

THE MHP BULLETIN

April 2009
Volume 8, Issue 2

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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** as we enter into Minnesota's 2009 Legislative Session.

NEWS

New Policy Ideas Floated to Stem Housing Crisis in Minnesota

With the housing crisis in full swing, local think tanks are generating new policy ideas to remedy the state's budget and economic crisis. In the housing realm, the Public Strategies Group and Minnesota 2020 have floated ideas about home ownership policy. Both proposals stand to spark conversation and debate: part of the value of these ideas.

The Public Strategies Group suggested eliminating the state's tax deduction for interest paid on mortgages. PSG's new report, [Minnesota's Bottom Line](#), outlines policy ideas that respond to Minnesota's budget and economic challenges. Creating "Better Value for Housing Subsidies" was one among nine segments in the report. The argument is that the current tax deduction for mortgages has little or no effect

in promoting home ownership; less than a third of Minnesotans use the deduction since they either do not own a home or do not itemize their deductions. The \$2.1 billion saved over four years would be used for housing subsidies for those with the greatest need, foreclosure prevention, down payment assistance, or other budgetary needs. The study was commissioned by five large foundations active in Minnesota.

Meanwhile, a different [policy proposal hailing from Minnesota 2020](#) would have the state guarantee that new buyers could recoup their original down payment after five years of home ownership, even if home prices continue to decline. This “Home Values Guarantee Program” is meant to stabilize home prices by creating a floor under home values. With the market stabilizing, lenders and borrowers would in theory gain the ability to restructure existing troubled loans. As proposed, the project would be piloted in Ramsey County and several Greater Minnesota counties.

What Makes for Effective State Housing Policy?

A [new research report](#) identifies six key factors aligned with state housing policy innovation. In the latest issue of Housing Policy Debate, Authors Victoria Basolo and Corianne Scally examine California and New Jersey—two states known for innovative housing programs—and review the literature on the topic to identify six factors associated with innovation.

First, a perception of a severe crisis tends to lead to housing initiatives becoming visible components of political and organizational housing agendas. Next, interest group activity and the existence of multiple stakeholders promoting common solutions strongly correlates with successful policy innovation. The participation of the business and labor communities is considered particularly important.

The third factor in housing policy innovation is related to local government autonomy. When there is a high level of local autonomy and resistance to affordable housing, state policies can be created to overcome that resistance or offer carrots to local governments to develop affordable housing. Fourth, the authors link housing policy to the underlying political context. They believe that the stable, progressive state government in California contributed to many of that state’s innovative housing policies.

Not surprisingly, another factor is the availability of financial resources. Innovation depends upon both the level and flexibility of resources for housing so that they can be used creatively. Finally, the institutional structure of housing agencies plays an important role. States with the most innovation tend to have a single lead housing agency with multiple functions, and a well defined system of coordination with other agencies.

“Muslim Mortgages” Draw Attention (if not Interest...)

A new kind of home ownership financial tool has been getting a lot of attention—much but not all of it good—from Minnesota Public Radio to AP News to bloggers to BBC. Under many interpretations of Sharia, or Islamic law, business transactions and participants must not deal in interest charges, which are seen as excess payments not related to the value of traded goods. For home mortgages—with interest that can more than double the cost of a home over 30 years—this leaves Muslims out of the housing finance market.

But last month [African Development Center](#) (ADC) announced that it closed its first [New Markets Mortgage-Sharia Compliant Mortgage](#). The first loan of its kind in the country, with a community economic development organization as the lead agency, the new Sharia-compliant mortgage allows people to finance their homes while staying faithful to Islam.

The partnership between ADC and [Devon Bank of Chicago](#) originates the Sharia-compliant financing, with [Minnesota Housing](#) acting as a secondary market for these loans. Under the arrangement, the buyers pay a higher up front price which factors in the interest payments normally made over the course of a 30-year mortgage. Minnesota Housing is the first state agency to acquire a loan of this type.

This arrangement led to inaccurate headlines accusing the Minnesota state government of “buying houses” for Muslim owners. That is not the case. Minnesota Housing has been surprised by the reaction instigated by bloggers and media figures.

Dan Bartholomay, Commissioner of Minnesota Housing, said, “We are very proud of our New Markets program and look forward to the valuable impact it will have. Unfortunately some people don’t understand the details and intent of the program or the importance it will play in opening doors to homeownership for more people.”

--Links to related articles:

marketplace.publicradio.org/display/web/2008/03/07/meaw_money_muslim_mortgages/
www.wcco.com/local/islamic.mortgages.minnesota.2.952805.html
news.bbc.co.uk/2/hi/business/2525635.stm

March Minnesota Housing Board Meeting Report

At its March meeting, the board was updated on the financial status of the agency and spent considerable time reviewing policies for administration of the \$38 million in NSP (federal foreclosure) funds being distributed by Minnesota Housing.

The March meeting began with a sobering overview of the agency’s financial performance for the first six months of its fiscal year, which runs from July 1 through June 30. For this most recent half-year the agency earned \$6 million. This was down substantially from \$18.2 million earned in the same period in 2007. Most of this drop in net earnings was due to substantial declines in the interest income on agency investments and to an additional \$8.8 million that the agency committed to its loan loss reserve. Staff reported that the delinquency rate on its mortgages increased, as did the average amount lost per foreclosed loan.

By the end of the year, staff projected \$9 million in net revenues, down from \$33.5 million in the prior year. Board chair Finch observed that this financial report likely meant that the agency would not be able to add to its foundation funds in the coming year.

Commissioner Bartholomay wanted to assure the board that all was not bleak. He reported that over the past several months, a number of new resources for housing had been announced. This included \$2.25 million from the MacArthur Foundation to the Family and Greater Minnesota Housing Funds to preserve existing affordable rental housing; \$6.5 million from the Federal Home Loan Bank of Des Moines to a number of agencies to address foreclosures; and a five-year, \$5 million commitment from the Frey Foundation for Heading Home Minnesota.

Commissioner Bartholomay also announced that board member Marina Lyon (director of the Pohlad Foundation) and Shaun Huckleby (director of the Emerging Market Home Ownership Initiative) had been appointed to represent Minnesota Housing on the board of the Family Housing Fund.

The toughest discussion for the board was triggered by the staff’s recommendation of additional policies to be used with the Neighborhood Stabilization Program (NSP) funds. Staff said that as it worked with its grantees, several new issues had surfaced that were not considered in the agency’s February NSP funding decision. These included: use of program income as communities received repayment of NSP loans, limits on subsidies that could be awarded per household, parameters on rehab work, and the use of contracts for deed in the sale of homes.

The board accepted the staff recommendations to restrict reuse of NSP program income to the targeted areas of a community intended for assistance through the initial agency award. The board also accepted a cap of \$14,000 per household as incentive to purchase a home in a targeted area. For rehab programs, the board accepted the staff recommendation requiring recipients to monitor the quality and cost of rehabilitation work being undertaken through the program.

There was not, however, concurrence on parameters recommended by staff for contracts for deed. These included maximum interest rates on contracts, duration of contracts, and balloon payments. Board members were very concerned that the agency would even allow contracts at all, stating that these financing devices were not in the interest of lower income home purchasers. Staff responded that it was in the agency's interest to make the contracts as consumer friendly as possible, and that grantee communities wanted to use this type of financing. The board ended up tabling the staff recommendation, to give staff time to meet with communities proposing contracts and to reach agreement on standard terms and practices.

The last item of business before the board was a request from board member Tony Goulet, a builder in St. Cloud. He asked that the agency consider fronting \$8,000 to homebuyers eligible for the new federal first time homebuyer tax credit. Because this amount comes as a credit on income taxes, families are not able to use it for down payments at the time of purchase. Director Lyon said that Pohlad Foundation was looking at such a request from NeighborWorks for a similar program in Missouri. Commissioner Bartholomay said that the agency would consider such a program, but might not be able to develop it in light of all the other projects the agency had taken on this year.

—Chip Halbach

RESOURCES

MN Legislative Session: Online Tools for Housing

MHP has recently added a number of new documents and other resources to our web site to help housing leaders stay on top of the fast-paced legislative session. On the MHP home page are links to our [bill tracker](#), identifying dozens of housing related bills still alive this legislative session. You will also find the [Donjek report](#) on the linkage between housing construction and job creation, and MHP's report on the [amount of housing-related federal stimulus funding](#) coming to Minnesota. There are also lists of housing projects—the "[Minnesota housing pipeline](#)" identifying over 100 affordable and shovel-ready projects, and a separate document lists projects receiving [Challenge Fund commitments](#) over the last four years. See all this and more at www.mhponline.org.

2008 Foreclosure Data Released, Plus New President at HousingLink

A new release of [Foreclosures in Minnesota](#) by HousingLink revealed that in 2008, foreclosures (as measured by sheriff's sales) totaled over 26,265 in Minnesota. This was a 29% increase over 2007, though the rate of increase slowed in 2008. The highest foreclosure rates in 2008 were found in Isanti, Sherburne, Mille Lacs, Wright, Scott, and Chisago counties, though the highest numbers overall were primarily in metro counties. In other [HousingLink news](#), the organization recently welcomed Andrew Rosen as its new president.

New Tool to Help Communities Prevent Foreclosures and Stabilize Neighborhoods

The Center for Housing Policy, KnowledgePlex, the Local Initiatives Support Corporation and the Urban Institute recently launched [Foreclosure-Response.org](#), a new resource that provides government officials, housing practitioners and advocates with up-to-date information on a broad range of state and local policy solutions related to foreclosure prevention and neighborhood stabilization.

Foreclosure Characteristics: Immigrant and Renter Foreclosures in Minneapolis

A [new report](#) by Ryan Allen with the Institute of Public Affairs at the University of Minnesota analyzed the characteristics of individuals facing foreclosure in Minneapolis and found that the majority of foreclosures in Minneapolis involved renter households. Among families with children in the public schools, African-American and Hispanic households were disproportionately represented in foreclosures. Families with school-age children made up approximately 40% of foreclosures, and households where a language

other than English was spoken at home were underrepresented among foreclosures. *[From the National Low Income Housing Coalition.]*

Nearly 1 in 10 Children in Minneapolis Public Schools is Homeless...

"...Read that sentence again," says this March 12 *TIME* magazine report, [Keeping Homeless Kids in School](#), as it focused on Minneapolis. "The global economic crisis is punishing many of the youngest Americans," says *TIME*. This story related to the larger March 10 *TIME* story: [Report Says 1 in 50 U.S. Kids Are Homeless](#).

MHP AT WORK

Board Officers Elected

Twin Cities Habitat for Humanity executive director Sue Haigh was elected to succeed Tom Streitz as MHP's 2009 board chair. Other MHP board officers recently elected include Jim Miley, President of Bremer Mortgage as Vice-Chair, and Hoyt Hsiao, VP of Shaw Lundquist, as Secretary-Treasurer.

Loan Money Goes to Greater MN

MHP awarded three pre-development loans to Southwest Minnesota Housing Partnership for rental housing projects in Eagle Lake, Worthington, and Pipestone. In contrast to most other parts of Minnesota, economic activity in the southwestern region of the state, related to food processing and wind turbine manufacturing, necessitates creation of new workforce housing.

Housing 101 Sessions for Legislators

At the Capitol, MHP hosted two "Housing 101" sessions to give legislators an inside look at different components of housing development. The first session highlighted the connection between housing construction and the economy, while the second session dealt with the mortgage crisis. Eleven House members and ten Senators attended at least one of the sessions.

New Communications Staff

MHP welcomes Rick Bernardo as the new editor of the Bulletin and coordinator of MHP communications activities. Rick recently managed a number of projects for Women of Nations and its St. Paul-based center for victims of domestic violence. Rick also is also an experienced radio producer and might be the only one in Minnesota teaching courses in cyber-technology ethics.

CALENDAR

June 4-5

Making It Work: Implementing the Lead Safe Housing Rule in CPD Funded Programs, Air Force Base Reserve, Minneapolis. This training focuses on common implementation challenges and identifies concrete steps that participants can take to achieve lead safety compliance. To view the brochure with the training agenda and details please click [here](#). To register, click [here](#). For more information, please contact Julie Nester at julie.nester@mhponline.org.

June 9-10

GREEN BY DESIGN: 4th Annual Statewide Conference, Minnesota Green Communities, The Depot, 225 Third Avenue South, Minneapolis. The conference covers how to plan and build healthy, sustainable, affordable housing and communities. The keynote speaker is founder and President L. Hunter Lovins of Natural Capitalism Solutions, an internationally recognized leader in helping companies and communities profit from more sustainable practices. The evening program will be held on June 10; conference sessions on June 11. To [register](#), go to www.mngreencommunities.org/gbd.

June 11

MHP 20th Anniversary Event: Gala Reception and Dinner, 5:30 p.m., Travelers, Jackson Room, 385 Washington St., Saint Paul. You are cordially invited to come and celebrate 20 successful years of creating and preserving affordable housing with the Minnesota Housing Partnership. There will be entertainment, food and drinks provided. Event starts at 5:30 p.m. \$50 per person before May 17th. Click [here](#) to register early!

June 18-19

11th Annual Minnesota Supportive Housing Conference, River Centre, 175 W Kellogg Blvd, Saint Paul. Presented by the Minnesota office of the Corporation for Supportive Housing (CSH), the conference brings together more than 500 developers, social service agencies, and community stakeholders from Minnesota and neighboring states to downtown Saint Paul, creating partnerships in the effort to end long-term homelessness in Minnesota. For more information, email mn@csh.org or phone 612-721-3700 x101 or visit www.mssaconference.org/2009final.pdf.

UPCOMING MHP DEADLINES

MHP's 2009 Loan & Grant Committee Meeting Schedule and Application Deadlines

- June 2 (*app. deadline May 12*)
- August 4 (*app. deadline July 14*)
- October 6 (*app. deadline September 15*)
- December 1 (*app. deadline November 10*)

[The MHP Bulletin](#) is published and distributed monthly by the Minnesota Housing Partnership (2446 University Ave. W. Ste. 140, St. Paul MN 55114), 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, call Rick Bernardo at (651) 925-5549 or email him at Rick.Bernardo@mhponline.org.

MHP also publishes the [MHP Capitol Update](#). Distributed weekly during the Minnesota legislative session and monthly outside of session, the *MHP Capitol Update* provides information about state and national housing policy and politics that affect Minnesota. Please contact Minnesota Housing Partnership at info@mhponline.org, or [click here to subscribe to the Update](#).

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.