


Date: February 15, 2023

To: Chair Michael Howard, House Housing Finance and Policy
Representative Brian Johnson, Republican Lead, Housing Finance and Policy

Chair Lindsey Port, Senate Housing and Homelessness Prevention
Senator Eric Lucero, Ranking Minority Member, Housing and Homelessness Prevention

From: Jennifer Leimaile Ho, Commissioner, Minnesota Housing Finance Agency 

Subject: FY 2022 Annual Report on Homeownership Education, Counseling and Training Program

Minnesota Housing administers the Homeownership Education, Counseling and Training (HECAT) Program that is funded with state appropriations and partner resources. As required under Minnesota Statute 462A.209, Subdivision 8, this report provides an update on the program.

Overview

The HECAT program received its first legislature appropriation in 1995 to support eligible nonprofits and governmental entities who provide full-cycle homeownership services to eligible home buyers and homeowners through all phases of home purchasing and homeownership sustainability.

For FY 2022, the Legislature appropriated \$857,000 for the HECAT Program. A total of four funding partners, Greater Minnesota Housing Fund, Family Housing Fund, Minnesota Homeownership Center, and Minnesota Housing, (the Funding Partners) pooled additional resources together, committing a total of \$1.531 million for statewide HECAT Program services with a goal to serve an estimated 7,511 households.

Program Priorities

The HECAT Funding Partners strived for an equitable geographic distribution of funds, as well as to ensure to the best of their ability that services are provided on a statewide basis.

Funding Partners gave priority in awarding HECAT funds to applications that demonstrate intent and ability to serve underserved populations, as defined by the Funding Partners as:

- Low- to moderate-income households (<80% State or Area Median Income)
- Individuals and/or households of color
- Single heads of households with minor children

Program Services

HECAT Grantees offered the following services in 12 languages, not including English, statewide:

Homebuyer Services, which consist of:

- *Homebuyer Education.* In-person or virtual group homebuyer education (workshops/clubs) utilizing an approved curriculum to teach the steps of the home buying process and prepare consumers for successful home ownership. Workshops are typically eight hours and delivered in single- or multi-day sessions. Clubs are typically 12 or more hours delivered over the course of several months.
- *1:1 Homebuyer Services.* This includes Financial Wellness and Homebuyer Counseling. Both types of 1:1 Homebuyer Advising Services are provided to clients with a goal of homeownership to assess mortgage readiness, determine affordability, provide home buying information and referrals, and develop customized action plans. Financial Wellness is designed for anyone considering buying a home as a primary residence who has significant barriers to mortgage readiness (long-term). Homebuyer Counseling is designed for those who have few or no barriers to mortgage readiness (short-term).

Home Equity Conversion Mortgage Counseling, which consists of:

- Tailored one-on-one counseling to help consumers make informed decisions regarding Home Equity Conversion Mortgage and Reverse Mortgage programs.

Foreclosure Prevention Counseling, which consists of:

- Providing information to homeowners regarding the foreclosure process, prevention options and referral services.
- Triage, assessment, and development of action plans with homeowners, and communication with lenders/servicers regarding workout options.

Fiscal Year 2022 Grantees

The application proposal review and selection process included the review of each applicant and verifying their good standing with the Minnesota Secretary of State and affidavit stating the organization has met all applicable requirements under Chapter 289A. This process resulted in a total of thirty-three applicants, of who thirty-two applicants were recommended for funding. Of the thirty-three, thirty applicants returned from the previous program year and three applicants were new or were funded in previous years.

See the following charts for additional HECAT information:

Chart A: Geographical area, Grantees, Grantee Staffs, and Award and Award Received

Geographical Area	# of Grantees	% of Grantees	# of Staffs	% of Staff	Total Award
Greater Minnesota	13	41%	21	30%	\$ 627,951
Statewide	4	12%	10	14%	\$ 183,790
7 – County Metro	15	47%	40	56%	\$ 719,845
Total	32	100%	71	100%	\$ 1,531,586

Quantifiable Measures of Program Success

In FY 2022, a total of 6,494 households were served statewide which represented 86% of the household served goal. HECAT Grantees diligently worked on the implementation of their programs while working through several challenges including the continuing pandemic, the housing market conditions, and an increase in mortgage interest rates.

Chart B: Quarterly Households Served by HECAT Service Type

HECAT FY2022	Q1	Q2	Q3	Q4	TOTAL	GOAL	% OF GOAL
Homebuyer Education	479	683	749	713	2,624	3,317	79%
1:1 Financial Wellness	215	219	211	220	865	1,341	65%
1:1 Homebuyer Counseling	297	385	296	319	1,297	1,424	91%
Foreclosure Counseling	269	398	321	216	1,204	974	124%
Reverse Mortgage Counseling	123	146	129	106	504	455	111%
TOTAL	1,383	1,831	1,706	1,574	6,494	7,511	86%

Some notable trends in Chart B during FY 2021 include the following:

- Foreclosure Counseling service goals were exceeded, an indication of the instability of the economy in the state and the difficulty homeowners face in making their mortgage payments.
- Homebuyer Education, 1:1 Homebuyer Counseling and 1:1 Financial Wellness goals were not achieved, which is indicative of the impact the housing market conditions, and increased mortgage interest rates are having on participants ability to purchase a home.

The charts below provide an overview of HECAT Program participants.

Chart C: Service Types by Geographical Area

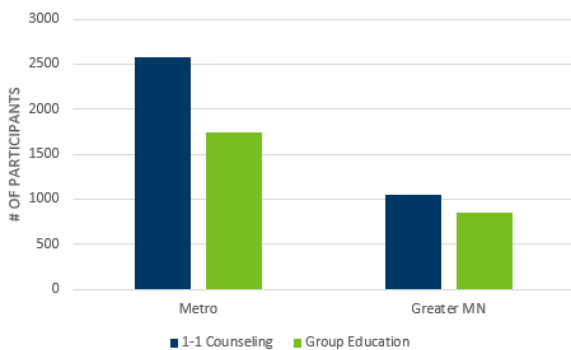


Chart D: Services by Geographical Area



Chart E: Gender and Services by Geographical Area

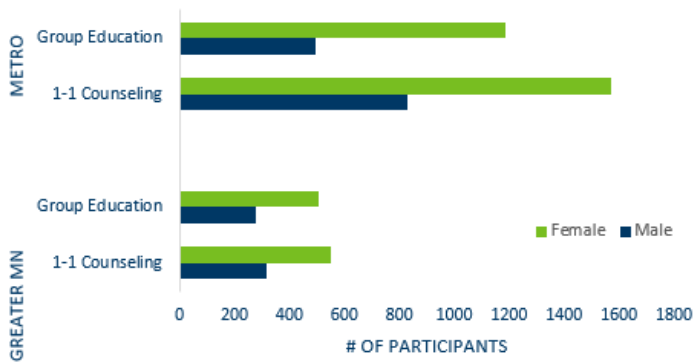


Chart F: Age by Services

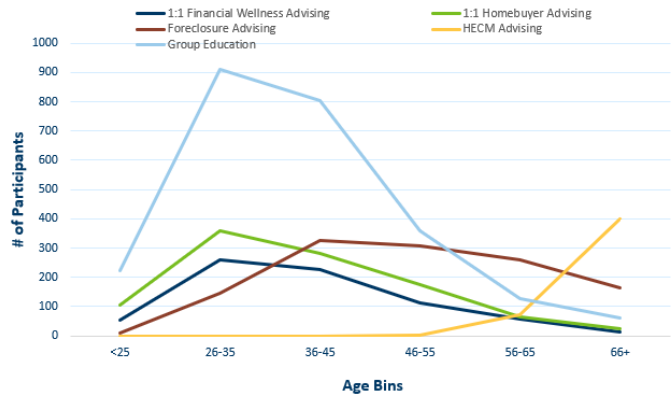


Chart G: Income by Services

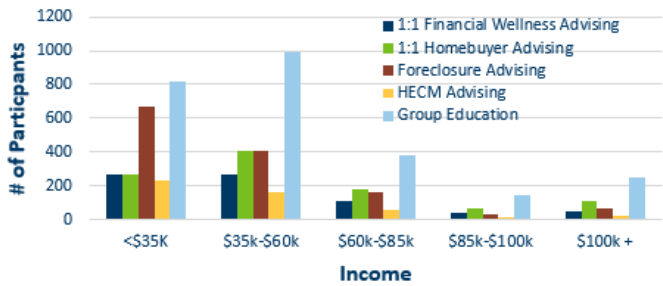
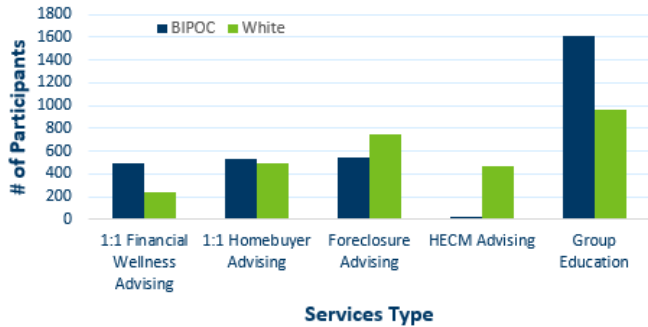


Chart H: Race by Services



Further information on the households served by the HECAT Program can be found in the [Minnesota Homeownership Center Community Impact Report 2021](#).

Program Cost

The chart below provides an overview of the program cost for FY 2022. The HECAT appropriation and funding partner resources represent approximately 54% of the Grantees' total program budget. Grantees' other sources of funds include federal, other local government, foundations, financial institutes, in-kind, tax levies and organizational income.

Chart I. Homeownership Education and Counseling Program Costs

HECAT Funds	\$1,531,586
Leveraged Funds	\$1,293,558
Total Revenues	\$2,825,144
<u>Program Costs</u>	
Salary and Benefits	\$2,219,454
Non-Salary Expenses	\$605,690
Total Expenses	\$2,825,144