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To: Chair Alice Hausman, House Housing Finance and Policy Committee
Representative Tama Theis, Minority Lead Housing Finance and Policy Committee

Chair Rich Draheim, Senate Housing Finance and Policy Committee
Senator Kari Dziedzic, Minority Lead Senate Housing Finance and Policy Committee

From: Ryan Baumtrog, Assistant Commissioner, Minnesota Housing Finance Agency

Subject: FY 2020 - Report on Homeownership Education, Counseling and Training Program

Minnesota Housing administers the Homeownership Education, Counseling and Training (HECAT) Program that is funded with state appropriations and partner resources. As required under Minnesota Statute 462A.209, Subdivision 8, this report provides an update on the program.

Overview

The HECAT Program received its first Legislature appropriation in 1995 to support eligible nonprofit and governmental entities who provide full-cycle homeownership services to eligible home buyers and homeowners through all phases of purchasing and maintaining their home.

For FY 2020, the Legislature appropriated \$857,000 for the HECAT Program. A total of four funding partners, Greater Minnesota Housing Fund, Family Housing Fund, Minnesota Homeownership Center and Minnesota Housing, (the Funding Partners) pulled additional resources together, committing a total of \$1.437 million for statewide HECAT Program services to serve an estimated 7,603 households.

Program Priorities

The HECAT Funding Partners strived for an equitable geographic distribution of funds, as well as to ensure to the best of their ability that services are provided on a statewide basis.

Funding Partners gave priority in awarding HECAT Funds to applications that demonstrate intent and ability to serve underserved populations, as defined by the Funding Partners as:

- Low- to moderate-income households (<80% State or Area Median Income)
- Individuals and/or households of color
- Single heads of households with minor children

Program Services

HECAT organizations offered the following services in 12 languages, not including English, statewide:

Homebuyer Services, which may include:

- *Homebuyer Education*. In-person or virtual group homebuyer education (workshops/clubs) utilizing Home Stretch or other approved curriculum to teach the steps of the home buying

process and prepare consumers for successful home ownership. Workshops are typically eight hours and delivered in single- or multi-day sessions. Clubs are typically 12 or more hours delivered over the course of several months.

- *1:1 Homebuyer Services.* This includes Financial Wellness and Homebuyer Counseling. Both types of 1:1 Homebuyer Advising Services are provided to clients with a goal of homeownership to assess mortgage readiness, determine affordability, provide home buying information and referrals, and develop customized action plans. Financial Wellness is designed for anyone considering buying a home as a primary residence who has significant barriers to mortgage readiness (long-term). Homebuyer Counseling is designed for those who have few or no barriers to mortgage readiness (short-term).

Home Equity Conversion Mortgage Counseling, which may include:

- Tailored one-on-one counseling to help consumers make informed decisions regarding Home Equity Conversion Mortgage and Reverse Mortgage programs.

Foreclosure Prevention Counseling, which may include:

- Providing information to homeowners regarding the foreclosure process, prevention options and referral services.
- Triage, assessment, and development of action plans with homeowners, and communication with lenders/servicers regarding workout options.

Fiscal Year 2020 Grantees

Through the application proposal review and selection process, which included the review of each applicant and verifying their good standing with the Minnesota Secretary of State and affidavit stating the organization has met all applicable requirements under chapter 289A; a total of thirty-five applicants were recommended for funding. Of the thirty-five, thirty-one applicants returned from the previous program year and four applicants were new or were funded in previous years.

In the charts below you will find the HECAT grantees' information by geographical area:

Chart A: Geographical area, Grantees, Grantee Staffs, and Award and Award Received

Geographical Area	# of Grantees	% of Grantees	# of Staffs	% of Staff	Total Award
Greater Minnesota	12	34%	50	30%	\$ 385,684
Statewide	2	6%	18	11%	\$ 256,536
7 – County Metro	21	60%	96	59%	\$ 794,975
Total	35	100%	164	100%	\$1,437,195

Quantifiable Measures of Program Success

While 2020 was a challenging year overall due to the global pandemic, the HECAT Grantees were able to successfully shift all in-person services to a virtual platform. Due to this transition, providing services in a virtual platform created additional obstacles and opportunities for the Grantees. In FY2020, a total of 6,986 households were served statewide which 92% of the household served goal was reached.

Chart B: Quarterly Households Served by HECAT Service Type

HECAT FY2020	Quarter 1 10/1-12/31	Quarter 2 1/1-3/31	Quarter 3 4/1-6/30	Quarter 4 7/1-9/30	TOTAL	GOAL	% OF GOAL
Homebuyer Education	622	792	723	820	2957	3432	86%
1:1 Financial Wellness	302	428	454	463	1647	1330	124%
1:1 Homebuyer Counseling	204	270	281	398	1153	1455	79%
Foreclosure Counseling	227	263	123	78	691	976	71%
Reverse Mortgage Counseling	117	128	169	124	538	410	131%
TOTAL	1472	1881	1750	1883	6986	7603	92%

Some trends notable in Chart B, during FY2020 include the following:

- Quarter 1 continued to be lower in production due to the Minnesota winter season
- Homebuyer Education, historically was held in person and in a group setting, experienced a slight disruption in Quarter 3. Quarters 3 and 4, are Minnesota’s prime home purchase season.
- One-on-one Homebuyer services (1:1 Financial Wellness and 1:1 Homebuyer Counseling) steadily increased. Grantees with technology capacity noted, once they fully transitioned to providing services on a virtual platform, they were able to extend their reach outside their traditional service area.
- Foreclosure Counseling service decreased in Q3 and Q4 due to COVID Mortgage Relief Forbearance Options

Additionally, the charts below provide an overview of the household demographics the HECAT Program served.

Chart C: Gender by Geographical Area

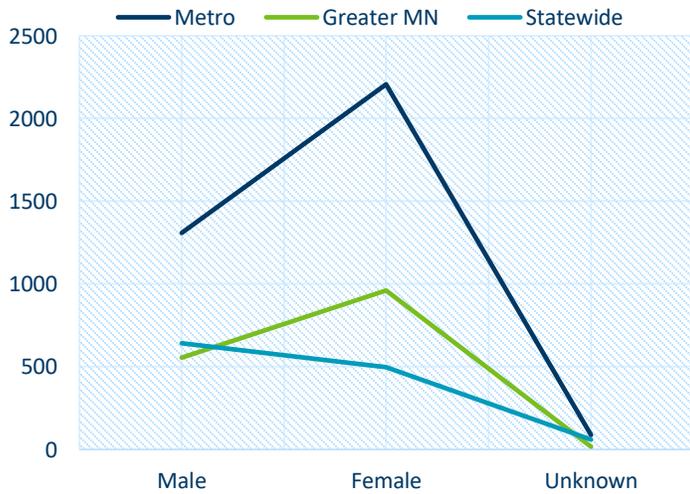


Chart D: Gender by Service Area

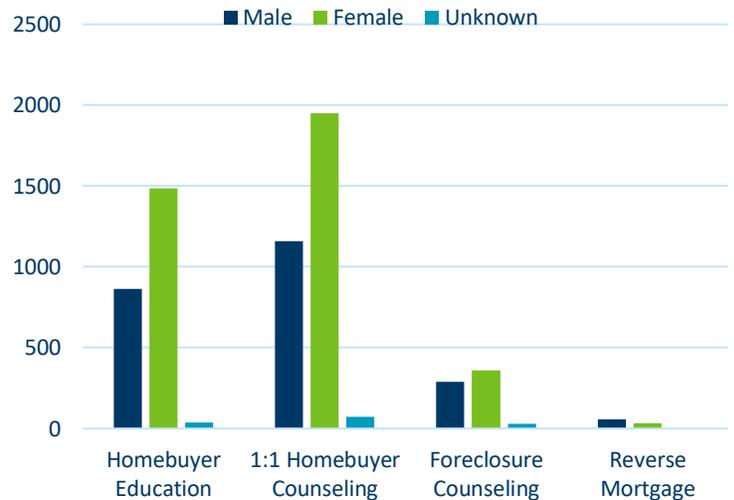


Chart E: Age by Geographical Area

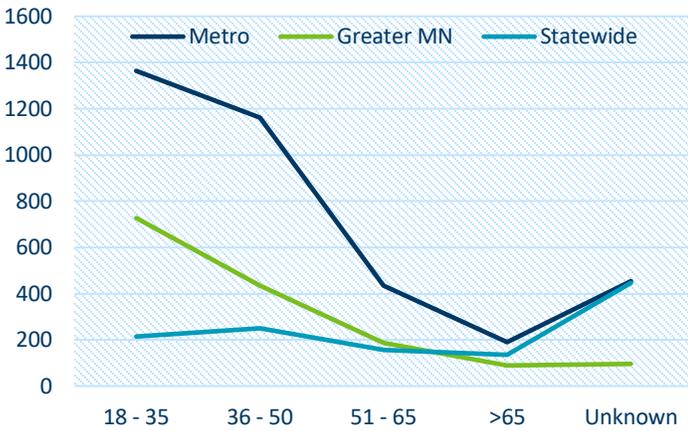


Chart F: Age by Service Area

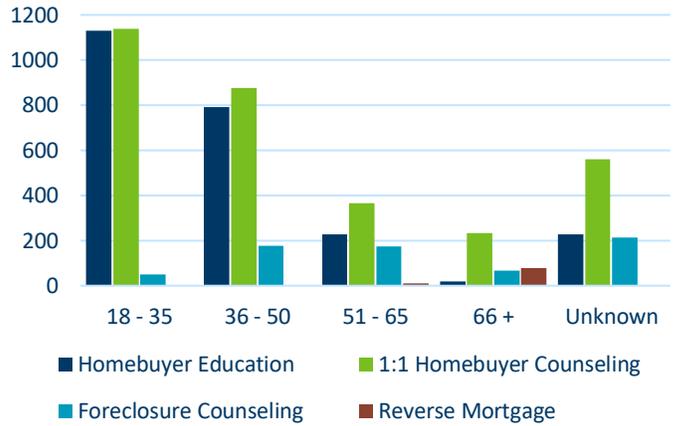


Chart G: Income by Geographical Area

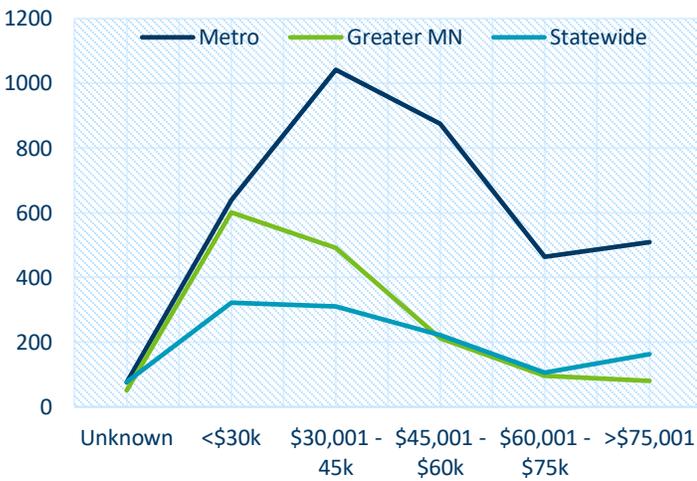


Chart H: Income by Service Area

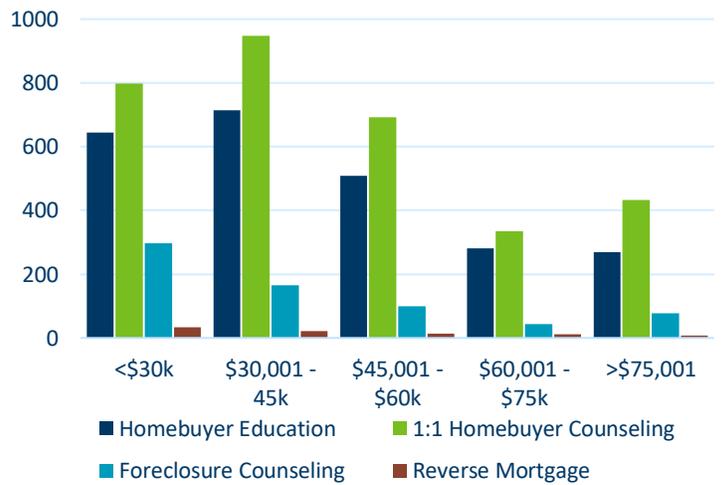


Chart I: Race by Geographical Area

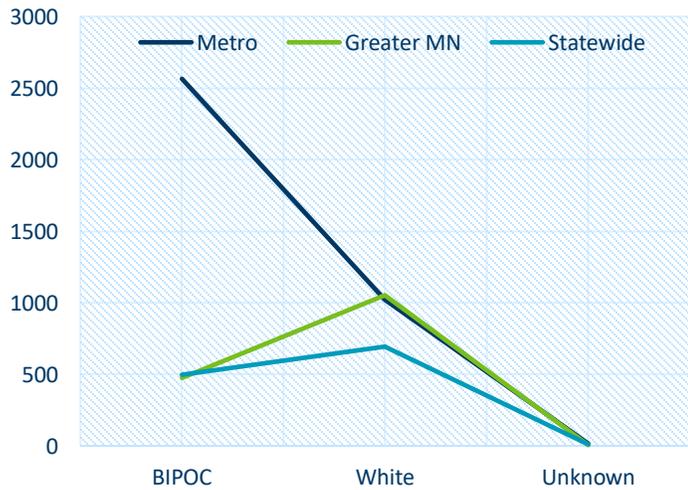
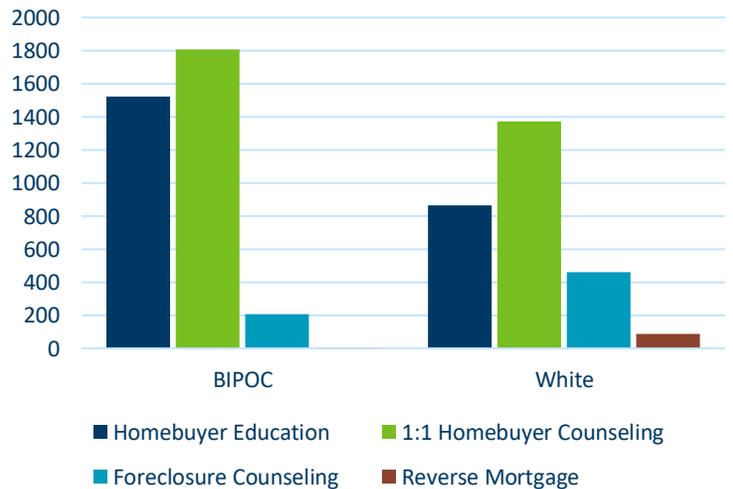


Chart J: Race by Service Area



Further information on the households served by the HECAT Program in the [Minnesota Homeownership Center Consumer Service Report 2019](#).

Program Cost

The chart below provides an overview of the program cost. The current HECAT contracts are a two-year period, 2019 - 2021. HECAT funds may be expended within the contract period. Grantees other sources of funds include federal or HUD, other state, county, city, foundations, financial institutes, in-kind, tax levies and organizational income.

Chart G. Homeownership Education and Counseling Program Costs

	HECAT Funds	Other Funds	Total Homeownership Education and Counseling Program
Revenue	\$ 1,437,195	\$ 1,859,042	\$ 3,296,237
Salary and Benefits Expenses	\$ 1,135,605	\$ 1,798,677	\$ 2,934,281
Non-Salary Expenses	\$ 279,575	\$ 570,615	\$ 850,190
Total Costs	\$ 1,415,180	\$ 2,369,291	\$ 3,784,472

Other Notable Outputs

The Funding Partners are in the process of completing an evaluation of the Program with a priority of outcomes of the services. Potential program modifications may be effective FY2022 and updates will be provided in subsequent reports.