Acknowledgements

The Minnesota Homeownership Center is profoundly grateful for the dedicated professionals working within its Homeownership Advisors Network. The many positive results identified in this report would not have been possible without their hard work, patience, and passion for serving families looking to purchase a home.
# Table of Contents

Report Summary .................................................. 4  

1. Introduction & Background .................................. 5  

2. Homebuyer Education – *Home Stretch* ................. 8  
   Graduates by County Map, 2011-2012 ....................... 9  
   Participant Characteristics Profile .......................... 12  

3. Homebuyer Counseling ..................................... 13  
   Graduates by County Map, 2011-2012 ....................... 14  
   Participant Characteristics Profile .......................... 16  

4. Homebuyer Education Satisfaction Survey ............... 17  
   Post Workshop Survey Summary ............................ 18  
   Three-Month Follow-up Workshop Survey Summary .... 20  

Appendix A – *List of Providers by Locale/Region* .......... 21  

The content of this report is © 2013, Minnesota Home Ownership Center. Reproduction of part or all its contents in any form is prohibited without the written consent of the Minnesota Home Ownership Center.
This report provides a summary of findings of the Home Stretch Homebuyer Education workshops and Homebuyer Counseling program supported by the Minnesota Homeownership Center during the program year, October 1, 2011 through September 30, 2012. The Homeownership Advisors Network, comprised of 37 agencies, delivers local education and counseling services to individuals and families throughout Minnesota.

### Key Findings

**Home Stretch - Homebuyer Education**

- **5,981** households served
  - 3% increase over prior year
- **495** workshops held
- **Since 2003**
  - 49,682 Home Stretch grads
  - 4,500 workshops held

- **96%** felt they learned what they expected or more
- **95%** would recommend Home Stretch to someone else

- **$32,400** is the median annual income
  - 80% AMI or below
- **4 in 5** graduates have low income
  - 44% known to purchase
  - 44%
- **1 in 3** graduates are households of color
Homebuyer Counseling

2,125 households served
4% increase over prior year

Since 2003
15,829 households served

97% of survey respondents were satisfied with counseling

Nearly 9 in 10 participants have low income (87%)
80% AMI or below

3 in 10 interested in types of mortgage loans available

$31,344 is the median annual income

2 in 10 would like to create a spending plan/learn how much they can afford

44% of participants are households of color

“The overall program was perfect. I never purchased a house before, so it was overwhelming. The program gave me insight and took the fear out of the unknown.”

—Home Stretch Participant

Homebuyer Education & Counseling Program Report Summary
Introduction & Background

The Center

The Minnesota Homeownership Center (the Center) brings two decades of experience in supporting the delivery of homebuyer education and counseling services in Minnesota. Whether they are homeowners experiencing financial trouble or would-be first-time homebuyers apprehensive about taking the next step – the Center is working to reach people early. For first-time homebuyers, a solid base of pre-purchase counseling and education will help ensure that they are able not only to buy, but also to keep, their homes.

The slow economy and reluctance by many to enter into homeownership has put pressure on the rental market in Minnesota, making it increasingly difficult for low- and moderate-income households to access rental housing. Vacancy rates in the Twin Cities, at 2.3%, are at a 10-year low, and average rents are reaching record high levels. For the first time in over a decade, homeownership is both within reach and potentially less costly than rental housing - one positive aspect to emerge from the housing crisis. These lower housing prices combined with sustained low interest rates have put affordable homeownership within reach of many families. The median sales price of homes in the state dropped from a high of about $230,000 in 2006 to $170,000 this year. Added to this are an abundance of entry cost assistance programs designed to help low- and moderate-income homeowners achieve sustainable homeownership, creating opportunities for buyers who were previously priced out of the homeownership market.

In response, the Center continues to lead homebuyer services programming in Minnesota. The Center provides technical assistance, capacity building, programs, alliances, and leadership in the implementation of Home Stretch, the Homeownership Center’s pre-purchase counseling and education program. The Center’s leadership of its Network agencies ensures that consumers and industry stakeholders alike are guaranteed a high quality, reliable delivery of homebuyer services.

Mission - The Minnesota Homeownership Center’s mission is to promote and advance successful homeownership in Minnesota, with a focus on serving the needs of low- and moderate-income families and emerging markets. At the core of this mission is the belief that lower income households 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.

History - The Minnesota Homeownership Center is a nonprofit organization dedicated to helping low- and moderate-income Minnesotans purchase and maintain their homes. The Center, founded in 1993 by mortgage industry stakeholders concerned with affordable, sustainable homeownership, has grown to become a statewide organization with a strong record of accomplishment in supporting primarily economically disadvantaged and underserved households to access and sustain homeownership.

Homeownership Advisors Network - The Minnesota Homeownership Center provides support and leadership of the Homeownership Advisors Network, a member-based network of organizations committed to providing high-quality, professional services.
to homebuyers and homeowners in Minnesota. The Homeownership Advisors Network is comprised of more than 50 community-based non-profit, government, tribal and for-profit organizations that deliver homebuyer education and counseling, post purchase education and counseling, reverse mortgage counseling and foreclosure counseling. Agencies in the network are dedicated to providing high-quality, effective services to consumers with the ultimate goal of empowering Minnesotans to be successful homeowners.

**Homebuyer Education**

*Home Stretch* is the Center’s proprietary homebuyer counseling and education program. Homebuyer education provides general information to prepare potential homebuyers in a group setting for the responsibilities of homeownership. *Home Stretch* workshops are a minimum of 8 hours and cover the following topics;

- How to prepare financially for homeownership
- How credit affects becoming a homeowner
- Understanding mortgage programs and processes
- Shopping for a home
- The importance of having a home inspection
- The closing process
- Home maintenance responsibilities
- Predatory lending practices and avoiding foreclosure

Attending the workshop is a pre-requisite for many first-time homebuyer affordable loan products offered by Minnesota lenders. *Home Stretch* may also open doors to down payment and closing cost assistance offered by many communities throughout Minnesota.

**Homebuyer Counseling**

*Home Stretch* Homebuyer Counseling services are one-on-one services tailored to participants. Homeownership Advisors assist participants in creating an action plan to help them achieve their goal of homeownership. Advisors are available to meet in-person or by telephone. Services include:

- An assessment of the housing need (look at income, debt, credit, savings)
- Development of an action plan with short and long-term goals for helping achieve mortgage readiness and homeownership
- Discussing affordable mortgage, down payment and closing cost programs
- Preparing for closing
- Referrals to community resources

**Data Collection**

Throughout the program year participant data is collected by network members. Participants are asked to complete a standard intake form that includes basic demographic and financial questions. In addition, participants complete a satisfaction survey at the end of the homebuyer education workshop describing their experience with the program. The Center sends a three month follow-up survey to homebuyer education participants via email asking for feedback on the program and information on their home purchase.

Network member agencies enter the participant data into a web-based case management system called *CounselorMax™*. The Center has a view-only access to this data and uses the data to prepare this report, review trends, and suggest program improvements.
Homebuyer Education – Home Stretch

Since the Center began reporting Home Stretch results in 2003, there have been 49,682 Home Stretch graduates and 4,500 workshops held.

Workshop Summary

Home Stretch is the Center’s proprietary homebuyer education program. Home Stretch provides information designed to prepare potential homebuyers for the responsibilities of homeownership. The program is provided in a group setting over 8 hours.

Since the Center began reporting Home Stretch results in 2003, there have been 49,682 Home Stretch graduates and 4,500 workshops held. In 2011-12, 5,981 households completed Home Stretch, a 3% increase over the prior year. Across Minnesota, 495 workshops were held during the year. The most significant change in graduates occurred in the Twin Cities metro area, an increase of 16% in the number of graduates. The Minnesota Association of REALTORS® (MAR) reported statewide closings are up 9.1% from 2011. The largest increase in closings is seen in the metro area, 18.3%. Increases in closings are a positive indication of a strong housing market. However, Greater Minnesota Home Stretch graduates decreased by 17% from the prior year. According to MAR, Minnesota regions with higher levels of vacation homes are still waiting for a stronger recovery.
Homebuyer Education – *Home Stretch*
Graduates by County, 2011-2012

**Figure 3** Homebuyer Education – *Home Stretch* Graduates by Region, 2011-12

<table>
<thead>
<tr>
<th>Region</th>
<th>Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metro (7-County)</td>
<td>4,014</td>
</tr>
<tr>
<td>Northwest</td>
<td>149</td>
</tr>
<tr>
<td>Northeast</td>
<td>398</td>
</tr>
<tr>
<td>Central</td>
<td>373</td>
</tr>
<tr>
<td>West Central*</td>
<td>363</td>
</tr>
<tr>
<td>Southwest</td>
<td>173</td>
</tr>
<tr>
<td>Southeast</td>
<td>415</td>
</tr>
<tr>
<td>Outside MN</td>
<td>96</td>
</tr>
</tbody>
</table>

*Total includes North Dakota county of Cass.

**Number of Participants**

- 0-25
- 26-100
- 101-500
- 501-1,000
- 1,000+

2. Homebuyer Education & Counseling Program Report
Reaching Emerging Markets Homeowners

Minnesotans have always led the way in homeownership. Seventy-two percent of all Minnesotans own their own home, which ranks us near the top in the nation. Minnesota also has one of the largest disparities in homeownership rates between white households and households of color. The Center and members of the Homeownership Advisors network work together to support and increase homeownership opportunities for emerging and underserved markets. In 2011-12, 13% of the workshops held were targeted towards emerging markets. *Home Stretch* workshops are available in Hmong, Somali, and Spanish. Pathways Home, a Native American tailored curriculum is also used in combination with *Home Stretch*. If needed, interpreter services are available to participants.

<table>
<thead>
<tr>
<th></th>
<th>08-09</th>
<th>09-10</th>
<th>10-11</th>
<th>11-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hmong</td>
<td>4</td>
<td>10</td>
<td>13</td>
<td>16</td>
</tr>
<tr>
<td>Spanish</td>
<td>23</td>
<td>29</td>
<td>22</td>
<td>19</td>
</tr>
<tr>
<td>Native American</td>
<td>4</td>
<td>5</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>African Community</td>
<td>n/a</td>
<td>33</td>
<td>33</td>
<td>20</td>
</tr>
<tr>
<td>** Totals</td>
<td>31</td>
<td>44</td>
<td>81</td>
<td>65</td>
</tr>
</tbody>
</table>

Referral Source

For homebuyer education the leading referral source is the bank/lender (42%). This is likely because many loan programs require borrowers to attend a *Home Stretch* workshop. *Home Stretch* also opens doors to down payment and closing cost assistance offered by many communities throughout Minnesota.

<table>
<thead>
<tr>
<th>Referral Source</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank/Lender</td>
<td>42%</td>
</tr>
<tr>
<td>Word of Mouth</td>
<td>14%</td>
</tr>
<tr>
<td>Web</td>
<td>14%</td>
</tr>
<tr>
<td>Provider</td>
<td>13%</td>
</tr>
<tr>
<td>Realtor</td>
<td>9%</td>
</tr>
<tr>
<td>Former Participant</td>
<td>3%</td>
</tr>
<tr>
<td>Print Media</td>
<td>3%</td>
</tr>
</tbody>
</table>
Participant Income

The Area Median Income (AMI) is based on HUD estimates of median family income, with adjustments for family size and county of residence. Low-income families are defined as families with incomes that do not exceed 80% of area median income. Very low-income families are defined as those with incomes that do not exceed 50% of area median income.

The majority (81%) of education participants had low-incomes. Nearly half (47%) of those served had incomes in the very low-income range. According to the 2011 American Community Survey, the median household income for Minnesotans is $56,954. The median annual income for education participants was $32,400.

<table>
<thead>
<tr>
<th>Percent AMI</th>
<th>2010-11</th>
<th>2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-50%</td>
<td>46%</td>
<td>47%</td>
</tr>
<tr>
<td>51-60%</td>
<td>15%</td>
<td>16%</td>
</tr>
<tr>
<td>61-80%</td>
<td>20%</td>
<td>18%</td>
</tr>
<tr>
<td>81-100%</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>100%+</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Missing Income</td>
<td>6%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Home Purchases

Home purchase information is collected during the workshop and through follow-up processes conducted after counseling services have ended. During the year there were 7,011 unique households that participated in education and counseling. Of those, 37% were known to have purchased a home. We believe the actual number of those known to purchase is higher than what is reported with over 60% required to attend the workshop. Workshop requirements are generally a part of a loan requirement. Also, many households are still receiving counseling and their outcomes are unknown at this time.

- 2,607 (37%) known homes purchased
- 3.87 average interest rate
- $119,000 median purchase price

“I really enjoyed the whole workshop. Having already owned a home and having to let it go, I realized our past mistakes and will have the knowledge for the future home buying process.”

—Home Stretch Participant
**Home Stretch Participant Characteristics Profile**

- **4 in 5** are 1st Time Homebuyer
- **1 in 5** are 1st Generation Homebuyer

**Median Age**
- Nearly half of participants were between the ages of 25-39

**Median Annual Income**
- $32,400

- **17%** Single parent families
- **59%** Single
- **29%** Married

- **86%** High school graduate or higher degree
- **54%** Female
- **46%** Male

- **33%** Participants of Color

**Race**
- American Indian (1%)
- Asian (8%)
- Black (14%)
- Hispanic (5%)
- Multiple Race (2%)
- White (68%)
- Unknown (1%)
Homebuyer Counseling

In 2011-12, the network saw a 4% increase in the total number of households receiving homebuyer counseling services from the previous year (2,125).

Counseling Summary

Homebuyer counseling is confidential, one-on-one assistance to discuss a participant’s current financial situation, review a budget and credit use and develop the best possible strategy to achieve homeownership. In 2011-12, the network saw a 4% increase in the total number of households receiving homebuyer counseling services from the previous year (2,125).

Figure 7 Homebuyer Counseling Participants by Year
Homebuyer Counseling
Participants by County, 2011-2012

Figure 8 Homebuyer Counseling
Graduates by Region*, 2011-12

<table>
<thead>
<tr>
<th>Region</th>
<th>Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metro (7-County)</td>
<td>1,033</td>
</tr>
<tr>
<td>Northwest</td>
<td>89</td>
</tr>
<tr>
<td>Northeast</td>
<td>392</td>
</tr>
<tr>
<td>Central</td>
<td>34</td>
</tr>
<tr>
<td>West Central</td>
<td>289</td>
</tr>
<tr>
<td>Southwest</td>
<td>97</td>
</tr>
<tr>
<td>Southeast</td>
<td>172</td>
</tr>
<tr>
<td>Outside MN</td>
<td>19</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,125</strong></td>
</tr>
</tbody>
</table>

*Northwest totals include participants from Grand Forks County, ND. Northeast totals include participants from Douglas County, WI. West Central totals include participants from Cass County, ND.
Participant Income

The Area Median Income (AMI) is based on HUD estimates of median family income, with adjustments for family size and county of residence. Low-income families are defined as families with incomes that do not exceed 80% of area median income. Very low-income families are defined as those with incomes that do not exceed 50% of area median income.

In 2011-12, the majority (87%) of counseling participants had low-incomes. Over half (65%) of those served had incomes in the very low-income range.

According to the 2011 American Community Survey, the median household income for Minnesotans is $56,954. The median annual income for counseling participants was $31,344.

Referral Source

The largest referral source for homebuyer counseling is the Provider/Network Member (29%). Many participants learn about the availability of counseling from the provider when they inquire about their services. The counseling program is also discussed during the homebuyer education workshop, where most participants are offered a list of available times to schedule a one-on-one session. Many counseling participants look forward to the opportunity to review their credit report and learn more about down payment and closing cost assistance programs.

Figure 9 Education Participant Referral Source

<table>
<thead>
<tr>
<th>Referral Source</th>
<th>2010-11</th>
<th>2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provider</td>
<td>29%</td>
<td>28%</td>
</tr>
<tr>
<td>Word of Mouth</td>
<td>15%</td>
<td>13%</td>
</tr>
<tr>
<td>Bank/Lender</td>
<td>13%</td>
<td></td>
</tr>
<tr>
<td>Web</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Realtor</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Participant</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Print</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>Unknown</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>Radio</td>
<td>1%</td>
<td></td>
</tr>
</tbody>
</table>
Counseling Participant Characteristics Profile

3 in 4 are 1st Time Homebuyer

1 in 5 are 1st Generation Homebuyer

33 Median Age

$31,344 Median Annual Income

24% Single parent families

53% Single

33% Married

61% High school graduate or higher degree

59% Female

41% Male

44% Participants of Color

Race

- American Indian (1%)
- Asian (6%)
- Black (22%)
- Hispanic (10%)
- Multiple Race (5%)
- White (56%)
- Unknown (<1%)
Survey Response Rates

The *Home Stretch* workshop is studied on an on-going basis to help better understand the effectiveness of the program. Two surveys are used to evaluate the workshop; a post-workshop survey and a 3 month follow-up survey.

All *Home Stretch* participants are asked to complete the post-workshop survey at the close of the workshop, but completion is voluntary. During 2011-12, 84% of all *Home Stretch* graduates completed the post-workshop survey.

### Figure 11 Post-Workshop Survey Response Rates

<table>
<thead>
<tr>
<th></th>
<th>2010-11</th>
<th>2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Home Stretch Grads</strong></td>
<td>5,796</td>
<td>5,981</td>
</tr>
<tr>
<td>Count survey responses</td>
<td>4,720</td>
<td>5,012</td>
</tr>
<tr>
<td>Percent survey responses</td>
<td>81%</td>
<td>84%</td>
</tr>
</tbody>
</table>

*The class was helpful for me in learning what to do and what not to do when purchasing a home. I am glad I learned the right steps to take when buying a home.*

—*Home Stretch* Participant
Participant Understanding Before and After Workshop

- **Preparing Finances**: Before: 46%, After: 94%
- **Credit**: Before: 61%, After: 94%
- **Comparing Loans**: Before: 30%, After: 85%
- **Purchase Agreement**: Before: 34%, After: 88%
- **Home Inspection**: Before: 30%, After: 90%
- **Preparing for Closing**: Before: 57%, After: 90%
- **Home Maintenance**: Before: 30%, After: 91%

**Participant Satisfaction**: 95% would recommend *Home Stretch* to someone else.

**Length of the workshop**
- The right length (76%)
- Too long (20%)
- Too short (2%), No response (2%)

**Attendance**
- Voluntary: 39%, Required: 61%

**Travel/Location**
- 66% traveled 15 miles or less to attend the workshop
- 41% chose location best for their schedule
- 27% chose location closest to home

- **Participant Understanding**
  - 96% learned at least the amount they expected
  - 91% “very knowledgeable” about the home buying post workshop
  - 95% “workshop will help” when buying a home
Survey Response Rate

During 2011, the Center launched the web-based version of the three month follow-up survey. In the past, the 3-month survey was completed by phone. The web-based version is sent to all Home Stretch graduates who provided an email address at intake. The survey is voluntary but does include an incentive to participate. Respondents are entered into a monthly drawing for a $25 gift certificate.

During 2011-12, 3,973 emails were sent, 3,482 delivered, and 1,131 responses received. This is a 200% increase in responses from the prior year’s telephone survey (390).

**Figure 12 Three Month Survey Response Rate**

<table>
<thead>
<tr>
<th></th>
<th>2010-11</th>
<th>2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home Stretch Grads</td>
<td>5,796</td>
<td>5,981</td>
</tr>
<tr>
<td>Count survey responses</td>
<td>390</td>
<td>1,131</td>
</tr>
<tr>
<td>Percent survey responses</td>
<td>7%</td>
<td>19%</td>
</tr>
</tbody>
</table>

_The entire process of buying a home was very unclear prior to attending the Home Stretch workshop. Both presenters made this large, daunting thing far more accessible. The detailed explanation of the different steps was the most helpful part, particularly the section on closing._

—Home Stretch Participant
Three-Month Follow-up Workshop Survey Summary

Homeownership Counseling/Advisor Experience

- 58% said they heard about homeownership counseling at the workshop
- 26% met with a Homeownership Advisor
- 97% reporting being satisfied with the services received by the Homeownership Advisor

Participant understanding, 3 months after the workshop

From Excellent to Poor, please rate your understanding of each topic:

- How to prepare financially for homeownership
- How your credit history affects becoming a homeowner
- How to compare mortgage loans
- The purchase agreement
- The importance of having a home inspection
- How to prepare for closing
- Home maintenance responsibilities

Of those who purchased,

- 62% purchased with an FHA loan
- 65% used down payment assistance with their purchase
- 97% had a fixed rate mortgage

$122,000 was the median purchase price

Participant Home Purchase

- 58% purchased a home after completing the course

4. Homebuyer Education & Counseling Program Report 20
Appendix A – *List of Providers*

**Homeownership Advisors Network**
**Homebuyer Counseling & Education Providers**
2011-12

- African Development Center
- African Economic Development Solutions
- African Families Development Network
- Anoka County Community Action Program
- American Indian Community Development Agency
- Arrowhead Economic Opportunity Agency
- Carver County Community Development Agency
- Central Minnesota Housing Partnership
- Community Action Duluth
- Community Neighborhood Housing Partnership
- Community Action Partnership of Suburban Hennepin
- Dakota County Community Development Agency
- Family Life Credit Services
- First Homes Network
- Headwaters Regional Development Commission
- Hmong American Partnership
- Kootasca Community Action Inc
- Mankato Economic Development Agency
- Midwest Minnesota Community Development Corporation
- Model Cities
- Neighborhood Development Alliance
- Minneapolis Neighborhood Housing Services
- Northwest Community Action
- One Roof Community Housing
- PRG, Inc.
- Rochester/Olmstead Community Housing Partnership
- RW Media
- Southwest Minnesota Housing Partnership
- Strickland and Associates
- Three Rivers Community Action Inc
- The Village Family Service Center
- Washington County Housing and Redevelopment Authority
- West Central Minnesota Communities Action
- Wright County Community Action Agency