

A Black man and woman are sitting on a white porch in front of a house. The man is wearing a red and white checkered shirt and blue jeans. The woman is wearing a white knit sweater and orange pants. They are both smiling and looking towards the camera. The background shows a white house with a porch railing and some greenery.

Valuing Homes in Black Communities

Transforming the journey
to homeownership and
wealth building for
Black families

EXECUTIVE SUMMARY

JULY 2024



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EXECUTIVE SUMMARY

The Twin Cities is home to one of the worst racial disparities in homeownership and wealth in the nation. Just 30% of African American households own their homes in the Twin Cities, compared to 76% of white households.¹ Furthermore, homes in Black communities are systematically financially undervalued—creating atrocious racial wealth disparities. Addressing these inequities is a priority for Family Housing Fund (FHFund) and many partners in the Twin Cities region, Minnesota, and the nation at large.

Throughout 2023, FHFund worked diligently to develop new strategies for advancing Black homeownership and wealth—a body of work we are calling “Valuing Homes in Black Communities” (VHBC). We conducted a deep community engagement and co-design process to pressure-test ideas, learn from the various experiences and expertise of partners and stakeholders, and develop next steps for FHFund to advance equitable homeownership and wealth building opportunities for Black communities. This process included:

- Hosting listening sessions with aspiring Black homebuyers, Black realtors, and representatives from financial institutions
- Conducting interviews with representatives from 15 organizations and agencies with shared goals
- Commissioning a literature review exploring consumer behavior, homeownership and lending gaps, homeownership sustainability, neighborhood and home valuation, and relevant regulation
- Conducting interviews with Black homeowners and aspiring homebuyers
- Commissioning a landscape assessment of post-purchase support programs and resources, locally and nationally, and
- Hosting a series of co-design workshops with Black aspiring homebuyers, homeowners, and nonprofit partners.

¹ U.S. Census Bureau, American Community Survey. Analyzed by Minnesota Compass. <https://www.mncompass.org/topics/quality-of-life/housing?homeownership-gap#7-5600-gics/demographics/race-ethnicity#7-9452-g>

KEY LEARNINGS

Our deep learning process illuminated a Black homebuyer experience rooted in navigating a system that was not designed to support Black homeownership. As a result, the journey is long, nonlinear, opaque, and often uncharted in direct proximity to the buyer navigating it. Building on the ideas generated through our co-design process, we have identified three foundational recommendations to transform the experiences and opportunities for African American homebuyers and Value Homes in Black Communities. The table below outlines what we heard in our process, the conclusions we drew from these insights, and the resulting recommendations that will guide our work forward.

| WHAT WE HEARD | CONCLUSION DRAWN | RECOMMENDED STRATEGY |
|---|--|--|
| <p>Black aspiring homebuyers and homeowners trust and turn to Black-led culturally-rooted organizations for support.</p> <p>Individuals work with these organizations to address generational barriers and repair financial trauma long before beginning to plan or prepare for homeownership through what are considered traditional homeownership education or counseling.</p> <p>These organizations are doing deep and time-intensive work in the reparative space, despite not being fully funded to do so, because they are deeply committed to their communities.</p> | <p>Black-led and culturally rooted organizations play a critical, unique role through the earliest stages of homeownership preparation (“pre-pre-purchase”) that is under-recognized by institutional housing players and needs to be integrated as key infrastructure and financially valued with a dedicated funding stream.</p> | <p>Amplify and Invest in Black-led and Culturally-Rooted Support Pre-Purchase</p> |
| <p>Completing the transaction is the most chaotic and stressful phase of the homebuying process, as many more players get involved.</p> <p>The stressful transaction process is the stage where Black homebuyers are most likely to make decisions against their better interest or deviate from the plan they had developed for themselves.</p> <p>There is a need to align complementary efforts—such as down payment assistance and new mortgage products—during the transaction phase to provide better support.</p> | <p>We see a need to coordinate and synchronize services by creating new capacity / functionality that centers the homebuyer and facilitates their ability to navigate the transaction process with support at each step.</p> | <p>Strengthen the Cohesion and Coordination of Support for Black Homebuyers during the Transaction Process.</p> |
| <p>Homeowners feel a drop off in support once they have completed the transaction process and moved into their new home.</p> <p>The quality of homes that are affordable and available for Black homebuyers often come with higher maintenance and repair needs, requiring more capital or investment soon after purchase. There is not a systemic response to this market reality.</p> <p>Because of racial homeownership disparities, there are generational knowledge gaps about how to leverage a home to build wealth.</p> <p>Additional systemic barriers to wealth building for Black families remain, such as appraisal and assessment disparities.</p> | <p>The Twin Cities needs to develop an ecosystem of post-purchase support and resources to not just sustain homeownership but to ensure Black homeowners can reap the benefits of homeownership equitably.</p> | <p>Grow an Ecosystem of Supports Post-Purchase to Ensure Long-Term Success and Wealth Building for Black Homeowners</p> |

A NOTE ON TERMINOLOGY

In Minnesota, there is a vibrant diversity of Black communities, including East African and West African immigrant communities, Afro-Caribbean and Afro-Latinx households, and Foundational Black households. When we say “Foundational Black households” we are referring to Black or African American Minnesotans who are descendants of slavery in the United States and have experienced the harms of systemic racism here for generations.

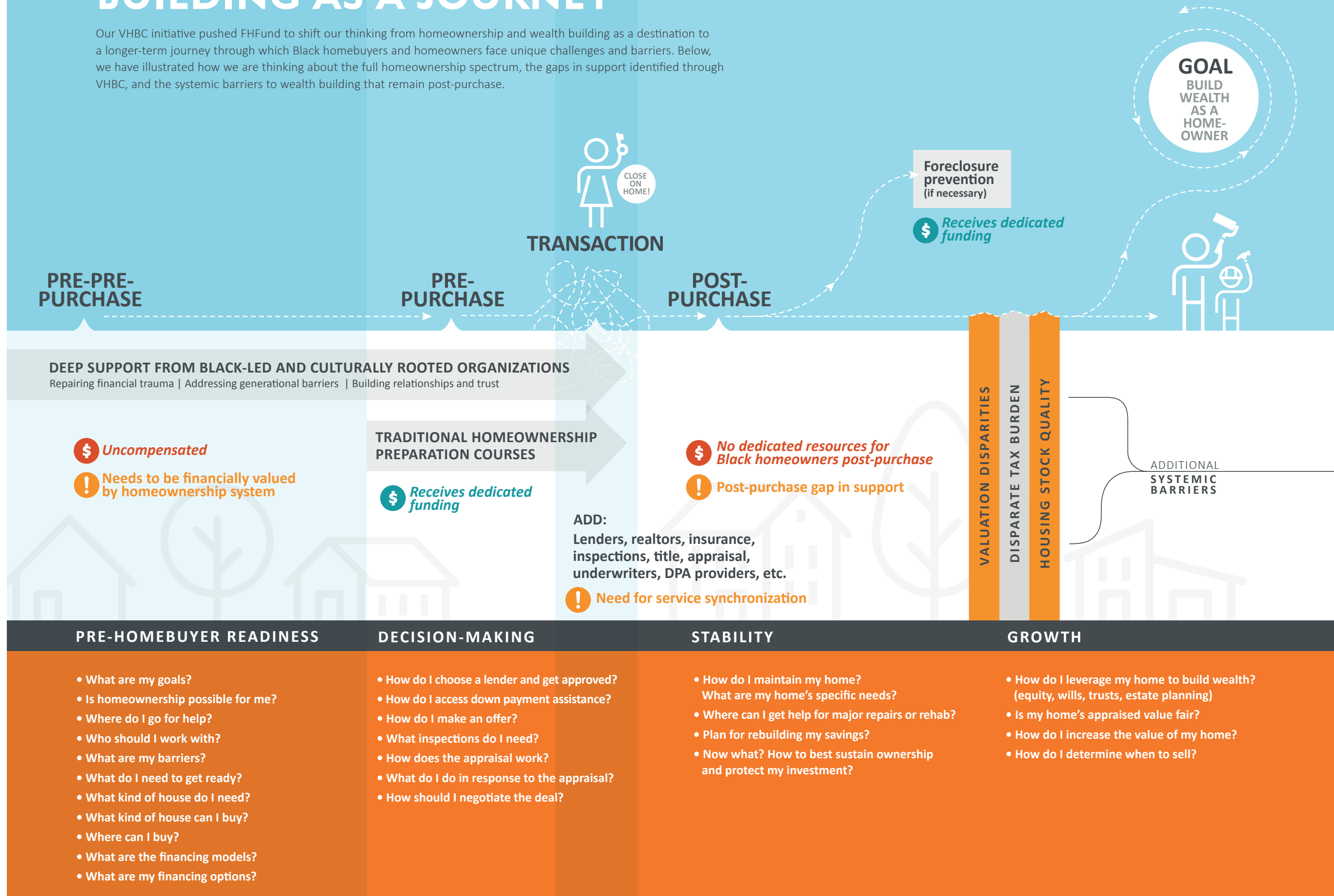
This terminology is adopted from the Advancing Black Homeownership initiative led by Twin Cities Habitat for Humanity and the Minnesota Home Ownership Center, which is spearheading the use of this distinction for advancing its targeted, reparative work. Advancing Black Homeownership is the catalyst elevating this framework, making it into a cornerstone for racial equity efforts locally in the Twin Cities and nationally.

In our VHBC initiative, FHFund is focused on supporting Foundational Black households in response to the long history of marginalization and in the spirit of repair. Embracing Targeted Universalism, we believe that by focusing on serving Foundational Black households who experience deeply-rooted barriers, we can transform systems to benefit all communities.

The insights gleaned from our VHBC process underscored the unique experience and lack of support for Foundational Black households, pointing FHFund to prioritize homeownership and wealth building strategies to serve Foundational Black households going forward. However, throughout this report, we use “Black” acknowledging that the use of “Foundational” was not discussed with all participants at each phase.

HOMEOWNERSHIP AND WEALTH BUILDING AS A JOURNEY

Our VHBC initiative pushed FHFund to shift our thinking from homeownership and wealth building as a destination to a longer-term journey through which Black homebuyers and homeowners face unique challenges and barriers. Below, we have illustrated how we are thinking about the full homeownership spectrum, the gaps in support identified through VHBC, and the systemic barriers to wealth building that remain post-purchase.



OUR EMERGING STRATEGIES

AMPLIFY AND INVEST IN BLACK-LED AND CULTURALLY-ROOTED SUPPORT PRE-PURCHASE

Black-led, culturally-rooted homeownership organizations play a critical—but often informal, underacknowledged, and undervalued—role in supporting families throughout the full journey of becoming homeowners. Their work goes beyond the transactional aspects of homeownership readiness to address both systemic and generational barriers, build trust and relationships, bridge knowledge gaps, and provide culturally responsive support. To improve the Black homebuying experience and close the racial homeownership gap, we must invest in the ecosystem of Black-led and culturally rooted organizations as critical system infrastructure.

We need to quantify the value and potential impact at scale of this work so that the system can define the capacity needed (including resources and staff) to fully support Black homebuyers. In doing so, we seek to inspire greater investment from the public sector, philanthropy, and lending institutions to Black-led and culturally-rooted organizations.

STRENGTHEN COORDINATION OF SUPPORT FOR BLACK HOMEBUYERS IN THE TRANSACTION PROCESS

Participants highlighted a disconnect in information, activities, and process during the stressful transaction phase where multiple parties (buyer, seller, loan officers, underwriters, realtors, inspectors, appraisers, title companies, etc.) must align to achieve a successful closing and home purchase. Currently, there is no formal or streamlined way for all these parties to coordinate with each other, and the connector is often the homebuyer. To improve this experience, we need to shift some onus of navigation from the homebuyer onto the homeownership system to make the process transparent, seamless, and painless.

We need to synchronize services by creating navigation capacity and information sharing functionality that supports the homebuyer's ability to manage the transaction process and facilitates coordination of closing activities, effective communication between all parties, and builds greater transparency and trust in the process.

GROW AN ECOSYSTEM OF SUPPORTS POST-PURCHASE TO ENSURE LONG-TERM SUCCESS FOR BLACK HOMEOWNERS

The lack of support for homebuyers after purchase was universally acknowledged as a gap in the Twin Cities homeownership system. Current resources prioritize getting buyers to the closing table and often celebrate it as the successful end-outcome, leaving a dearth of support unless or until the buyer may be facing foreclosure. Repair programs exist currently for homeowners, but these programs are limited in scope, scale, and eligible use. Given the systemic, generational, and economic realities facing Black homeowners, post-purchase support solutions must be designed to be culturally responsive and ensure Black households can reap the benefits of homeownership equitably.

We need to develop post-purchase tools and resources for Black homeowners that will help not only to sustain homeownership but to invest in and grow the value of their asset. This includes:

- Building the capacity of partners to stay connected to homebuyers post-purchase, supporting home-specific education and planning, and facilitating connection to existing resources.
- Developing a post-purchase curriculum that focuses on short-term and long-term asset protection and wealth creation.
- Providing access to flexible financial resources to support financial emergencies or small-scale maintenance/repair needs, in addition to investments in tools and resources that could set the owner up for success such as home warranty purchases.
- Developing a post-purchase resource to address larger-scale home investment needs that respond to disparities in asset conditions and/or can provide financial support to prevent loss of housing due to income shock.

