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In addition to **The Bulletin**, MHP also publishes **The Capitol Update**, a newsletter that follows the ins and outs of state and federal housing policy and legislation that affect Minnesota. Click here to sign up for the **Update**.

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News

Research Shows Race Trumps Income in Recent Lending Practices
Across the country, minority consumers are at greater risk for receiving high-cost subprime loans, regardless of income level, says a recent report from the National Community Reinvestment Coalition (NCRC). At the national level, an African American or Latino client is twice as likely to receive a subprime, high-cost mortgage as a white client with the same income level.

At the local level, too, there is cause for concern. Minnesota leads the nation with the highest homeownership rate of any state, but ranks 46th out of the 50 states for homeownership rates among African Americans, according to recent U.S. Census data. The NCRC report ranks the Minneapolis-St. Paul metropolitan area the **second worst out of 175 cities nationwide** for racial disparities in lending practices in 2006. At low and moderate (LMI) income levels, Twin Cities area African-American, Hispanic, and Asian borrowers were far more likely than white borrowers to end up with high-cost loans.

Notably, at higher income levels (over 80% of area median income), racial disparities *actually increased* for each of these racial groups, with African American borrowers being 3 times more likely to receive a subprime mortgage than white borrowers. In similar fashion, higher income Latinos were 2.4 times more likely and Asians 1.6 times more likely to receive a subprime mortgage than higher income white counterparts. (Note that credit score data is not included in the NCRC analysis.)

The impact of racially-biased lending practices extends well beyond the number of minority families that have lost homes due to foreclosure. Hundreds of millions of dollars have been lost in home equity. According to a recent report, United for a Fair Economy, estimates that people of color have lost between $164 and $213 billion nationwide due to foreclosures on homes with subprime loans taken during the past eight years. The report classifies our current housing crisis as the "greatest loss of wealth to people of color in modern U.S. history."

For Further Reading
Kane, Mary. "More on Race and the Housing Crisis, By the Numbers." *The Washington Independent.* 1 Aug. 2008.

Goodman, Peter. "Many Hispanics Are Hit Hard by Economic Slump."*New York Times.* 13 May 2008.
Buggs, Shannon. "Hemorrhaging housing market threatens Latino Wealth." *Houston Chronicle*. 8 March 2008.
Neighborhood Development Economic Advocacy Project. **"**Paying More for the American Dream: The Subprime Shakeout and Its Impact on Lower-Income and Minority Communities**."** March 2008.

September Minnesota Housing Board Report
With little fanfare, outgoing Minnesota Housing Commissioner Tim Marx participated in his final board meeting. Although Marx leaves the agency at the end of October, he will be out of town during the October board meeting. Board members extended their thanks to Marx for his accomplishments as agency head.

Staff reported to the board on the agency's progress respect to the four-year strategic plan adopted a year ago. This was the first of the semi-annual reports that staff will make on the plan. Through its tracking system, the agency is able to monitor 17 plan objectives, including the four considered to be the most critical to agency performance. Two of these priorities, which are program priorities, are linked to the plan to end long-term homelessness and increasing homeownership among communities of color. The other top two priorities, which are financial, relate to the earnings target for the agency and maintaining the agency's high credit rating.

As of June 30, the agency was on track to achieve its long-term homelessness target for the year, staff reported. However, staff said that constraint in human services funding jeopardized further progress. Furthermore, land and construction cost increases will require a second recalibration of plan goals after the upcoming legislative session.

Staff also reported that the agency fell a bit short of its emerging market objective. The agency planned to have 555 of its purchased loans qualify under emerging market guidelines, but only 316 qualifying loan purchases were made two-thirds of the way through the year. Staff stated that a declining mortgage market led to the lower than expected number. However, on a percentage basis, the agency performed close to its target (15.6 percent of loans purchased qualified as emerging compared to goal of 16 percent).

In regards to its financial goals, the agency was short on its earnings objective (the goal was a 5.5% return on net assets target; 5.2% was achieved) while it did retain its solid AA+ credit rating. With the lower than desired financial return, the agency decided to contribute less than initially planned to its Pool 3 (a.k.a. foundation) pot. Originally, it planned on contributing $15.8 million to Pool 3, but that amount now will be $14.3 million. As of the start of the 2009 fiscal year, the agency's foundation holds $102.3 million in net assets.

After addressing the four priority areas, the board received an update on the agency's work with foreclosures. Staff reported that 50 percent of the households that received help from Minnesota Housing resources were able to avoid foreclosure. Staff noted that further research is needed, however, because it is not clear how many of those households were actually able to retain their homes. Staff said they are testing different strategies designed to enable owners to retain their homes when facing foreclosure in areas heavily impacted by foreclosures. One of these, City of Lakes Land Trust program, places at-risk homes into a community land trust. Staff also reported that it costs the agency on average $23,000 in write-down to acquire, rehab, and resell a foreclosed home.

Reporting on the federal Housing and Economic Recovery Act of 2008, staff said that the agency will have a number of new resources to distribute. In addition to the $2 million in tax credits reported last month, the agency will allocate $38 million in Neighborhood Stabilization Program funds, $48 million in tax exempt bonds, and between $3 and $5 million per year in Housing Trust Fund resources. The agency is busy modifying programs to enable the use of the new federal resources.

Even though new bond monies are available to the agency, it is unable to take full advantage of this resource due to the financial market crisis. The agency cancelled a scheduled bond sale because the credit markets were frozen, a situation similar to the days after 9-11, staff said. Currently, the agency is largely relying on its limited reserve of net assets to purchase loans, but this resource will be exhausted by year-end if the credit situation doesn't change. To stretch and carefully target its limited resources, the agency is pricing its loans slightly higher than market and is focusing its down payment assistance on agency priority areas, such as emerging market households.

Because of the impact of the market chaos on the agency's programs, the board approved a reallocation of its foundation resources in its current funding plan. Fewer dollars are needed in down payment assistance because of the lower volume of mortgage loans being purchased by the agency. Conversely, more money is needed to support the Challenge program, which helps develop and preserve tax credit funded rental projects, and to support the plan to end long-term homelessness. Staff said that for the remainder of its planning period, four primary objectives will guide its use of foundation resources: meet the supportive housing target; utilize federal rental housing tax credits; respond to the foreclosure crisis; and support purchase of land for future housing development, particularly along transit and transportation corridors.

An example of the struggle housing developers have in addressing neighborhood resistance to affordable housing came before the board in a staff request to commit an additional $239,000 to Southwest Minnesota Housing Partnership (SWMHP) for its 28-unit development in Willmar. NIMBY is not usually associated with Greater Minnesota communities, which typically associate affordable rental housing with their economic health. However, in Willmar, concerns about race (the developer is targeting the Somali community) and impact on property values required SWMHP to threaten a lawsuit. Ultimately, this led to a compromise with the city in order to get approval for the development. The compromise requires a 22 percent reduction in the size of the project, adding a brick façade, building two car garages per unit, and additional infrastructure costs for the developer. These add-ons boosted the per-unit cost by 9 percent (now totaling $201,000 per unit) and created a need for the additional agency investment in the project.

Finally, the board heard a summary report on the economic impact of agency programs from the 2008 summer graduate student interns. The interns, from the Humphrey Institute, used an input-output model to estimate the portion of the state's employment, economic production, and tax revenue that flowed from agency program investments. The interns' report estimated that over the two year assessment period, housing financed by the agency and its public and private partners (including individuals) provided the equivalent of 10,000 full time jobs. These housing projects generated an estimated $1.4 billion in economic activity and an estimated $62 million in local and state tax revenue.

The report further estimated that if the employment created by the agency and its funding partners were new jobs, it would represent 48 percent of all Minnesota jobs created during the reporting period. The estimated increase in state and local taxes from these projects could be considered a return on the legislature's $102 million appropriation to Minnesota Housing, the report noted. Minnesota Housing staff plan to review and refine the work of the interns and build upon their model to better track the economic impact stemming from agency program funding.—*Chip Halbach*

Losses at Mortgage Giants Hurt Affordable-Housing Developers
"The implosion of Fannie Mae, Freddie Mac and Washington Mutual means billions of dollars in losses for their shareholders and creditors. But it isn't just the investing classes who are suffering. . .The financial turbulence is also having an impact on the housing stock that's affordable for the poorest households in Minnesota. That's because those big mortgage-focused financial enterprises were not only the nation's most aggressive home loan lenders, but were also the largest investors in low income housing tax credits (LIHTC) – the biggest, most reliable source of equity for affordable-housing developers." [from Finance & Commerce, 9/25/08]. To read the full story, go to
http://www.finance-commerce.com/article.cfm/2008/09/25/Losses-at-mortgage-giants-hurt-affordablehousing-developers

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Resources

New Housing Data Reveals Thousands of Minnesotans Were Cost Burdened Entering Economic Nosedive
On September 23, the U.S. Census Bureau released data showing that housing costs for Minnesotans increased significantly between 2002 and 2007. Notably, this data does not cover recent changes in the economy or housing market since 2007. To read MHP's press release, go to http://www.mhponline.org/?q=node/134. To access the data directly, go to http://www.census.gov/acs/www/Products/index.html.

Neighborhood Stabilization Allocation Numbers Now Available

Passed into law this summer, the Neighborhood Stabilization Program will allocate a total of $3.9 billion to states and communities across the country to address foreclosure-related problems. More information about award amounts can be found at http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/. Minnesota-specific information can be found at
http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/states/mn.xls.

HousingLink Releases Comprehensive Count of Subsidized Housing Units in TC Metro
HousingLink has released the 2007 hSum Report (formerly known as the *Summary of Unit-based and Tenant-based Assistance Report*). The hSum provides a comprehensive, updated count of unit-based and tenant-based rental assistance in the seven-county Twin Cities metro area. It is a joint project between HousingLink and the Interagency Stabilization Group, a multi-jurisdiction group of affordable housing funders. To view the hSum Report, go to http://www.housinglink.org/adobe/reports/hSumReport_2007.pdf. [From HousingLink and the Interagency Stabilization Group]

MCN's Inequality Matters Re-Broadcast on Public Television on October 12 and 13
Twin Cities Public Television (TPT) will re-broadcast Inequality Matters, a public forum sponsored by the Minnesota Council of Nonprofits (MCN) in 2006 on how we can reduce inequality in our state. Inequality Matters includes a presentation from the Minnesota Budget Project on trends in inequality in Minnesota. The MCN event will be rebroadcast on TPT on Sunday, October 12 at 11 p.m., and Monday, October 13 at 5 a.m., 11 a.m. and 5 p.m. [From MCN]

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From the Home Front

MHP Helps Green Park Rapids
Park Rapids, with the support of MHP, GMHF and Minnesota Housing, has secured state and philanthropic funding to pursue strategies to "green" a target residential neighborhood near downtown. The "Green Park Rapids" initiative begins by utilizing a door-to-door survey developed by MHP to evaluate the needs of the pilot neighborhood. The door-to-door survey will help assess interest in the neighborhood, determine the level of need for resources, and to understand which home improvements will be most effective in reducing energy consumption and costs. To read an article published by the Park Rapids Enterprise newspaper about this initiative, go to
http://www.parkrapidsenterprise.com/articles/index.cfm?id=13250&section=News

MHP Secures $200,000 in RCDI Funds for Three Greater Minnesota Initiatives
MHP has again successfully secured Department of Agriculture Rural Community Development Initiative Funds (RCDI). MHP was awarded $200,000 to provide technical assistance to three projects across the state: Semcac for flood recovery and other housing development needs; Headwaters Regional Development Commission and Hubbard Co. HRA for development needs in Hubbard County and surrounding areas, including the Green Park Rapids project; and St. Louis Co. HRA and the City of Floodwood for assistance with the Rural Development Section 538 loan program, particularly for rehab projects.

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Calendar

November 10
The Future of Socioeconomic Forecasting at the Metropolitan Council, 12:15 p.m. to 1:15 p.m. in the MPC Seminar Room (50 Willey Hall), University of Minnesota. This event is hosted by the Humphrey Institute of Public Affairs.
For more information on the Humphrey Institute's Fall 2008 Seminar Series, please visit: http://www.pop.umn.edu/

November 13
Effective Written Agreements Training, 8:30 a.m. to 4:30 p.m., Eagan, MN. This course focuses on the types of written agreements that are required for various partners, including CHDOs, nonprofit and for-profit owners, developers and sponsors, and sub-recipients. It reviews and describes the types of clauses and provisions that PJs may wish to add to an effective written agreement. Finally, the course discusses how PJs can use written agreements to ensure regulatory compliance. For more information, go to http://www.mhponline.org/?q=node/48.

November 19 & 20
20/20 Community Development Expo, Hyatt Regency, Minneapolis. To celebrate their 20th anniversaries, LISC Twin Cities and the Metropolitan Consortium of Community Developers (MCCD) are hosting the 20/20 Community Development Expo. The Expo will bring together community development practitioners, partners, and policymakers to celebrate their collective work in the Twin Cities and look ahead to the future of community development's role in promoting neighborhood revitalization and regional vitality. Go to http://www.regonline.com/builder/site/Default.aspx?eventid=626296 for more information.

If you have any events you would like featured, please contact Barb Jacobs at ***bjacobs@mhponline.org****.*

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Upcoming Deadlines

November 11
MHP Grants Deadline for December Awards. Minnesota Housing Partnership offers a variety of loans and grants to nonprofit organizations, government agencies, and other affordable housing developers located outside the seven-county Twin Cities metro area. MHP's Loan and Grant programs seek to build organizational competence and support the development or rehabilitation efforts of permanent affordable housing. Programs fund planning, housing development, and organizational development. For more information, visit MHP's Web site.

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The MHP Bulletin is published by the Minnesota Housing Partnership, distributed monthly, and includes affordable housing news, announcements, legislative updates, publications, and upcoming events. For more information on affordable housing, back issues of *The MHP Bulletin*, to submit news or events to include in future issues, or if you would like to unsubscribe, please contact Barb Jacobs at (651) 649-1710 ext. 117, email bjacobs@mhponline.org.

Minnesota Housing Partnership's mission is to promote homes for all Minnesotans and to assist Minnesota communities in the creation and preservation of housing affordable to low- and moderate-income people.