

Freddie Mac Single-Family Home Starts Here Podcast Episode Transcript:

Housing Finance Agencies: A Key Partner in Equitable Housing

Announcer [00:00:01] Welcome to the Freddie Mac Single-Family "Home Starts Here Podcast," your connection to all the latest industry trends, insights and points of view on the mortgage market from Freddie Mac leaders and other industry experts.

Mike Tsikoudakis [00:00:14] Hello and welcome to the Freddie Mac Single-Family Home Starts Here Podcast. I'm your host Mike Tsikoudakis with Freddie Mac. Today, we're here to talk about home ownership and wealth building. Specifically, we're going to identify ways to address the array of complex issues communities of color face in attaining, sustaining and building wealth through homeownership. We'll be looking at how different stakeholders within the mortgage and housing industry play a role in decreasing these barriers to homeownership. With that, I'm so pleased to be joined by Kasey Kier, Assistant Commissioner at Minnesota Housing, and Tamela Thurman, Director of Freddie Mac's Single-Family Equitable Housing Team. Thank you both for joining me.

Tamela Thurman [00:00:54] Thank you so much. Glad to be here.

Kasey Kier [00:00:56] Thanks, Mike. I'm happy to be here as well.

Mike Tsikoudakis [00:00:58] Great. Well, jumping right in the homeownership gap between white and other minority groups and in the U.S. is distressing for its pervasiveness and persistence. According to industry experts, the white-black homeownership gap is around 30 percent, which is larger than the 27 percent gap that existed in 1960 before the Fair Housing Act of 1968. As there are many forces that combine to create these disparities, Tamela, can you help us understand what is the number one barrier for homeownership in communities of color that you're seeing?

Tamela Thurman [00:01:30] Absolutely. You know, the Equitable Housing team at Freddie Mac was initially set up to address these inequities out of the 2020 social justice movement. There are a lot of issues that really came to surface, and we're really looking at intentional ways of addressing a lot of these inequities. And as we look at the homeownership gap and we look at homeownership as a key way for black families and Latino families to build wealth, it is imperative to look at these barriers. So, we've broken this down into four pillars in the equitable housing space. Looking at appraisal disparities and valuation gaps, increasing financial literacy and homeownership education throughout the country, addressing the barriers to homeownership that you're talking about, as well as looking at anything that is going to affect homeownership for black and Latino families. And as you stated, down payment assistance and looking at getting into a home, it's just the funds and the availability of money to get into a home. You know, just to give you a little bit of information, when Black families go to purchase a home, they generally put down less than 10 percent as a down payment. Latino families generally put down less than 5 percent. So, it really accentuates the fact that down payment is a major factor and a barrier to getting into a home. When we look at our first-time homebuyers, 28 percent use some combination of down payment assistance and gift from a family member or friend. So really, it is incumbent upon us in the industry to understand the impact of down payment and how we can assist these Black and Latino families in attaining it.

Mike Tsikoudakis [00:03:10] Those numbers are definitely concerning and I think it's extremely important for us in the housing industry to understand. And as a mission-based organization, Freddie Mac focuses on three key areas to provide

liquidity, stability and affordability to the mortgage market. But, as you just mentioned, our commitment to closing that homeownership gap for black and Hispanic communities, it has also created this intentional focus of how we view these areas through the lens of equity. So Tamela, can you share a little bit about the Equity in Housing Plan that you and your team have been working on? How do you intend to work across the industry to make some change?

Tamela Thurman [00:03:45] We have been given a directive by our regulator, the FHFA, to come up with a three to five year strategic plan to address and to overcome these inequities. And some of those tactics will include increasing housing supply, affordable housing supply, increasing access to credit, as well as doing that through special purpose credit programs and the development of strategic opportunities to get black and Latino families into homes. And I know that there have been some really excellent strides by Kasey Kier and her organization, the Minnesota Housing Organization, to really address this in her community. And so I'm really excited to hear about some of those tactics as well because we as an equitable housing department at Freddie Mac, we are going to partner with stakeholders across the country and across the industry to really make these connections and to make sure that they are effective at the ground level.

Mike Tsikoudakis [00:04:43] Thank you. Yeah, so HFA has played an extremely important role. Kasey turning to you, can you briefly describe your role at Minnesota Housing?

Kasey Kier [00:04:52] Sure, I just want to start out a little bit by talking about Housing Finance Agencies and what they do. Housing Finance Agencies are really mission focused financial institutions that provide housing opportunities for individuals and families that just aren't easily served by the private sector. So, this would include low- and moderate-income households, underserved populations including black, indigenous and communities of color, persons with disabilities or also certain geographies that may be underserved. In addition, Housing Finance Agencies may also deploy federal or local resources in the event of changes in market conditions such as we saw through the foreclosure crisis or the federal stimulus funds that are coming out for households that are financially impacted by COVID 19. We may also deploy resources in the event of natural disasters such as tornadoes, hurricanes or floods. I'm excited to share that from a Minnesota housing standpoint, we're celebrating our 50th anniversary this year. Our vision at the agency is that all Minnesotans live and thrive in a stable home that they can afford in a community of their choice. At Minnesota Housing, we worked to prevent and end homelessness. We financed the development of new homes. We improve existing homes for both rental and homeownership options. We support homeownership through financial wellness and homebuyer education and counseling. We also provide home mortgage programs and down payment assistance programs that are so important to our communities. And on the back end we provide support to prevent foreclosures. In 2020, we had our largest investment in housing across the state, with over 1.6 billion in total investments serving over 72,000 households all across Minnesota.

Mike Tsikoudakis [00:06:47] Wow, that is really very impressive. To get into Minnesota a little bit in particular, you know, Minnesota has the largest black-white homeownership gap in the country. Kasey, given all the recent social unrest in the state, can you discuss how ~~how~~ your organization is focused on housing equity?

Kasey Kier [00:07:04] Sure, I'm happy to do that. Minnesota has the third highest homeownership rate in the nation at almost 72 percent. But we also have one of the worst homeownership disparity gaps, with white households owning at a rate of 76.9 percent, while people of color own at a rate of only 43 percent, a disparity gap of 33 percent. And for black homeowners, they only own at a rate of 25 percent, which is the disparity gap of 51 percent and, as you mentioned, the largest in the nation. This disparity has been consistent over time. It's changed slightly, we saw some improvements before the Great Recession and ~~last~~ lost ground during the foreclosure crisis, and we're just starting to see recovery. I also think that it's important to note that intentional racist policies and practices created these disparities, and it's only through intentional efforts will we begin to close that gap. So, some of the actions that we've seen in Minnesota included discriminatory lending and appraisal practices that you mentioned earlier redlining, building highways through thriving neighborhoods of color and racial covenants and deed restrictions placed on properties that limited who could purchase homes in specific neighborhoods and communities. The University of Minnesota sponsored a project called 'Mapping Prejudice' that mapped out areas in Minneapolis where racial covenants on homes existed and it's really eye-opening. I would encourage everyone to learn more about it. You can just do a search for 'mapping prejudice' or 'Jim Crow of the



North.' The encouraging news is that through intentional efforts, I do believe we can chip away at the gap. Minnesota does continue to become more diverse, and we estimate that there's about 66,000 renter households of color that are from black, indigenous and communities of color in Minnesota that are between the ages of 25 and 44. So prime first-time homebuyer age who are potentially income ready to buy. So, there is the opportunity for significant improvement. Minnesota's been a focus throughout the nation since George Floyd was murdered in Minneapolis just about a year and a half ago. This and other events around the nation brought to the forefront the inequities that people of color face, inequities in income, health, education, housing and especially in black and brown communities. So, one of the key objectives at Minnesota Housing is to create an inclusive and equitable housing system. First, we're making lending to black, indigenous and communities of color a top priority at the agency. We also have identified a strategic goal that by 2023 40 percent of our first-time homebuyer mortgage mortgages would go to households of color. With that in mind, we are working to address systemic barriers to home ownership and develop programs that help to remove those barriers. So, for example, to address some of the savings and credit barriers, we created a homeownership capacity program. It's an intensive, multi-year one on one financial wellness coaching program for people that are further out from homeownership and just need more help than just homebuyer education and counseling. The providers that we work with are from trusted, diverse community nonprofit organizations. This program has been very successful, since the program started about 85 percent of program participants are households of color, and about 60 percent of the people that complete the program were able to buy a home within a year.

Tamela Thurman [00:11:07] That's really awesome, Kasey. It's really exciting to hear that Minnesota Housing is being very intentional about reaching out to communities of color and really trying to close the homeownership gap. You know, one of the things you mentioned about the program and that we totally agree with at Freddie Mac, especially in equitable housing space, is that expanded financial education and that hand-holding and education is going to push sustainable home ownership, and that's really the important piece - that it's sustained. We don't want to see something happen again that happened in 2008 with the housing bubble where people really didn't understand what they were getting into. So, I really applaud your efforts in educating the community. Can you tell us a little bit more about the program and how it functions?

Kasey Kier [00:11:50] Sure, we actually have two different levels of homebuyer education and counseling and financial wellness, so the first program that we have is that homeownership capacity program. So that's really for people who have a goal of homeownership, but they really have more barriers. So, they may just either have no credit or they may need some credit repair. They may be first-generation homeowners or homebuyers that just don't have the knowledge or know where to start the process. And so it could be we could be working with them for anywhere from six months to up to three years to really have them work one on one with a financial coach that will work with them to address their individual barriers and come up with a plan and budget to help them be successful in homeownership. And then the other program is our homebuyer education and counseling program, and that includes classes and one on one counseling that really help people understand and work on the mortgage lending process, as well as helping them understand the long term expenses and responsibilities of homeownership. To your point, to really get to that successful, sustainable homeownership.

Mike Tsikoudakis [00:13:18] That's great. Tamela, I had a question for you, based on what we were talking about with these special programs that may help financially to a specific segment of the population. You mentioned special credit purpose programs, can you expand on that a little bit in terms of what that means to Freddie and what we're doing about that?

Tamela Thurman [00:13:35] Sure, so we're just at the beginning of the development of programs that we think will help specific communities of color achieve the dream of homeownership. And so traditional programs have been effective, but not as effective as they need to be. As we see, the homeownership gap is still very large. So, there are many players in the market right now and many lenders who have suggested, "Hey, if we do this particular type of program in this particular geography, for this particular type of borrower, we believe that we can increase homeownership." We want to be able to entertain some of those programs and to be able to buy some of those products to expand liquidity in the market for communities of color and underserved markets. In addition to traditionally red lined communities, Kasey talked about how some of the policies in Minnesota and Minneapolis have been segregation policies that have legally allowed redlining

and the marginalization of certain communities. So anything that's going to be curative in this aspect we certainly want to explore it and see if there is something that we can do to support additional lending in these communities. So that's what we are looking to do in our three-to-five-year strategic plan.

Mike Tsikoudakis [00:14:48] That's great. That's great. And I want to switch back to you, Kasey. Anecdotally, I've heard that most loan officers say it takes about 10 to 15 minutes into an initial conversation with a borrower for that for them to know whether or not they qualify for a conventional loan or a FHA loan or Federal Housing Administration loan. Can the same be said for an HFA loan? Is the level of awareness among lenders and loan officers the same as other mortgage products from your view?

Kasey Kier [00:15:20] From my view, it really should be because we are just doing the traditional lending products and following the lending guidelines, so it shouldn't be any different. I think one of the things that I'd like to talk about is our homeownership programs at Minnesota Housing and how we've been able to serve households of color. So last year, we had our highest production year ever. We provided first mortgage financing of over a billion dollars for over 5,000 households. Almost 35 percent of those loans went to households of color, which was double what the industry was doing at just 17 percent. So as I mentioned earlier, our goal for the next year is to reach 40 percent to households of color. While we as an agency have seen some success at reaching communities of color, we are only 6 percent of the overall mortgage market in Minnesota, so that's where your question and getting to lenders and their willingness to work on housing finance agency programs, we're really doing industry standard mortgage products. We do have access to products that are specifically available to HFA's, however, they're following the industry standard mortgage guidelines, so there shouldn't be any hesitation or any arguments in not doing them. And then just along those lines, with only 6 percent of the mortgage market in Minnesota being Minnesota Housing loans in order to really make any improvements in closing the gap, we need to bring the entire industry along to do more to reduce the disparity gap. So one of the things that we're doing that I think is really unique in Minnesota is that we as an agency support and provide leadership through a coalition called the Homeownership Opportunity Alliance. It's a coalition of engaged industry professionals throughout Minnesota who are dedicated to working towards closing the gap. The ultimate goal is really to collaboratively develop partnerships, programs, resources and identify best practices to create systemic change that advance equity in Minnesota. [Pause] So we have over 150 individuals from 50 organizations that actively participate in the HOA. That includes leaders in local, state and federal government, lenders, real estate professionals and associations and philanthropic and nonprofit organizations. We've really been doing an active outreach campaign called 'Get Ready, Be Ready.' Our market, like many other markets across the country, is really experiencing a shortage of housing inventory. And with home prices continuing to creep up, it's getting a little harder for new first-time homebuyers. But the interest rates are still at historic lows, so we still think it's a great time to buy and many homes are still affordable within our market.

Tamela Thurman [00:18:43] That's awesome. One of the things that Freddie Mac is also trying to do to support the market and really open up the opportunity to work with organizations such as Minnesota Housing and other housing finance agencies is to try to standardize and work with the industry to standardize the process. We understand that sometimes, you know, we talked about loan officers being reluctant to engage, but if the process is standardized, we believe that that will make it that much more easy and conducive to the utilization of the product. So Kasey, can you talk a little bit about those efforts as well and some of your activities there?

Kasey Kier [00:19:24] Sure, and I'm glad you brought that up because I think, you know, sometimes we hear that housing finance agencies can be difficult to work with because programs and processes vary from state to state. And I do think that it is important to know that that's true and that many state housing finance agencies have different funding sources, different programs, there's also different levels of state and federal resources that are used. And most importantly, markets are different and state HFA's design programs that are based on their state and community needs. That being said, state housing finance agencies do work together through the National Council of State Housing Agencies and through this national organization, we share and develop best practices. We share information on our programs, on what's working well, what we're seeing within our own markets, and we look for ways to align where possible. So one of the examples of this is through a down payment assistance standardization project that Minnesota Housing has been involved with a number of other states along with Freddie Mac.



Tamela Thurman [00:20:39] You know, our hope for the future is that having access to these programs will become much easier and that more black or Latino families will take advantage of these programs and ~~these are~~ the down payment assistance funds that are available in the market. It's so important to get it out there because we know that the down payment can be a barrier and the education is needed. So it's really exciting that you are participating with us and helping to develop these strategies for the future.

Kasey Kier [00:21:07] Yeah, thanks. We're happy to do it and happy to be a part of the project.

Mike Tsikoudakis [00:21:11] Thank you. Tamela and Kasey for joining us today, and thank you all for joining and tuning in. Please make sure to check out our Single-Family website for links to everything that has been mentioned in this episode. We appreciate you subscribing, reading and reviewing this podcast whenever you listen. And don't forget to share with your networks. Thank you.

Tamela Thurman [00:21:32] Thank you so much. I appreciate the opportunity.

Kasey Kier [00:21:35] Thank you. It's been great to join you today.

Announcer [00:21:38] Thank you for listening to the Freddie Mac Single-Family Home Starts Here podcast, stay tuned and subscribe to catch additional interviews with key industry leaders and experts. Home Starts Here, is available wherever you listen to your podcasts. We appreciate you writing, reviewing and sharing with your network

