2025 Housing Disparities Report

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In 2014 Minnesota Laws, Chapter 312, Article 2, Section 16, the Legislature requires the Minnesota Housing Finance Agency to annually report on housing disparities.

> *The Housing Finance Agency shall annually report to the chairs and ranking minority members of the house of representatives and senate committees with jurisdiction over the agency on progress, if any, the agency has made in closing the racial disparity gap and low-income concentrated housing disparities.*

This report covers activities carried out in 2024 and has two sections:

1. Homeownership: Reducing Disparities
2. Rental Housing: Providing Low-Income Renters with Greater Choice

Homeownership: Reducing Disparities

While Minnesota has the tenth highest homeownership rate in the country, it also has the sixth largest disparity between: (1) white/non-Latino households and (2) Indigenous, Black and households of color.[1]

Table 1: 2024 Homeownership Rates[2]

Category	Rate	National Rank
Overall Homeownership Rate	71.6%	10th Highest
Homeownership Rate for White/Non-Latino Households	77.1%	9th Highest
Homeownership Rate for Indigenous, Black and Households of Color	48.5%	39th Highest
Percentage Point Gap in Homeownership Rates	28.5	6th Largest

As shown in Figures 1 and 2 below, the disparity has been large and persistent, and it is especially egregious for Black households.

[1] Includes households where one or more borrowers identifies as Asian, Black, Native American, Pacific Islander, of multiple races or identifies as Latino of any race.

[2] U.S Census Bureau, 2024 American Community Survey. In August 2026, the U.S. Census announced a delayed release of the 1-year 2025 ACS data with no reported release date.

Figure 1: Historical Homeownership Rates in Minnesota, by Race and Ethnicity[3]

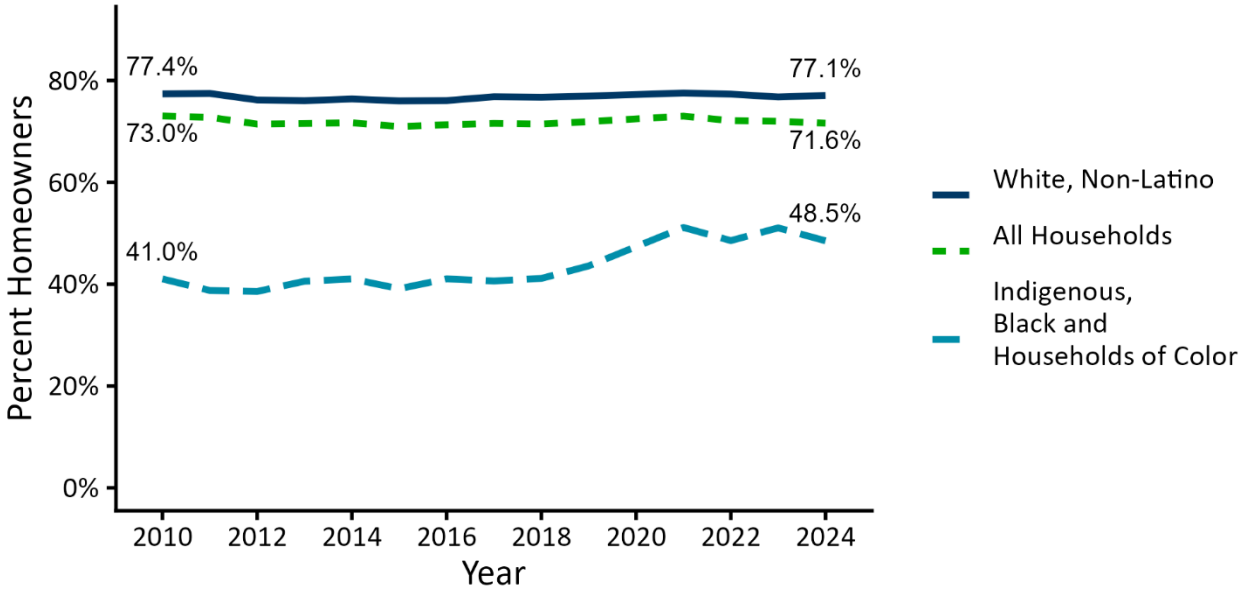
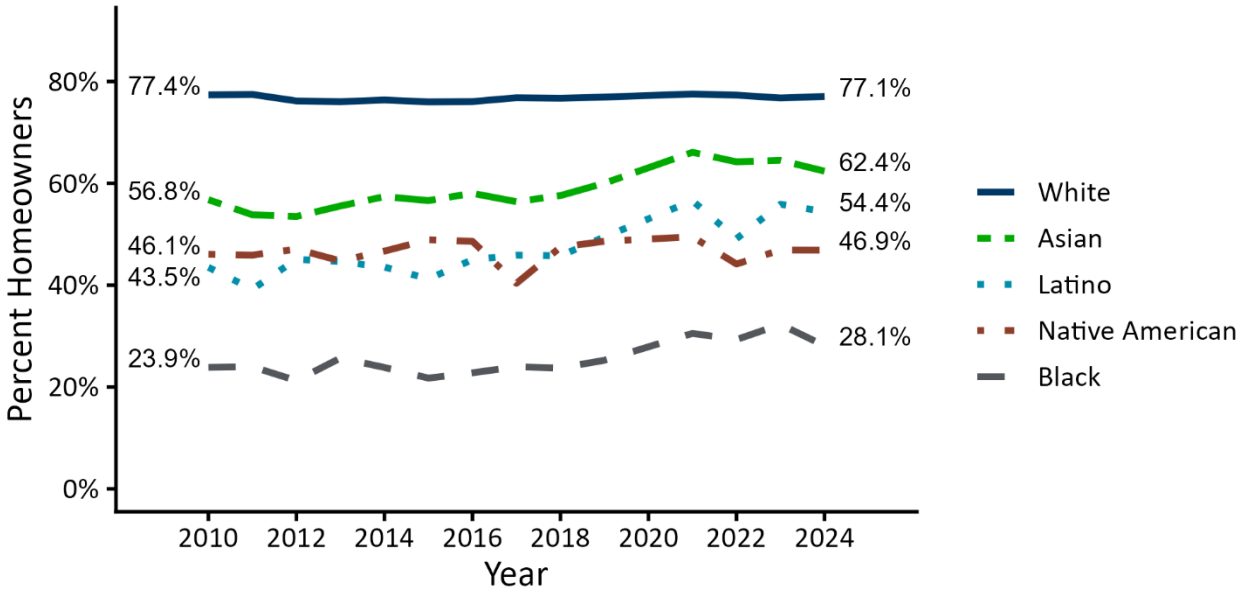


Figure 2: Homeownership Rates in Minnesota, Disaggregated[4]



Reducing the disparities is critical because successful homeownership is a powerful wealth-generation tool for families. For example, a study from the Joint Center for Housing Studies at Harvard University found that:

[3] U.S. Census Bureau, *American Community Surveys*.

[4] U.S. Census Bureau, *American Community Surveys*.

Each year of successful homeownership between 1999 and 2009 increased the wealth of Black households by $8,474 on average.[5]

Reducing the homeownership disparity is one of our strategic priorities, and we have made significant progress in our lending, as shown in Table 2. Highlights include:

- Since 2014, we have nearly tripled our annual lending to Indigenous, Black and households of color who are first-time homebuyers, increasing the annual number of loans from 602 to 1,576.
- We are serving Indigenous, Black and households of color at a rate that is two times greater than the overall mortgage industry. In 2025, 47% of our first-time homebuyers are Indigenous, Black and households of color, while 23% of all home-purchase borrowers in Minnesota are from these underserved communities.
- Minnesota Housing accounts for roughly 7% of the overall home-purchase mortgage market. The entire homebuying and mortgage industry needs to work together and enhance its efforts to make significant progress in closing the homeownership gap for Indigenous, Black and households of color.

Table 2: Home Mortgages for Indigenous, Black and Households of Color in Minnesota

Year	Number of First-Time Homebuyer Mortgages Supported by Minnesota Housing [a]	Number of Minnesota Housing's First-Time Homebuyer Mortgages Going to Indigenous, Black and Households of Color [a]	Share of Minnesota Housing's Mortgages to Indigenous, Black and Households of Color	Share of Overall Market's Mortgages to Indigenous, Black and Households of Color [b]
2014	2,430	602	25%	11%
2015	3,769	1,054	28%	12%
2016	3,418	1,076	31%	14%
2017	3,541	1,175	33%	15%
2018	4,002	1,377	34%	16%
2019	4,082	1,402	34%	17%
2020	4,328	1,473	34%	18%
2021	4,390	1,633	37%	21%
2022	4,403	1,760	40%	21%
2023	3,545	1,304	37%	23%

[5] Joint Center for Housing Studies at Harvard University, *Is Homeownership Still an Effective Means of Building Wealth for Low-Income and Minority Households? (Was it Ever?)*, September 2013, pp 46-47. The results occurred during a less-than-ideal and tumultuous period involving a housing boom and bust.

Year	Number of First-Time Homebuyer Mortgages Supported by Minnesota Housing [a]	Number of Minnesota Housing's First-Time Homebuyer Mortgages Going to Indigenous, Black and Households of Color [a]	Share of Minnesota Housing's Mortgages to Indigenous, Black and Households of Color	Share of Overall Market's Mortgages to Indigenous, Black and Households of Color [b]
2024	4,122	1,712	42%	24%
2025	3,372	1,576	47%	23%

a. Minnesota Housing's mortgage program for first-time homebuyers (Start Up). The counts are based on purchased loans.

b. Federal Financial Institutions Examination Council, Home Mortgage Disclosure Act (HMDA) data. Data applies to home purchase mortgages and excludes refinancing.

Over the last decade, we have carried several initiatives to reach and better serve Indigenous, Black and households of color. For example:

- In 2014, we created the Homeownership Capacity program – through which, we provide grant funding to organizations that work with households facing barriers to homeownership. The grantees provide intensive homebuyer and financial training that prepares the households for homeownership. In 2025, 89% of the 1,053 program participants were Indigenous, Black and people of color.

- In 2015, we introduced a redesigned down-payment assistance program (Deferred Payment Loan Plus) that provides larger deferred loans ($18,000 in 2025 rather than the standard $14,000) to households that have at least two of the following four characteristics:
    - A sole head of household with at least one eligible dependent,
    - A household of four or more people,
    - A household member with a disability, or
    - Mortgage costs that will be more than 28% of the household's income.

  The program has effectively reached Indigenous, Black and households of color who are first-time homebuyers, accounting for 67% of the borrowers receiving this assistance in 2025[6]. In contrast, Indigenous, Black and households of color account for 46% of borrowers receiving the standard deferred loan. Additionally, in the spring of 2025, Minnesota Housing added a first-generation homebuyer component as a qualifying eligibility criteria for the Deferred Payment Loan Plus program.

- Our Community Homeownership Impact Fund provides loans and grants to developers to increase the inventory of affordable, owner-occupied, single-family homes. In 2025, the

[6] Based on purchased loans from October 1, 2024, through September 30, 2025.

program financed 368 homes. Of these, 52% were occupied by Indigenous, Black and households of color.

- The 2023 Legislature appropriated $50 million in one-time funding for the First-Generation Homebuyer Loan program. The program provided up to $35,000 in a deferred, interest-free, forgivable loan to homebuyers in which the applicant and their parent(s) or legal guardian(s) have either:
    - never owned their primary residence or
    - owned a home but lost it due to foreclosure.

  This program ran from May through December of 2024 and served 1,431 households, of which 82% were Indigenous, Black or a household of color.

- In 2024, we launched the First Annual Closing the Gap Conference to bring together key players from across the housing continuum to exchange ideas, spark innovation, and build meaningful partnerships that advance equitable homeownership in our state. The conference has grown significantly over the past three years and in 2027 we will proudly host the Fourth Annual Closing the Gap Conference. Staff have coordinated hundreds of participants and dozens of speakers across these events, helping to shape a stronger and more connected movement toward housing equity in Minnesota.

To increase awareness about our home mortgages and down-payment and closing-cost resources and promote homebuyer education, we actively reach out to consumers and the business community.

- Outreach to potential homebuyers
    - Host booths at community events that are well-attended by Indigenous, Black and households of color
    - Create videos, posts, and ads for social media
    - Develop targeted-market and public-relations efforts, including interviews in community publications and on community radio shows
    - Launch an outreach campaign in the Black community in the metro area to address the very large homeownership disparity

- Business-to-business outreach

    - Cultivate relationships with lenders and real estate agents who work in diverse communities
    - Create strategic partnerships with:
        - Real Estate Associations, such as National Association of Hispanic Real Estate Professional (NAHREP), National Association of Real Estate Brokers (NAREB), Asian Real Estate Association of America (AREAA)
        - Non-profit homeownership advisors who work in diverse communities

- Offer educational opportunities for realtors, including continuing education credits

- Industrywide Outreach

  - Lead an industry-wide coalition to expand homeownership for Indigenous, Black and households of color called the Homeownership Opportunity Alliance. The Homeownership Opportunity Alliance works to address barriers to homeownership, educates the industry on market opportunities to serve households of color, and has implemented a campaign called "Get Ready. Be Ready!" to connect households of color with homebuyer education services and build awareness that homeownership is possible.

Rental Housing: Providing Lower-Income Renters with Greater Choice

The Multifamily Consolidated Request for Proposal's (RFP) is Minnesota Housing's largest annual process to allocate state and federal resources to construct and preserve affordable rental housing. The priorities and incentives in the Multifamily Consolidated RFP are developed through a public engagement process. To give lower-income renter households more options to live in safe, decent housing that is affordable and in the community of their choice, the Multifamily Consolidated RFP incentivizes housing in communities by providing more points in the following situations:

- Communities (typically higher income) that have limited choices because a relatively ***smaller share of the overall housing stock is affordable rental housing*.** Communities in the metropolitan area are classified into three tiers:
  - Tier 1 – The 33% of communities with the smallest proportion of affordable rental housing and the fewest choices for lower-income renters
  - Tier 2 – The next 33% of communities with the smallest proportion of affordable rental housing
  - Tier 3 – The 33% of communities with the largest proportion of affordable rental housing.

  It's important to note that even those communities with the largest proportion of housing stock that is affordable still have an inadequate supply.

- Communities (typically lower income) where ***current demand for affordable rental housing is greater than the supply***, as reflected by a large share of renter households spending more than 30% of their income on rent and utilities. These households are referred to as "cost-burdened." Again, communities in the metropolitan area are classified into three tiers:
  - Tier 1 – The 33% of communities with the largest proportion of renter households who are cost-burdened

- Tier 2 – The next 33% of communities with the largest proportion of cost-burdened households
- Tier 3 – The 33% of communities with the smallest proportion of cost-burdened households

To increase choice, the Multifamily Consolidated RFP assigns higher points to proposals in Tier 1 and 2 communities. To assess our funding of rental housing projects in these communities, we have mapped the location of all the developments we have selected for funding through our Multifamily Consolidated RFPs over the last five years (2021 – 2025). The following two maps show the tiers and the locations of the developments selected for funding.

Figure 3: Map of Multifamily Consolidated RFP Selections in Areas with Lack of Affordable Rental Housing, 2021 – 2025

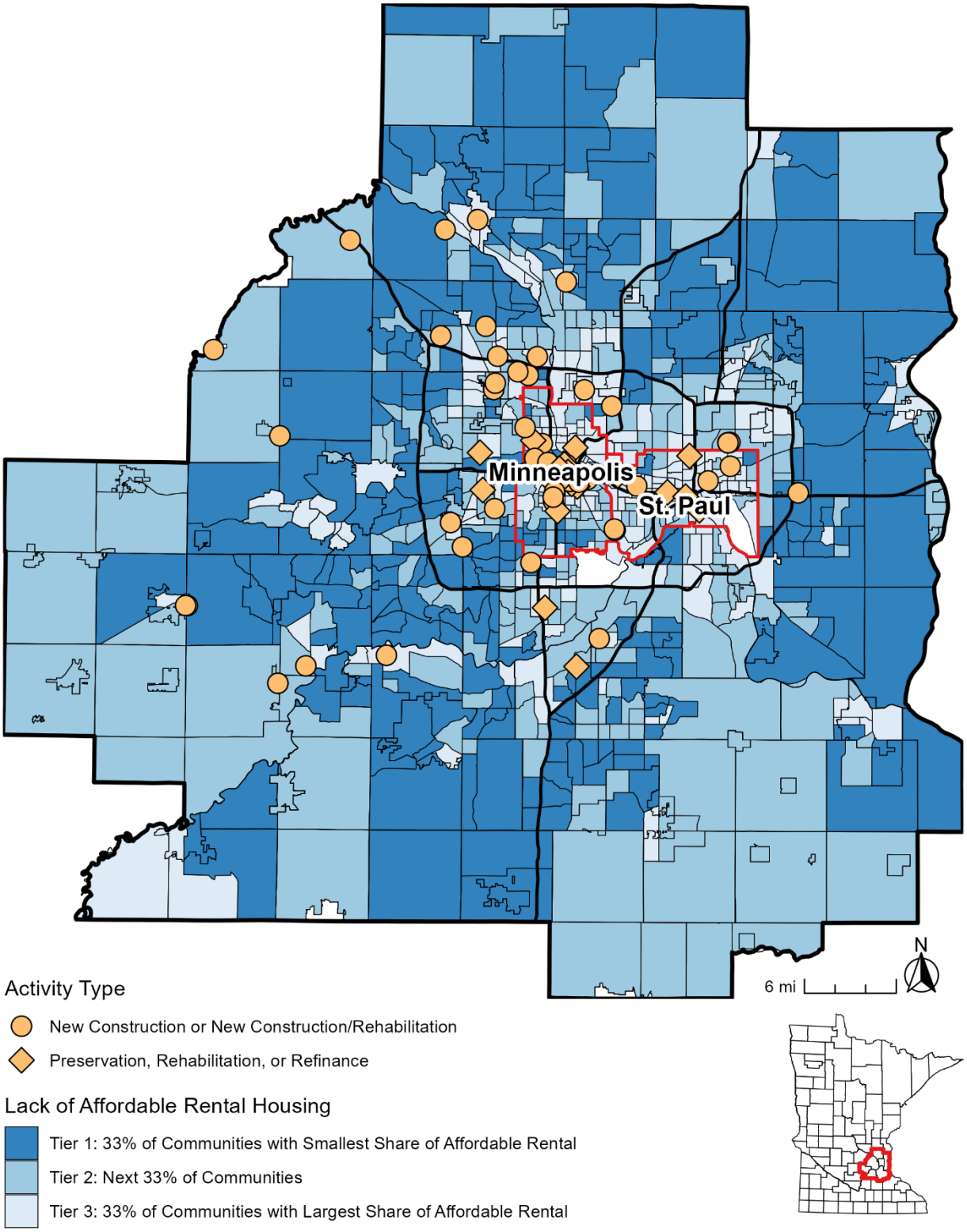
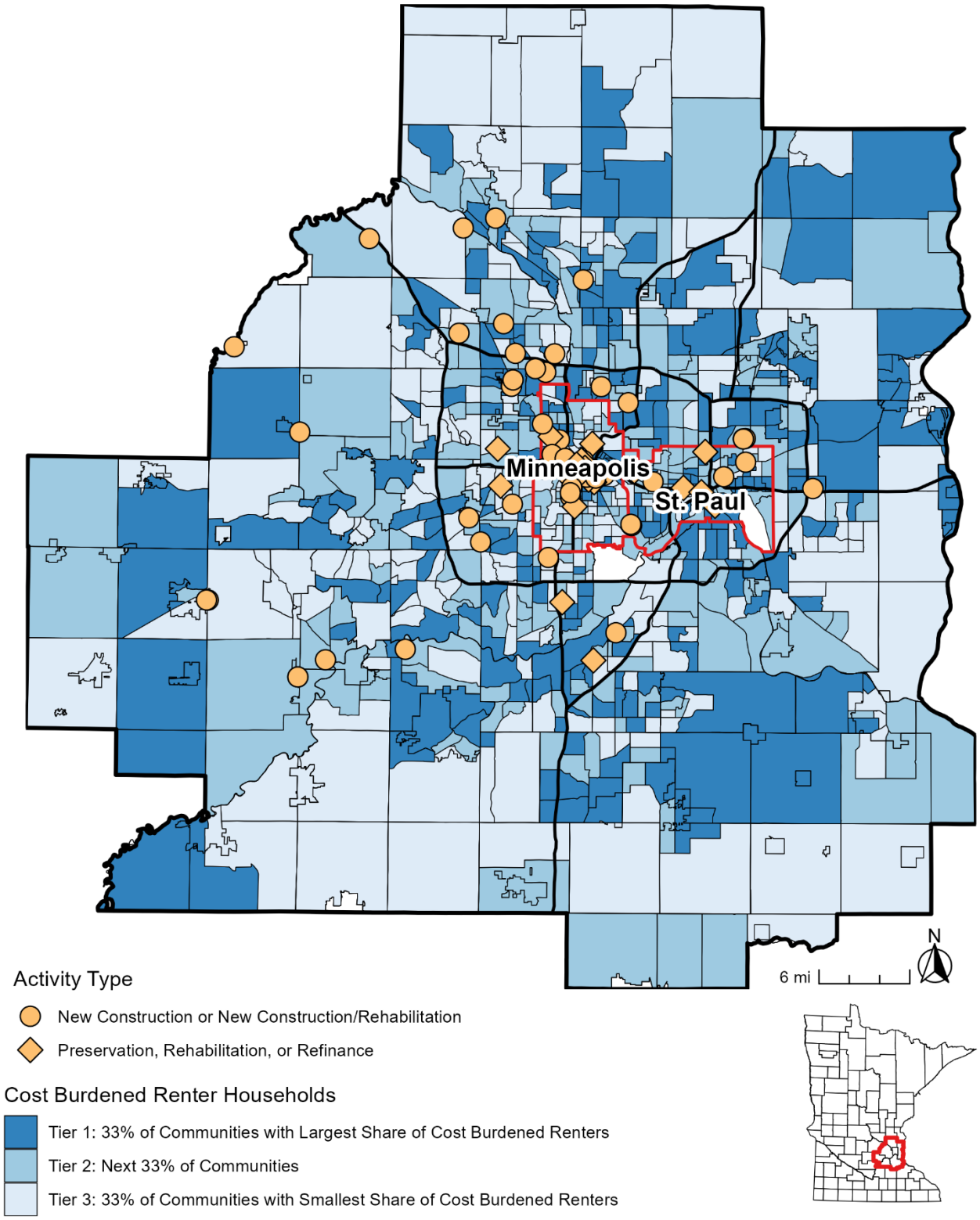


Figure 4: Map of Multifamily Consolidated RFP Selections in Areas with Cost-Burdened Renter Households, 2021-2025



In Figure 3, the communities with the darkest shades of blue have the most limited supply of rental housing that is affordable, providing lower-income renters the fewest choices. In Figure 4, the communities with the darkest shades of blue have the highest proportion of renters who are cost burdened by their housing payments, indicating that the demand for affordable rental housing is greater than the supply. In both maps, the dots show the location of the developments we selected for funding in the Multifamily Consolidated RFP in 2020 through 2025.

Table 3 aggregates and summarizes the locations of the selected developments and compares it with where renters are currently living. For example, the first set of numbers in the top row show that 15% of the new construction units are in Tier 1 communities with a lack of affordable rental housing (the 33% of communities with the smallest share of affordable rental housing), 33% are in Tier 2 communities, and the final 52% are in Tier 3 communities.

Table 3: Share of Units in Developments Selected for Funding through the 2020-2025 Consolidated RFPs in Each Tier, Seven-County Metro Area

	Lack of Affordable Rental Housing			Large Share of Cost-Burdened Renters			
Activity Type	**Tier 1: 33% of Communities with Smallest Share of Affordable Rental**	**Tier 2: Next 33% of Communities**	**Tier 3: 33% of Communities with Largest Share of Affordable Rental**	**Tier 1: 33% of Communities with Largest Share of Cost-Burdened**	**Tier 2: Next 33% of Communities**	**Tier 3: 33% of Communities with Smallest Share of Cost-Burdened**	**# of Units or Households**
Community Characteristics: Where Selected Developed Are Located							
Units in New Construction Projects **OR** New Construction Combined with Rehabilitation	15%	33%	52%	29%	55%	16%	3,014 units
Units in Preservation/ Rehabilitation/ Refinance Projects	2%	15%	83%	39%	37%	24%	1,333 units
All Units (Two Categories Combined)	11%	28%	61%	32%	49%	19%	4,347 units
Community Characteristics: Where Current Renters Live							
All Renter Households	14%	32%	54%	32%	43%	25%	395,584 households
All Lower-Income Renter Households (<$50,000 annual income)	9%	25%	66%	42%	42%	16%	159,640 households

The ability to serve different types of communities depends on the applications submitted to the Consolidated RFP, the amount of funding available that year, and the overall feasibility of the applications. Nevertheless, these data show how Minnesota Housing is attempting to serve different types of communities and taking steps to increase renter choice and deconcentrate wealth by incentivizing proposed projects in communities with the smallest share of affordable housing. For

example, the share of new construction units going into the communities with the most limited supply of affordable housing is greater than share of lower-income renter households living there (15% versus 9%), while the proportion of new construction units going to the area with the greatest share of existing affordable housing is less than the share of lower-income renter households living there (52% versus 66%). This strategy increases affordable rental housing in communities with the most limited supply so that renters have more opportunities to live in a community of their choice.

Higher-income communities generally have a smaller stock of affordable rental housing, and developing affordable rental housing in these higher-income communities deconcentrates wealth.[7] It gives lower-income households, who are disproportionally[8] Indigenous, Black and households of color, the opportunity to live in higher income communities if that is their choice.

This pointing structure was formally adopted in the fall of 2020. This change went into effect for the 2021 Consolidated RFP selections. All five years of selections data in Figure 3, Figure 4, and Table 3 fall under this scoring criteria. [9]

As in the home-mortgage market, Minnesota Housing only finances a small share of new rental units. In 2025, 12% of new rental units in Minnesota were financed with funding resources from Minnesota Housing.[10] It will require additional public funding and an industry-wide effort to prioritize affordable rental developments in communities with limited affordable housing stock and those communities with a high concentration of cost-burdened renters to help ensure that all low-income renters have options to live in affordable housing in the community of their choice.

[7] The correlation coefficient between share of the housing stock that is affordable rental and median household income is -0.77, which is a strong association. In other words, about 59% of the variation across communities in the share of the housing stock that is affordable rental is explained by median household income.

[8] In the 7-county metro, 47% of renter households making less than $50,000 annually are Indigenous, Black and households of color compared to 28% of the total metro population. Minnesota Housing analysis of 2024 American Community Survey 5-year sample, iPUMS microdata.

[9] RFP selections in 2021, 2022, 2023, 2024, and 2025 respectively allocated 2022, 2023, 2024, 2025, and 2026 tax credits.

[10] Minnesota Housing analysis of internal data and building permit data from HUD's State of the Cities Data Systems.