

FIRST-GENERATION HOMEBUYERS COMMUNITY DOWN PAYMENT ASSISTANCE FUND | FY25 ANNUAL REPORT

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To: Co-chairs Michael Howard and Spencer Igo, House Housing Finance & Policy
Chair Lindsey Port, Senate Housing and Homeless Prevention
Senator Eric Lucero, Ranking Minority Member, Housing and Homeless Prevention

From: Julia Nelmark, President, Midwest Minnesota Community Development Corporation

Subject: FY25 Annual Report on the First-Generation Homebuyers Community Down Payment Assistance Fund

PROGRAM SUMMARY

The First-Generation Homebuyers Community Down Payment Assistance Fund (Community DPA Fund) was designed to assist homebuyers who have never experienced homeownership, either as owners or as children. The Community DPA program uses a three-pronged approach:

1. educating homebuyers early to ensure they understand the process, costs, and steps to becoming a successful homeowner;
2. offering down payment assistance to make homeownership accessible for those who might not otherwise be able to purchase a home; and
3. providing loan forgiveness over a five year period to help build equity and support long-term financial stability.

The Community DPA Fund was established by the Legislature in May 2023 (HF2335), providing for a three-year down payment assistance (DPA) program to be deployed by Community Development Financial Institutions (CDFIs), nonprofits and tribal lending organizations, with a goal of assisting approximately 3,000 households throughout Minnesota. As the designated Administrator of the program, Midwest Minnesota Community Development Corporation (MMCDC) signed a grant agreement with Minnesota Housing for \$95 million on May 1, 2024. The first DPA loan was closed in late June 2024; thus, the program has been operating for 18 months as of year-end.

As of December 31, 2025, collectively we have closed or committed (loan closing is scheduled or funds are reserved while buyers shop for a home) 84% of the funds to first-generation homebuyers throughout Minnesota.

PROGRAM OBJECTIVES

The main hypothesis of the Community DPA Fund, based on previous pilot programs, anticipated that the majority of first-generation homebuyers would be Black, Indigenous, or People of Color (BIPOC), the communities that statistically experience greater disparities in family wealth. Studies have shown that homeownership is the key driver of family wealth; this program is designed to help increase homeownership opportunities for those who have faced the greatest barriers to homeownership. Through December 31, 2025, 92% of program borrowers are within these groups, indicating that the main hypothesis regarding first-generation homebuyer criteria is accurate.

PROGRAM OBJECTIVES *continued*

A second hypothesis in this program was that taking Homebuyers Education (HBE) prior to signing a Purchase Agreement (PA) would greatly improve the homebuyers' long-term success in homeownership, both financially as well as experientially. Because current practices result in many homebuyers taking the HBE course shortly before closing on the purchase of their home, they miss much of the benefit of HBE. Not only does the late training limit the pre-purchase options in choice of lenders and industry experts, but post-purchase information is easily forgotten after the stress of closing. Through HBE, homebuyers learn how to buy a home, determine how much they can afford to buy and pay monthly, and how to take care of the home afterwards. This creates long-term success for all parties by reducing the number of foreclosures and corresponding costs for buyers, lenders and public support systems.

Taking HBE prior to signing a PA requires changing behavior throughout the homebuying industry. While this program has seen a significant shift with parties at all levels of the process, it hasn't been long enough to entrench that change in behavior. Additionally, the substantial motivating factor of the debt forgiveness has been instrumental in achieving the changes seen in this program; without that incentive, as well as long-term practice, that may not continue to the same extent.

PROGRAM IMPLEMENTATION

MMCDC worked with a cross section of industry experts to design the Community DPA Fund. As the intent was to change industry practices, it was essential that this work was informed by realtors, mortgage lenders, HBE providers and others. These relationships continue to inform updates to the program guidelines.

A total of 10 DPA lenders plus MMCDC are providing loans to first-generation homebuyers covering each part of the state. Each of these organizations have attended continuing trainings (virtually) to ensure consistent application processing, funding, compliance work, and reporting. The single application portal for applicant intake and upload of eligibility documents, found at www.FirstGenDPA.org, has been successful at minimizing confusion, processing applications equitably on a first come first served basis, and processing intake review of applications in one location.

FY25 HIGHLIGHTS AND SUCCESSES

The Community DPA Fund initially projected 2,928 homebuyers would be supported through the Community DPA Fund, at an average loan size of about \$29,900. Halfway through the three-year period, more than three quarters (75%) of those homebuyers have already purchased homes with support from this Fund!

With 2,200 home loans closed through December 31, 2025, and over 200 more closing or shopping for their homes, just over 16% of funds remain available, for roughly 470 more homebuyers.

More detailed information on the results through 2025 can be found on the following page.

LOANS CLOSED

The following data reflects the Community DPA Fund loans closed through December 31, 2025.

LOAN DOLLARS

2,200 Loans Closed
totaling \$65,785,342

\$29,902
Median DPA Loan
Amount

\$50,799
Amount Returned
to the Fund

84%
Funds Committed

NEW HOMEOWNERS BY COUNTY

COUNTY	COUNT	AMOUNT	COUNTY	COUNT	AMOUNT
Hennepin	584	\$17,263,528	Freeborn	3	\$55,900
Dakota	384	\$11,738,440	Otter Tail	3	\$78,020
Ramsey	307	\$8,871,585	Dodge	2	\$58,500
Anoka	292	\$9,017,729	Fillmore	2	\$35,215
Washington	171	\$5,306,812	Mahnomen	2	\$29,850
Scott	99	\$3,062,195	McLeod	2	\$61,950
Wright	81	\$2,539,070	Mille Lacs	2	\$59,050
Stearns	63	\$1,824,820	Nicollet	2	\$58,700
Olmsted	49	\$1,457,920	Nobles	2	\$34,300
Sherburne	32	\$967,670	Brown	1	\$19,110
Benton	23	\$719,632	Chippewa	1	\$16,190
Carver	14	\$435,300	Douglas	1	\$32,000
Chisago	11	\$336,100	Grant	1	\$16,890
Isanti	11	\$339,330	Hubbard	1	\$23,200
Rice	9	\$267,200	Itasca	1	\$27,400
St. Louis	7	\$131,981	Kanabec	1	\$30,500
Kandiyohi	6	\$140,638	Lyon	1	\$29,500
Clay	5	\$149,500	Redwood	1	\$17,000
Mower	5	\$87,980	Renville	1	\$27,000
Beltrami	4	\$87,689	Sibley	1	\$24,000
Steele	4	\$94,878	Todd	1	\$23,000
Blue Earth	3	\$88,820	Winona	1	\$24,500
Crow Wing	3	\$74,750			

84% Metro | 16% Greater MN

NEW HOMEOWNERS BY RACE/ETHNICITY

RACE OR ETHNICITY	PERCENTAGE OF LOANS	NUMBER OF LOANS	AMOUNT OF LOANS	TYPES OF MORTGAGES	
Asian/Pacific Islander	15%	338	\$ 10,194,392	Conventional	71%
Black/African American	52%	1141	\$ 34,766,135	FHA	18%
Hispanic	23%	509	\$ 14,804,399	USDA	<1%
Native American	2%	34	\$ 923,669	VA	<1%
White (non-Hispanic)	8%	178	\$ 5,096,747	ITIN	4%
Total	100%		92% BIPOC	Sharia	6%

HOMEBUYER PURCHASE INFORMATION

\$82,225
Median Household
Income

718
Median Buyer
Credit Score

6.45%
Median Interest Rate
(range: 3.88% - 8.13%)

\$348,321
Median Home
Purchase Price

AREAS OF NOTE

Throughout the implementation process and continuing, information has been maintained at www.FirstGenDPA.org, which provides the application link, information for homebuyers, a page dedicated to industry professionals and a dashboard with key data, including the percentage of funds remaining. Program news has been distributed by email periodically to those indicating an interest in updates.

It would have been possible to fully expend all of the Community DPA Fund resources in 2025, but the application portal was closed mid-year to clear the backlog of applications due to unprecedented demand. As noted above, 75% of the Community DPA Fund has been funded to homebuyers in half the planned timeframe. Additionally, a portion of funds were reserved for use in 2026 to pair with new contract funds incorporating the collection of further documentation regarding borrower income to ensure this program is reaching homebuyers with the greatest need.

We have implemented some improvements since the Community DPA Fund opened; additional ones are in process. Prior refinements to ensure the funds are provided to homebuyers most in need of this assistance include:

- The addition of a minimum housing ratio of 20% (first mortgage payment is at least 20% of the buyer's gross monthly income);
- The addition of a limitation on buyer's liquid assets of \$50,000 after closing (excludes retirement and college savings accounts, life insurance);
- The addition of a maximum purchase price limit in line with MN Housing Start Up guidelines

RECOMMENDATIONS

Because of the high demand experienced for these funds and the limited resources, we have considered possible ways to increase the number of homebuyers who can benefit from this resource. We have also sought additional loan resources, with the intent to pair forgivable loans with deferred loans. It has proven difficult to find private resources at the scale of the Community DPA Fund, and repayable loans, even if deferred, are limiting for homebuyers.

We continue to recommend continued funding in support of this program, as it is instrumental in increasing the number of homebuyers in those communities experiencing the most difficulty in purchasing a home. The first-generation homebuyer has proven to have strong correlation among those communities experiencing the lowest rate of homeownership. The DPA helps people obtain homeownership; the forgiveness helps them grow family wealth in communities where that is often lacking.



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