

**NCSHA 2009 Annual Program Awards**  
**Executive Summary**  
**Category: Home Ownership, Empowering New Buyers**  
**Name of Entry: Minnesota Housing HOME Homeowner Entry Loan Program**  
**(HOME HELP) and HOME HELP II**

Started in 2008, HOME HELP, a federally HOME-funded program provides low and moderate income first time home buyers and targeted non-first time home buyers with down payment and closing cost assistance for the purchase of their home. The program compliments Minnesota Housing's MRB based first time homebuyer mortgage program, the Community Activity Set Aside (CASA) Program.

Significant market changes since the program's inception affected the viability of the CASA first mortgage program. As a result, Minnesota Housing developed an alternate delivery structure to expend the HOME HELP funds in the larger, more competitively priced first mortgage market. In March of 2009, Minnesota Housing launched HOME HELP II to allow the use of the HOME HELP funds with our contracted lenders' own first mortgage products.

### **Objectives**

HOME HELP and HOME HELP II objectives include providing low-to moderate income borrowers with funds to meet downpayment and closing cost requirements in the tightening credit market; empowering borrowers with education; creating sustainable homeownership; and encouraging our lender partners to expand their marketing efforts to:

- Emerging Market homeownership (households of color and/or Hispanic ethnicity);
- Foreclosure remediation (the purchase of vacant homes resulting from foreclosure).

### **Borrower and Property Requirements**

- Borrowers must complete pre-purchase homebuyer education training,
- Required \$1,000 borrower contribution;
- Borrowers and properties must meet Federal HOME fund requirements including income and acquisition cost limits; lead-based paint requirements, required disclosures, airport runway restrictions; and environmental review

### **Financing Terms**

For eligible CASA initiatives HOME HELP and HOME HELP II are available under the following terms:

- Based on a qualifying front end housing ratio of 30%;
- Increments of \$5,000, \$10,000 or \$14,999;
- Interest free, deferred loan with repayment of the full loan amount in the first five years of the loan if the borrower sells or vacates the property; and 30% thereafter, with the balance due upon maturity of the first mortgage, sale of the property or if the property is no longer owner occupied.

### **WHEN/WHY**

Minnesota Housing launched the HOME HELP program in June 2008 in response to the challenges created by the "declining markets" designations by mortgage insurance companies. A "declining markets" designation requires homebuyers to have significant funds for downpayment in their loan transaction which prevents many first time home buyers from considering homeownership at all. Low-to-moderate income first time home buyers struggle to accumulate the savings needed to meet the 5-10% downpayment required under a declining market designation or the increased FHA downpayment of 3.5% and additional cash for closing costs.

### **WHAT ACCOMPLISHED**

As of 6/30/09, Minnesota Housing disbursed \$5.98 million in HOME funds assisting 409 households, with anticipated total expenditures of \$9.2 million by 9/30/09. Additional funds anticipated in the 2010/2011 budget are \$8.5 million.

Of the 409 households assisted, 43 percent were Emerging Market borrowers and 52 percent purchased foreclosed properties. In total, 74 percent met either the Emerging Markets or foreclosure goals established by the program.

Committed & Purchased	Count #	Funds \$	Emerging Markets HH		Foreclosed Properties		EM or FC or Both	
			#	% of total	#	% of total	#	% of total
FFY 2009 YTD	409	\$5,989,614	175	43%	214	52%	302	74%

### **WHY MERITORIOUS**

Minnesota Housing developed HOME HELP to respond to unprecedented real estate and lending markets that provided a combination of opportunity and barriers to homeownership. Low home prices attracted low-to-moderate income renters, but tightening credit criteria including increased downpayment requirements prevented Minnesota Housing’s target population access to that opportunity. Since its inception HOME HELP has created homeownership for many low-to-moderate income individuals by empowering borrowers with knowledge and addressing the key barriers they face. The timing and targeting of funds is such that it allows people to take advantage of the reasonable prices resulting from the foreclosure crisis and communities to begin to recover from its effects.

### **INNOVATIVE**

Minnesota Housing designed HOME HELP to leverage Federal resources with minimal state oversight, placing challenging HOME funds in an industry standard loan transaction. Minnesota Housing created HOME HELP as a public/private partnership to address multiple compelling community needs. HOME HELP was designed to close the gap on the lagging homeownership of Emerging Markets and support communities’ foreclosure remediation efforts.

HOME HELP created an industry-friendly, more streamlined process for use of HOME funds. The process uses industry capacity to originate, process, underwrite, prepare loan documents and table fund the second mortgage. This allows Minnesota Housing to concentrate staff time and efforts on training and post closing pre-purchase review.

### **REPLICABLE**

Other Participating Jurisdictions with access to HOME funds could also replicate this model with reasonable investment, time and effort.

### **STATE HOUSING NEED**

In 2007, Minnesota had a white to minority homeownership gap of 32.5%—the eighth largest gap among the states. Minnesota’s minority homeownership rate of 46% in 2007 trailed the national average of 54%. HOME HELP was designed to encourage participating partners to increase their outreach to Emerging Markets.

Minnesota Housing and its partners have been working to develop creative solutions to stabilize communities and keep families in their homes. Minnesota ranked 13<sup>th</sup> highest among states in the percentage of all foreclosures started in the fourth quarter of 2008, 11<sup>th</sup> highest in the percentage of prime loans and 7<sup>th</sup> highest in the percentage of subprime loans in foreclosure. HOME HELP was designed to support community remediation efforts.

### **MEASURABLE BENEFITS TO HFA CONSUMER**

HOME HELP benefits both borrowers and the communities in which they purchase homes. Pre-purchase home buyer education required by HOME HELP empowers buyers with critical home purchasing skills and allows them access to safe, sustainable lending products. In addition HOME HELP creates a stronger, more equitable playing field for our Emerging Markets households by providing a substitute for cross generation transfers of assets that supplement non-Emerging Markets savings.

HOME HELP allows communities to begin their recovery from the foreclosure crisis. It has also increased the quality of the housing stock because of the required inspection standard. In addition, the program design expands community partnerships and creates stronger bonds between the non-profit and lending communities. Regular HOME HELP training sessions have increased the expertise of the lending/real estate community in the use of community second lending programs.

### **PROVEN TRACK RECORD OF SUCCESS**

With one year of operation, the HOME HELP program served 409 families with 74 percent of those households supporting either the Emerging Markets or foreclosed properties strategic goal of the program.

### **BENEFITS OUTWEIGH THE COSTS**

Minnesota Housing, with relatively small investment of time and resources, created HOME HELP to address two significant state housing needs. The benefits that accrue to the borrower and communities justify the modest investment. Total direct costs to the program within the first year were \$172,744. We've served 409 households with an average cost of \$422 per household.

### **EFFECTIVE USE OF RESOURCES**

HOME HELP has effectively leveraged Mortgage Revenue Bond authority and federal HOME resources reducing demand for scarce state appropriated funds. HOME HELP's needs based funding formula ensures adequate but not excessive homebuyer support.

### **PARTNERSHIPS**

The funds complement the Community Activity Set Aside Program which requires lenders and community partners' to work together to create the initiative, resulting in a public/private partnership that contributes to the success of the program.

### **ACHIEVE STRATEGIC OBJECTIVES**

HOME HELP has met and exceeded expectations in reaching low income buyers, Emerging Markets buyers and foreclosed properties in the State of Minnesota.

#### **Objective: Allow Low- and Moderate-Income Minnesotans to Become Homeowners**

- **Median Income for the Program Participants - \$35,847.** According to NCSHA, Minnesota Housing ranks number 1 among all states in the percentage of MRB borrowers with incomes at or below 50 percent of the applicable median income. In 2008, the median income of our typical borrower was about \$40,000 compared to the statewide median income of \$70,200. The program is allowing lower income households to become homeowners.

#### **Objective: Increase Emerging Markets Homeownership**

- **Emerging Markets Program Participants (households of color and Hispanic ethnicity) – 43 percent.** In 2008, 16 percent of Minnesota Housing MRB borrowers were from Emerging Markets households. The program plays a key role in increasing homeownership in Emerging Markets.

#### **Objective: Support Foreclosure Remediation Efforts**

- **Program Participants who purchased foreclosed properties – 52` percent.** In 2008, data showed that Minnesota had 26,268 foreclosures. The HOME HELP program has assisted borrowers in purchasing 214 foreclosed properties to date.