

continues to exist.<sup>10</sup> Disparities in treatment between borrowers of different races and neighborhoods of different racial makeup have been well documented.

HUD seeks information on these various barriers to credit access and feasible steps that might be taken to improve such access among minorities and other groups that have traditionally had difficulty in obtaining credit. Study topics include, but are not limited to, the following:

(i) The effectiveness of credit education programs established by various participants in the mortgage process in recent years.

(ii) The nature and adequacy of lender reviews of mortgage applications that don't qualify for approval under automated underwriting.

(iii) The effects on savings for down payments of various policy initiatives in recent years, such as Individual Development Accounts (IDAs), under which participants' savings in restricted accounts are matched by outside sources, and under which these matching funds can only be withdrawn for program-specified purposes, such as to put a down payment on a home.

(b) *Impacts of Broad Initiatives to Promote Affordable Lending.* HUD is interested in quantitative studies of the impacts of broad initiatives to promote affordable lending. Data sources for such studies are listed above in section III (A)(4), but other databases may also yield useful insights.

These studies could utilize econometric techniques to evaluate these questions. An example of this type of study is a recent report prepared for HUD by the Urban Institute. This report, authored by Brent Ambrose, Thomas Thibodeau, and Ken Temkin, is titled *An Analysis of the Effects of the GSE Affordable Goals on Low- and Moderate-Income Families*. The report presented several theoretical models and developed empirical analyses relating to the relationships among GSE market shares and interest rates, financing for target groups, and homeownership.

Study topics could include, but are not limited to, the following:

(i) Factors accounting for changes in GSE market shares over time.

(ii) Effects of HUD's GSE affordable housing goals on homeownership rates for underserved groups and areas targeted by the goals.

(iii) Relationship between GSE market share in specific metropolitan areas and the homeownership rate for targeted groups in those areas.

(c) *Evaluation of Specific Affordable Lending Programs.* In addition to the quantitative studies outlined in the previous section, HUD seeks information on the effects, costs, and benefits of various affordable lending programs developed in the 1990s. Programs that could be analyzed include, but are not limited to, the following:

(i) Freddie Mac's affordable lending programs. Information on these programs is available from Freddie Mac's Web site and from its Annual Housing Activity Reports (AHARs) submitted to HUD.

(ii) Fannie Mae's affordable lending programs. With respect to Fannie Mae, information is available on Fannie Mae's Web site and from its AHARs submitted to HUD.

(iii) Programs of primary mortgage market lenders.

(iv) Programs of primary mortgage market insurers, including private insurers and the Federal Housing Administration (FHA).

(d) *Studies on Down Payments.* Several studies have suggested that the greatest barrier to affordable lending is not the inability to make monthly mortgage payments; rather it is the lack of sufficient resources to make the initial down payment. While FHA has traditionally been the main source of low-downpayment loans for first-time homebuyers, data suggest that conventional lenders increased their low-downpayment lending during the latter half of the 1990s. Fannie Mae and Freddie Mac began offering less-than-five-percent down payment programs during that period. There has been little recent research on the determinants of down payments and on the characteristics of conventional low-downpayment loans originated during the mid-to-late 1990s. Research is particularly needed on the relationship between the new conventional programs and first-time homeownership. Are these conventional and GSE low-downpayment programs providing an avenue for cash-constrained families to obtain first-time homeownership, along the same lines that FHA has been doing? Topics, issues, and questions that could be analyzed include:

(i) Market sectors (e.g., FHA, depositories, the GSEs) that provide substantial numbers of low-

downpayment mortgages for low-income and minority families and for first-time homebuyers.

(ii) Characteristics that differentiate between low-income and minority borrowers who are able to make substantial down payments and those who are not able to do so.

(iii) The GSEs' role in the low-downpayment mortgage market. Do their low-downpayment loans go to low-income and minority homebuyers? To first-time homebuyers?

(iv) Comparisons of the down payment characteristics of mortgages originated in the entire primary conventional mortgage market and mortgages purchased by the GSEs.

(v) In order for HUD to define the GSE housing goals in precise terms and set the goals at specific levels, HUD is seeking research that will determine whether the goals affect supply in the market. Specifically, HUD is interested in a model that can provide quantitative estimates of the impact of setting the goals at various levels on the financial condition of the GSEs and on targeted outcomes.

#### *IV. Cooperative Agreement Structure; Publication of Studies*

The awards will be structured as cooperative agreements, in order to provide latitude to researchers to proceed independently, but with opportunity for HUD to provide comments at appropriate points in the research. As detailed below, HUD's participation in the research will include review and comment on the detailed study design, review and comment on the draft final report, and organizing and participating in a seminar on the research. If you believe that a greater extent of HUD involvement in your project would be advantageous for the successful accomplishment of your research objectives, please include in your project description/narrative a discussion of the desired HUD resources and the rationale. (This is item 6 in the list of application items provided in section VI.A, below.) Formal commitments regarding this aspect of the cooperative agreement would then become a matter for negotiation prior to award.

The technical study plan portion of your application (*see* item 3 in Section VI(A)(5) below) must include provisions for the following work steps to be performed by you and by HUD:

(a) You must submit a detailed study design, comprising identified research issue(s), a technical proposal, and methodological approach. This will be due no later than six weeks from the

<sup>10</sup> Recent studies include *What We Know About Mortgage Lending Discrimination in America*, U.S. Department of Housing and Urban Development, Office of Policy Development and Research, September 1999, and *All Other Things Being Equal: A Paired Testing Study of Mortgage Lending Institutions*, report prepared by The Urban Institute for the U.S. Department of Housing and Urban Development, Office of Fair Housing and Equal Opportunity, April 2002.