

# NCSHA 2015 Annual Awards Entry Form

(Complete one form for each entry)

**Deadline: Wednesday, June 10, 2015**

Visit [ncsha.org/awards](http://ncsha.org/awards) to view the Annual Awards Call for Entries.

**Instructions:** Type entry information into the form and save it as a PDF. Do not write on or scan the form. If you have any questions contact Matt Cunningham at [mcunningham@ncsha.org](mailto:mcunningham@ncsha.org) or 202-624-5424.

Fill out the entry name *exactly* as you want it listed in the program.

**Entry Name:** \_\_\_\_\_

**HFA:** \_\_\_\_\_

**Submission Contact:** (Must be HFA Staff Member) \_\_\_\_\_ **Email:** \_\_\_\_\_

Please provide a 15-word (maximum) description of your nomination to appear on the NCSHA website.

\_\_\_\_\_

Use this header on the upper right corner of each page:

**HFA:** \_\_\_\_\_

**Entry Name:** \_\_\_\_\_

**Select the appropriate subcategory of your entry and indicate if you are providing visual aids.**

<b>Communications</b>	<b>Homeownership</b>	<b>Legislative Advocacy</b>	<b>Management Innovation</b>
Annual Report	Empowering New Buyers	Federal Advocacy	Financial
Creative Media	Encouraging New Production	State Advocacy	Human Resources
Promotional Materials and Newsletters	Home Improvement and Rehabilitation		Operations
			Technology
<b>Rental Housing</b>	<b>Special Needs Housing</b>	<b>Special Achievement</b>	Are you providing visual aids?
Encouraging New Production	Combating Homelessness	Special Achievement	Yes
Multifamily Management	Housing for Persons with Special Needs		No
Preservation and Rehabilitation			

## **Background**

Minnesota Housing has made it a priority to offer a vast catalog of loan products for Minnesota homeowners across the housing continuum. From first mortgages to home improvement loans, we know stable housing is the foundation for success and we strive to create targeted loan products for the financing needs of our residents across the state.

To help improve our state's aging housing stock (*See attachment 1*), we offer two primary financing options; the Rehabilitation loan and the Fix Up loan. The Rehabilitation Loan being a deferred, forgivable loan with an income limited to 30% of the Twin Cities Metro Area Median Income (AMI), which, at the time of writing this, is \$18,200 annually for a one-person household. While the Fix Up loan is a more traditional, fully-amortized, monthly payment loan with an income limit of 80% of the Twin Cities Metro AMI, currently \$97,500 annually for all owner-occupants.

To help meet the specific needs of communities across the state, we also created a counterpart to the Fix Up loan program, where approved lenders have the option of creating a loan initiative based on the Fix Up guidelines and targeted specifically at a local community need. The Community Fix Up program is meant to give the lenders flexibility to develop a local loan initiative that addresses a local need. With energy efficient upgrades and specific ways to help homeowners age in place through accessibility improvements, we allow communities to target the program to meet their local needs. Lenders may partner with other community leaders or organizations who dedicate funds for interest-rate buy-downs on the already low interest rates of the Community Fix Up loan program, further enhancing their affordability.

Minnesota Housing staff reviewed the households served by these existing products in 2013 and determined that a service gap existed for those households with annual incomes ranging from \$20,000 to \$49,500. In an effort to better serve these Minnesotans a new initiative, the Targeted Home Improvement Pilot (THIP), was developed that would pair the Community Fix Up loan program with alternate resources available to Minnesota Housing. These funds were offered to lenders as an option to buy down the interest rate as far as 0% on Community Fix Up loans. Twelve lenders responded to the request-for-proposals and all twelve were awarded funds, a total of \$500,000 available in buy-down funds.

## **How it Works**

Existing Minnesota Housing lender partners were solicited to submit a proposal for use of the Targeted Home Improvement Pilot in January, 2014. The lenders were asked to (1) define a targeted income bracket at or below 80% of Twin Cities AMI (2) establish a specific community need and improvement type(s) and (3) ascertain organizational capacity and marketing/outreach strategy.

Lenders were awarded funds in March, 2014 and able to offer loans of up to \$50,000 (as defined by Minnesota Housing Community Fix Up guidelines). The amount of buy-down funds needed per loan varies depending on the requested interest rate and loan balance. The amount of awarded buy-down funds varies per lender as defined by their anticipated loan volume.

## **Making a Difference**

**“Through the Targeted Home Improvement program we have been able to connect homeowner's to affordable financing they would not have otherwise had access to in the market.”**

**Gloria Moen**  
**1 Roof Community Housing**

### **Better Serving Unmet Needs**

As a data driven organization, Minnesota Housing determined that Minnesota households with incomes ranging from \$20,000 to \$49,500 have been historically underserved by affordable home improvement financing. Through discussions and outreach within our community and lender partnerships it is speculated that this gap exists first and foremost because of a lack of outreach to this demographic. Many individuals who earn greater than \$20,000 annually assume their income would exceed the requirements of lending products offered by an affordable financing agency.

After this discovery, we asked individual lenders to further define needs within their communities. These needs range from foreclosure remediation, neighborhood stabilization, preservation of affordable workforce owner-occupied housing, encouraging investment in health and safety and/or energy efficiency upgrades in existing housing stock, incentivize homeowners to upgrade roofing and/or siding to their homes and finance home additions for large immigrant families.

### **Innovation and Replicability**

The Community Fix Up loan product is unique because it gives Minnesota Housing lending partners the ability to specifically define a financing need within their communities. The loans, already offered at a lower rate than the traditional Fix Up loan, have an interest rate buy-down option to further incentivize homeowners to apply. Lenders can solicit partnerships with community leaders and organizations to create a value-added service to the loan product, acting as active partners to help provide affordable financing to Minnesotans in a sustainable and mutually beneficial manner.

The Targeted Home Improvement Pilot (THIP) takes the Community Fix Up program a step further. Eliminating the need for the lender to find its own financing to buy-down the loan's interest rate, THIP gives the lender the opportunity to utilize Minnesota Housing funds to offer low interest rate loans to homeowners. This not only increases the affordability of the loans to the homeowners, but also makes optimum use of Minnesota Housing's scarce resources by spreading the funding over multiple loans, serving more households overall.

### **Program Success**

At its inception, the Targeted Home Improvement Pilot defined four main objectives (1) serve 200 low-to moderate-income households within the service gap of \$20,000 to \$49,500 annual household income (2) define effective means of outreach, targeting community needs and establishing community partnerships (3) increase awareness among our lender network of Community Fix Up loan program and interest rate buy-down option. Additionally, our lender partners were asked to define their levels of success and establish benchmarks for loan volume and households served.

### **Effectively leveraging resources**

Perhaps the most unique and innovative aspect of the Targeted Home Improvement Pilot is its use of funding sources. The program leverages scarce resources, such as state appropriations, to reduce the interest rate on the self-supporting Community Fix Up loans. Rather than allocating this funding to deferred loans or grants in its entirety and only serving a small portion of households, this combination of a fully amortized loan and interest rate buy-down gives homeowners access to financing that would not otherwise be available in the marketplace, while loosening limitations on income eligibility.

**Making a Difference**

Minnesota Valley Action Council (MVAC) was awarded \$15,030 in buy-down funds and as of April 1, 2015 had utilized over 80% of that award. MVAC has exclusively used the funds as leverage with the Minnesota Department of Economic & Employment Development (DEED)'s "Small Cities" Housing Grants program. The Small Cities program guidelines are such that if the homeowner meets certain criteria, they are required to produce 30% of the project cost down to qualify for the DEED loan. MVAC has successfully qualified borrowers for a loan to cover that 30% requirement through the Targeted Home Improvement Pilot.

**Partnerships**

A goal of the Targeted Home Improvement Pilot was to increase awareness among the Minnesota Housing lender network of the Community Fix Up program. Indeed, the request for proposals elicited five lender partners whom had never originated a Community Fix Up loan to submit a proposal. The hope is that this will strengthen an already established partnership between Minnesota Housing and the lenders to further meet the needs of Minnesota communities.

Additionally, the responding lenders were encouraged to solicit partnerships with other community leaders and organizations stretching their outreach even further and deepening the impact of the Targeted Home Improvement Pilot. Some lenders partnered with city leadership to define target areas and create outreach campaigns. Others partnered with organizations that could offer a value-added benefit to the homeowner, such as energy audits and/or renovation consultations.

**Making a Difference**

Greater Metropolitan Housing Corporation (GMHC) was awarded \$143,650 in buy-down funds and estimated a demand of thirty loans. As of April 1<sup>st</sup>, 2015 GMHC had originated twenty loans and made use of \$107,570 in buy-down funds, roughly 75% usage one year into the program. GMHC credits the successful implementation of the program to partnerships with city leaders. In particular, homeowners within the City of Crystal, Minnesota are able to layer the THIP loan program with a city-offered rebate of up to 20% of the project cost.

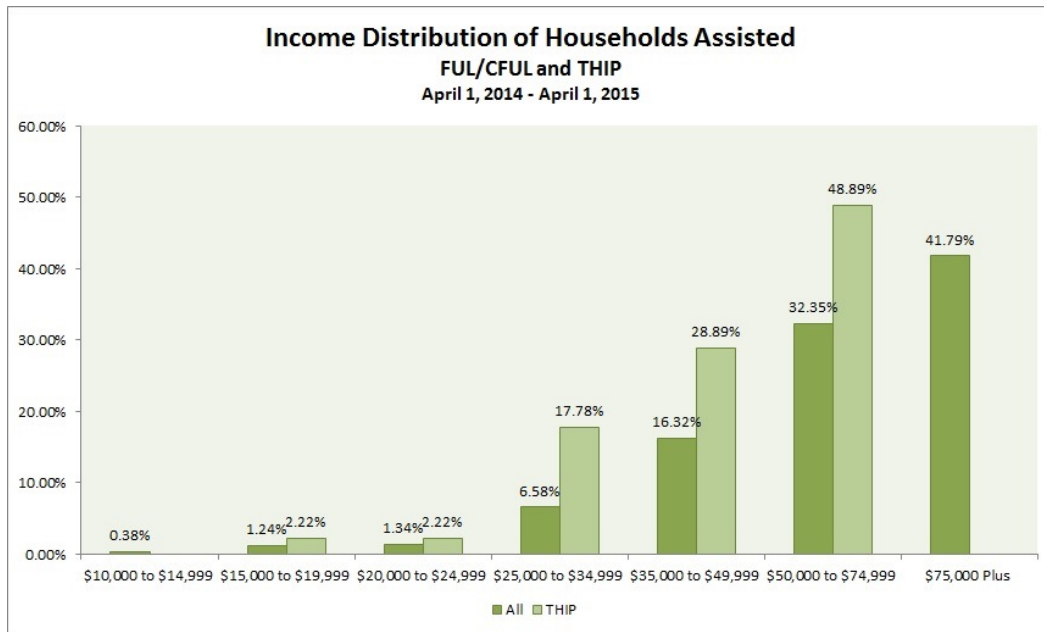
**Objectives Achieved**

The Targeted Home Improvement Pilot is at its mid-point. Lenders have served 43 Minnesota homeowners with an average income of \$35,200. The program has been successful in raising awareness among the lender network of the Community Fix Up loan program, as well as its option to use scarce resources to buy-down the loan's interest rate. Lenders such as Greater Minnesota Housing Corporation have successfully developed relationships with city leadership to further the impact of this loan program. The program not only lowers barriers to qualification for some homeowners, but it also incentivizes those that would otherwise qualify, but are not interested in taking on additional debt.

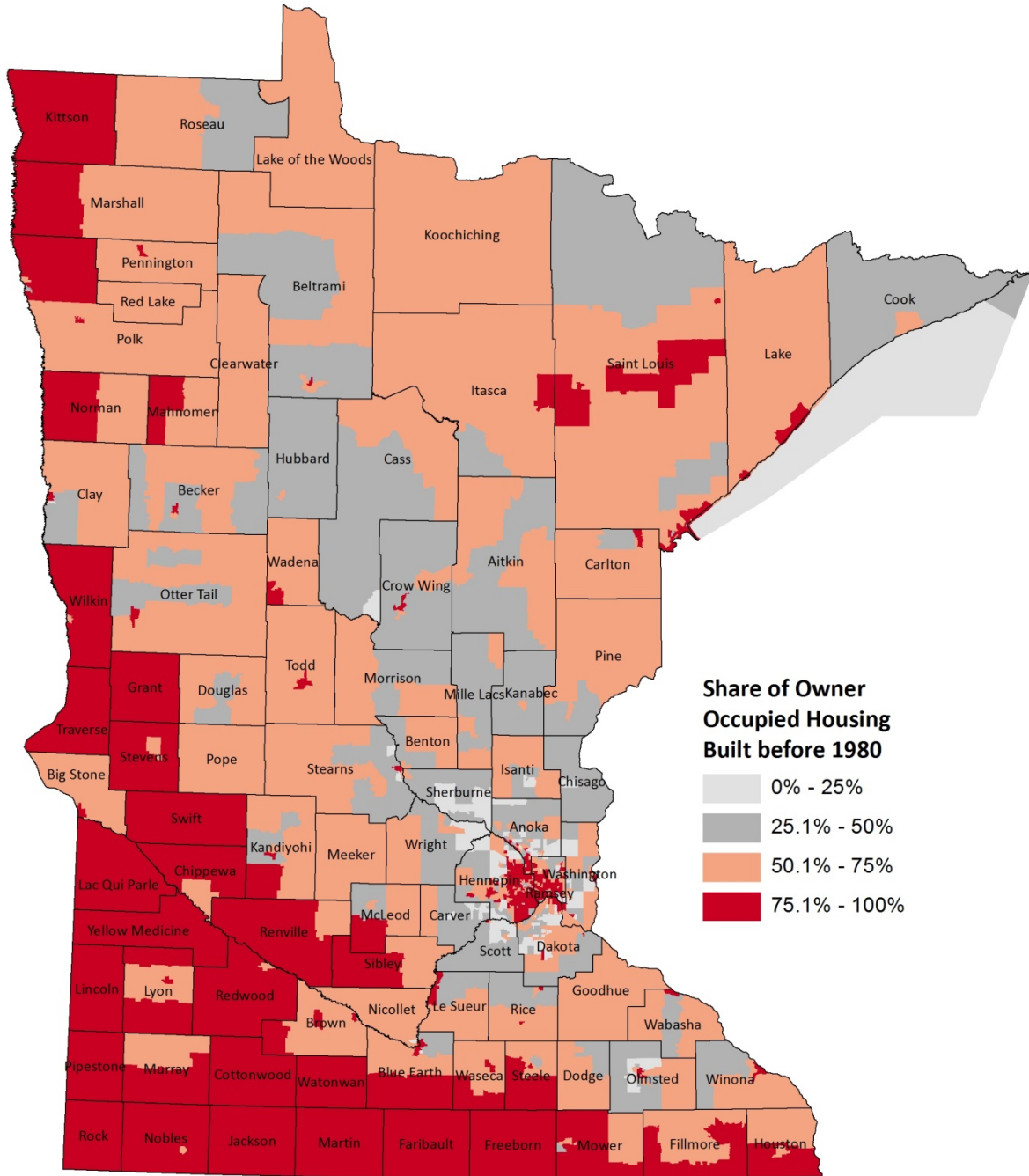
**Targeted Home Improvement Borrower Profile**

**Demographics by Loan Program**

	Fix Up	Community Fix Up	THIP
<b>Total Loans</b>	846	149	43
<b>Borrower Age</b>	44	32	33
<b>Household Size</b>	3	2	2
<b>Household Income</b>	\$66,865.71	\$85,142.69	\$35,198.04
<b>Loan Amount</b>	\$18,036.58	\$14,193.41	\$16,018.08
<b>Appraisal Amount</b>	\$124,412.98	\$125,918.25	\$103,551.79
<b>% Married</b>	61%	54%	51%
<b>% Non-White</b>	3%	2%	4%
<b>Interest Rate</b>	6%	3%	3%
<b>Buy Down Amount</b>	N/A	N/A	\$3,102.67
<b>Total Spend on Buy Downs</b>	N/A	N/A	\$175,305.17



Minnesota's Housing Stock Built Before 1980



Source: American Community Survey 2009-2013.