class. Fostering homeownership among people of color is one of the strongest ways to shrink the racial wealth gap and strengthen the economy so that it serves all Americans. *Black Realtors* details how home ownership impacts generational wealth for black families.

Advantages of Owning a Home:

- **Tax benefits** - Homeowners are able to deduct both mortgage interest and property taxes from their annual income taxes.
- **Appreciation** - The value of a house generally goes up over time.
- **Grow Equity** - Your equity grows as you pay down your mortgage. Over time, less of your payment goes toward interest and more goes toward lowering the balance on your loan.
- **Improve Credit** - Making your mortgage payment on time and reducing your mortgage loan balance increases your credit score over time.
- **Predictability** - If you have a fixed-rate mortgage, payments won't increase over time like rent does. Stable monthly payments can help you better plan your finances.
- **Freedom** - You own the home! You can do whatever you want with it to meet your needs and lifestyle.
- **Stability** - Staying in one location over several years allows you to build relationships, form ties with the community, and put time and effort into making your house some where you love to live.

About the Keys Unlock Dreams Initiative

The Keys Unlock Dreams Initiative (KUDI) is a nationwide push to increase homeownership for millennials and communities of color and close the racial wealth gap. Spearheaded by the National Fair Housing Alliance (NFHA), KUDI strives to unlock and demystify the American dream of owning a home. They focus on 10 cities: Atlanta, Baltimore, Columbus, Detroit, Houston, Memphis, New Orleans, Oakland, Philadelphia, and Washington DC. For over 30 years, the National Fair Housing Alliance has vigorously executed its mission to eliminate housing discrimination and ensure equal housing opportunity for all by partnering with more than 200 private, non-profit housing organizations, state and local civil rights agencies and individuals.