



A Business Plan to Increase Homeownership in Emerging Markets 40,000 New Emerging Market Homeowners by 2012

The Issue: *Minnesota's growing diversity and its minority homeownership gap*

Minnesota is becoming increasingly diverse. The emerging market (non-white) population doubled from 6% of the population in 1990 to 12% in 2000. This was 2.5 times the growth in the United States as a whole, and demographers project the growth will continue. Minnesota is a national leader in the overall homeownership rate (77% in 2003), but a national laggard in minority homeownership rates. Minnesota's minority homeownership rate of 42% in 2000 trailed the national average of 46%. In 2003, Minnesota had a white to minority homeownership gap of 32%—the eighth largest gap among the states.

A Call to Action: *The Emerging Markets Homeownership Initiative (EMHI)*

Significant past efforts on this issue have demonstrated that a comprehensive, sustained effort by key stakeholders is required to make significant progress. As a result, in 2004, the Federal Reserve Bank of Minneapolis, the Fannie Mae Minnesota Partnership Office, and the Minnesota Housing Finance Agency convened a broad and diverse group of over 50 stakeholders (real estate professionals, lenders, builders, government, nonprofits, faith-based organizations and community groups). In June 2004, Governor Pawlenty challenged the group to develop a business plan to increase homeownership in emerging markets. In response, the group conducted and reviewed extensive quantitative and qualitative research on homeownership barriers and nation-wide best practices, and held thirteen focus groups and listening sessions across the state to learn from successful and prospective homeowners what they believed would work to increase Minnesota's emerging market homeownership rate. The result of this effort is a business plan to increase homeownership in Minnesota's emerging markets that is intended to be *actionable, achievable, and impactful*.

Key Findings: *A Quality of Life Issue, A Business Opportunity, Barriers Identified*

1. Minnesota's racial homeownership gap harms the quality of life for all Minnesotans.

Homeownership strengthens communities and builds wealth. An abundance of evidence demonstrates that homeownership stabilizes neighborhoods, increases civic involvement and improves educational outcomes. A home is also a principal economic asset for economic security and opportunities such as higher education and business creation. Minnesota's significant and persistent racial homeownership gap deprives potential homeowners of the individual benefits of homeownership and the remainder of the state of the collective benefit of stronger, more stable communities.

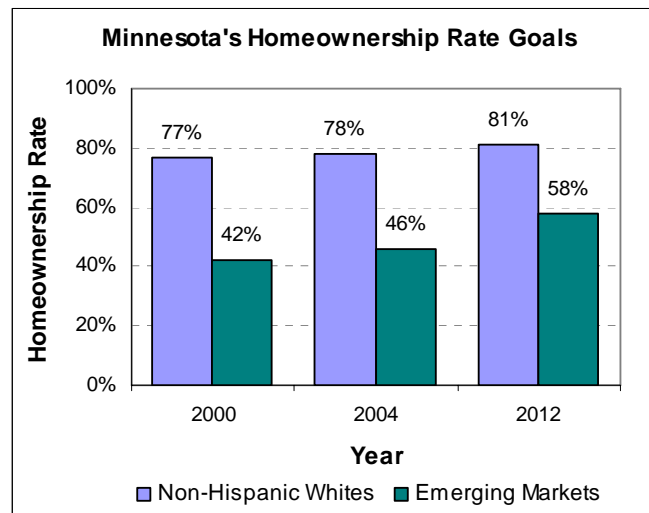
2. Emerging markets represent a business opportunity.

The population of Minnesota's emerging markets is growing faster than the white population, and their buying power is growing faster as well. For example, the buying power of Minnesota's black population tripled from 1990-2004, an increase unmatched by any other state. This increased buying power presents an opportunity for the homeownership industry and other businesses. Currently, emerging markets comprise 40% of first-time homebuyers, according to the National Association of Realtors.

3. There are six principal barriers to homeownership for emerging markets that can be addressed successfully by the homeownership industry and community partners:

- Wealth and downpayment
- Credit and lending practices
- Cultural factors, preferences and immigration
- Information, marketing and outreach
- Discrimination
- Homebuyer counseling and financial education

The Goal: 40,000 Emerging Market Homeowners by 2012



Source: Harvard University's Joint Center for Housing Studies; Claritas Data; Minnesota State Demographic Center; and MHFA Staff Tabulations

The vision of EMHI is for Minnesota to have no gap in homeownership based on race or ethnicity. The business plan sets forth an intermediate goal based on the analysis of population trends, economic conditions, and an aggressive and sustained effort to implement the strategies set forth below. This goal is for 40,000 new emerging market homeowners by 2012. If achieved, the minority homeownership rate would increase to 58% by 2012, and the gap would decline from 32% to 23%.

Strategies: *Trusted Guidance, Outreach, Innovative Structural Support*

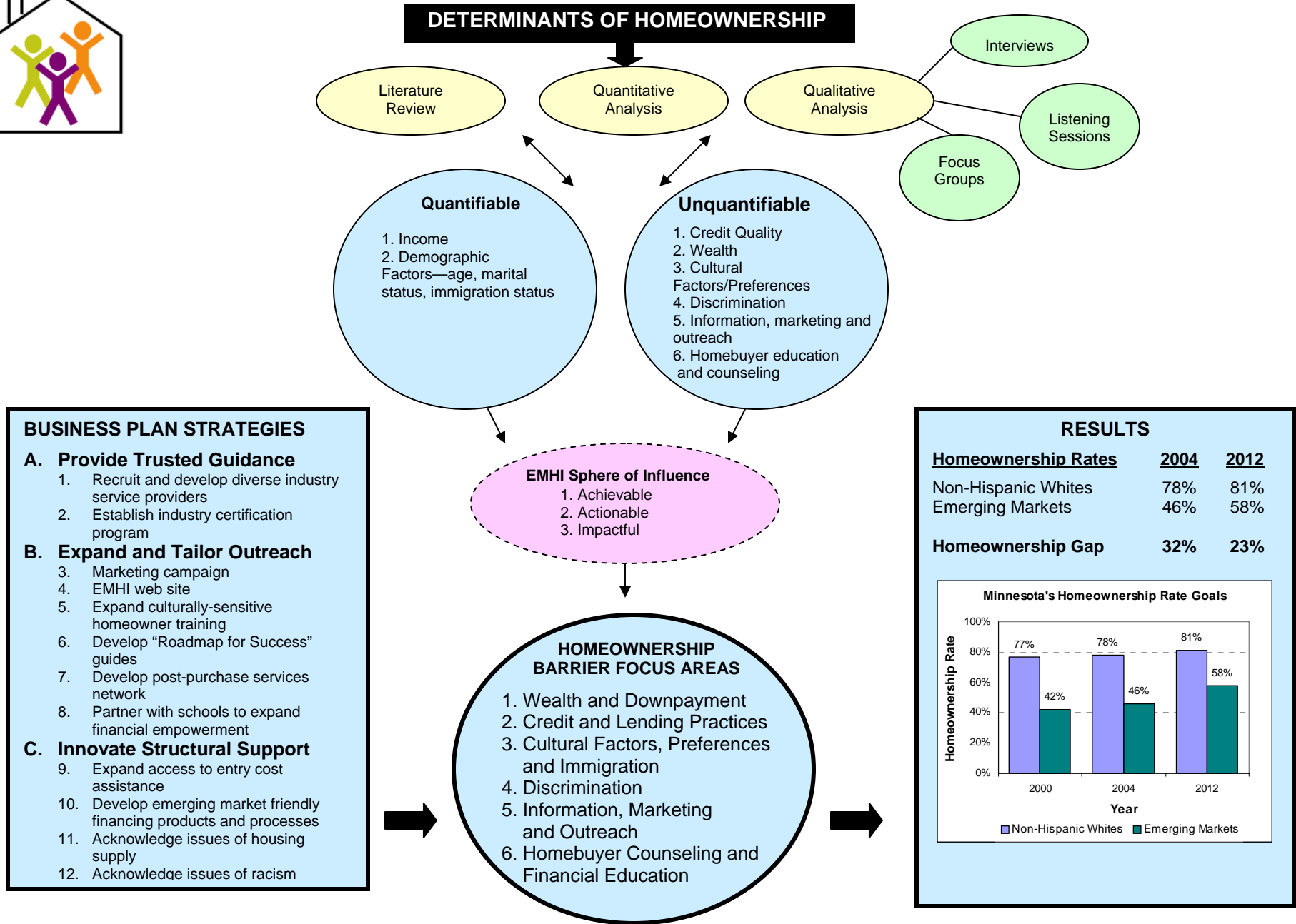
The business plan identifies twelve implementation strategies targeted to emerging markets that will enhance trust in the home buying process (e.g. recruit diverse homeownership industry professionals), expand outreach (e.g. develop culturally-sensitive homebuyer training), and grow product innovations (e.g. expand culturally-sensitive mortgage products and underwriting processes).

Implementation: *State-wide Initiatives, Pilot Projects, Governance, Accountability*

“Scopes of work” have been developed for each business plan strategy setting forth objectives and timelines. Each of the strategies will be implemented on a state-wide or pilot basis to determine their effectiveness. The stakeholders involved in developing EMHI and others are committing to take responsibility for specific tasks in each scope of work. Implementation will be led by a governance group with the continued support and input of a broad-based advisory group and committee. Advisory councils have been established for specific emerging market communities. The governance group will engage a director who will be responsible for overseeing implementation of the business plan, and tracking progress on the “scopes of work” and stakeholder commitments. An annual “EMHI Summit” will be held to report to stakeholders on progress and to propose any necessary adjustments to the business plan. It is anticipated that EMHI stakeholders will fund the necessary organizational infrastructure from existing resources. As specific scopes of work are implemented, resource issues will be addressed.

See the accompanying charts for a description of (1) the EMHI strategic business plan framework and (2) the EMHI governance structure. A complete version of the business plan is available at the following web page: www.mhfa.state.mn.us/homes/EMHI_Business_Plan.pdf.

Chart 1: Emerging Markets Homeownership Initiative Business Plan Strategic Framework
40,000 New Emerging Market Homeowners by 2012



See next page for a listing of EMHI participants

Emerging Markets Homeownership Initiative Participants

Conveners

Federal Reserve Bank of Minneapolis
Fannie Mae Minnesota Partnership Office
Minnesota Housing Finance Agency

Committee Participants

| | |
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| Bremer Bank | Minnesota Association of Mortgage Brokers |
| US Bank | Minnesota Association of Realtors |
| Wells Fargo Bank | Minnesota Bankers Association |
| Home Ownership Center | Mortgage Association of Minnesota |
| Independent Community Bankers of Minnesota | |

Advisory Group Participants

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| African American Family Services | Metropolitan Alliance of Community Centers |
| African Development Center | Metropolitan Council |
| American Indian OIC | Mille Lacs Band of Ojibwe - Community Development - Housing |
| Bremer Bank | Minneapolis Area Association of Realtors |
| Bremer Foundation | Minneapolis Public Housing Authority |
| Builders Outreach Foundation | Minneapolis Urban League |
| Center for Asians and Pacific Islanders | Minnesota Coalition of Community Land Trusts |
| Chicanos Latinos Unidos En Servicios | Minnesota Credit Union Network |
| City of Minneapolis | Minnesota Housing Partnership |
| City of St. Paul | Minnesota Manufactured Housing Association |
| Cross Cultural Home Ownership Alliance | Mortgage Guaranty Insurance Company |
| Department of Housing and Urban Development | Multicultural Network of Real Estate Professionals |
| Don't Borrow Trouble | National Association of Housing and Redevelopment Officials (MN) |
| Duluth Local Initiatives Support Corporation | Neighborhood Development Alliance |
| Family Housing Fund | Pohlad Family Foundation |
| First Homes | St. Paul Area Association of Realtors |
| Freddie Mac | St. Paul Urban League |
| Greater Minnesota Housing Fund | TCF Bank |
| Greater Twin Cities United Way | United Migrant Opportunity Services, Inc. |
| Habitat for Humanity MN | US Bank |
| Hmong American Partnership | USDA Rural Development |
| Joint Religious Legislative Coalition | Wells Fargo Bank |
| Local Initiatives Support Corporation | |

Public Involvement

Public Listening Sessions

1. Duluth
2. Twin Cities Metropolitan Area
3. Rochester

Focus Group Sessions

Homeownership Industry

1. Real Estate Professionals
2. Loan Originators

Emerging Market Consumers

Greater Minnesota

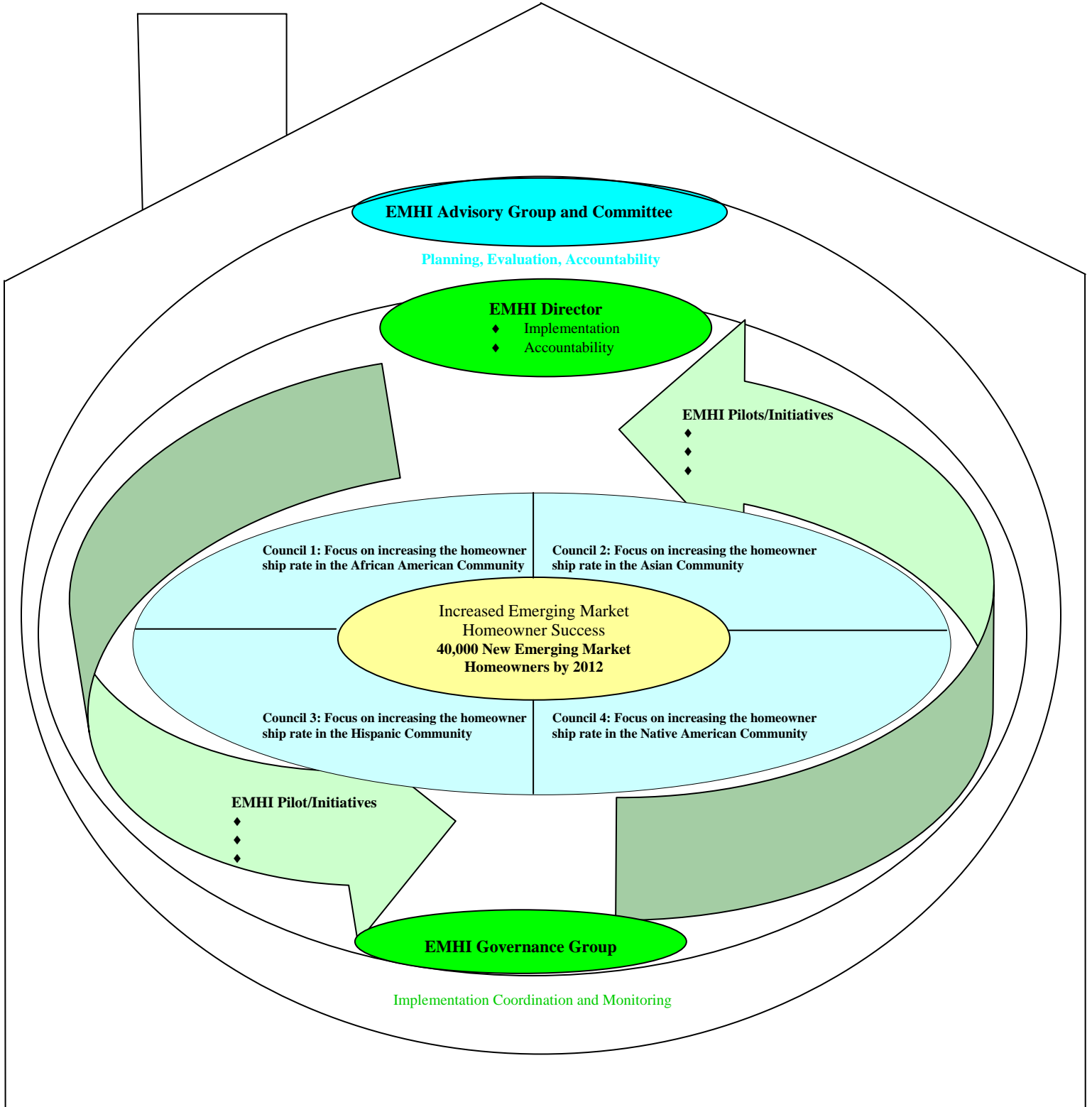
1. Duluth
2. Native American
3. Willmar (Hispanic and Somali)

Twin Cities Metropolitan Area

1. African American
2. Asian
3. Hispanic
4. Recent African Immigrant
5. Native American

Chart 2

EMERGING MARKETS HOMEOWNERSHIP INITIATIVE Governance Structure



Emerging Markets Homeownership Initiative Governance Structure

Advisory Group and Committee

Staffing: The Committee and Advisory Group are comprised of representatives from organizations that developed the EMHI business plan.

Duties and Responsibilities: The Committee and Advisory Group review the progress towards meeting the overall goals on EMHI initiatives and pilots at least annually. The Committee and Advisory Group advise the Governance Group and Director on both the progress and future direction of EMHI.

Governance Group

Staffing: The Governance Group is comprised of one representative from each of the convening organizations, three representatives appointed by the Committee with one member representing mortgage lenders, one member representing real estate professionals, and one member representing homeowner educators/counselors, and six representatives appointed by the Advisory Group. The Governance Group will reflect the diversity of the communities served by EMHI.

Duties and Responsibilities: The Governance Group provides ongoing review, oversight and direction on the business plan, including assuring progress towards achieving EMHI goals as well as the operational and financial status of initiatives and pilots. This Group provides direction and support to the Director, and shall be responsible for retention and evaluation of the Director. The Group also supports fundraising efforts for EMHI. The Governance Group shall meet at least once per month.

Director

Staffing: The Director is the chief executive responsible for EMHI, and is hired by the EMHI conveners.

Duties and Responsibilities: The Director is primarily responsible for the implementation of the business plan on a statewide basis. The Director coordinates the work of individuals and organizations which make substantive contributions to the initiatives and pilots developed and implemented under the business plan, and tracks the results of these efforts. The Director convenes and facilitates the community councils together with other groups that may have an impact on achievement of goals under the business plan. The Director is responsible for establishing and maintaining the EMHI “brand” and image in cooperation with the Governance Group, and is the primary spokesperson for EMHI. The Director is primarily responsible for fundraising on behalf of the initiative.

Community Councils

Staffing: Four EMHI community councils are comprised of nine to twelve individuals representing the African-American, Native American, Asian and Latino communities in Minnesota. The councils are recruited by the Director with the advice of the Governance Group.

Duties and Responsibilities: The councils provide advice to the Director to assure effective implementation of the strategies under each element of the business plan as it pertains to the community represented by each council. Council members are advocates for their community by raising issues pertaining to the initiative and assuring that initiatives and pilots are designed to address community needs. Council members are also liaisons to the communities they represent by assuring effective communication to the community pertaining to EMHI, convening and building bridges between the community and EMHI, and acting as the primary point of contact between the community and EMHI.

Evaluation and Tracking

An EMHI summit, to be held annually, will provide an opportunity to monitor progress in achieving business plan objectives and goals. Participants in the summit will include the EMHI Advisory Group, Committee, Governance Group, Director and community councils. The EMHI summit will review the impact that underlying economic conditions, including the interest rate and the affordability of the statewide housing supply, have on achievement of EMHI goals.