



March 24, 2025

RE: GroundBreak Coalition support for the Community-Based First-Generation Homebuyers Assistance Program (HF999)

Dear Co-Chair Howard and Co-Chair Igo,

We are writing today in support of Minnesota's successful Community-Based First-Generation Homebuyers Assistance Program (HF999) that is helping to reduce one of the widest racial homeownership gaps in the nation.

GroundBreak is a coalition of over 40 philanthropic, private, and civic organizations working to create a more inclusive, racially equitable, and prosperous region. We believe the wealth and opportunity in our state should be available to all, and when capital flows where it has not before, we all benefit from a more economically vibrant state.

Founded in 2022, GroundBreak seeks to meet long-standing community requests for more reliable and plentiful access to capital to power people's aspirations and accelerate wealth building through homeownership, entrepreneurship, and commercial real-estate development.

The Community-Based First-Generation Homebuyers Assistance Program complements and amplifies this work in critical ways, reaching aspiring homeowners across the state.

No single organization or one-time investment on its own can close Minnesota's homeownership divide. However, through ongoing commitments and collaboration with community-based organizations, public, philanthropic, and private institutions, we can make it possible for Minnesotans from all backgrounds to achieve homeownership and build generational wealth.

We urge you to support HF999.

Signed,

The GroundBreak Coalition

House Housing Finance and Policy Committee
Minnesota State Capitol
75 Rev Dr Martin Luther King Jr Boulevard.
St Paul, MN 55155



Dear Chair Howard, Chair Igo, and Members of the Committee,

March 25, 2025

The Minnesota Consortium of Community Developers (MCCD) is an association of nonprofit community development organizations and Community Development Financial Institutions (CDFIs) committed to expanding the wealth and resources of communities through housing opportunities and economic development initiatives. MCCD's mission to build strong and stable communities can only be achieved by addressing the harms and inequities that have shaped housing and economic development policies at every level of government. These policies have prevented Black, Indigenous and People of Color (BIPOC) and other communities from achieving housing stability, accessing capital, and building generational wealth.

We ask that you support HF 999 and reinvest in the Community-Based First-Generation Homebuyers Assistance Program.

This critical program is helping to reduce Minnesota's racial homeownership gap – one of the worst such homeownership gaps in the country. In just one year of this program, there are now 700 new homeowners across the state, with 90% of those homeowners identifying as BIPOC. This program is uniquely qualified to serve Minnesotans because it is administered and originated by local, community-based organizations with decades of experience serving their communities. By adequately resourcing this program, we can ensure that more Minnesotan families are able to pursue and achieve the dream of homeownership.

This program is open to all prospective first-generation homebuyer households in Minnesota with earnings at or below 100% of area median income, regardless of race. We need this program to be adequately funded because existing down payment assistance programs (DPA) are not designed with the needs of first-generation homebuyers in mind. Often, the amounts of DPA available are too low to be impactful, and the processes tend to be inflexible or inefficient. This program is uniquely qualified to address these issues and ensure that Minnesotans are actually able to access and use these funds to purchase a home. We ask for your support of HF 999 to continue to uplift the next generation of homebuyers.

Thank you for your time and consideration of our request to support first-generation homebuyers. Please reach out to Kelly Law, Senior Policy and Field Building Advisor at MCCD, 612-865-3170 or klaw@mccdmn.org, should you need any further information now or throughout the legislative session.

Sincerely,

Elena Gaarder

Elena Gaarder
Chief Executive Officer, MCCD



March 24, 2025

Chairs and Members of the House Housing Finance and Policy Committee,

Metro Cities, representing the shared interests of cities across the metropolitan area at the Legislature and Executive Branch, appreciates the opportunity to support HF 999 – Agbaje and HF 1141 – Howard.

HF 999 would provide for additional funding for the Community-Based First-Generation Homebuyers Assistance Program and modifies the program language. This program is essential in supporting first-time homebuyers or those who owned a home but lost it due to foreclosure, and will support efforts to reduce racial disparities in homeownership. Providing additional funding to this program will support increasing the ability to access homeownership across our communities in the metropolitan area.

Metro Cities supports HF 1141 which would provide the capital for an additional \$400 million in Housing Infrastructure Bonds. Housing Infrastructure Bonds leverage local, federal, and private investments and spur development in our communities. These are used to develop and preserve permanent and supportive housing, preserve federally assisted rental housing, provide affordable housing for our seniors, finance housing with rents affordable to households with incomes at or below 50% AMI, and support the acquisition and rehabilitation of foreclosed or abandoned property. This is a critical source of funding for cities to address housing needs across the metropolitan area.

The resources in these bills will support homeownership in our state and address the need for additional affordable housing in our communities.

Thank you for your consideration of this letter.

Sincerely,

A handwritten signature in black ink, reading 'Ania McDonnell'.

Ania McDonnell
Government Relations Specialist

FIRST-GENERATION HOMEBUYERS

Community Down Payment Assistance Fund

SF 1610
HF 999

FIRST-GENERATION DOWN PAYMENT ASSISTANCE IS EXPANDING ACCESS TO THE AMERICAN DREAM OF HOMEOWNERSHIP

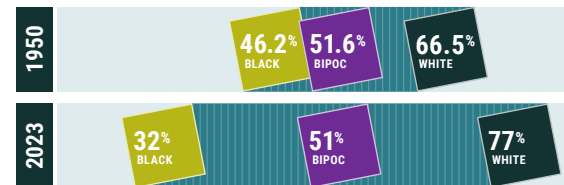
Homeownership is vital to a strong economy and thriving communities. But too many Minnesotans have been shut out of this dream. While we continue to make progress,

Minnesota has the 10th-largest racial homeownership gap in the countryⁱ.

Since the launch of the First-Generation Homebuyers

Community Down Payment Assistance Fund pilot in June 2024, 88 percent of new homeowners using the Fund were Black, Indigenous or Persons of Color (BIPOC). In comparison, statewide DPA for first-time homebuyers averages 36–41 percent BIPOC buyersⁱⁱ. **By prioritizing first-generation buyers, we are helping more than twice as many BIPOC households realize the dream of homeownership.**

Minnesota's Racial Homeownership Gap



Why does Minnesota need the First-Generation Homebuyers Community DPA Fund?

Economic Opportunity and Impact

Homeownership is not only aspirational—it is the bedrock of wealth creation and economic security.

Every new homeowner who is able to achieve their dream of homeownership is also positively impacting Minnesota's economy. According to data compiled by the National Associations of Realtors®, **the economic impact of the typical home sale in Minnesota is \$109,100.** Overall, the real estate industry accounted for 17.2% of Minnesota's total gross state product in 2023ⁱⁱⁱ.

Community Driven

The Fund **supports consumer choice, allowing homebuyers to choose the lender and mortgage product that meets their needs.**

Since the pilot launch in June 2024, buyers have used more than 100 unique lenders. Further, the Fund supports buyers who may not qualify for Minnesota Housing's first mortgage products. This includes those using USDA Rural mortgages, individual taxpayer identification number (ITIN) loans, non-interest-bearing loans, and mortgages that permit credit scores below 650.

TO OPEN MORE DOORS, MORE INVESTMENT IS NEEDED

Based on the current spending rate, the First-Generation Homebuyers Community DPA Fund will be fully spent or committed midway through FY 2026.

A \$25 million investment in fiscal year 2026 and **an annual investment of \$50 million** beginning in fiscal year 2027 will keep the Fund on pace to reach 2,900 new homeowners each biennium and continue helping to unlock the American dream of homeownership.

Why does Minnesota need the First-Generation Homebuyers Community DPA Fund? *continued*

Empowering

The Fund requires **homebuyer education** before applying, ensuring homebuyers are well-prepared.

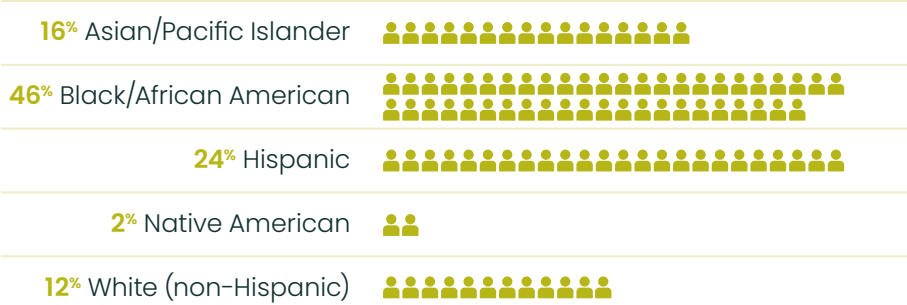
Homebuyers can reserve funds for up to 5 months, making them more competitive by **securing funds through closing**—an uncommon benefit in traditional DPA programs.

“ This down payment assistance is like a dream. Because funds are reserved, buyers can take the time to shop for the right house and know the money will be there at the closing table.

REALTOR®/BROKER

Who is the First-Generation Homebuyer?

Race/Ethnicity



\$82,208
Average Household Income

83% Metro | **17%** Greater MN

“ The guidance and support we received were invaluable. The down payment assistance made it possible for us to purchase our own home, something we couldn’t have afforded otherwise. We are deeply grateful and hope more people learn about this amazing opportunity.

FIRST-GENERATION HOMEBUYER

For the most recent data, visit: FirstGenDPA.org/IMPACT

Who are the Community DPA Fund’s key partners?

The lead administrator, Midwest Minnesota Community Development Corporation (MMCDC), is a nonprofit Community Development Financial Institution (CDFI) based in Detroit Lakes providing housing, business and community development programming throughout the state with an emphasis on serving lower income households. The Community DPA Fund is deployed statewide by a network of CDFI and nonprofit DPA Lenders.

Proposing Organizations:

- Minnesota Realtors®
- Minnesota Homeownership Center
- Midwest Minnesota Community Development Corporation*
- Twin Cities Habitat for Humanity*

- Central Minnesota Housing Partnership*
- City of Bloomington
- City of Golden Valley
- City of Lakes Community Land Trust
- City of Minneapolis
- Family Housing Fund
- Greater Minnesota Housing Fund
- Habitat for Humanity® of Minnesota
- Headwaters Regional Development Commission*
- Homeownership Minnesota
- Housing First Minnesota
- Minnesota Business Coalition for Racial Equity
- Minnesota CDFI Coalition
- Minnesota Community Action Partnership (MinnCAP)
- Minnesota Consortium of Community Developers

- Minnesota Housing Partnership
- MidWestOne Bank
- National Association of Real Estate Brokers (NAREB) Twin Cities
- NeighborWorks Home Partners*
- Northcountry Cooperative Foundation
- One Roof Community Housing*
- PRG, Inc*
- Project for Pride in Living*
- Southwest Minnesota Housing Partnership*
- Summit Mortgage Corporation
- Three Rivers CAP*
- Twin Cities Local Initiatives Support Corporation (LISC)
- Urban Homeworks
- Wells Fargo

Supporting Organizations:

Associations

- Builders Association of Minnesota
- Minneapolis Area Realtors®
- Minnesota Bankers Association (MBA™)
- Minnesota Credit Union Network
- Minnesota Mortgage Association
- Saint Paul Area Association of Realtors®

Public/Private/Nonprofit/Coalition

- Bell Bank Mortgage
- Build Wealth Minnesota*

¹ Minnesota Compass: <https://www.mncompass.org/topics/quality-of-life/housing?homeownership-gap#1-6924-g>
² Housing Finance Agency: <https://mn.gov/mmb-stat/documents/budget/research-and-data/summary-of-agencies-programs-activities/housing-finance-agency.pdf>
³ National Association of Realtors®: <https://www.nar.realtor>
* DPA Lender for the Community DPA Fund

Date: January 15, 2025

To: Co-chairs Michael Howard and Spencer Igo, House Housing Finance & Policy
Chair Lindsey Port, Senate Housing and Homeless Prevention
Senator Eric Lucero, Ranking Minority Member, Housing and Homeless Prevention

From: Julia Nelmark, President, Midwest Minnesota Community Development Corporation

Subject: FY24 Annual Report on the First-Generation Homebuyers Community Down Payment Assistance Fund

PROGRAM SUMMARY

The First-Generation Homebuyers Community Down Payment Assistance Fund (Community DPA Fund) was designed to assist homebuyers who have never experienced homeownership, either as owners or as children. The Community DPA Fund uses a three-pronged approach:

1. educating homebuyers early to ensure they understand the process, costs, and steps to becoming a successful homeowner;
2. offering down payment assistance to make homeownership accessible for those who might not otherwise be able to purchase a home; and
3. providing loan forgiveness over a five year period to help build equity and support long-term financial stability.

The Community DPA Fund was established by the Legislature in May 2023 (HF2335), providing for a three-year down payment assistance (DPA) program to be deployed by Community Development Financial Institutions (CDFIs), nonprofits and tribal lending organizations, with a goal of assisting approximately 3,000 households throughout Minnesota. As the designated Administrator of the program, Midwest Minnesota Community Development Corporation (MMCDC) signed a grant agreement with Minnesota Housing for \$95 million on May 1, 2024. The first DPA loan was closed in late June 2024; thus, the program has been operating for six months as of year-end.

As of December 31, 2024, collectively we have closed or committed (loan closing is scheduled or funds are reserved while buyers shop for a home) 29% of the funds to first-generation homebuyers throughout Minnesota.

PROGRAM OBJECTIVES

Based on previous pilot programs, the Community DPA Fund focused on first-generation homebuyers anticipating that the majority of them would be Black, Indigenous, or People of Color (BIPOC), the communities that historically experience greater disparities in family wealth. Studies have shown that homeownership is the key driver of family wealth; this program is designed to help increase homeownership opportunities for those who have faced the greatest barriers to homeownership.

PROGRAM OBJECTIVE *continued*

A key difference from other DPA programs is the requirement for homebuyers to complete Homebuyers Education (HBE) prior to signing a Purchase Agreement (PA). Current industry standard is for HBE to be required prior to closing, so many homebuyers take the course just a week or two before closing on the purchase of their home. By doing so they miss much of the benefit of the HBE course.

The Community DPA Fund intends to change behavior throughout the homebuying industry, so that homebuyers have the HBE information prior to buying—learning how to buy a home, determining how much they can afford to buy and pay monthly, and how to take care of the home afterwards. HBE truly helps homebuyers be successful long-term, which significantly reduces the number of foreclosures among homebuyers.

PROGRAM IMPLEMENTATION

MMCDC worked with a cross-sector of industry experts to design the Community DPA Fund. As the intent was to change industry practices, it was essential that this work was informed by Realtors®, mortgage lenders, HBE providers and others. With that input, we finalized the Program Guide, conducted the RFP process to determine partner lenders to deploy the DPA funds (10 plus MMCDC), established an online portal for applicants, conducted training for the partner lenders as well as training in conjunction with industry experts for related industries—mortgage lenders, Realtors and HBE providers. These training sessions were recorded and posted on www.FirstGenDPA.org for future viewing.

Throughout the implementation process and continuing, information has been maintained at www.FirstGenDPA.org; which provides the application link, information for homebuyers, a page dedicated to industry professionals and a dashboard with key data, including the percentage of funds remaining. Program news has been distributed by email periodically to those indicating an interest in updates.

FY24 HIGHLIGHTS AND SUCCESSES

A total of 10 DPA lenders, plus MMCDC, are providing loans to first-generation homebuyers covering each part of the state. Each of these organizations attended mandatory trainings (virtually) to ensure consistent application processing, funding, compliance work, and reporting. MMCDC's implementation work as well as capacity building grants for the DPA lenders were supported with grant funds from the McKnight Foundation.

MMCDC worked with a technology provider to establish a single application portal for the Community DPA Fund, for applicant intake and upload of eligibility documents. With a single application portal, found at www.FirstGenDPA.org, confusion is minimized, applications are processed equitably on a first come- first served basis, and application intake review is processed in one location. This has worked well, with no application system capacity or processing issues.

Training for first mortgage lenders, Realtors and HBE providers took place in person and virtually. Sessions were recorded to provide additional opportunities for industry professionals to review later. Those sessions were well received, and the industry experts in each course were particularly helpful in relating the information (an MBA member co-trained for lenders, a Realtor co-trained for Realtors, an HBE expert provided that training). While some industry professionals (and applicants) did not initially embrace program requirements, the vast majority of them adjusted after the first few weeks. There have been some new occurrences in December as Minnesota Housing's program funds were fully committed, but we anticipate those will also adjust soon.

LOANS CLOSED

The following data reflects the Community DPA Fund loans closed through December 31, 2024.

LOAN DOLLARS

470 Loans Closed
totaling \$14,001,722

\$29,791
Median DPA Loan
Amount

\$0.00
Amount Returned
to the Fund

29%
Funds Committed

NEW HOMEOWNERS BY COUNTY

COUNTY	COUNT	AMOUNT
Anoka	68	\$ 2,104,272
Carver	5	\$ 158,400
Dakota	74	\$ 2,284,188
Hennepin	124	\$ 3,589,335
Ramsey	70	\$ 2,099,070
Scott	18	\$ 558,000
Washington	33	\$ 1,029,300
Beltrami	1	\$ 16,000
Benton	4	\$ 112,090
Blue Earth	1	\$ 32,000
Crow Wing	1	\$ 30,050
Douglas	1	\$ 32,000
Fillmore	1	\$ 18,190
Isanti	4	\$ 128,000

COUNTY	COUNT	AMOUNT
Mahnomen	1	\$ 21,600
Mower	2	\$ 33,500
Olmsted	11	\$ 323,800
Otter Tail	1	\$ 23,050
Renville	1	\$ 27,000
Rice	1	\$ 26,000
Sherburne	9	\$ 286,400
Sibley	1	\$ 24,000
Saint Louis	2	\$ 31,960
Stearns	19	\$ 533,670
Steele	2	\$ 43,977
Winona	1	\$ 24,500
Wright	14	\$ 411,370

83% Metro | 17% Greater MN

NEW HOMEOWNERS BY RACE/ETHNICITY

RACE OR ETHNICITY	PERCENTAGE OF LOANS	NUMBER OF LOANS	AMOUNT OF LOANS
Asian/Pacific Islander	16.0%	75	\$ 2,261,490
Black/African American	46.4%	218	\$ 6,603,601
Hispanic	23.8%	112	\$ 3,317,966
Native American	1.5%	7	\$ 194,640
White (non-Hispanic)	12.3%	58	\$ 1,624,025
Total	100%		

87.7% BIPOC

HOMEBUYER PURCHASE INFORMATION

\$82,208
Median Household
Income

722
Median Buyer
Credit Score

6.36%
Median Interest Rate
(range: 4.38% - 8.18%)

\$343,165
Median Home
Purchase Price

Types of Mortgages

70.4%
Conventional

14.9%
FHA

1.1%
USDA

1.1%
VA

7.4%
ITIN

5.0%
Sharia

AREAS OF NOTE

The Community DPA Fund has refined the guidelines to ensure the funds are utilized by homebuyers who, without the help of the program, would not be able to achieve homeownership.

- a minimum housing ratio of 20%—meaning the first mortgage payment is at least 20% of the buyers gross monthly income
- buyers liquid assets cannot exceed \$50,000 after closing; excluding retirement accounts, life insurance and college savings accounts
- a maximum purchase price limit, which follows MN Housing Start Up guidelines

RECOMMENDATIONS

Program demand has increased monthly as more homebuyers learn of its availability. With 29 percent of funds already committed and the increased pace we are seeing, we anticipate having all funds closed or committed by the end of 2025. To prevent shutting the program down and losing momentum, we recommend an additional \$25 million be appropriated to the Community DPA Fund in the second half of the biennium (2026), and \$50 million per biennium thereafter.

BACKGROUND INFORMATION

Homeownership helps to stabilize families, improving health, education and economic outcomes. An Urban Institute summary of several studies indicates that homeownership has a strong correlation to short-term and long-term improvements in education, health and economic outcomes for the residents.¹ Another study conducted by the Center for Outcomes Research and Education found that affordable housing reduced health care costs in a group of Medicaid recipients by 12% from the year prior to being in affordable housing, by leading to increased use of primary care and decreased use of more costly emergency services.² A summary of multiple studies by the Center For Housing Policy focused on affordable housing's positive impact on education and improved students achievement.³

¹How Housing Can Determine Educational, Health, and Economic Outcomes; September 19, 2018; Urban Institute; Veronica Gaitán.

²Study Finds Affordable Housing Reduces Health Care Costs; Mar 07, 2016; National Low Income Housing Coalition. Summary of a study conducted by the Center for Outcomes Research and Education (CORE) and sponsored by Enterprise Community Partners.

³The Impacts of Affordable Housing on Education: A Research Summary; The Center For Housing Policy's Housing Policy Research; by Maya Brennan, Patrick Reed, and Lisa A. Sturtevant; November 2014.



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March 25, 2025

Mr. Chair and members of the Committee:

My name is Martha Njolomole, and I am an Economist at Center of the American Experiment. I am providing this letter to raise concerns on the potential fiscal impact of HF 999, a bill to appropriate funds for the First-Generation Homebuyer's Down Payment Assistance program.

Minnesota's fiscal outlook has changed drastically since the pilot for this program was created in the 2023 legislative session, shifting from a \$17.5 billion surplus to a possible \$6 billion deficit as projected in the February 2025 Forecast. Uncertainty over policy at the federal level creates an additional layer of fiscal unpredictability, increasing the risk of budget unsustainability beyond the forecast period. Given this precarious fiscal landscape, the Committee must reconsider committing new funds to the Down Payment Assistance program.

Housing prices are a product of the interaction between demand and supply. When supply is unable to meet demand, prices rise as buyers compete for the few existing homes. Minnesota's relatively unaffordable housing is a long-standing issue mainly driven by this mismatch between demand and supply. Research from the Housing Affordability Institute in 2022 estimated, for example, that Minnesota has a housing deficit of at least 100,000 homes. This is mainly due to fees and local regulations, including zoning and land use rules, Park fees, and aesthetic mandates, which hinder and delay housing development, as well as add tens of thousands to the cost of new homes. The same is true of state requirements such as energy efficiency codes.

Public funding won't address the root cause of unaffordable housing: low supply. Instead, high and rising housing costs will be pushed onto taxpayers. Policies to address housing affordability need to concentrate on removing barriers to housing construction, which will spur housing development and lessen competition on existing homes. This will likely lower prices across the board. Increasing the housing supply will also ensure that taxpayers' funds are reserved for core government services, saving taxpayers money.

Thank you for your consideration, Mr. Chair and Members of the Committee,

Martha Njolomole

Economist

Center of the American Experiment