

**Minnesota
Home Ownership
Center**

Annual Report

2008



Message from the Center

We witnessed dramatic changes and challenges to homeownership in 2008. This past year, marked by record foreclosures, declining property values, and uncertainty about the economy and the mortgage industry, will affect the landscape of homeownership for years to come.

The Minnesota Home Ownership Center is working to help homeowners navigate this uncertain time. In 2008, we conducted a rapid ramp-up of our foreclosure prevention program, tripling the number of foreclosure counselors in our network and reaching out to thousands of consumers and other stakeholders with valuable information about prevention services. As a result of this work, the Center's network of providers helped nearly 5,000 homeowners avoid foreclosure.



Despite the still critical foreclosure crisis, there is good news. More and more people are aware that help is available. Distressed homeowners are seeking help earlier, and working on solutions to save their homes. Mortgage interest rates have remained low and home prices are now within reach for many families. Last year, the Minnesota Home Ownership Center witnessed a marked increase in the number of people participating in Home Stretch pre-purchase workshops—future homebuyers are recognizing the importance of entering

homeownership prepared and informed. The Center is helping these homebuyers to be confident in their home buying, setting the stage for successful homeownership.

The following pages tell the story of our work in 2008 – a year that required us to think and act in new ways to respond to a changing environment. The Center's network of providers was called upon to respond to an unprecedented demand for services. Many organizations hired and trained new staff in the midst of the crisis and all put in countless hours meeting consumers, conducting outreach, and hosting classes. We are grateful for the hard work and dedication of the hundreds of housing counselors and educators in our network.

Julie Gugin
Executive Director

Mike Haley
President, Board of Directors



Who we are

The Minnesota Home Ownership Center is a nonprofit organization dedicated to promoting and advancing successful homeownership in Minnesota. At the core of our mission is the belief that lower income and emerging market families can achieve and recognize the benefits of long-term homeownership if they enter homeownership through the right door—prepared to make wise, informed decisions for their families.

The Minnesota Home Ownership Center:

- Supports providers of homeownership education and counseling services who empower Minnesota homebuyers and homeowners.
- Raises awareness of homeownership issues through public education and outreach.
- Conducts research and analysis of program delivery, outcomes, and trends.
- Establishes mutually beneficial working relationships with stakeholders in the homeownership arena and advances successful homeownership through service alliances, campaigns and other efforts.

What we do

The Minnesota Home Ownership Center uses a centralized, managed model to support homeownership preparedness and sustainability. The Center provides leadership for key initiatives and partnerships that promote homeownership preparedness and sustainable homeownership throughout Minnesota. The Center ensures statewide access to high quality, consistent services by convening a network of agencies that delivers its homeownership education and foreclosure counseling programs.



The Center's approach emphasizes:

- High-quality programming grounded in national best practices
- Programming that is responsive to the changing environment
- Consistency of service delivery for consumers regardless of programming location
- A leadership entity serving as a single point of contact and expertise for industry stakeholders, funders, and the broader community.

Our goals

- Empower low and moderate-income households in Minnesota to purchase and sustain affordable homes, with a major focus on those who face the greatest barriers and challenges to homeownership.



- Assure significant wealth creation for low-income individuals and communities by teaching sound financial and credit management as part of homebuyer and homeowner education and counseling.
- Stabilize families and children by preventing foreclosures.
- Preserve public and private resources by averting the negative community impacts caused by foreclosures.





Foreclosure Prevention Services

Over a decade ago, the Minnesota Home Ownership Center implemented an innovative foreclosure prevention model. This model, which grew from a small neighborhood effort to a statewide system, is built upon three essential components. First, the model utilizes a highly trained network of community-based foreclosure counselors. Second, it is supported by a strong partnership between the state's Housing Finance Agency, philanthropic foundations and the lending and real estate industries. Finally, it is guided by a nonprofit that provides leadership and service coordination.

Today, homeowners in Minnesota have access to foreclosure prevention services in each of the state's 87 counties. Using a community-based delivery model, services are provided locally through a network of 25 organizations. These organizations represent a mix of non-profit, tribal and government organizations that are involved with some aspect of housing as part of their mission. Most of the organizations have been offering foreclosure prevention services for the past decade.

The Minnesota Home Ownership Center provides leadership and key services to these community-based agencies, including training, technical expertise, data collection and evaluation, program marketing and outreach, policy leadership and fundraising.



Addressing Minnesota's Foreclosure Crisis

In 2008, the Minnesota Home Ownership Center began carrying out the statewide response to the foreclosure crisis. This response, called the Early Intervention Foreclosure Prevention Initiative, included three primary objectives:

- Increase the awareness about free foreclosure prevention services offered statewide.
- Offer a variety of access points for distressed homeowners to move homeowners from awareness to action.
- Significantly increase the foreclosure counseling capacity in Minnesota so that homeowners have better access to counseling services.

Don't wait, take action

The Minnesota Home Ownership Center implemented an outreach campaign targeting homeowners living in communities hardest hit by foreclosures. The success of this campaign was due largely to the efforts of local network providers and community partners, who identified the best strategies for reaching homeowners and then helped to carry them out. Some of these strategies included media relations; distribution of marketing materials through library systems, property tax statements and water bills; and letters from public officials encouraging distressed homeowners to seek help.

Making it easier to take action

Homeowners have differing information needs and comfort levels in accessing services. While some may start with a call to a foreclosure counselor, others prefer to gather information before deciding the next step. To serve these various preferences, the Center created a range of access points to ensure that homeowners could access information in the format and location of their choice.

A toll-free call for help

For many homeowners, the first step was a call to the Minnesota Home Ownership Center's toll-free number. This number, publicized widely through the outreach campaign, allowed people to gather basic information about foreclosure and learn about foreclosure prevention services in their area.



Workshops help homeowners understand options

In 2008, the Minnesota Home Ownership Center offered 13 Borrowers Workshops, reaching over 1,000 distressed homeowners. These workshops use an open-house format to give homeowners the opportunity to learn about the foreclosure process, their rights during foreclosure, and to begin working with a foreclosure prevention counselor and/or their lender. The Minnesota Home Ownership Center and its network providers worked in partnership with local libraries and other non-profit organizations to reach hundreds of homeowners using this same format but on a smaller scale.

Telephone seminars offer anonymity and convenience

Recognizing that many homeowners feel shame or embarrassment when facing foreclosure, the Minnesota Home Ownership Center provided telephone seminars that allowed people to gather basic information and ask questions anonymously. These seminars allowed a large number of people to phone in and participate from the privacy of their home. The seminar format includes informational segments and opportunities for callers to pose questions to foreclosure counselors.



Summary of 2008 Foreclosure Prevention Outcomes

- **11,809 Minnesota homeowners** received foreclosure prevention services - a 145 percent increase from 2007.
- Nearly **5,000 homeowners** were able to avoid foreclosure.
- Foreclosure prevention efforts translate to an estimated savings of up to approximately **\$300 million** for Minnesota homeowners, lenders, neighborhoods and local governments in 2008 alone.
- Homeowners are **seeking foreclosure services earlier**, when more options are available. In 2008, 64% of homeowners were less than 60 days late on their mortgage when they contacted a foreclosure counselor, compared to 37% in 2007.

More in-depth information on service statistics and outcomes is available in the 2008 Foreclosure Counseling Program Report. You can obtain a copy of this report on the Center's website, www.hocmn.org or by calling our toll-free number 866-462-6466.

Homeowner story

Tom*, a 65 year-old homeowner fell behind on his mortgage after experiencing recent hardship – a failed business and the death of his spouse. Like many who are facing foreclosure, Tom was embarrassed that he had fallen so far behind on his mortgage and was reluctant to seek help. With the foreclosure sale for the home only a week away, Tom finally shared the story with his sister who quickly contacted one of the agencies in the Minnesota Home Ownership Center’s network. By the time Tom met with his local foreclosure counselor, the sale on his home was only four days away.



A few weeks earlier, the agency had taken part in a Borrowers Workshop offered by the Minnesota Home Ownership Center. During the workshop, foreclosure counselors built relationships with lender representatives at the event. When meeting Tom, the counselor realized his loan was from one of the lenders that had participated in the workshop. Equipped with a name and contact information, the counselor was able to contact the lender representative directly and postpone the foreclosure sale for 60 days. During that time, Tom was able to get a modified loan with a very low interest rate that made the loan affordable and allowed him to keep his home.

** Name has been changed*



Provider story

Bi-County CAP

Early in 2008, calls from homeowners facing foreclosure were coming in to Bi-County Community Action Program (Bi-CAP) at the usual, slow rate. The agency, which serves the mostly rural Beltrami and Cass counties in northwestern Minnesota, had just 12 foreclosure prevention cases in 2007. Yet with foreclosures on the rise in 2008, the staff at Bi-CAP knew that the need for

services was much greater than reflected by the number of calls. When Elizabeth Misco was hired in May, her work focused primarily on outreach – generating awareness of services by working with local banks, churches and energy assistance programs. By summer of 2008, this outreach work, combined with the awareness generated from the new pre-foreclosure notice law, resulted in a drastic increase in clients. By the end of 2008, Bi-CAP provided services to 102 households – more than eight times the number served in 2007. Speaking about the foreclosure crisis, Misco says, “I don’t think anyone thought that the problem would get so huge.” The influx of clients has meant that counselors at Bi-CAP spend their time managing their caseloads, which often include situations that take a long time to resolve. For Misco, it also means more time on the road traveling back and forth between Walker and the new second office in Bemidji. Before the Bemidji office opened, many clients would travel for two hours to see a foreclosure counselor. Misco says she is struck by the way the foreclosure crisis is affecting people at all income levels from people living on Social Security to those who are considered high-income.



Summary of key Home Stretch outcomes

- **5,551 households** completed Home Stretch workshops – an 11% increase over the previous year
- **1,521 households** received pre-purchase counseling
- **518 Home Stretch workshops** held statewide
- **5% of Home Stretch workshops** were held in languages other than English
 - **75% of households** had incomes under 80% Area Median Income (AMI)
 - **91% of households** were first-time homebuyers
 - **17% of households** served by education were first generation homebuyers.

Home Stretch

is the Minnesota Home Ownership Center's proprietary pre-purchase education and counseling program. The program is endorsed by many of our lending partners and is a pre-requisite for many first-time homebuyer affordable loan products offered by Minnesota lenders. Home Stretch also opens doors to down payment and closing cost assistance offered in many communities throughout Minnesota.

The Center's statewide pre-purchase delivery network is a national model for homebuyer education programs. Workshops and counseling services are delivered through an extensive network of more than 40 Home Stretch providers. These providers are independent organizations. Many were established as local government entities and others as neighborhood-based community development corporations. Each organization has built and nurtured strong partnerships among public, private and community interests. Providers operate in all types of markets—urban, suburban and rural—and sponsor a wide range of development, lending, counseling and service programs.

Home Stretch - *Preparing future homeowners during uncertain times*

Last year was marked by lower housing prices, low interest rates and an ample supply of housing – usually good news for prospective homebuyers. However, a worsening foreclosure crisis, uncertainty over home values and a tightening credit market accompanied this news, making it a confusing time for many homebuyers. The Minnesota Home Ownership Center worked to mediate concerns about buying a home by arming prospective homeowners with the knowledge they need to enter homeownership confident and prepared.

Despite rising foreclosures and a weakened economy, there was an increased demand for the Minnesota Home Ownership Center's homebuyer education program. In 2008, 5,551 families prepared to enter homeownership by taking part in Home Stretch, the Center's pre-purchase education and counseling program. This is an 11% increase over the previous year - a particularly positive outcome given the economic conditions and uncertainty in the housing market.



Meeting the needs of the next generation of homeowners

Over the past year, the Minnesota Home Ownership Center focused its efforts on how to meet the changing needs of the next generation of homeowners. The Minnesota Home Ownership Center began a multi-year effort to enhance its pre-purchase service offerings and delivery mechanisms, with an emphasis on providing access and support to meet the needs of a more diverse homeowner population.

One of the key messages from the Minnesota Home Ownership Center's 2008 strategic planning process is that homeownership education services will be essential in the coming years. As part of its strategic plan, the Center began a multi-year effort to enhance its pre-purchase service offerings and delivery mechanisms. This effort includes greater attention to changing consumer demands and trends, strengthened partner and provider relationships and the development and mobilization of culturally specific services and programs for emerging market consumers.

In the coming years, the Center will offer an expanded menu of services that reach homebuyers early and continues after they buy a home.



Highlights for 2008

Updated Home Stretch curriculum

The Center completed an extensive revamping of the Home Stretch curriculum in 2008. The updated curriculum, which offers a new manual, interactive teaching tools and a CD-Rom, was designed with the next generation of homeowners in mind. Home Stretch providers commend the new curriculum and its improvement of the overall quality of Home Stretch workshops.

Provider agencies focus on reaching emerging market groups

The Minnesota Home Ownership Center service area embarked on its plan to increase access to services to cultural groups that currently experience many barriers to homeownership. The Center enhanced its focus on serving emerging market groups by expanding its provider network. The Center added *Model Cities*, a Saint Paul-based organization that works primarily with underserved populations, to its network. The Center also supported the expansion of an existing provider, *African Development Center*, into Greater Minnesota to increase access to homebuyer services to reach African cultural groups.

Working collaboratively with these organizations, the Center will ensure that a culturally-based homebuyer education program and trusted advisor network is put in place to meet the home buying information needs of Africans and African Americans living in Minnesota. Through these efforts, the Minnesota Home Ownership Center is ultimately working to increase the homeownership rate within these emerging market communities.



“Opportunity Knocking” marketing campaign

The Center collaborated with Bremer Bank to pilot a marketing campaign to promote homeownership and homebuyer education. Using a comprehensive media and outreach plan that included mainstream and non-traditional media, the campaign culminated in a series of three informational workshops across the Twin Cities. This pilot accomplished several goals; including demonstrating the workshop model is an effective tool for engaging and informing potential buyers. One-half of the households that attended the workshop events went on to attend homebuyer education or receive services from a homeownership counselor.



Model Cities: Filling a gap in services for St. Paul's emerging markets

In 2008, Model Cities became a Home Stretch provider – filling an important gap in homebuyer education for emerging market groups in St. Paul. The addition of Home Stretch workshops for emerging markets was a logical fit for Model Cities. Beginning with a grassroots effort to increase access to health care for low-income St. Paul residents, the organization has a history of meeting neighborhood needs by filling service gaps for underserved communities.

One of its more recent efforts is to close the homeownership gap for St. Paul's emerging market groups. In 2006, the organization collaborated with Aurora St. Anthony Neighborhood Development Corporation to form MCASA, LLC, a program designed to create affordable homeownership opportunities for low-income families, with a focus on emerging markets. The program, which creates ownership opportunities by building and rehabilitating housing, emphasizes the importance of homeownership support services. All homebuyers are required to participate in Home Stretch.

Brenda Bailey, Model Cities' Director of Finance and Real Estate Development, says it was not always easy for MCASA homebuyers to access Home Stretch. "Our clients often had to travel to other communities to take the Home Stretch workshop. Many do not have their own car, so they had to rely on the bus. We recognized there was a need for Home Stretch in our area," says Bailey. Last year, Model Cities received funding from the Home Ownership Education, Counseling and Training Fund (HECAT) to become a Home Stretch provider. Bailey adds, "Though our workshops are open to anyone, it is great to know that members of our community have access to Home Stretch in their own neighborhood."



The Minnesota Home Ownership Center leads a statewide network of more than 50 community-based public, private and non-profit providers offering education and counseling services for homebuyers and homeowners.

Our Provider Network in 2008:

ACORN Housing
African Development Center
American Dream Services
Anoka County Community Action Program
Arrowhead Economic Opportunity Agency
Austin Housing & Redevelopment Authority
Bi-County Community Action Program
Carver County Community Development Agency
CCCS of the Village Family Service Center
Central Minnesota Housing Partnership
Children's Home Society and Family Services
City of Mankato Economic Development Agency
City of Owatonna
City of St. Paul Planning & Economic Development
Community Action Duluth
Community Action Partnership of Suburban Hennepin
Community Neighborhood Housing Services
Dakota County Community Development Agency
Family Life Credit Services
Headwaters Regional Development Commission
Heartland Community Action Agency
Hispanic Chamber of Commerce of Minnesota
Hmong American Mutual Assistance Association
Inter-County Community Council
KOOTASCA Community Action
LSS Financial Counseling
Minnesota Valley Action Council
Model Cities, Inc.
Neighborhood Development Alliance



Neighborhood Housing Services of Duluth
Neighborhood Housing Services of Minneapolis
Northwest Community Action
Ottertail-Wadena Community Action Council
Partners for Affordable Housing
PRG, Inc.
Reverse Mortgage Counselors, Inc.
Rochester-Olmsted Community Housing Partnership
St. Paul Urban League
Southwest Minnesota Housing Partnership
Strickland Associates
Tri-Valley Opportunity Council
Twin Cities Habitat for Humanity
University of Minnesota Extension Service, Blue Earth County
University of Minnesota Extension Service, Dodge County
University of Minnesota Extension Service, Grant County
University of Minnesota Extension Service, Pennington County
Washington County Housing and Redevelopment Authority
West Central Minnesota Communities Action
White Earth Investment Initiative
Wright County Community Action
YES Consulting

The Minnesota Home Ownership Center was created in 1993 by a collaboration of organizations concerned about making homeownership affordable and sustainable for an extended range of Minnesotans. The diversity of this collaboration - housing non-profit organizations, Realtors, mortgage finance agencies, local governments and other interests - is still represented in the diversity of the Center's board.

Board of Directors

President - Michael Haley, *Minnesota Housing*

Vice President - Vicky Shipley, *U.S. Bank*

Treasurer - David Boyce*, *Stonebridge Bank*

- David Lindstrom, *M & I Bank*

Secretary - David Eide, *Western National Mutual Insurance Company*

Members:

Douglas Altrichter*, *USDA Rural Development*

Eduardo Barrera, *Minnesota Housing*

Jerry Boardman, *Fannie Mae Minnesota Business Center*

Stacey Bostwick, *PRG, Inc. (Representing the Center's Advisory Council)*

Marilyn Bruin, *University of Minnesota Extension Service*

Joe Collins, *City of St. Paul Planning and Economic Development*

Jim Erchul, *Dayton's Bluff Neighborhood Housing Services*

Muffie Gabler, *Wells Fargo Bank*

Karen Gajeski, *Bremer Bank*

Chris Galler, *Minnesota Association of Realtors®*

Repa Mekha, *Nexus Community Partners*

Robin Peterson, *Coldwell Banker Burnet*

Elfric Porte, *City of Minneapolis Community Planning and Economic Development*

Jim Roth, *Metropolitan Consortium of Community Developers*

Bill Sarvela, *TCF National Bank Minnesota*

Susan Strasser*, *Wells Fargo Bank*

Todd Sipe, *Thrivent Financial Bank*

Joan Trahan, *USDA Rural Development*

Stephanie Omersa Vergin, *Greater Minnesota Housing Fund*

Lowell Yost, *Family Housing Fund*

Pam Zagaria*, *Family Housing Fund*



Center Staff

Karen Duggleby, *Research Director*

Julie Gugin, *Executive Director*

Bobbie Hoff, *Administrative Assistant*

Theresa Howard, *Intern*

Ed Nelson, *Marketing & Communications Manager*

Dana Snell, *Program Director*

Brooke Walker, *Program Director*

Debbie Wuerffel, *Program Manager*

* Board term ended mid-year 2008



Funders

The Minnesota Home Ownership Center is funded through the generous contributions of the following organizations:



\$100,000 and above

City of Minneapolis Community Planning and Economic Development
Greater Minnesota Housing Fund
Hennepin County Housing, Community Works, and Transit
The McKnight Foundation
Minnesota Housing

\$50,000 to \$99,000

City of St. Paul Planning and Economic Development
Jay and Rose Phillips Foundation
Housing Partnership Network
Thrivent Financial for Lutherans Foundation
U.S. Bancorp Foundation
USDA Rural Development
Wells Fargo Foundation Minnesota

\$10,000 to \$49,000

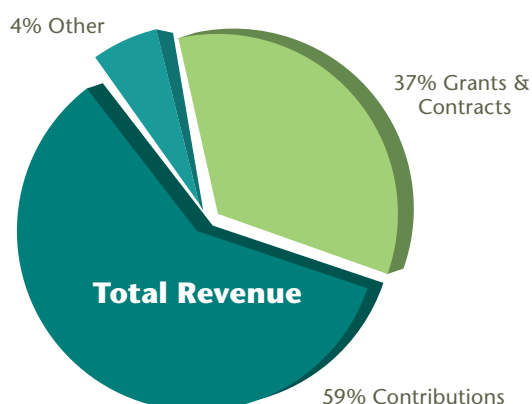
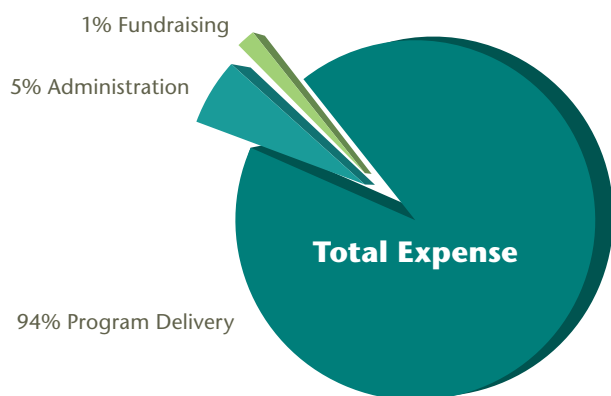
Coldwell Banker Burnet
Family Housing Fund
F.R. Bigelow Foundation
M&I Foundation
Marquette Financial Companies
Minneapolis Foundation
National Association of Realtors®
Otto Bremer Foundation
St. Paul Foundation
TCF Foundation
Travelers Foundation
Wells Fargo Housing Foundation *on behalf of Wells Fargo Home Mortgage*
Western National Mutual Insurance Company

Up to \$9,999

Bremer Bank
Citi Foundation
Frank Consulting
Freddie Mac
Mortgage Guaranty Insurance Corporation
TCF Bank
Thrivent Financial Bank
U.S. Bank
Valspar Foundation
Wells Fargo Bank, Community Development and Specialized Lending

Financials

Minnesota Home Ownership Center



Statement of Activities

For the year ended December 31, 2008

Support and Revenue

Contributions	\$1,965,043
Grants and contracts	1,217,995
Loan repayments	—
Sales of workshop manuals	28,750
In-kind contribution	59,428
Interest	23,295
Other	30,880
Total support & revenue	\$3,325,391

Expenses

Program services	\$2,811,193
Management and general	158,232
Fundraising	27,785
Total expenses	\$2,997,210

Change in net assets	\$328,181
Net assets – beg. of year	\$1,194,416
Net assets – end of year	\$1,522,597

Financial Position

For the year ended December 31, 2008

Assets

Current assets:

Cash and cash equivalents	\$1,560,441
Accounts receivable	268,973
Contributions receivable - current	112,500
Prepaid expenses	2,355
Inventory	7,830
Total current assets	\$1,952,099

Property and equipment - net	43,226
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Non current assets:

Contributions receivable - non current	23,750
Total assets	\$2,019,075

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$188,328
Due to HECAT	250,000
Accrued expenses	27,999
Fiscal agent liability	14,665
Capital lease - short term	3,039
Total current liabilities	\$484,031

Non current liabilities:

Capital lease - long term	12,447
Total liabilities	\$496,478

Net assets:

Unrestricted:	
Undesignated	578,123
Board designated:	
Mortgage foreclosure prevention loan pool	167,683
Reserves	122,974
Total board designated	290,657
Total unrestricted	868,780
Temporarily restricted	653,817
Total net assets	\$1,522,597
Total liabilities and net assets	\$2,019,075



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