

Governor's Supplemental Budget Recommendations

March 23, 2016

1

Minnesota Housing Finance Agency

Our Mission:

Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance affordable housing.

2

Minnesota Housing Finance Agency

Minnesota Housing
2015 Outcomes and Impact



Served **63,696** households



59% of all homebuyers assisted had an annual income under $55,000



Provided more than **4,000** loans to homebuyers

30% were households of color



Provided **$1.04** billion in funding for housing



79% of renters assisted had an annual income under $20,000

3

Minnesota Housing Finance Agency

Governor's 2016 Supplemental Budget

$6.25 million

$5 million for the homeownership assistance fund

$1 million for intensive homebuyer counseling

$250,000 for landlord guarantee fund pilot

4

Minnesota Housing Finance Agency

Importance of Homeownership

- Successful homeownership and housing stability bring **social benefits** for families and communities, as well as **economic benefits**
- Homeownership is one of the leading ways low- and moderate-income Minnesotans can **build wealth**

5

Minnesota Housing Finance Agency

Over the past 40 years...



More than **85,000** families have purchased homes with the help of Minnesota Housing and our private lending partners.

6

Minnesota Housing Finance Agency

The Challenge - Closing the Gap

National Rank	Category	Percent
3	Overall Homeownership Rate	71.6%
6	Homeownership Rate for White, not Hispanic or Latino, Households	76.3%
39	Homeownership Rate for Diverse Households	40.6%
47	Gap in Homeownership Rates	35.5%

Source: U.S. Census Bureau, American Community Survey, 2013

7

Minnesota Housing Finance Agency

The Challenge - Closing the Gap



WEALTH AND DOWNPAYMENTS



CREDIT AND LENDING PRACTICES



CULTURAL PRACTICES



HOMEBUYER EDUCATION

8

Minnesota Housing Finance Agency

Request Details

$5 million for the Homeownership Assistance Fund

- Would allow us to serve an additional **800** households
- Provide between $5,000 and $7,500 in downpayment/closing cost assistance
- Homebuyers receive loans through private lenders
- Homebuyers with incomes at or below 60 percent of area median income are eligible for assistance

9

Minnesota Housing Finance Agency

Supports Successful Homeownership

- Used with 30 year fixed-rate mortgage
- Borrowers must participate in homebuyer education
- Recorded as lien and repaid when property is sold
- Underwritten to industry standards

10

Minnesota Housing Finance Agency

Why now?

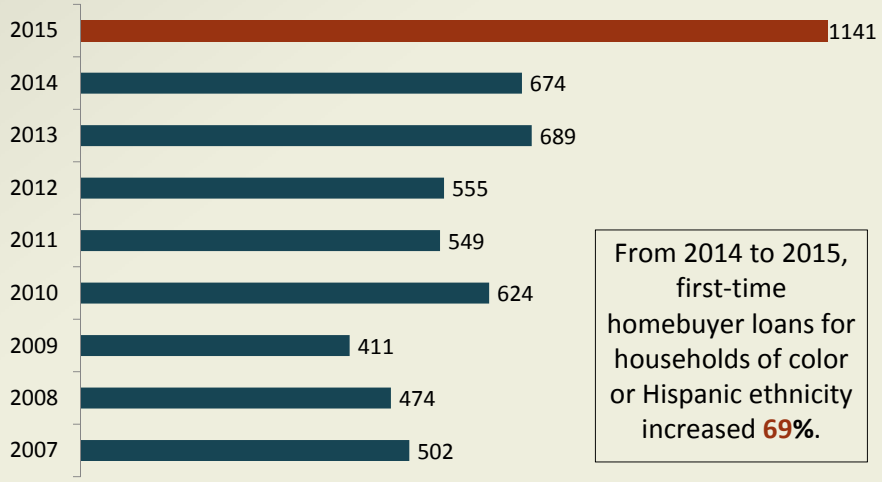
- Interest rates are historically low
- Home prices have increased but are still affordable
- Since 2000, Minnesota's median rents have risen by 6% and are currently at $1,381 per month
- Monthly costs for new homeowners are 22% lower than 10 years ago

Homeownership Costs in Twin Cities Metropolitan Area		
	October 2005	**October 2015**
Median Price Home	$230,000	$216,000
Interest Rate	6.07%	3.80%
Monthly Mortgage Payment (PITI)	$1,860	$1,460

11

Minnesota Housing Finance Agency

First-Time Homebuyer Loans for Households of Color or Hispanic Ethnicity, FFY 2007-2015



From 2014 to 2015, first-time homebuyer loans for households of color or Hispanic ethnicity increased **69%**.

12

Minnesota Housing Finance Agency

Homebuyer: Ebrulphus Mosha

Lender: Eric Otterness, Lake Area Mortgage

- 53-year-old originally from Tanzania with three kids
- Works as bookkeeper at a gas station for $12 /hour; part time detailing cars for $9/hour
- Rented a house for $1,300/month
- Received FHA Start Up Loan with Deferred Payment Loan Plus ($7,500)
- Bought home for $199,900; new mortgage payment is $1,309/month

"Everyone was pulling for him," Eric said. "His landlord, his whole company, and the other staff at Lake Area Mortgage, everyone wanted to see him succeed."

13

Minnesota Housing Finance Agency

Request Details

$1 million for Homeownership Capacity

- Deeper focus on intensive financial and homeownership coaching
- Help close the credit gap
- Stabilize household budgets and create a path to qualify for a mortgage
- More than 700 households participating, more than **90%** households of color
- An additional $1 million could serve 900 more

14

Minnesota Housing Finance Agency

Current Program Administrators

- Build Wealth
- Bii Gii Wiin Community Development Loan Fund
- Comunidades Latinas Unidas En Servicio (CLUES)
- Hmong American Partnership (HAP)
- Neighborhood Development Alliance (NeDA)
- Project for Pride in Living (PPL)
- Three Rivers Community Action Partnership
- Mankato Economic Development Authority
- NeighborWorks Home Partners
- Southwest Minnesota Housing Partnership (SWMHP)

15

Minnesota Housing Finance Agency

Homebuyer: Jose Luis Luna Perez

Administrator: Three Rivers Community Action

- **March 2015**: Came with a credit report 11 pages long and credit score of 594
- **September 2015**: Through Homeownership Capacity Program, improved his credit score to 631 and reduced his debt from $18,000 to $6,000
- **November 2015**: Improved credit score to 648; worked with Sanela Dzamalija at PHH Home Loans
- **January 2016**: Obtained FHA loan with downpayment assistance and closed on his first home!





16

Minnesota Housing Finance Agency

Request Details

$250,000 for Landlord Guarantee Fund Pilot

- Provide financial guarantee to incentivize landlords to rent to tenants they would otherwise not likely rent to
  - Individuals/families experiencing homelessness, living in a segregated setting such as an institution or shelter, or with a criminal record
- May include reimbursement for non-payment of rent, damages above the security deposit
- Help to mitigate the real and perceived risks of renting to populations that have trouble obtaining rental housing

17

Minnesota Housing Finance Agency

For More Information

Contact:

Commissioner Mary Tingerthal
mary.tingerthal@state.mn.us
651.296.5738

Ryan Baumtrog
Ryan.baumtrog@state.mn.us
651.296.9820

Katie Topinka
katie.topinka@state.mn.us
651.296.3706

www.mnhousing.gov

18

Minnesota Housing Finance Agency