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Date: February 15, 2022

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

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

From: Jennifer Leimaile Ho, Commissioner, Minnesota Housing Finance Agency

Subject: FY 2021 Annual 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 nonprofits and governmental entities who provide full-cycle homeownership services to eligible home buyers and homeowners through all phases of home purchasing and homeownership sustainability.

For FY 2021, 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 \$1.414 million for statewide HECAT Program services with a goal 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 grantees 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 an 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 2021 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.

See charts for additional HECAT information:

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	11	37%	25	29%	\$ 372,184
Statewide	2	7%	14	16%	\$ 256,536
7 – County Metro	17	57%	47	55%	\$ 785,700
Total	30	100%	86	100%	\$ 1,414,420

Quantifiable Measures of Program Success

While 2021 was a challenging year overall due to the 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 FY 2021, a total of 7,425 households were served statewide which represented 98% of the household served goal.

Chart B: Quarterly Households Served by HECAT Service Type

HECAT FY2021	Q1	Q2	Q3	Q4	TOTAL	GOAL	% OF GOAL
Homebuyer Education	712	1108	986	768	3574	3432	104%
1:1 Financial Wellness	301	253	273	331	1158	1330	87%
1:1 Homebuyer Counseling	295	589	452	296	1632	1455	112%
Foreclosure Counseling	84	109	118	236	547	976	56%
Reverse Mortgage Counseling	112	111	131	160	514	410	125%
TOTAL	1504	2170	1960	1791	7425	7603	98%

Some trends notable in Chart B, during FY 2021 include the following:

- Foreclosure Counseling service steadily increased in part due to COVID mortgage relief forbearance options ending
- Homebuyer Education, 1:1 Homebuyer Counseling and Reverse Mortgage Counseling goals were exceeded, indicating participants are purchasing homes and seniors are refinancing their mortgages due to the low mortgage interest rates

The charts below provide an overview of HECAT Program participants.

Chart C: Service Types by Geographical Area

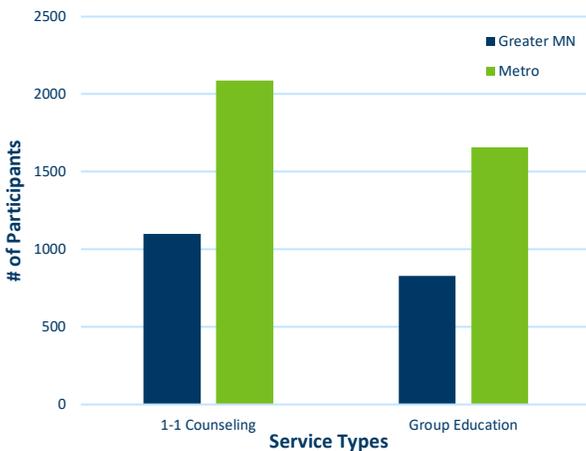


Chart D: Services by Geographical Area



Chart E: Gender and Services by Geographical Area

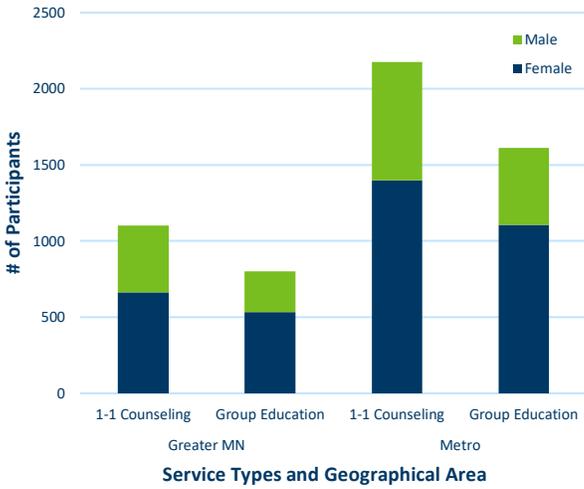


Chart F: Age by Services

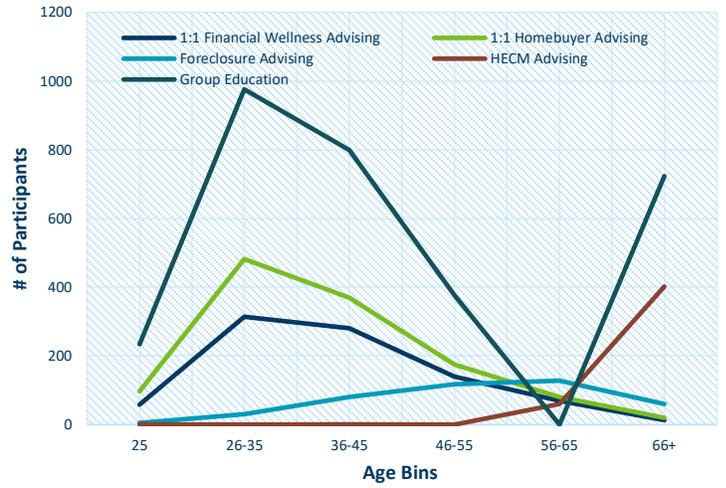


Chart G: Income by Services

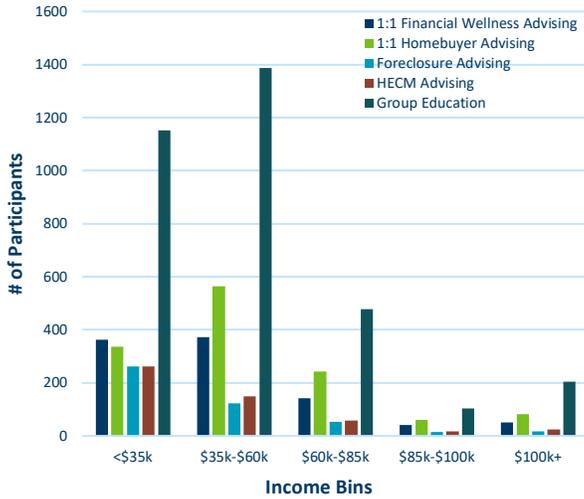
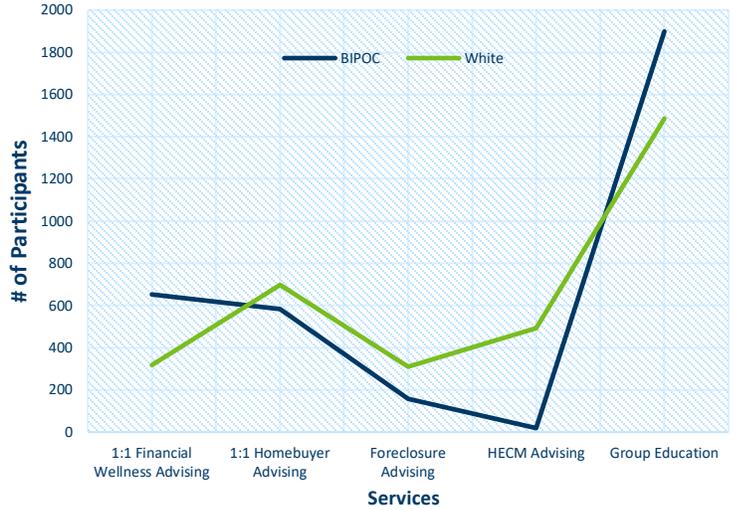


Chart H: Race by Services



Further information on the households served by the HECAT Program in the [Minnesota Homeownership Center Community Impact Report 2020](#).

Program Cost

The chart below provides an overview of the program cost for FY 2021. The chart illustrates HECAT is approximately 60% of the grantees' program budget, where 70% supports salaries. Grantees' other sources of funds include federal, other local government, foundations, financial institutes, in-kind, tax levies and organizational income.

Chart I. Homeownership Education and Counseling Program Costs

HECAT FUNDS						
	HECAT Appropriation	HECAT Funding Partners	Total HECAT Funds	Leverage	Total Homeownership Program	HECAT %
REVENUE	\$ 857,000.00	\$ 557,420.00	\$1,414,420.00	\$ 2,345,554.93	\$ 2,345,554.93	60%
Salaries	\$ 563,204.04	\$ 369,583.23	\$ 932,787.27	\$ 1,324,494.39	\$ 1,324,494.39	70%
Non-Salaries	\$ 293,795.96	\$ 187,836.76	\$ 481,632.73	\$ 1,021,060.54	\$ 1,021,060.54	47%
Total Expenditures	\$ 857,000.00	\$ 557,419.99	\$1,414,420.00	\$ 2,345,554.93	\$ 2,345,554.93	60%