

**NCSHA 2010- Annual Program Awards**  
**Executive Summary**  
**Category: Home Ownership, Empowering New Buyers**  
**Name of Entry: Minnesota Housing HOME Homeowner Entry Loan Program**  
**(HOME HELP)**

Started in 2008, HOME HELP, a federally HOME-funded program, provides low and moderate income 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 targeted first time homebuyer mortgage program, the Community Activity Set Aside (CASA) Program.

**Objectives**

HOME HELP 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;
- Required 620 borrower credit score;
- 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 loans are available under the following terms:

- Based on a qualifying front end housing ratio of 30%;
- Delivered in one increment in the amount of \$7,000;
- Interest free, deferred loan with repayment of the full loan amount in the first six years of the loan if the borrower sells or vacates the property; and 30% of the full loan amount thereafter, with the balance due upon maturity of the first mortgage, sale of the property or if the property is no longer owner occupied.

**ADDRESSING A STATE HOUSING NEED**

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. Given that down payment is generally a considerable barrier for first time homebuyers, and 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, this designation resulted in preventing many first time home buyers from considering homeownership at all.

Minnesota Housing developed HOME HELP to respond to unprecedented real estate and lending markets that provided a combination of both 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 opportunities for many low-to-moderate income homebuyers 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 the purchase of these properties by well qualified borrowers who have been prepared to be successful homeowners, helps foreclosure hit communities to begin to recover from its effects.

Furthermore, in 2008, Minnesota had a white to minority homeownership gap of 33 percent (33%). Minnesota's minority homeownership rate of 45 percent (45%) in 2008 trailed the national average of 50 percent (50%). HOME HELP was a perfect program model to encourage participating partners to increase their outreach to Emerging Markets.

Minnesota Housing and its partners continue to work to develop creative solutions to stabilize communities and keep families in their homes. Minnesota ranked 17<sup>th</sup> highest among states in the percentage of all foreclosures started in the first quarter of 2010, 17<sup>th</sup> highest in the percentage of prime loans and 14<sup>th</sup> highest in the percentage of subprime loans in foreclosure. HOME HELP was designed to support community foreclosure remediation efforts.

Minnesota Housing developed HOME HELP to respond to unprecedented real estate and lending markets that provided a combination of both 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 AND EASY TO REPLICATE**

Minnesota Housing designed HOME HELP to leverage Federal resources with minimal state oversight, placing challenging-to-use HOME funds successfully 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, and 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. In addition, other Participating Jurisdictions with access to HOME funds could also replicate this model with reasonable investment, time and effort

#### **PROGRAM ACCOMPLISHMENTS AND SUCCESSES**

As of 6/30/10, Minnesota Housing has disbursed \$11.6 million in HOME funds assisting 865 households, with anticipated total expenditures of \$15.6 million by 9/30/11. Of the 865 households assisted, 46 percent (46%) are Emerging Market borrowers and 39 percent (39%) purchased foreclosed properties. With two years of operation, of the 865 families served with the HOME HELP program, 68 percent (68%) of those households met either the Emerging Markets or foreclosed properties strategic goal established by the program.

This table shows current commitments (as of June 30, 2010) and loans purchased under the HOME HELP program:

<b>Committed &amp; Purchased</b>	<b>Count #</b>	<b>Funds \$</b>	<i>Emerging Markets(EM) HOME HELP</i>		<i>Foreclosed (FC) Properties</i>		<i>EM or FC or Both</i>	
			<b>#</b>	<b>% of total</b>	<b>#</b>	<b>% of total</b>	<b>#</b>	<b>% of total</b>
FFY 2010 YTD	1003	\$13,004,392	469	47%	381	38%	682	68%

### **MEASURABLE BENEFITS & USE OF RESOURCES**

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.

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 the purchase of these properties by well qualified borrowers who have been prepared to be successful homeowners, helps foreclosure hit communities to begin to recover from its effects.

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.

Minnesota Housing, with a 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 two years were \$434,422. Having served 865 households, this translates into an average direct cost to the Agency of only \$502 per household.

HOME HELP has effectively leveraged Mortgage Revenue Bond authority and federal HOME resources. In addition, HOME HELP's needs based funding formula ensures adequate but not excessive homebuyer support, stretching these dollars to as many borrowers as possible.

### **PARTNERSHIPS**

HOME HELP loans can only be originated by Lending Partners who have applied to participate in the Minnesota Housing Community Activity Set Aside (CASA) Program. CASA requires lenders and community partners to work together to create an initiative that promotes or markets the program to targeted population groups or workforce housing needs, resulting in a public/private partnership that contributes to the success of the program. Currently, 48 of the 55 statewide CASA initiatives offer HOME HELP as part of their initiative.

### **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 - \$36,808.** 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 2009, the median income of our typical borrower was about \$37,965 compared to the statewide median income of \$57,288. 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) – 46 percent.** In 2009, 31 percent of all 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 – 39 percent.** In 2009, data showed that Minnesota had 23,019 foreclosures. The HOME HELP program has assisted borrowers in purchasing 338 foreclosed (39 percent of all HOME HELP) properties to date.

During a time when downpayment assistance needs continue to rise, but state appropriated funds for downpayment programs continue to be scarce, HOME HELP has effectively leveraged Mortgage Revenue Bond authority and federal HOME resources. This program both meets the demand for downpayment assistance for targeted first time homebuyers and assists Minnesota Housing in maintaining a strong presence with our Mortgage Revenue Bond program in an incredibly tight mortgage market.

The timing and targeting of funds is such that it allows first time homebuyers to take advantage of the reasonable prices resulting from the foreclosure crisis and the purchase of these properties by well qualified borrowers who have been prepared to be successful homeowners, helps foreclosure hit communities to begin to recover from its effects.