

The Home Ownership Made Easy (HOME) Program

How 500+ Families Moved from Public Housing to Sustainable Homeownership

“I can look at my home as freedom, as something that is mine, as pride, and it is something of value. It is an asset. It is all of these things.”

—April Ogbuowelu,
St. Paul HOME Program Homebuyer

“I tell people about the program, but I don’t think anyone believes me! It seems too good to be true.”

—Sue Hutchinson,
St. Paul HOME Program Homebuyer



April Ogbuowelu and her daughter Tamara in their Saint Paul home, purchased through the HOME Program.
Photo by Scott Streble

In the early 1990s, interest rates on home mortgages were finally stabilizing in the single digits, and the conversation on welfare reform focused on self-sufficiency and empowerment. This environment was well suited for the leaders of the Family Housing Fund, Saint Paul Public Housing Agency (Saint Paul PHA), Minneapolis Public Housing Authority (MPHA), and Thompson Associates to begin discussing a new way for families living in public housing or receiving Section 8 Vouchers to achieve stable, safe, and healthy housing on their own. The leaders of these nonprofit, public, and private agencies explored a new model of assistance: one-on-one counseling with down payment grants and supplemental financing to support families into homeownership. The concept was appealing from the start because of the multiple objectives this type of program would fulfill. 1) It would educate many families on financial and credit management and the homeownership process, which could be passed on and used in the future. 2) It would move some families out of public housing into safe, stable, and healthy

homeownership opportunities, thus increasing the city tax base, improving neighborhoods, and improving the family’s social outcomes. 3) Finally, it would open up public housing units to families that had been deferred on the ever-lengthening waiting list for assistance, which would in turn improve the outcomes for these families.

Follow the Leaders

If you ask the leadership behind the creation of the Home Ownership Made Easy (HOME) Program who started the partnership or who is responsible for the program’s 20+ successful years, each will point to the other. This trait of collaborative leadership and credit sharing is in stark contrast to the finger pointing and blame game that occurred after the collapse of the U.S. housing market. From 1990 through 2012, the HOME Program has supported 504 families in achieving homeownership, created space within the public housing system for another 504 families, and has counseled nearly 3,000 families on the process of homeownership and lending.

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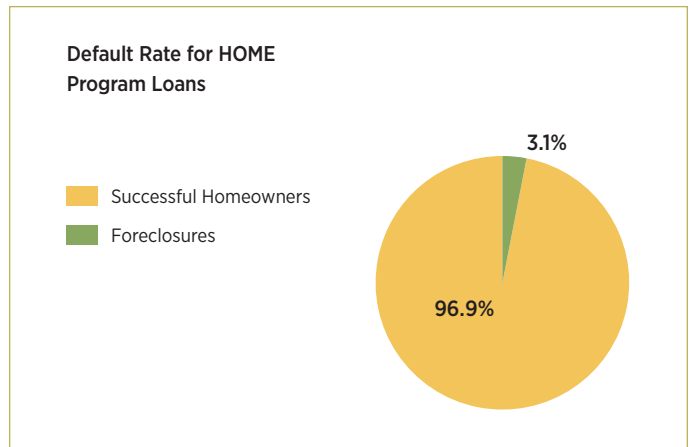
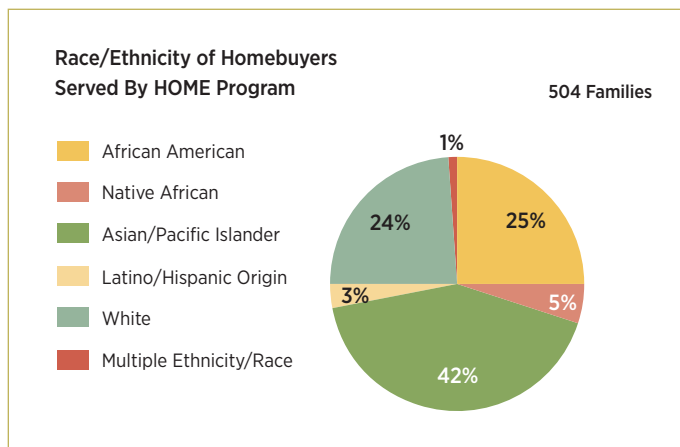
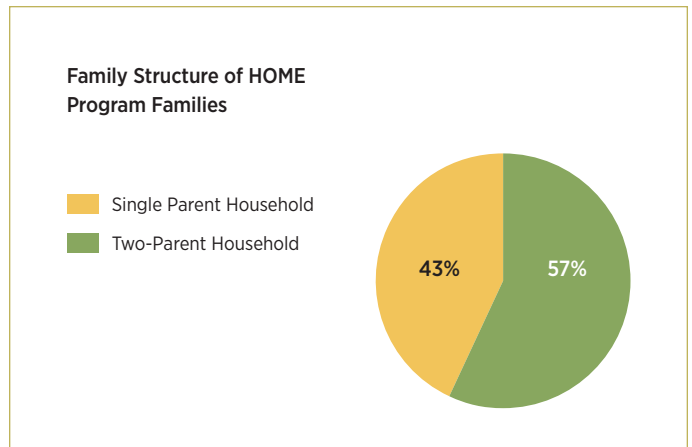
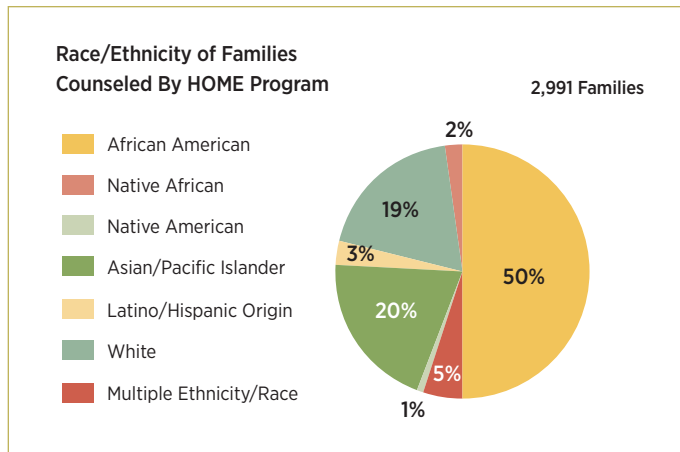
“The Home Program’s success demonstrates that public housing agencies can play a lead role in offering innovative opportunities for their tenants to graduate from subsidized rental housing to sustainable homeownership. It also shows how pre-purchase counseling and a dedicated counselor can enable such families to be successful homeowners—rather than casualties of foreclosure.”

—Tom Fulton, President, Family Housing Fund

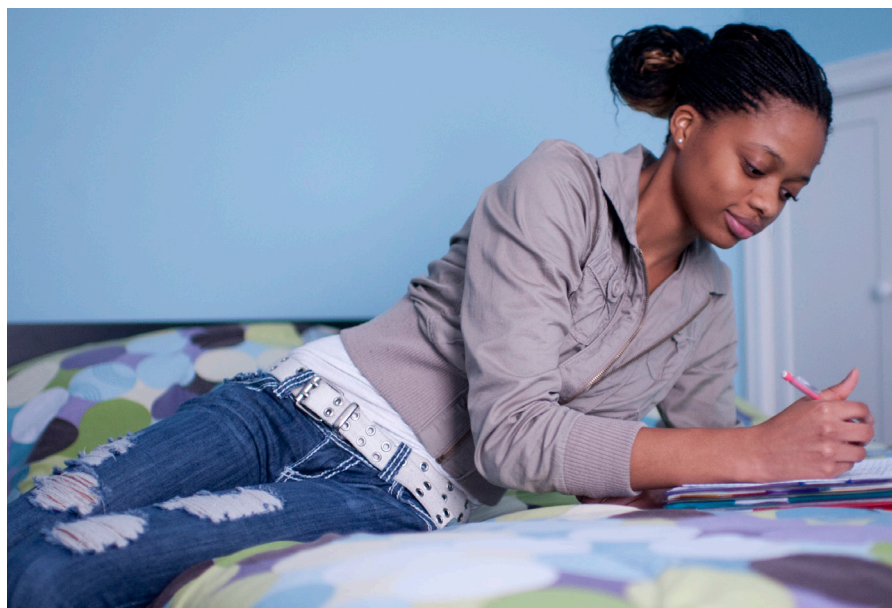
Tom Fulton, President of the Family Housing Fund, credits Saint Paul PHA Executive Director, Jon Gutzmann, with coming up with the initial idea for a homeownership program targeted at Section 8 and public housing residents. But not so fast, Jon replies, “Tom is too generous with that accolade,” and points the finger back at Tom and Missy Thompson, then

of Thompson Associates, a private real estate consulting firm, for the innovative program design that quickly grew to include the MPHA, the Cities of Saint Paul and Minneapolis, the Metropolitan Council Housing and Redevelopment Authority (Metro HRA), and private lending institutions.

Tom, Jon, Missy, and Cora McCorvey, the Executive Director of the Minneapolis Public Housing Authority, engaged their respective organizations and others in a program built on what was at the time an unbelievable premise: *Public housing and Section 8 families can and should be homeowners, but many face unique barriers to navigating the lending and homeownership process and to financing their purchase.* Jon recalls the program faced early challenges to convince others



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Tamara, daughter of April Ogbuowelu, doing homework at their Saint Paul home.
Photo by Scott Streble



Photo by David Bowman

that this was indeed the case when the program started in Saint Paul in 1990, but after early successes, and the positive attention they drew, minds changed in favor of the program. Jan Hughes of the MPHA recalls that since Cora took the helm at the newly independent agency in 1991, she has been a champion for helping residents achieve self-sufficiency. Therefore, developing this program within the MPHA was a logical step. After adding Minneapolis-specific enhancements, MPHA officially joined as a collaborator in 1993. Following a demonstration project, Metro HRA, under the leadership of Beth Reetz, began offering this program to their participants in 2005.

The HOME Program is not the only homeownership or self-sufficiency program run by the Public Housing Agencies. Prior to joining the HOME Program, Metro HRA ran a demonstration called *Homesteps*, which was modeled after the HOME Program. Through this demonstration, 24 families purchased homes. The MPHA runs a demonstration called *Moving to Work*; this program offers counseling and up to five years of Section 8 housing assistance that can be put towards a mortgage. *Moving to Work* has helped an additional 21 Minneapolis

“On the continuum of public housing assistance, the ultimate goal is always to help families achieve self-sufficiency. Homeownership is one option for families, so the HOME Program seemed like a good fit because it allowed families to decide if homeownership is right for them.”

—Beth Reetz, Director, Housing and Livable Communities,
Metropolitan Council

families purchase homes. The Saint Paul PHA operates the *Family Self Sufficiency Program*, which helps families explore their job and educational goals with a case manager. When a participating family gains or improves employment the increase in rent due to employment is put into an escrow account, the balance of which becomes available to the family when they successfully complete the program. Twenty-five of the families that have graduated from the *Family Self Sufficiency Program* have gone on to purchase homes, some also utilized the counseling offered by the HOME Program. These related programs demonstrate the need for a variety of program models to help diverse groups achieve dreams of homeownership.

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American Dream

by Tim Connelly

*A small house.
A quiet street.
Colors balance.
Chi flows.
A childhood dream
come true.
Harmony abounds.
All seems wonderful.
Life in full bloom.
Day, after day, after day.*



Photo by David Bowman

A Good Run

Jon, Cora, Beth, Tom, and Sue Didier, who has administered the program at Thompson Associates since its inception, continue to point to each other to explain the Program's ongoing success. The Family Housing Fund is recognized for having the commitment to continue to offer various forms of financial assistance to HOME Program participants, despite shrinkages in their budget. Thompson Associates is praised for providing continuity to the program. Finally, the three Public Housing Agencies are acknowledged for their whole-picture attitude. Specifically, the Saint Paul PHA is credited with having a business model that produces entrepreneurial income to continue to fund the counseling sessions provided by Thompson Associates, despite large budget cuts to Public Housing Agencies across the country. Unfortunately, the eight million dollars in cuts to the MPHA in 2012 has forced them to suspend the program, even with demonstrated success in their community; the partnership with the Metro HRA came to a similar end in 2011. Despite these programs' demonstrated success, there had been fewer home purchases in recent years, which program leadership believes is due to broader economic challenges and uncertainty. Even though Thompson Associates will not have

the administrative funds to continue to provide post-purchase counseling to HOME Program participants that successfully bought homes through the Minneapolis and Metro HRA programs, Sue is committed to not abandoning these families. She will continue to take their calls and refer them to additional resources for more help, even though it is above and beyond the scope of her contract, because she understands the important role one-on-one counseling played for families.

"When one of the first Minneapolis buyers called last week to ask if I could talk to her daughter about what she is going through in trying to buy a home, it was great because I knew this woman was still in her home—and now her daughter wants a home at age 22. Even though I can't offer them more than a telephone call's worth of assistance, I can offer advice and point them in the right direction."

—Sue Didier, President, Thompson Associates of Saint Paul, Inc.

"There was a turning point when the market changed. Families were not as willing to take a chance on homeownership. There was not as much energy or interest in the HOME Program among residents. Many saw family or acquaintances struggling to stay in their home or going through the foreclosure process."

—Cora McCorvey, Executive Director, Minneapolis Public Housing Authority

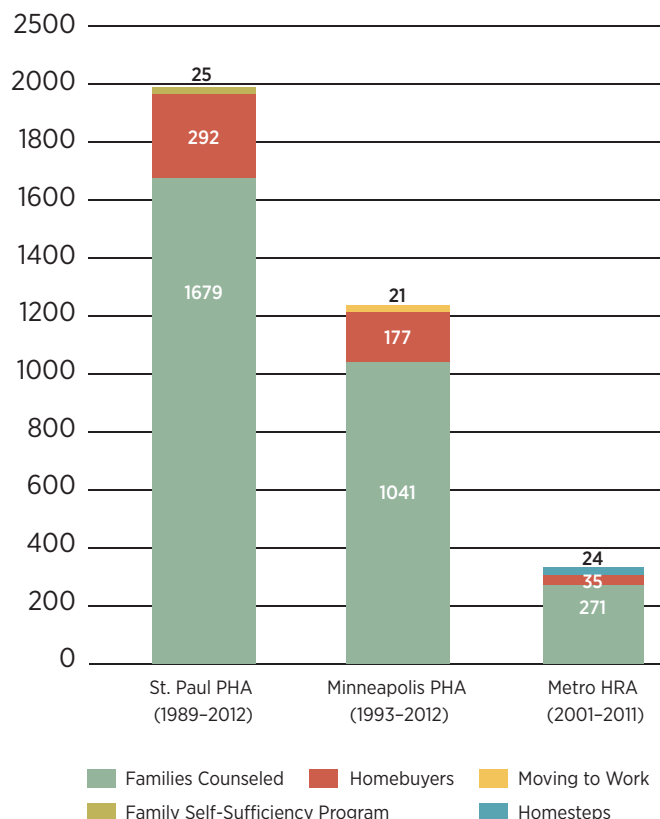
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Low Risk, High Rewards

The biggest changes to the program over the past two decades have been in the type of mortgages, supplemental loans, and grants offered—moving from offering combinations of grants and loans to primarily loans through a Family Housing Fund managed community funding pool, known as the Home Prosperity Fund, today. The market drove these changes; fluctuations in interest rates and funding levels of the partnering organizations made certain products more practical at different times.

In the early years of the HOME Program, the City of Saint Paul and Minneapolis provided the underwriting for first mortgages to HOME Program participants. As underwriting rules and funding structures changed, the Cities had a harder and harder time offering financing to HOME participants. Starting in 1999, Thompson Associates and the Fund engaged private lending institutions such as Wells Fargo, U.S. Bank, TCF Bank, and Bremer Bank in the program. This new level of partnership allows HOME Program families to use many of the banks' financial products in combination with the HOME Program assistance to buy houses across the metropolitan area.

Number of HOME Program Participants by Location



THE POWER OF CHOICE

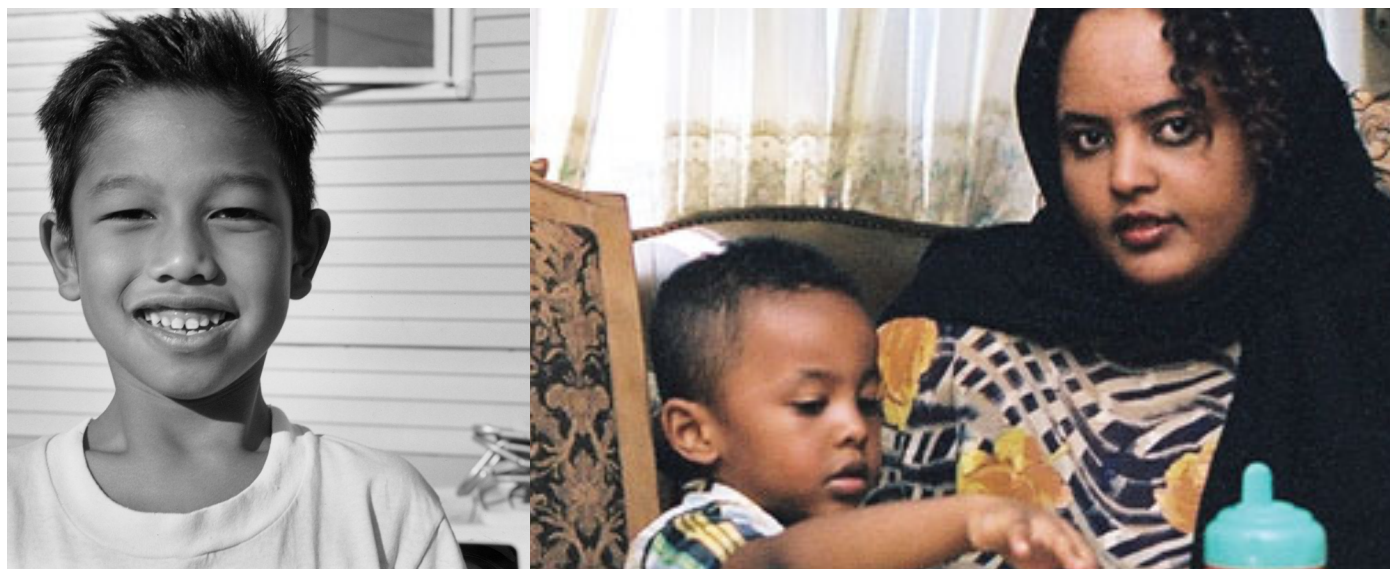
A family enters into the HOME Program when they make the choice to participate. After receiving one-on-one education and counseling from Thompson Associates, the family can make an informed decision about whether or not homeownership is right for them at this point. Jan Hughes, of the Minneapolis Public Housing Authority, points out that the ability to make the informed choice is considered a success of the program, whether or not the family goes on to buy. The power of choice in homeownership is one key factor that has made the HOME Program highly successful. Individualism is an American tradition, and the behavioral sciences further teach us that people are more satisfied with decisions they make themselves.

If a family does decide to pursue homeownership through the HOME Program, they have many more choices to make. Tom Fulton, President of the Family Housing Fund notes, *“There was some discussion on whether or not families would be limited in where they bought a house or what type of house they could buy. Would you or I want the opportunity to buy a house in only one location?”*

A fundamental policy decision at the outset was not to restrict where the people chose to live.” The result has been that families have purchased homes in each district of Saint Paul and Minneapolis, and across several suburban cities or towns. Sue Didier, of Thompson Associates, notes that families weigh closeness to family and friends, work, school, and public transportation in their decisions, in addition to the value of the property. Especially for families for whom English is not their first language, there is additional comfort in being able to choose to buy homes near others who speak the same language and share the same cultural traditions.

Sixty percent of HOME Program families are still living in the same home they purchased through the program. While the average American family moves every five years, some of HOME Program families have been in the same home for over 20 years. In many cases, not only are families gaining the myriad of benefits that stem from safe, stable housing, they are also establishing equity and savings for the future.

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Photos by David Bowman (left) and Wing Young Huie (right)

While 80% of the families served by the HOME Program are racial/ethnic minorities, and the average annual income of a family at the time they purchase a home is \$39,100¹, these loans are not high-risk for the bank—the **rate of foreclosure among HOME Program participants is very low, at 3.1 percent.** This is lower than the national rate of foreclosure, which rose to 4.58% at the end of 2009. Furthermore, lending to HOME Program families has the added benefit for private lenders of fulfilling Community Reinvestment Act requirements and diversifying the pool of borrowers. Sue notes that in the late 1990s and early 2000s she would have many participants approach her having received predatory or sub-prime offers. She

“What they [Sue Didier and Bobbie, our Realtor] did made it easier for us. There is a lot of work to do to buy a house. It is really easy to do that work when there is someone behind you. They guide you.”

—James Hutchinson, St. Paul HOME Program Homebuyer

and the other counselor that worked for Thompson Associates had the ability to sit down with families to fully understand the offer because of the unique one-on-one counseling that is the foundation of the HOME Program. With the support of the HOME Program, families and banks did not need to engage in high-risk mortgages; instead families and communities reaped the benefits of stable, safe, and healthy housing.

“This program busts myths and stereotypes: Low income people work hard, regardless of race and ethnicity; most view public housing as a temporary form of assistance, while other things in their life get stable. Guess what!? They can be homebuyers like anyone, and can succeed. The program demonstrates they can succeed in greater percentages, in terms of foreclosure, than the at large population. Maybe this is the group you want to bet on, if you are a private lender.”

—Jon Gutzmann, Executive Director, Saint Paul Public Housing Agency

¹ Average annual household income at the time of a home purchase is adjusted to 2012 dollars.

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HOME Program Partners and Investments


| HOME Program Partners | ACCOMPLISHMENTS | |
|--|---|---|
| Family Housing Fund | 413 secondary loans originated for homebuyers | \$4,718,405 made in secondary loans to homebuyers |
| The McKnight Foundation | \$3,439,825 of flexible funding given to Family Housing Fund, used to originate secondary loans | \$5,000,000 invested in Home Prosperity Fund, partially used to originate secondary loans |
| Thompson Associates, Inc. | Counseled 2,991 families who decided not to purchase a home | Supported 504 families in purchasing a home |
| St. Paul Public Housing Agency (1990–Present) | Paid for counseling for 292 Public Housing and Section 8 families who purchased homes | 292 families were moved off the waiting list for housing assistance |
| Minneapolis Public Housing Authority (1995–2012) | Paid for the counseling and provided financial assistance for 177 Public Housing and Section 8 families who purchased homes | 177 families were moved off the waiting list for housing assistance |
| Metropolitan Housing and Redevelopment Authority (2005–2011) | Paid for counseling for 35 Public Housing and Section 8 families who purchased homes | 35 families were moved off the waiting list for housing assistance |
| Wells Fargo | 119 primary mortgages originated for HOME Program participants | \$5,000,000 invested in Home Prosperity Fund, partially used to originate secondary loans |
| U.S. Bank | 109 primary mortgages originated for HOME Program participants | \$2,000,000 invested in Home Prosperity Fund, partially used to originate secondary loans |
| TCF Bank | 5 Primary mortgages originated for HOME Program participants | \$1,000,000 invested in Home Prosperity Fund, partially used to originate secondary loans |


HOME Program at a Glance

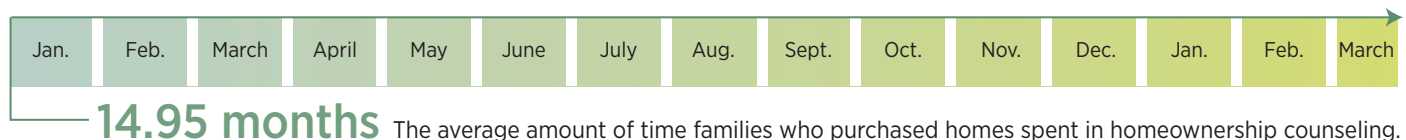
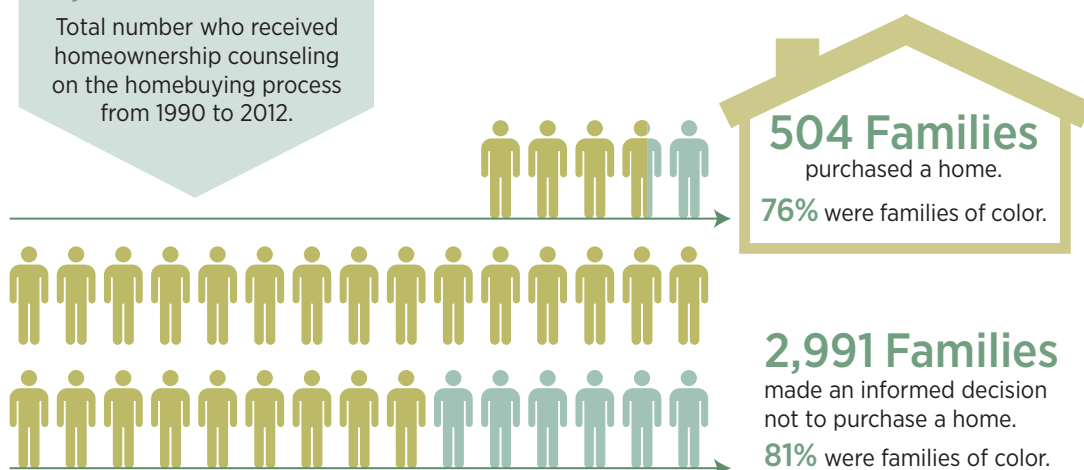
| Longevity | Counseling | Financial Partners | Management |
|---|---|---|---|
| The HOME Program has run continuously since 1990. | Families receive one-on-one counseling on the homebuying process, and financial support, if they decide to buy. | Private lending institutions, including Wells Fargo, U.S. Bank, TCF Bank, and Bremer Bank have been important partners. | Successful programs have been run by St. Paul Public Housing Agency, Minneapolis Public Housing Authority, and Metro HRA. |

3,495 Families

Total number who received homeownership counseling on the homebuying process from 1990 to 2012.

 Families of color
Symbol = 100 families

 Caucasian families
Symbol = 100 families



Cost Effectiveness



3.1%

HOME'S Default Rate is Very Low

HOME Program family loan default rate during the program's duration of 23 years.

< 2 Years

HOME vs. Section 8
Time for homeownership through the HOME Program to be more cost effective than Section 8 Vouchers.

< 3 Years

HOME vs. Public Housing
Time for homeownership through the HOME Program to be more cost effective than Public Housing.

Financial Picture of HOME Program



\$15,241/Homebuyer

HOME Program Money

Average assistance per homebuyer in the HOME Program.

\$39,100/Year

Average Family Income

Average yearly income for a family in the HOME Program at the time of purchase.

\$1,744,605

Other Resources

Total amount contributed by other sources towards home purchases by HOME Program participants.

The Affordable Housing Collaboration in Minnesota Series provides in-depth, comprehensive stories about successful partnerships throughout the state, with an emphasis on outcomes and lessons learned. The project is sponsored jointly by the Family Housing Fund and the Greater Minnesota Housing Fund.

