

Minnesota is a national leader in its overall homeownership rate. However, we have a well documented disparity in the gap in homeownership rates among households of color, non-English speaking households, or households in which English is a second language ("emerging markets.") Although these markets are growing in the state, the white to minority homeownership gap in Minnesota has ranged between 5th and 8th widest gap in the country.

Minnesota Housing has been working to improve production in this area dating back to 2004, when a variety of business and community groups convened under the Emerging Markets Homeownership Initiative (EMHI), of which Minnesota Housing was a convener. The primary goal of the initiative was to create a business plan for the homeownership industry and community groups could that identified and implemented objectives to increase homeownership rates among Minnesota's emerging markets.

As a provider of mortgage products for low to moderate income first time homebuyers, it is important for Minnesota Housing to recognize the strong growth of emerging market households in the state and to realize that in order to affect real change, customized analysis and action for these diverse populations would be essential. In other words, a one-sized fits all solution would not be effective. Different strategies to address different communities, groups and areas of the state would need to be employed. We would need to not only have a plan, but work the plan.

As a State Agency, Minnesota Housing does not lend directly to consumers. We work with an extensive network of contracted lending partners who in turn work with real estate agents and homebuyer educators to identify and prepare first-time homebuyers. We work to support our lending partners and educate their real estate agents, thereby hopefully increasing the percentage of loans we originate with our lenders.

The EMHI Business Plan included numerous strategies, and we were able to effectively employ several within our business structure such as to expand and tailor our outreach by creating customized and targeted marketing materials and campaigns, and working to innovate our structural program support by looking at our entry cost assistance programs, and developing emerging market friendly processes and lender support.

The first step was to establish emerging market homeownership as one of our four strategic priorities. Benchmarks and stretch goals were set, and work began to reach those targets through modification, outreach and promotional efforts including an internal support campaign to "Drive to 555" or 555 emerging market loans. We established a new team whose primary work objective was to increase our outreach and loan production numbers for emerging markets. Key markets were identified and a "Community Business Representative" was assigned to each: Pan African/African American, Hispanic/Latino, American Indian and Asian markets. Each of these representatives served on a committee for the statewide effort, working to determine what were the key elements required to work successfully within each market, and in turn, work pro-actively with our lending and real estate agent partners to connect them with this business.

As the initiative began to produce results, the housing markets of September 2008 hit, the financial world changed, and so did our business model. Like most state housing finance agencies at the time, we went from a below market interest rate environment, to being above market, and watching the impact on our production.

Although our overall numbers were dropping, we were still able to achieve good emerging market numbers, with 31% of our portfolio falling into that category, in a year when our overall production dropped by 2/3. One key factor was our down payment assistance program. The other, was the commitment our Community Business Representatives had working within the communities we wanted to serve, to strive for cultural competency and keep the momentum going that Minnesota Housing

Minnesota Housing
Minnesota Housing Organizational Response to Prioritize Emerging Market Production

provided a safe, affordable, trusted product in a time when a lot of emerging market households had been taken advantage of by unscrupulous lending within the sub-prime markets.

Over the next three years, it became clear that while our targeted efforts focusing on emerging markets were proving effective, those same tactics were also being employed to try to increase our overall general production. It was a natural progression that our focus on emerging markets would migrate from a strategic priority, to what we needed to do as a part of our day to day business.

We worked to position our products to assist us in achieving our goals, which was to develop and support programs that naturally focused on reaching growth or emerging markets. Since no one can create exclusive products for emerging markets without violating fair housing law, our focus was on supporting programs that encouraged targeted marketing and outreach by our lending partners, which in turn increased awareness and lender commitment to these markets. It was key to build and maintain a network of racially and ethnically diverse individuals within segments of the real estate industry that were focused and committed to providing homeownership opportunities, and important to identify, create and implement programs to serve the unmet community needs of Emerging Markets that can be used by those housing industry professionals. Our Community Business Representative worked within our lender network to educate them about targeted business approaches to help them recognize the lending and earning potential within emerging markets.

Recognizing that downpayment assistance was one of the key factors to maintaining higher emerging market numbers, we worked to keep our downpayment assistance programs fluid, adjusting selection guidance, targeting and even loan amounts, to keep the product viable without depleting a rare resource. We researched and implemented several products to position them in a way to support achieving our goal of increased emerging market homeownership, such as a focus on our Community Set-Aside Program which encouraged lenders to have partnership and outreach with emerging market communities and non-profit organizations, thereby being able to access the best down-payment and closing cost assistance resources offered by Minnesota Housing. Our HOME funded HOME HELP program, offering up to \$10,000 in partially-forgivable downpayment and closing cost assistance, was also targeted towards effective outreach within emerging markets.

We focused our promotions and marketing to support these efforts, working to make community connections and choosing events that were highly attended and a key part of the communities we wished to serve, with not only our Community Business Representatives in attendance, but key lending partners for each emerging market community as well. When we sponsored a booth at a highly attended Hmong Housing Fair, we invited lenders we knew who had loan officers who were affluent in Hmong and could directly assist those attendees who did not speak English. Our marketing campaigns were targeted to build consumer confidence and awareness around homeownership opportunities for emerging markets.

Our emerging markets message was incorporated into all aspects of our training from the first point of contact sales visit, through mandatory lender program and systems orientation training, through on-site customized technical support. We developed a continuing education course for Real Estate Agents that not only introduced them to the affordable lending products offered by Minnesota Housing, it summarized the impact that emerging market households would be making on the housing market and provided resources for those Agents to position themselves to be successful working within those markets.

As a result of these efforts, Minnesota Housing has been able to close 40-50 emerging market households per month, anywhere between 22% to 32% each month overall. Not only have our outreach and education methods surrounding emerging markets helped us to sustain connections in those communities, that same work also strengthened our lending and real estate partner relationships, through the work we did to help them become better housing professionals in a growth market.