

FIRST-GENERATION HOMEBUYERS DOWN PAYMENT ASSISTANCE FUND

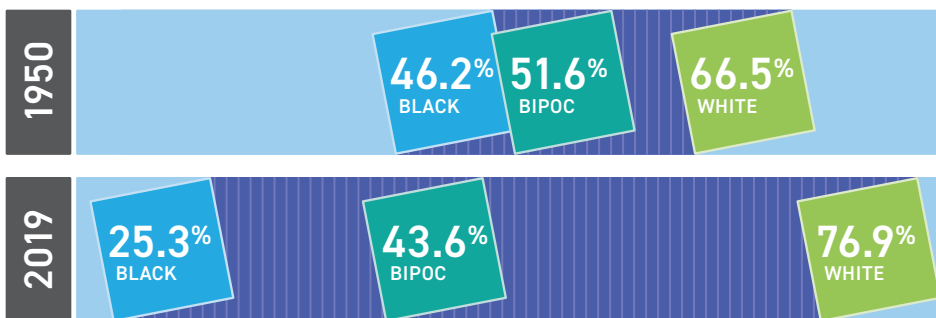
SF22 – Sen Oumou Verbeten

HF12 – Rep Agbaje

A statewide **First-Generation Homebuyers Down Payment Assistance Fund** will reduce the racial homeownership gap. Targeted assistance for first generation homebuyers is particularly effective for individuals who do not have access to generational wealth and ‘but for’ the assistance would not achieve homeownership.

Homeownership is vital to the strength of our economy and the vibrancy of our communities. But too many Minnesotans have been shut out of this dream. It is well documented that Minnesota has one of the largest racial homeownership gaps in the country, and that for the gaps is continuing to grow. **Notably, Minnesota’s Black homeownership rate peaked in 1950. Nearly 70 years later, the ownership gap between White and Black households has more than doubled.**

Minnesota’s racial homeownership gap 1950 – 2019



DOWN PAYMENT ASSISTANCE TO FIRST-GENERATION HOMEBUYERS



Down payment assistance can be an effective policy tool in reducing the homeownership gap, but only if funding is **targeted, adequate** enough to meet the need and **easily accessible** to consumers.

A targeted statewide approach, coupled with **an investment of \$176 million, will support 5,000 first-generation homebuyers** over the next three years. The majority of households supported are likely to be Black, Indigenous and people of color (BIPOC).

Moving 5,000 Minnesota households into first-generation homeownership will **shift our state’s racial homeownership gap national ranking six places**—from the 5th largest disparity in the nation to the 11th largest.

PROPOSING ORGANIZATIONS



FAQs

Who is a first-generation homebuyer?

A first-generation homebuyer is:

- A buyer who either never owned a home or who owned a home but lost it due to foreclosure.
- A buyer whose parent or prior legal guardian either never owned a home or owned a home but lost it due to foreclosure.

How will focusing on first-generation buyers reduce the homeownership gap?

We anticipate that the majority of buyers participating in this program will be Black, Indigenous, and people of color (BIPOC). Moving 5,000 Minnesota households of color into homeownership will improve Minnesota's homeownership racial equity measure by an estimated six ranking places compared to other states.

Why do we need this new program? How does this approach differ from existing down payment assistance?

Existing down payment assistance (DPA) programs are not designed with the needs of first-generation homebuyers in mind and create barriers for those buyers:

- Existing maximum loan amounts are too low. Programs don't allow for reserving funds.
- Application and origination requirements and processes are inflexible and inefficient.
- Existing DPA resources are limited to a specific geography, are tied to specific mortgage products, or are only available in small pools that are highly competitive which severely limits access to homebuyers.
- DPA would be administered and originated by local organizations experienced in serving their communities.

Why will CDFIs and tribal entities be involved?

Community Development Financial Institutions (CDFIs), which include institutions such as some banks and credit unions, loan and venture capital funds, are adept at providing financial services specifically to those who lack access to traditional financing. Minnesota's CDFIs are mission focused, with the experience, capacity, and flexibility to originate and close DPA loans. They have the relationships, connections, and trust in their communities to more effectively deploy funds. Similarly, Minnesota's tribal entities are uniquely situated and prepared to support tribal members. Community based nonprofits with DPA experience may also participate.

The lead administrator, Midwest Minnesota Community Development Corporation (MMCDC), is a nonprofit CDFI providing housing, business and community development programming throughout Minnesota. They have proven experience in administering statewide mortgage, refinancing, and down payment assistance programs with an emphasis on serving lower income households. They are the parent company of a reservation-based bank and a Native CDC.

Who is behind this effort?

In 2020, the Minnesota Realtors® and the Minnesota Homeownership Center launched the Minnesota Down Payment Assistance Research Project with the goals of identifying ways to remove barriers facing homebuyers with limited savings and reducing the racial homeownership gap. This proposal also builds upon the work of the Homeownership Opportunity Alliance, a 100-member strong coalition.

An advisory group of non-profits, down payment assistance providers, lenders, and governments are providing input and leadership, including: City of Lakes Community Land Trust, the City of Minneapolis, Midwest Minnesota CDC, NeighborWorks Home Partners, Summit Mortgage Corporation, Three Rivers Community Action Partnership, Twin Cities Habitat for Humanity, US Bank and many others.

SUPPORTING ORGANIZATIONS

