

GOVERNOR'S VETO
AB 57 (McKinnor)
As Enrolled September 11, 2025
2/3 vote

SUMMARY

Requires that at least 10% of funds available for the California Dream for All Program administered by California Housing Finance Agency (CalHFA) be made available to qualifying applicants who are also descendants of formerly enslaved people once a certification process for the descendants of American slavery is created by the to be established Bureau for Descendants of American Slavery.

Contingent on the enactment of SB 518 (Weber Pierson) on or before January 1, 2027.

Governor's Veto Message

This bill would require that at least 10 percent of the California Dream for All Program's funds be reserved for descendants of formerly enslaved individuals, contingent on the enactment of Senate Bill 518 and the associated certification process created and administered by a new Bureau for Descendants of American Slavery.

I appreciate the author's leadership on this important issue. However, creating an ancestry-based set-aside presents legal risks and could jeopardize CalHFA's access to federal mortgage markets that are critical to providing housing assistance for thousands of Californians each year.

California has made historic investments to expand equitable access to homeownership, including through the Dream for All Program, which provides downpayment assistance to first-time buyers where at least one borrower is a first-generation homebuyer. In the last fiscal year, CalHFA data across all downpayment assistance programs show encouraging results, with Black or African American borrowers represented at rates well above their share of California homeowners.

Building on this progress, the upcoming funding round for new Dream for All applicants will include a programmatic set-aside designed to address long-standing inequality. In addition to the program's core eligibility criteria, 10 percent of Dream for All funds will be reserved for borrowers in Qualified Census Tracts, as defined by area median income, helping direct resources to areas where residents are more likely to face systemic inequities in lending, wealth-building, and housing access. This approach advances the equity goals of this measure while minimizing legal risks and protecting California's continued access to resources essential for expanding affordability and opportunity.

COMMENTS

CalHFA is the state's affordable housing lender. In addition to a multi-family loans and grants programs, CalHFA runs several programs to support first time homebuyers including a 30 year fixed interest mortgage and down payment assistance. The fixed interest first mortgage is an FHA-insured loan that is secured on a property. CalHFA does not lend money directly to consumers. CalHFA-approved lenders qualify consumers and make all mortgage loans. CalHFA purchases closed loans that meet CalHFA's requirements.

CalHFA offers two down payment assistance programs. The MyHome program provides up to 3% in down payment assistance to low- and moderate-income households. Lenders identify borrowers who qualify for the program and refer them to CalHFA for assistance. The mortgage is held and serviced by a private lender and the down payment assistance is recorded as a silent-second on a home. The second can be removed if the borrower refinances and repays the down payment or it can be repaid when the home sells. Funds are returned back to the program to fund future borrowers. My Home is essentially an over-the-counter program and the only requirements needed to qualify are meeting the income threshold and being able to qualify for a home mortgage.

The Dream for All Program operates in the same way as the MyHOME program except for a few key differences. The goal of the program is to create generational wealth for families who have not had a history of homeownership. Borrowers can receive 20% in down payment assistance up to \$150,000 and are required to share a portion of any equity increase in the home with the state when the home is sold. These funds are then recycled back into the program to provide for future down payments. Borrowers must also be a first homebuyer and a first generation homebuyer. To qualify as a first generation homebuyer, borrowers must not have a living parent or deceased parent that owns/owned a home or an interest in a home in the United States or be an individual who has at any time been placed in foster care or institutional care.

According to CalHFA's 2023-24 Annual Report, 6,037 homebuyers were helped through down-payment assistance with \$157 million in down payment assistance and closing costs and \$2.57 billion in first mortgage lending. Demographic data collected on homebuyers shows the following breakdown by race and ethnicity: 8% of borrowers were Asian, 5% of borrowers were African American, 47% Hispanic/Latino, 30% white, and 10% unknown.

Slavery in California: According to The California Reparations Report, the census of 1860, the last census taken before the Civil War, found that of the about 12 million people living in the 15 slave-holding states, almost four million were enslaved. California technically entered the Union in 1850 as a free state. Some scholars estimate that up to 1,500 enslaved African Americans lived in California in 1852. California did not ratify the Fourteenth Amendment, which protected the equal rights of all citizens, until 1959 and did not ratify the Fifteenth Amendment, which prohibited states from denying a person's right to vote on the basis of race, until 1962.

Redlining and Segregation: Through conscious policy choices, the federal government promoted homeownership for white Americans and prevented black families from owning homes. During the Great Depression, the federal government created the Home Owners' Loan Corporation (HOLC) to provide assistance to homeowners who were defaulting on their mortgages. HOLC evaluated neighborhoods based on the age of housing, access to transportation, amenities, racial make-up and economic conditions and created maps that denoted whether a neighborhood was a good credit risk by color. The term "redlining" comes from the fact that neighborhoods made up of African American households were colored red on the map and deemed a poor credit risk. Out of HOLC came our modern mortgage system. Short term loans with large balloon payments were replaced by 30 year fixed mortgages. Not until 1968 did the Federal Fair Housing Act (FFHA) prohibit discrimination in the sale, rental, and financing of housing based on race, color, religion, sex, familial status, and national origin. The FFHA created a path for Black families to purchase homes. However, the homeownership rate for African Americans nationally is still well below white families. In 2023, the homeownership rate for Black Americans was 45.7%, significantly lower than the 74.3% rate for white

Americans, highlighting a persistent racial gap in homeownership. In 2023, the homeownership rate among African American households in California was 36.6%, which is significantly lower than the overall homeownership rate of 55.7% and the rate for white households at 61.8%.

Functionality: This bill would require 10% of funds in CalHFA's down payment assistance programs to be set aside for descendants of slaves. There is currently no state entity with authority to determine if an individual is a descendant of slaves. SB 518 (Weber Pierson) would require the creation of a Bureau for Descendants of American Slavery. This bill was amended in the Senate to make this bill contingent on the passage of SB 518 and the creation of the Bureau for Descendants of American Slavery to certify if an individual is a descendant of slaves.

According to the Author

"The purpose of AB 57 is to address the long-standing wealth gap by improving access to homeownership for descendants of individuals affected by historic and systemic discrimination. These barriers have prevented many Californians from acquiring and passing down wealth through homeownership. By reserving a portion of home purchase assistance funds, this bill provides targeted support to help rectify these injustices and promote economic mobility.

Arguments in Support

Supporters of this bill argue this bill reflects a commitment to justice, equity and opportunity for an important community that has been disproportionately harmed by historical oppression.

Arguments in Opposition

Opponents of this bill argue it would violate California's constitutional principle of equal treatment as well as the U.S. Constitution and federal legislation by giving preferential treatment to descendants of formerly enslaved people in a home purchase assistance program.

FISCAL COMMENTS

According to the Senate Appropriations Committee:

- 1) The California Housing Finance Agency (CalHFA) estimates annual costs in the range of \$100,000 to \$150,000, beginning in a future fiscal year, to implement changes to the program and make necessary IT system updates in the first year, as well as for ongoing staffing workload annually thereafter to conduct ongoing monitoring and oversight related to the 10% set-aside. These costs would only be incurred to the extent SB 518 is enacted, the Bureau establishes a certification process, and future funding is available for allocation under the California Dream for All Program. (General Fund)
- 2) Ongoing General Fund cost pressures in the tens of millions annually to augment future appropriations into the California Dream for All Fund and/or loan repayments that are deposited into the Fund for future funding rounds. Staff notes that previous funding rounds have been heavily oversubscribed, and ongoing program funding is unpredictable. Reserving 10% of funds for a specific population within an oversubscribed program would create cost pressures to provide additional funding to avoid displacing funding for other eligible applicants.

VOTES

ASM HOUSING AND COMMUNITY DEVELOPMENT: 8-0-3

YES: Haney, Ávila Farías, Caloza, Kalra, Lee, Quirk-Silva, Wicks, Wilson
ABS, ABST OR NV: Patterson, Gallagher, Ta

ASM JUDICIARY: 9-2-1

YES: Kalra, Bauer-Kahan, Bryan, Connolly, Harabedian, Pacheco, Lee, Stefani, Zbur
NO: Macedo, Sanchez
ABS, ABST OR NV: Dixon

ASM APPROPRIATIONS: 11-1-3

YES: Wicks, Arambula, Calderon, Caloza, Elhawary, Fong, Mark González, Hart, Pacheco, Pellerin, Solache
NO: Dixon
ABS, ABST OR NV: Sanchez, Ta, Tangipa

ASSEMBLY FLOOR: 52-10-17

YES: Addis, Aguiar-Curry, Ahrens, Alanis, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Calderon, Caloza, Carrillo, Connolly, Elhawary, Fong, Gabriel, Garcia, Gipson, Mark González, Haney, Harabedian, Hart, Jackson, Kalra, Krell, Lee, Lowenthal, McKinnor, Muratsuchi, Ortega, Pacheco, Papan, Patel, Pellerin, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Schultz, Soria, Stefani, Valencia, Wicks, Wilson, Zbur, Rivas
NO: Castillo, Davies, DeMaio, Dixon, Ellis, Gallagher, Hadwick, Macedo, Patterson, Sanchez
ABS, ABST OR NV: Alvarez, Bryan, Chen, Flora, Jeff Gonzalez, Hoover, Irwin, Lackey, Nguyen, Petrie-Norris, Schiavo, Sharp-Collins, Solache, Ta, Tangipa, Wallis, Ward

SENATE FLOOR: 28-9-3

YES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Caballero, Cervantes, Cortese, Durazo, Gonzalez, Grayson, Hurtado, Laird, Limón, McGuire, McNerney, Menjivar, Padilla, Pérez, Reyes, Richardson, Rubio, Smallwood-Cuevas, Umberg, Wahab, Weber Pierson, Wiener
NO: Alvarado-Gil, Choi, Dahle, Grove, Jones, Niello, Ochoa Bogh, Seyarto, Strickland
ABS, ABST OR NV: Cabaldon, Stern, Valladares

ASSEMBLY FLOOR: 60-10-10

YES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Connolly, Elhawary, Fong, Gabriel, Garcia, Gipson, Mark González, Haney, Harabedian, Hart, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Schultz, Sharp-Collins, Solache, Soria, Stefani, Valencia, Ward, Wicks, Wilson, Zbur, Rivas
NO: Davies, DeMaio, Dixon, Ellis, Gallagher, Hadwick, Johnson, Macedo, Patterson, Sanchez
ABS, ABST OR NV: Castillo, Chen, Flora, Jeff Gonzalez, Hoover, Lackey, Schiavo, Ta, Tangipa, Wallis

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CONSULTANT: Lisa Engel / H. & C.D. / (916) 319-2085

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