

A Black man and woman are sitting on a white porch in front of a white house. The man is wearing a red and white checkered shirt and blue jeans. The woman is wearing a white knit sweater and orange pants. They are both smiling and looking towards the camera. The woman has her hands clasped in her lap.

# *Valuing Homes in Black Communities*

Transforming the journey to  
homeownership and wealth  
building for Black families

JULY 2024



**FAMILY HOUSING  
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## EXECUTIVE SUMMARY

The Twin Cities is home to one of the worst racial disparities in homeownership and wealth in the nation. Just 30% of African American households own their homes in the Twin Cities, compared to 76% of white households.<sup>1</sup> Furthermore, homes in Black communities are systematically financially undervalued—creating atrocious racial wealth disparities. Addressing these inequities is a priority for Family Housing Fund (FHFund) and many partners in the Twin Cities region, Minnesota, and the nation at large.

Throughout 2023, FHFund worked diligently to develop new strategies for advancing Black homeownership and wealth—a body of work we are calling “Valuing Homes in Black Communities” (VHBC). We conducted a deep community engagement and co-design process to pressure-test ideas, learn from the various experiences and expertise of partners and stakeholders, and develop next steps for FHFund to advance equitable homeownership and wealth building opportunities for Black communities. This process included:

- Hosting listening sessions with aspiring Black homebuyers, Black realtors, and representatives from financial institutions
- Conducting interviews with representatives from 15 organizations and agencies with shared goals
- Commissioning a literature review exploring consumer behavior, homeownership and lending gaps, homeownership sustainability, neighborhood and home valuation, and relevant regulation
- Conducting interviews with Black homeowners and aspiring homebuyers
- Commissioning a landscape assessment of post-purchase support programs and resources, locally and nationally, and
- Hosting a series of co-design workshops with Black aspiring homebuyers, homeowners, and nonprofit partners.

## KEY LEARNINGS AND EMERGING STRATEGIES

Our deep learning process illuminated a Black homebuyer experience that is rooted in navigating a system that was not designed to support Black homeownership. As a result, the journey is long, nonlinear, opaque, and often uncharted in direct proximity to the buyer navigating it. Building on the ideas generated through our co-design process, we have identified three foundational recommendations

to transform the experiences and opportunities for African American homebuyers and Value Homes in Black Communities. The table below outlines what we heard in our process, the conclusions we drew from these insights, and the resulting recommendations that will guide our work forward.

WHAT WE HEARD	CONCLUSION DRAWN	RECOMMENDED STRATEGY
<p>Black aspiring homebuyers and homeowners trust and turn to Black-led culturally-rooted organizations for support.</p> <p>Individuals work with these organizations to address generational barriers and repair financial trauma <i>long before</i> beginning to plan or prepare for homeownership through what are considered traditional homeownership education or counseling.</p> <p>These organizations are doing deep and time-intensive work in the reparative space, despite not being fully funded to do so, because they are deeply committed to their communities.</p>	<p>Black-led and culturally rooted organizations play a critical, unique role through the earliest stages of homeownership preparation (“pre-pre-purchase”) that is under-recognized by institutional housing players and needs to be integrated as key infrastructure and financially valued with a dedicated funding stream.</p>	<p><b>Amplify and Invest in Black-led and Culturally-Rooted Support Pre-Purchase</b></p>
<p>Completing the transaction is the most chaotic and stressful phase of the homebuying process, as many more players get involved.</p> <p>The stressful transaction process is the stage where Black homebuyers are most likely to make decisions against their better interest or deviate from the plan they had developed for themselves.</p> <p>There is a need to align complementary efforts—such as down payment assistance and new mortgage products—during the transaction phase to provide better support.</p>	<p>We see a need to coordinate and synchronize services by creating new capacity / functionality that centers the homebuyer and facilitates their ability to navigate the transaction process with support at each step.</p>	<p><b>Strengthen the Cohesion and Coordination of Support for Black Homebuyers during the Transaction Process.</b></p>
<p>Homeowners feel a drop off in support once they have completed the transaction process and moved into their new home.</p> <p>The quality of homes that are affordable and available for Black homebuyers often come with higher maintenance and repair needs, requiring more capital or investment soon after purchase. There is not a systemic response to this market reality.</p> <p>Because of racial homeownership disparities, there are generational knowledge gaps about how to leverage a home to build wealth.</p> <p>Additional systemic barriers to wealth building for Black families remain, such as appraisal and assessment disparities.</p>	<p>The Twin Cities needs to develop an ecosystem of post-purchase support and resources to not just sustain homeownership but to ensure Black homeowners can reap the benefits of homeownership equitably.</p>	<p><b>Grow an Ecosystem of Supports Post-Purchase to Ensure Long-Term Success and Wealth Building for Black Homeowners</b></p>

## AMPLIFY AND INVEST IN BLACK-LED AND CULTURALLY-ROOTED SUPPORT PRE-PURCHASE

Black-led, culturally-rooted homeownership organizations play a critical – but often informal, underacknowledged, and undervalued – role in supporting families throughout the full journey of becoming homeowners. Their work goes beyond the transactional aspects of homeownership readiness to address both systemic and generational barriers, build trust and relationships, bridge knowledge gaps, and provide culturally responsive support. To improve the Black homebuying experience and close the racial homeownership gap, we must invest in the ecosystem of Black-led and culturally rooted organizations as critical system infrastructure.

*We seek to quantify the value and potential impact at scale of this work so that the system can define the capacity needed (including resources and staff) to fully support Black homebuyers. In doing so, we seek to inspire greater investment from the public sector, philanthropy, and lending institutions to Black-led and culturally-rooted organizations.*

## STRENGTHEN COORDINATION OF SUPPORT FOR BLACK HOMEBUYERS IN THE TRANSACTION PROCESS

Participants highlighted a disconnect in information, activities, and process during the stressful transaction phase where multiple parties (buyer, seller, loan officers, underwriters, realtors, inspectors, appraisers, title companies, etc.) must align to achieve a successful closing and home purchase. Currently, there is no formal or streamlined way for all these parties to coordinate with each other, and the connector is often the homebuyer. To improve this experience, we need to shift some onus of navigation from the homebuyer onto the homeownership system to make the process transparent, seamless, and painless.

*We seek to synchronize services by creating navigation capacity and information sharing functionality that supports the homebuyer's ability to manage the transaction process and facilitates coordination of closing activities, effective communication between all parties, and builds greater transparency and trust in the process.*

## GROW AN ECOSYSTEM OF SUPPORTS POST-PURCHASE TO ENSURE LONG-TERM SUCCESS FOR BLACK HOMEOWNERS

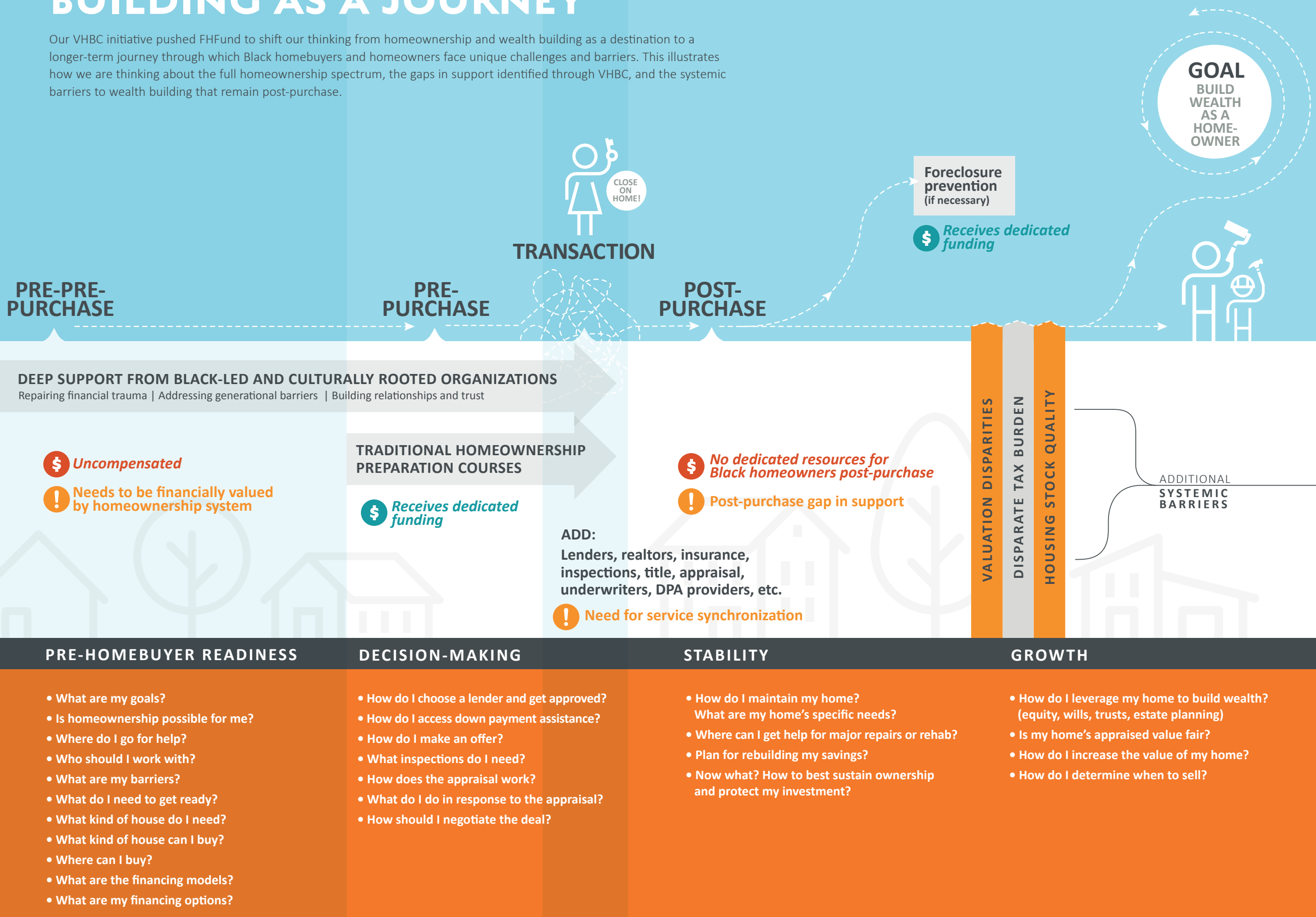
The lack of support for homebuyers after purchase was universally acknowledged as a gap in the Twin Cities homeownership system. Current resources prioritize getting buyers to the closing table and often celebrate it as the successful end-outcome, leaving a dearth of support unless or until the buyer may be facing foreclosure. Repair programs exist currently for homeowners, but these programs are limited in scope, scale, and eligible use. Given the systemic, generational, and economic realities facing Black homeowners, post-purchase support solutions must be designed to be culturally responsive and ensure Black households can reap the benefits of homeownership equitably.

*We seek to develop post-purchase tools and resources for Black homeowners that will help not only to sustain homeownership but to invest in and grow the value of their asset. This includes:*

- *Building the capacity of partners to stay connected to homebuyers post-purchase, supporting home-specific education and planning, and facilitating connection to existing resources.*
- *Developing a post-purchase curriculum that focuses on short-term and long-term asset protection and wealth creation.*
- *Providing access to flexible financial resources to support financial emergencies or small-scale maintenance/repair needs, in addition to investments in tools and resources that could set the owner up for success such as home warranty purchases.*
- *Developing a post-purchase resource to address larger-scale home investment needs that respond to disparities in asset conditions and/or can provide financial support to prevent loss of housing due to income shock.*

# HOMEOWNERSHIP AND WEALTH BUILDING AS A JOURNEY

Our VHBC initiative pushed FHFund to shift our thinking from homeownership and wealth building as a destination to a longer-term journey through which Black homebuyers and homeowners face unique challenges and barriers. This illustrates how we are thinking about the full homeownership spectrum, the gaps in support identified through VHBC, and the systemic barriers to wealth building that remain post-purchase.



- What are my goals?
- Is homeownership possible for me?
- Where do I go for help?
- Who should I work with?
- What are my barriers?
- What do I need to get ready?
- What kind of house do I need?
- What kind of house can I buy?
- Where can I buy?
- What are the financing models?
- What are my financing options?

- How do I choose a lender and get approved?
- How do I access down payment assistance?
- How do I make an offer?
- What inspections do I need?
- How does the appraisal work?
- What do I do in response to the appraisal?
- How should I negotiate the deal?

- How do I maintain my home?  
What are my home's specific needs?
- Where can I get help for major repairs or rehab?
- Plan for rebuilding my savings?
- Now what? How to best sustain ownership and protect my investment?

- How do I leverage my home to build wealth?  
(equity, wills, trusts, estate planning)
- Is my home's appraised value fair?
- How do I increase the value of my home?
- How do I determine when to sell?





## INTRODUCTION

In the Twin Cities, white households own their homes at the nearly three-times the rate as African American households, and homes in Black communities are systematically financially undervalued—creating atrocious racial wealth disparities. Addressing this gap is a priority for Family Housing Fund (FHFund) and many partners in the region. Throughout 2023, we worked diligently to develop new strategies for advancing Black homeownership and wealth—a body of work we are calling “Valuing Homes in Black Communities (VHBC).”

Seeded as a component of a larger effort under FHFund’s Building Equity initiative, our Valuing Homes in Black Communities initiative seeks to increase homeownership access, stability, and home values for Black households and communities. Late in 2022, FHFund embarked on a learning and engagement process to identify opportunities for innovation. We started out with an idea to explore: Could we create a new mortgage product with a built-in savings component that would support increased access to liquidity, as a means to help buyers weather financial volatility and emergencies or invest in home improvements? Would such a product mitigate risk for lenders, expand access to mortgage financing for Black communities, and protect the investment for Black homeowners? To pressure-test this idea, we spoke with current and aspiring Black homeowners, realtors, financial institutions, nonprofit partners, and others to

better understand current market conditions and learn from their experiences and insights on obstacles and opportunities for Black homeownership and wealth building.

Through the listening sessions and interviews we conducted, alongside insights gleaned from research, we were compelled to think more broadly about how the entire homeownership journey can be transformed for Black households.

As we listened and learned, our initial single concept grew into a body of work encompassing the full spectrum of support and resources to value homes in Black communities.

This report describes our process, what we learned in each phase of our project, and the strategies that emerged.

## OUR PROCESS

### PHASE

### GUIDING QUESTION

### ACTIVITIES

#### PHASE 1

How might we create a new mortgage product with a built-in savings component that would support increased access to liquidity, as a means to help buyers weather financial volatility and emergencies or invest in home improvements? Would such a product mitigate risk for lenders, expand access to mortgage financing for Black communities, and protect the investment for Black homeowners?

Listening sessions with aspiring Black homebuyers, Black realtors, and representatives from financial institutions

Interviews with representatives from 15 organizations and agencies with shared goals

Literature review

#### PHASE 2

What interventions are needed to transform the full spectrum of the homeownership journey—from early-stage preparation before purchase to sustaining and growing the home value after purchase—to ensure Black communities have equitable access to the benefits of homeownership?

Interviews with Black homeowners and aspiring Black homebuyers

Landscape assessment of post-purchase resources and support

#### PHASE 3

What do Black homebuyers and homeowners need pre-purchase?  
  
What needs to exist in the post-purchase space for Black homeowners?

Series of three co-design workshops with aspiring Black homebuyers, Black homeowners, and nonprofit partners





To ground our work, FHFund articulated a set of guiding principles and commitments, serving as a steadfast compass throughout each phase of the project.

## GUIDING PRINCIPLES

- Place Black households at the forefront and center their needs, hopes, dreams, worries, and beliefs in process and design.
- Acknowledge harms of the past and present with system and sector accountability, respect, and repair.
- Engage in collaborative learning, leadership, adaptation, and decision-making with partners and Black households
- Show up with curiosity and creativity to build mutual trust and inspire optimism and choice in opportunities to build the future.
- Lead with the intention to do no harm while being responsive to user experience, needs, and barriers.

## COMMITMENTS

- Utilize asset-based messaging.
- Ensure that any product developed does not preclude or prevent access to existing streams of financial support (such as down payment assistance), products, or services.
- Embrace Targeted Universalism, communicating explicitly that focusing on Black households, who have faced deep disinvestment and exclusion, will benefit all communities.

## A NOTE ON TERMINOLOGY

In Minnesota, there is a vibrant diversity of Black communities, including East African and West African immigrant communities, Afro-Caribbean and Afro-Latinx households, and Foundational Black households. When we say “Foundational Black households” we are referring to Black or African American Minnesotans who are descendants of slavery in the United States and have experienced the harms of systemic racism here for generations.

This terminology is adopted from the Advancing Black Homeownership initiative led by Twin Cities Habitat for Humanity and the Minnesota Home Ownership Center, which is spearheading the use of this distinction for advancing its targeted, reparative work. Advancing Black Homeownership is the catalyst elevating this framework, making it into a cornerstone for racial equity efforts locally in the Twin Cities and nationally.

In our VHBC initiative, FHFund is focused on supporting Foundational Black households in response to the long history of marginalization and in the spirit of repair. Embracing Targeted Universalism, we believe that by focusing on serving Foundational Black households who experience deeply-rooted barriers, we can transform systems to benefit all communities.

The insights gleaned from our VHBC process underscored the unique experience and lack of support for Foundational Black households, pointing FHFund to prioritize homeownership and wealth building strategies to serve Foundational Black households going forward. However, throughout this report, we use “Black” acknowledging that the use of “Foundational” was not discussed with all participants at each phase.



## INITIAL INQUIRY

Starting with an idea for a novel mortgage product, FHFund engaged a variety of industry experts and aspiring homeowners to explore the demand, feasibility, and functionality of pairing savings contributions with mortgage payments.

### SETTING CONTEXT: THEMES & INSIGHTS FROM THE LITERATURE REVIEW

FHFund commissioned a high-level literature review to inform the Valuing Homes in Black Communities work. Examining 75 articles and reports from more than 30 sources, the literature review focused on understanding Black homebuyer demographics, consumer behavior, homeownership and lending gaps, homeownership sustainability, neighborhood and home valuation, and relevant regulation. The literature review detailed persistent inequities resulting from systemic racism deeply rooted in policies and practices designed to exclude Black people from homeownership opportunities. The following key data points shed light on these disparities and the realities facing Black homebuyers and homeowners.

#### **THE GAP: The homeownership gap between Black and white households is substantial and especially stark in the Twin Cities.**

- Approximately 30% of Black households in the Twin Cities own their homes compared to 76% of white households, a 46 percentage point disparity among the worst in the nation.<sup>2</sup>
- The racial homeownership gap persists after adjusting for socioeconomic and other demographic factors: the homeownership rate for Black households is still 33 percentage points lower than the white homeownership rate.<sup>3</sup>
- The Black homeownership rate rose briefly in the twentieth century, starting in 1930 and peaking in 1950 with a Black-white homeownership gap of 20 percentage points. Since its peak, the rate has fallen almost every decade and is now over twice as high as it was then.<sup>4</sup> Notably, the gap is greater now than it was when housing discrimination was legal.
- Minnesota is estimated to have the third-largest wealth gap in the nation. Non-Hispanic white households have a median household wealth of \$185,300 while Black households have a median household wealth of \$14,100.

#### **BARRIERS TO ACCESS: To qualify for a mortgage, applicants must meet certain income and credit standards significantly impaired by historical and structural racism in the financial system.**

- More than 50% of white households have a FICO credit score above 700, compared with 21% of Black households. 33% of Black households have credit-use levels that are insufficient to generate a credit score (thin files), compared to 18% of white households.<sup>5</sup>
- The median annual income for Black households in the Twin Cities in 2020, according to Census data, was \$38,178—less than half of the median annual income for white families (\$84,459).<sup>6</sup> This income gap is one of the largest in the nation.
- An analysis of nearly 100,000 completed conventional mortgage applications for home purchases in the seven-county Twin Cities region from 2018 through 2020 suggest that Black applicants' denial rate would be 2.6 percentage points higher, or roughly two-and-a-half times higher than white applicants' denial rates, even if credit scores, loan-to-value and debt-to-income ratios, and other observed factors were the same between Black and white applicants.<sup>7</sup>
- The loan failure rate for Black applicants in 2021 was 33%. This includes denials and loans the lender approved but the borrower did not accept.<sup>8</sup>
- Federal Housing Administration (FHA) loans made up the largest share of purchase loans by Black borrowers between 2019 and 2022. FHA loans were an important force behind the increase in Black homeownership, even though many sellers refused to consider offers from FHA borrowers at the height of the pandemic homebuying frenzy.<sup>9</sup>
- Research indicates that mortgage shopping behaviors evolve over the phases of the homebuying process, and that low- to moderate-income first-time homebuyers take steps that differ from best practices during the stressful purchase phase, when mortgage shopping can have the biggest benefits.<sup>10</sup>

**HOMEOWNERSHIP AFFORDABILITY, STABILITY, SUSTAINABILITY: Black homeowners face additional challenges to success after purchase.**

- Black homeowners on average pay \$67,320 more for their houses than white homeowners due to higher mortgage rates, mortgage insurance premiums, and property taxes each month.<sup>11</sup>
- Black households often purchase aging homes due to their relative affordability. In a 2008 study, approximately 45% of Black first-time homebuyers purchased homes that were built prior to 1970.<sup>12</sup>
- According to one study, Black applicants had a 44% denial rate for home equity line of credit loans and a 22% denial rate for first-lien purchase loans. After controlling for LTVs, denial gaps did not decrease, signaling that it was not due to lack of home equity.<sup>13</sup>
- Liquid assets are the largest driver in the Black-white gap for homeownership exits and have proven to be a better predictor of homeownership success than income. A 2020 study found that the average total value of liquid assets for Black homeowners is \$19,608, compared to \$137,482 for white homeowners.<sup>14</sup>

**VALUATION AND WEALTH BUILDING: Undervaluation of Black-owned homes hinders wealth building potential.**

- Nationally, across all majority Black neighborhoods, owner-occupied homes are undervalued by \$48,000 per home on average, amounting to \$156 billion in cumulative losses. In neighborhoods where the population is 50% Black, homes are valued at roughly half the price of homes in neighborhoods with no Black residents. Devaluation persists even after structural adjustments.<sup>15</sup>
- Evidence suggests that relationship is opposite when it comes to home valuations used for property taxes. Black households pay 10% higher property taxes than other racial groups, as assessors systematically overstate the value of Black homes.<sup>16</sup>
- Automated Valuation Models produced a greater percentage magnitude of error in majority Black neighborhoods. Such errors can hurt Black households in two ways: 1) undervaluation can limit wealth gains and opportunities for refinance, and 2) overvaluation can underestimate risk and artificially inflate property values and homeowner balance sheets.<sup>17</sup>

The literature clearly demonstrates entrenched disparities and barriers throughout the full spectrum of the homeownership journey for Black families. With these findings top of mind, we embarked on a series of interviews and listening sessions to hear from Black community members and center Black voices in our strategy development.

**LISTENING SESSIONS AND INTERVIEWS: WHAT WE LEARNED**

FHFund conducted a landscape assessment to vet our concept with key partners and stakeholders in the homebuying ecosystem in order to ensure we were responsive to the obstacles and aspirations of Black homebuyers, current operating realities, other strategies emerging in our region. We engaged 25 individuals from 15 organizations that support homeowners, seven leaders from five financial institutions, and hosted three listening sessions (two with aspiring Black homeowners and one with Black realtors).

**BARRIERS TO HOMEOWNERSHIP**

In our discussions around the obstacles facing Black aspiring homebuyers, two groups of themes consistently arose: 1) systemic and institutional barriers, and 2) generational and community factors.

Systemic and institutional barriers include financial, technical, and administrative challenges that are deeply rooted in policies and practices designed to exclude Black people from economic opportunities:

- **Historic racism throughlines:** The impacts of redlining, restrictive covenants, financial exclusion, and steering continue to be felt today.
- **Narrow and exclusive underwriting processes and credit system:** Black homebuyers face challenges related to narrow income and creditworthiness criteria, factors that often do not reflect the economic realities of Black households.
- **Access to capital and the secondary market:** Institutions and organizations offering flexible terms and culturally responsive mortgage products lack access to sufficient capital and secondary market outlets to scale.
- **Access to longer-term support from pre-purchase to post-purchase:** There are not enough trusted connections or bridges to resources, and we see a dearth of post-purchase support, resources, and tools.

- **Lack of industry representation:** It is hard to see oneself in decision-makers and success stories.
- **Racial bias in valuation:** Disparities are present in both appraisal and assessments, compromising transactions and stability for Black homeowners.

Generational and community factors include experiential, emotional, and psychological obstacles that are harder to see and are often the result of living through systemic racism. These barriers include:

- **Lack of experiential knowledge transfers:** The racial homeownership gap means more Black households are renting from generation to generation, passing down less knowledge around the homebuying process, experience, and responsibilities of homeownership.
- **Feeling othered and lack of trust:** Negative experiences with financial institutions reinforce feelings of distrust and judgment.
- **Disconnection and lack of access to resources and trusted advisors:** Limited access to networks and communities of support reinforce feelings of disconnection and isolation in the homebuying process and experience.
- **Financial stress and trauma:** Experiences of financial exclusion, poverty, and lack of connection can have lasting impacts on overall well-being and decision-making if left unresolved.
- **Risk and fear:** Fear can be paralyzing, both in terms of fearing failure and fearing what may come with success.

### MORE THAN BUILDING WEALTH FOR ONESELF

Black homebuyers described aspiring to homeownership for a multitude of reasons, but wealth creation or accumulation was a secondary descriptor. While many practitioners named wealth building as a goal, aspiring homebuyers talked more personally about putting down roots, paying oneself, and feeling financially secure. If wealth building was referenced, it was shared within the context of generational wealth for children—passing down equity instead of debt. While a number of people acknowledged homeownership as an asset and a way to build wealth, many also acknowledged the risks that can come with homeownership, as well as concerns about deepening debt and the possibility of losing a home.

### SOLUTIONS BEYOND A MORTGAGE PRODUCT: SUPPORT BEFORE AND AFTER BUYING A HOME

In our discussions around innovating mortgage products and liquidity, we heard consistently that there was value and a need for culturally responsive products. However, considering the totality of obstacles uniquely faced by Black homebuyers, stakeholders also voiced a need for much more to improve the overall homeownership journey.

When asked about the process of preparing for homeownership and securing mortgage financing, participants described a long, often nonlinear journey that can take several years and encounter many setbacks. The process begins with addressing generational barriers and developing confidence that homeownership can even be possible. Homeownership counselors described providing deep, ongoing support through this process to address generational barriers, repair financial trauma, and pursue aspirations to homeownership. As we learned more, it became clear to us that the work of homeownership counselors at Black-led and culturally rooted organizations is unique and fundamentally critical.

We also learned more about complementary efforts to increase mortgage access and support liquidity for Black homebuyers. There are several partners also doing deep work in this space—including innovating down payment assistance, novel mortgage products, and underwriting processes. Increasingly, these efforts are focusing on supporting Foundational Black households. We heard partners describe a need for aligning complementary efforts and building connections between product solutions and the trusted organizations where people turn to for help. Overarching challenges in accessing capital and the secondary market remain and may limit opportunities to scale these approaches.

Additionally, we heard a clear call from participants for more attention, resources, and partnerships to support new homeowners after the home purchase. We heard about how often, we celebrate closing on the purchase as the destination, as if it is equivalent to building wealth. However, the homeownership journey does not end when families close on a home; there is more to do to maintain the home, sustain stable ownership, and leverage the asset to develop generational wealth. Yet there is a drop off in support and resources for new homeowners until/unless something goes wrong and they seek foreclosure prevention services. As a result, FHFund



**9000 EQUITIES:**

Build Wealth Minnesota is leading the 9000 Equities initiative, a collaboration of sixteen financial coaching and housing counseling organizations, lenders, realtors, and other partners that are dedicated to closing the homeownership gap. The goal is to help 9000 Black families in Minnesota become homeowners by providing homebuyer education, affordable mortgage and down payment assistance, and a matched savings account for cost-burdened Black households in the Twin Cities, utilizing a Special Purpose Credit Program pursuant to federal fair lending law.

**ADVANCING BLACK HOMEOWNERSHIP:**

ABH was initially developed and implemented at Twin Cities Habitat for Humanity to address disparities in programming that illuminated a gap in service and outcomes for Foundational Black Americans. Twin Cities Habitat developed a culturally responsive Special Purpose Credit Program to address and eliminate barriers to success for participants in their program. Building on this work, Twin Cities Habitat partnered with the Minnesota Home Ownership Center to develop a Special Purpose Credit Down Payment Assistance program specifically for Foundational Black households, available more broadly as a regional product.

**GROUNDBREAK COALITION:**

The GroundBreak Coalition is a group of over 40 corporate, civic, and philanthropic organizations— spearheaded by the McKnight Foundation—established in 2022 with the goal of creating a more inclusive, racially equitable, and climate-ready Twin Cities region. One of GroundBreak’s core goals is to develop products to close the racial homeownership gap. GroundBreak first focused on establishing pathways for first mortgage lending with financial institutions, is currently aligning efforts to develop down payment assistance products matching the terms developed by ABH—including a focus on Foundational Black households—and has identified a goal to develop terms for a post-purchase resource.

shifted our approach from thinking of homeownership as the destination to understanding homeownership as a long journey toward wealth building.

**THE IMPORTANCE OF BLACK-LED AND CULTURALLY ROOTED ORGANIZATIONS**

In our engagement, we heard Black aspiring homebuyers and homeowners describe the places and people who they trust and turn to for help: Black-led and culturally rooted organizations in the Twin Cities region who provide a variety of services, including homeownership preparation. Several of these organizations participated in our process and described to us what they do, what they see, and how they show up each day. Reflecting on what we heard, it became clear to FHFund that the work of these organizations and the role they play in the homeownership journey is critical—and not properly financially valued or integrated in relation to their value add and impact on Black homebuyers.

Black homebuyers described the disconnection in information, activities, and resources, especially during the stressful transaction phase of the homebuying process, underscoring their choice and reliance on the

support of trusted organizations that are Black-led and culturally rooted to support their home purchase needs. These organizations hold deep connections with Black communities, and their approach is proactive, relational, and reparative. With their shared experience, values, and understanding of the challenges, the way they do their work is a function of living out a personal mission and commitment to support their community. Black-led and culturally rooted organizations help clients overcome both systemic and generational barriers to homeownership, repairing financial trauma and building trust in ways that participation in a homebuyer education course cannot. This work begins early in the homeownership journey—much further upstream than other homeownership education and counseling offerings—and continues throughout the process. As such, we have begun referring to this work as “pre-pre-homebuyer” support.

This important work is significantly underfunded. Black-led organizations have historically experienced disinvestment from public and philanthropic funders due to systemic racism, yet have managed to “do more with less”—sometimes at personal sacrifice—to support their

## PHASE ONE

clients. Now, despite a renewed focus on supporting Black homeownership and advancing racial equity in the Twin Cities region, the relational work of these organizations has not been acknowledged or funded as a formalized component of our housing system. Building trusting relationships and creating positive experiences is harder to quantify than the metrics that are typically required by funders to determine value (such as number of clients served or improvement in credit score). As a result, much of this work goes unnoticed, undervalued, and uncompensated by our broader housing system despite its tremendous impact on the lives of the Black families served.

This work is critical and, by its nature, not replicable by anyone besides organizations that are Black-led and culturally rooted. It must be fully acknowledged, amplified, and financially valued by the housing system. With proper funding, Black-led and culturally rooted organizations can increase their capacity, invest in their staff, and realize even greater impact.

### STRATEGIC FOCUS GUIDING THE NEXT PHASE

The original concept put forward in VHBC resonated with the stakeholders engaged in the process. At the same time, the insights gleaned from aspiring homebuyers, community organizations, financial industry leaders, and the literature reinforced and deepened our understanding of the entrenched challenges uniquely faced by Black households that collectively contribute to persistent homeownership and wealth disparities in the Twin Cities. In response, FHFund expanded its focus from “product” alone to consider the role of culturally responsive processes, services, programs, resources, and partners to address Black homebuyers needs and mitigate the identified barriers and obstacles to achieving and sustaining homeownership. In consideration of the expanded purview, we identified three strategic areas of focus and five key priorities that we believe will collectively improve the overall homeownership process for Black Homebuyers: ➡

*Focusing on mortgage products alone as the solution to the homeownership gap assumes the other aspects of the homebuying process are equal. For new products to be successful in supporting Black homeownership at scale, experiential and generational factors need to be addressed in a deliberate and systemic way.*

## STRATEGIC FOCUS

### ILLUMINATING COMMUNITY SOLUTIONS PRE-

**PURCHASE:** The work of trusted, Black-led, culturally-rooted community organizations and advisors throughout the entire homeownership journey is crucial. Yet the depth and importance of these services appears to be under-acknowledged and not fully understood by financial institutions and other industry stakeholders. Fully resourcing and bridging the gap between culturally-rooted community organizations and broader institutions is an opportunity to strengthen the homeownership preparation process, improve the homebuyer experience, and ensure that when new products become available, aspiring Black homebuyers are connected and positioned to take full advantage of these opportunities.

### BUILDING A POST-PURCHASE SUPPORT FRAMEWORK:

The gap in support for homeowners’ post-purchase to maintain and enhance the value of their homes was universally acknowledged and identified as a critical opportunity for intervention and investment. Working with stakeholders, we intend to design a post-purchase framework and tools to support more immediate sustainability needs to address liquidity and asset condition disparities, as well as longer term strategies to leverage the investment to build wealth to ensure Black homeowners can fully realize the benefits of homeownership.

**ALIGNING COMPLEMENTARY EFFORTS:** Culturally responsive efforts to address gaps and confront unique challenges to advance Black homeownership through products and resources are emerging locally. Rather than developing an additional product solution, we will prioritize opportunities to coordinate with aligned systems change efforts to support the development and implementation of culturally responsive products, and streamline partnerships across the ecosystem to maximize impact towards a collective goal.

## PRIORITIES

**TRUST:** Trust in process, people, resources, information, and products must be embedded throughout the journey, from pre-purchase, purchase, and post-purchase.

**EXPERIENCE:** Connect to aspirations and make homeownership feel in-reach; be realistic, center financial and emotional readiness.

**LIQUIDITY:** Liquidity is an indicator and predictor for success and is essential for having a cushion, building equity in the home, and increasing the value of the home.

**COMMUNICATION:** Transparent, clear, and regular communications about the application and underwriting process are important.

**VALUATION:** Gaps in home values exist as a result of racial bias, and it affects access to capital and equity.

## GROUNDWORK FOR CO-DESIGN

In response to what we learned in Phase 1, FHFund conducted a second round of interviews with Black homeowners and aspiring homebuyers to ensure Black voices continued informing our strategy as it evolved. Additionally, we commissioned a post-purchase landscape assessment to better understand owner realities, current offerings, program and service gaps, and opportunities in the Twin Cities and nationally.

### AFFIRMING OUR APPROACH: ONE-ON-ONE INTERVIEWS WITH ASPIRING HOMEBUYERS AND CURRENT HOMEOWNERS

To dive deeper into the homebuyer process to understand what is needed in the pre-pre-purchase space and the post-purchase space, we interviewed 13 aspiring homebuyers and current homeowners. Most grew up in the Twin Cities region and had completed a homebuying course or program. In our conversations, we asked participants about their aspirations and concerns, their experiences with buying a home, unmet needs and challenges, factors that influence decision-making, and trusted resources and supports. This was not

a reiteration of phase one, but a deeper dive into the specific challenges identified and learnings gleaned in phase one.

The key themes that surfaced through these interviews reinforced and added texture to what we heard in Phase 1. Participants described homeownership as foundational for the future, emphasizing that owning a home contributes to stability, a sense of pride and community, and a pathway to wealth. Other key themes included:

#### Moving Beyond “Just Enough”

Participants described limitations on available support due to insufficient funding. Current resources provide “just enough” to meet an immediate need rather than meeting the need and establishing a sustainable path forward.

*“I know when it comes to federal funding, there’s a lot of income limitations to it, like sometimes often when it comes to policy, they equate African American to a low income and, and like the thought is that there is an issue with affordability... There’s a lot of other people I know who are dealing with this, where we’re kind of playing an income bracket game of just like, oh, we want to be successful, but not too successful to where... You know, you want to take advantage of going into your first property with having a strong economic cushion under your belt... Just on the economic justice standpoint, we want to see strong equity in this state. We’re definitely going to have to invest in it.”*

#### “I want to know what I don’t know”

Transparency of information, process, and expectations is critical. Participants described an ongoing need for information that transcends a class or counseling service.

*“It feels like I’m playing like I’m in a game that I don’t know the rules to. It’s somebody else’s game and I’m just kind of entering into it... I don’t know what puts me out and I don’t know, really, where the finish line is. And so I’m just kind of making it up as I go along and I may or may not even [get approved]. After all that work, both of us, we got denied anyway.”*

## Navigators and One-Stop-Shop

Participants expressed a need for one person or place with information, resources, and someone who can answer questions throughout the homeownership journey.

*“Just having like a hub for information and resources for people who are either in the process of purchasing a home or in their home and homeowners. I know there’s programs or classes that people can take, but they’re usually required, especially if they’re using some of the funds available to help with closing costs, and they [only] go over certain stuff. But I just feel like there’s still some information that gets left out at times, and [it would be helpful to have] some of that information from people who have gone through the process, especially [from people] in our community.”*

*“It just kind of comes from the idea that there are complex systems that we all didn’t create, but that some people know how to navigate and some people don’t....A skilled navigator that has some cultural competency around these issues and are easily identifying the gaps [to] help people get through that process, I think that would be helpful.”*

*“Just having somebody then as you become a homeowner, even for longer, who you can call and consult about all of those things [would be helpful]... because most of the time people get you in the home and they forget about you.”*

## Networks Matter

Participants described trusted resources in personal networks, including online networks such as Facebook and LinkedIn.

*“I joined this cohort of other land owners and aspiring land owners. And we’ve been in like this 12 month session where we meet once a month to talk about our issues with land ownership. The part of the cohort that is helpful for me is that there’s like about 10 of us who are, who are searching for our land dreams.”*

*“I actually joined this really, really good group on Facebook that helped me out a lot and provided a lot of good resources. They would share their experiences and people would post when they close on their house and we would all praise them...nice how did it go? And they would share their whole story of their process and give us like tips and tricks in a sense.”*

## Alternative Pathways

Participants voiced a need for additional pathways to qualify for buying into and sustaining homeownership, describing how limited ways of recognizing income—among other barriers— has kept them from qualifying for a loan. Participants expressed appreciation for options like contract for deed, land trusts, or multifamily properties while also identifying a gap in opportunities.

*“I would say that what I feel like is really common with the whole ownership strain for us is we always had to use non-traditional financing for homeownership. I think most of the homeownership arrangements I’ve been able to successfully secure have been through contracts, not through traditional financing. I don’t really understand why it’s been so difficult for us to qualify within the standard homeownership programs. But they’ve never worked for most of us.”*



## LANDSCAPE ASSESSMENT: SUPPORT POST-PURCHASE

To further understand the gaps in support for new homeowners after purchase, FHFund commissioned a landscape assessment examining homeownership exits, home maintenance and repair needs, and post-purchase assistance programs both in the Twin Cities and across the nation. This included a review of academic literature, an environmental scan of state and national post-purchase program information, quantitative and spatial analysis of available City of Minneapolis property data and Census data, and key informant interviews with administrators of home repair programs that serve the Twin Cities region.

Reviewing academic literature, we found that nationally, Black homeowners face a 30 to 50 percent likelihood of returning to renting.<sup>18</sup> The probability of exiting homeownership declines with each year of ownership, but the Black-white disparity in exiting homeownership does not disappear until about year 14.<sup>19</sup> One study found that less than 10 percent of Black households re-enter homeownership after exit.<sup>20</sup> These findings underscore a systemic gap in sufficient support for Black homeowners. To better define this gap, we examined the local ecosystem of post-purchase support programs and learned the following:

- Post-purchase assistance programs that serve Twin Cities residents fall into one of three major categories: foreclosure prevention, post-purchase education, and home maintenance and repair. Home maintenance and repair programs offer financing for non-delinquent borrowers.
- While there are approximately 80 home maintenance and repair programs serving owner-occupied homes in the Twin Cities region, anecdotal evidence from stakeholder interviews indicates that many households who seek funds never reach the stage of loan approval. Data suggests that the application failure rate might be as high as 50%. Common reasons for not being approved include lack of creditworthiness and difficulty securing contractor bids.
- The stated goals for most programs are to ensure occupant health and safety, support energy efficiency and weatherization, and bring properties up to code. “Sustainable homeownership” was not explicitly stated as a program goal. In most cases, equipment for DIY projects was not considered an eligible expense.
- Programs often require submission of multiple bids, use of licensed contractors, prior approvals, pricing and material lists, and code compliance—signaling a rigorous application process that does not encourage DIY.
- Even with programs that are billed as “emergency repair” the time needed to process an application can take a couple of weeks. Urgent plumbing, electrical, or mechanical repair needs are not addressed through current programs. These types of unexpected emergencies can result in additional credit card debt, substandard fixes, unsafe living conditions, and deferred maintenance.
- Need far outstrips the number of homeowners served. Some programs have sufficient funds but lack the operational capacity to process additional applications. Other programs have insufficient funds to serve the demand from homeowners. Program administrators expressed their wishes for more program staff, more program funds, less stringent application requirements, and more flexible income limits. Few programs serve households that earn above 80% AMI, but a need for assistance at this income level exists. Administrators also identified a need for more affordable mechanicals.

# CO-DESIGN SPRINTS

## ABOUT THE WORKSHOPS

FHFund hosted three co-design workshops with the goal of generating ideas and solutions to improve and transform the experiences of Black homebuyers and homeowners. Each workshop was grounded in the insights gleaned from phase one and phase two of our project, shared data on current market conditions for prospective homebuyers and homeowners, and included a series of mapping and visioning activities to co-create responsive solution prototypes.

During the first workshop, held in August of 2023, a group of 19 Black aspiring homebuyers and current homeowners came together to design solutions for both the pre-purchase and post-purchase experience. The activities of the workshop and the solutions created helped illuminate the specific needs, priorities, and challenges of Black homebuyers and homeowners and served as a foundation for workshops two and three.

Workshops two and three, held over two days in October 2023, brought together 16 participants from 8 organizations, including Black-led and culturally-rooted nonprofits as well as realtors who intentionally focus on supporting Black prospective homebuyers in the pre- and post-purchase phases.

Workshop two focused on designing innovative ways to enhance or reimagine the supports available to prospective homebuyers in the pre-purchase phase. Some solutions drew on existing programs and organized them differently, while others created entirely new systems of support. Additionally, the solutions created helped illuminate what leaders in the field see as priorities and what their needs might be.

Workshop three centered on post-purchase support for Black homebuyers. The group focused on designing solutions with the hope of increasing homebuyer confidence, strengthening homebuyer financial stewardship, increasing access to grants and resources, and making it possible for Black homebuyers to experience the joy and pride of being a homeowner.

### WORKSHOP AUDIENCES AND PURPOSES

WORKSHOP	PARTICIPANTS	FOCUS
<b>DESIGN WORKSHOP 1</b>	Black aspiring homebuyers and current homeowners	Exploring pre- and post-purchase needs and solutions
<b>DESIGN WORKSHOP 2</b>	Homebuying ecosystem partner organizations	Transforming the Black homebuying experience
<b>DESIGN WORKSHOP 3</b>	Homeowner ecosystem partner organizations	Developing post-purchase supports for Black homeowners

## PROTOTYPES GENERATED THROUGH THE CO-DESIGN SPRINT

The solutions from each workshop are listed below and grouped into pre-purchase and post-purchase solution areas. While the groups ideated many more prototypes than what is listed below, each was asked to prioritize one that they thought was the most promising. These prototypes, brought together from the collective wisdom, experiences, and insights of our diverse participants, laid the foundation for tangible solutions that could elevate the Black homeownership experience in the Twin Cities.

**WORKSHOP ONE**  
**PRE- AND POST- PURCHASE**

**TEAM 1: “Minnesota Black Homeowners Association”**

A Minnesota Black Homeowners Association would work as a directory by the community, for the community, to address two main issues; the difficulty of locating resources when a stressful situation is at hand, and the ability to be aware of new issues that might impact a homeowner. The association would function to connect folks with specific situations to resources and people that can help, all located in one central place.

**TEAM 2: “One Stop Shop (OSS)”**

One Stop Shop would be an online, app-based go-to place for prospective and current homeowners to find information and guidance for buying and staying in a home. When a user creates an account, they input property-specific information that drives personalized content. An OSS Navigator would then be assigned to help members navigate the various offerings. For prospective homeowners, OSS would offer personalized checklists to understand the buying process, a homebuying dictionary of terms, and a list of vetted realtors and inspectors, all with member ratings. For current owners, users would be able to easily see what assistance programs are available in their area, lists of vetted contractors with member ratings, and would have access to the OSS Fund, an assistance fund that members can tap into when they need help.

**TEAM 3: “Keeping a Renter’s Mindset”**

“Keeping a Renter’s Mindset” would be a program that helps with the transition from renter to owner that seeks to build on skills that people already know and have from renting. The program would draw lines of connection between responsibilities renters are familiar with, like fees currently paid, monthly rent, and security deposits to similar one-time and monthly costs of homeownership. The program would urge prospective homeowners to understand the full costs of ownership, both at purchase and long-term, build a trusted team across the homeownership journey, and to focus on being proactive and preventative to reduce costs and save funds for potential repairs or known projects.

**TEAM 4: Homeowner Programs**

This team built a variety of programs to address homeowner needs when repairs or renovations are needed. A central portal for renovation needs would easily connect homeowners to a state-funded renovation program, where the city owns a full-service process, including inspection, financing, appraisal, and contracting. The team would also create the State Emergency Homeowner Navigation program that would help locate funding for repairs that threaten properties.



## WORKSHOP TWO PRE-PURCHASE

### TEAM 1: Eco-System Agents

This idea would create an organization of trusted partners across the homebuying ecosystem that commit to center the first-time homebuyer’s experience and needs. Instead of building on an existing organization, this new organization would be funded by all partners in the ecosystem. A key feature of the organization would be a “Navigator Network” that is the through-line for prospective buyers throughout the process, connecting them to people and organizations based on their needs and owning those connections. This would cut out much of the documentation run-around and create consistent support throughout the entire journey, as opposed to being handed off from person-to-person.

### TEAM 2: “311 for Homebuyers”

311 for Homebuyers would feature a ‘hub’ app that connects all ‘trusted partners’ in the homebuying process: homebuyers, lenders, downpayment assistance programs, non-profit advocates, etc. The app would track milestones throughout the preparation and purchasing phases of homeownership and would assist all partners in staying in the loop on a buyer’s journey. The app would also lay out a clearer picture of the full purchase process, better enabling buyers to know what might be next and how close or far they might be from their goals.

### TEAM 3: “Homestretch” for Professionals

“Homestretch” for Professionals would be part of the previously prototyped 311 for Homebuyers and would serve as a training for professionals before being added as trusted partners in the 311 for Homebuyers app. The goal would be to increase opportunities for cross-sector training for greater knowledge and support of homebuyers. The training would attempt to increase professionals’ knowledge on guidelines, lender processes, underwriting, credit guidelines, debt support, the appraisal process, insurance, inspections, taxes, and more.

### TEAM 4: Homebuyer Coach

A Homebuyer Coach would be someone who walks the entire path with a prospective homeowner from initial preparation and exploration to purchasing. The coach would have a personal relationship with buyers so that their needs and capacities are fully understood. The coach would then serve as a connector throughout the process, an after-hours supporter and advocate, and a silo connector. A noted feature of the coach is that they receive a fee for their service. The team included this as a way to address the issue that non-profits currently provide this service without compensation or funding for activities that fall outside of traditional homebuyer education.





## WORKSHOP THREE POST-PURCHASE

### TEAM 1: HOA help online + hotline

The HOA online and phone resource center would provide navigator services, a HOA ratings system, educational support content, a legislative policy platform, and HOA outreach, all for Black homebuyers and homeowners. Noting that 27% of Minnesotans live in an HOA, this resource would aid in contract disputes, assessments, legal issues, and homeowner awareness. The HOA rating and HOA outreach features are intended to highlight the experience of being Black in the neighborhood so people can make informed decisions and safe HOAs can be elevated. The navigator and educational content are to increase awareness and support of buyers so that they fully understand their rights and responsibilities. The legislative platform would work with government entities to improve HOA oversight, increase regulation and requirements of HOA boards, advocate for capping fines, and work to mitigate challenges and discrimination.

### TEAM 2: Home Warranty Deed + Hi Home

The Hi-Home App would be offered to new homeowners as a resource for home repairs and improvements from DIY to contracting. The app would be a go-to trusted network of support, saving time and money for new homeowners, and would be introduced at time of closing as an immediate resource for Black homeowners. Homeowners would build a profile over time and find needed resources with AI integration. The Home Warranty Deed element of this prototype would be offered to all new Black homeowners at closing, offering protections with annual warranties and assisting with mid-to-high-cost repairs. Recognizing that many “starter” homes in Minnesota often mean buying older homes that need multiple repairs and improvements, the Home Warranty Deed would help finance and protect against major repairs that are often difficult to afford in the first few years of ownership. The deed could integrate into the Hi Home app to prompt users to complete monthly maintenance ‘to-dos’ like changing filters, water shutoffs, etc.

### TEAM 3: Housing & Labor Resource Hubs

A Housing Hub would offer Black homeowners coaching or mentoring from current owners to make and prioritize goals, consider financial options and budget, get bids, understand market value, and evaluate solutions for their home improvements and repairs. This seeks to fill any gaps that might exist in that built-in or often inherited knowledge of homeownership that often doesn’t exist for Black homeowners. The Labor Resource Hub would expand and deepen support to the local BIPOC skilled labor community by offering paid consultants that handle the business/management side, letting the skilled laborers focus on their practice. The Hub would also connect them with homeowners seeking their services, particularly elders in the Black community. Key components would be a BIPOC labor hub that handles the business elements of contracting as well as networking for laborers, and a Silver Tsunami Resource that performs outreach to elder homeowners who need repairs and services.

### TEAM 4: DPA+ (Escrow & Forbearance)

DPA+ is a program that would provide a double safety net for affording home repair/improvement savings and mortgage forbearance. The escrow account, the first safety net, would be available for at least the first seven years of homeownership and would provide payment assistance for home improvements, repairs, or appliance replacements. New owners participate in education and are then granted 2% of their home purchase price from a large fund (government or philanthropy) administered by non-profits. Homeowners would contribute a small monthly amount up to 1% of their purchase price. The second safety net would be a mortgage forbearance program allowing Black homeowners to pause on payments if urgent needs or unexpected life challenges arise. Responding to the statistic that a 10% increase in costs for Black households doubles the number who fall behind on their mortgage, having the ability to pause payments will keep more Black households in their homes and provide time to meet the urgent or unexpected need.

# EMERGING STRATEGIES

Our deep learning process and the co-design sprint resulted in recommended strategies for supporting a long runway of pre-purchase preparation, an improved experience through the transaction phase, and post-purchase support to maintain and leverage the new asset to build wealth. Each of these recommendations considers supporting the homebuyer experience, the ecosystem of Black-led culturally-rooted organizations, and broader system repair:

1

***Amplify and Invest in Black-led and Culturally-Rooted Support Pre-Purchase***

## AMPLIFY AND INVEST IN BLACK-LED AND CULTURALLY ROOTED SUPPORT PRE- PURCHASE

As described in Phase one and Phase two, the deep-rooted history of racism and exclusion in Black communities results in systemic barriers and generational factors that, combined, contribute to a longer runway to achieving homeownership and a unique pre-purchase experience that begins well before more common pre-homebuyer education offerings. As such, we have begun referring to this work as “pre-pre-homebuyer” support. Trusted organizations that are Black-led and culturally rooted in Black communities go beyond transactional aspects of homeownership readiness and work to address both the systemic and generational obstacles and barriers, building trust and relationships, bridging knowledge gaps, and providing culturally responsive support through the longer, nonlinear runway to equitably improve the homebuying experience.

To transform the homebuying experience for Black homebuyers and close the racial homeownership gap, the work of Black-led and culturally rooted organizations must be systemically recognized, compensated, and valued. Currently, there are no established funding streams dedicated to this reparative work. Traditional funding mechanisms in Minnesota use prescribed benchmarks to score and approve applications for funding; while these resources are critical and useful for our existing homebuyer support network, these benchmarks tend to be one-dimensional and do not sufficiently capture the depth of the

2

***Strengthen Coordination and Cohesion of Support for Black Homebuyers in the Transaction Process***

work that happens before these benchmarks can be reached. Much of this work is not formally seen by the system—mostly visible only to those doing it and impacted by it.

FHFund seeks to quantify the value and potential impact at scale of this work so that our system can define the capacity needed to fully support Black homebuyers. Then, we can inspire greater investment to Black-led and culturally rooted organizations from the public sector, philanthropy, and lending institutions.

### HOW IT SERVES INDIVIDUAL BLACK HOMEBUYERS:

Black homebuyers benefit from the deep support of trusted partners throughout the homebuying process and realize improved support, navigation, and access to homeownership.

### HOW IT SERVES THE ECOSYSTEM OF BLACK-LED

**SUPPORT:** Black-led, culturally rooted organizations will be fully compensated for their work, equipped to invest in their staff, and positioned to grow their capacity to advance Black homeownership.

### HOW IT SERVES BROADER SYSTEM REPAIR:

The system acknowledges the depth of this work, and with a stronger understanding of what it takes to close generational gaps, compensates and values this work as critical system infrastructure to make measurable contributions to closing the homeownership gap.

3

***Grow an Ecosystem of Supports Post-Purchase to Ensure Long-Term Success for Black Homeowners***

## STRENGTHEN COORDINATION AND COHESION OF SUPPORT FOR BLACK HOMEBUYERS THROUGH THE TRANSACTION PHASE

The transaction phase of the homebuying process consists of a series of actions, processes, and products that must align to achieve a successful closing and home purchase. In our engagement and workshops, participants described the transaction process as a chaotic and stressful time where many more parties –loan officers, realtors, inspectors, appraisers, title companies, insurance, etc.—get involved. Currently, there is no formal or streamlined way for all these parties to coordinate with each other for the benefit of the homebuyer, and the connector is the homebuyer. In our literature review, we found evidence that the stressful transaction process is the stage where Black homebuyers are most likely to make decisions against their better interest or deviate from the plan they had developed for themselves. The homebuying system produces a level of fragmentation and opaqueness stemming from technical approaches that do not account for the cultural and economic realities of Black homebuyers.

To improve this experience, we need to shift a layer of onus from the homebuyer onto the homeownership system to make the process more explicit and transparent. We see a need to synchronize services by creating navigation capacity (a Navigator role) and file sharing functionality (a Digital Hub). These interventions would center the homebuyer and facilitate their ability to manage the transaction process with support at each step, coordinating closing activities and timelines, timely access to information, and communication between all parties.

### NAVIGATOR

The Navigator’s role would be to monitor and align all aspects of the transaction and ensure it advanced as seamlessly as possible, helping each entity involved to obtain the information and documentation they need to complete their respective task. The Navigator would serve as a resource to the buyer and/or housing counselor to ensure they remained informed at each step of the process. The Navigator could be positioned as an external entity to support a network of housing counselors, or the Navigator role could be developed as a functionality of housing counselors dedicated to serving Black households.

### DIGITAL HUB

The creation of a centralized digital hub for sharing information would support service synchronization and the Navigator’s role. Technology was a recurring theme in our engagement process; participants voiced a need to determine, as a system, how to best utilize technology solutions in the homebuying process, recognizing that technology can be extremely useful yet cannot replace the work of Black-led, culturally-rooted organizations supporting the homebuyer. A digital hub would store the homebuyer’s information and facilitate file sharing with all the service providers involved to facilitate referrals, reduce fragmentation, and make the transaction process smoother. It would also store documents and specific home characteristics and other information about the home, serving as an important tool to reference for new homeowners post-purchase.

Adding this layer of coordination will facilitate timely sharing of information and effective communication between all parties, equipping the homebuyer to exercise agency.

#### HOW IT SERVES INDIVIDUAL BLACK HOMEBUYERS:

A more seamless and aligned service delivery model that relieves Black homebuyers from the burden of navigating the system on their own, bridges gaps in knowledge and experience, and positions them to make informed decisions that best support their families’ needs and future.

#### HOW IT SERVES THE ECOSYSTEM OF BLACK-LED SUPPORT:

Enhanced connectivity and transparency streamline operations, enabling Black-led organizations and advisors to work more efficiently during the transaction process, supporting continuity in service delivery, and ensuring that Black homebuyers receive consistent and reliable assistance throughout their homebuying journey.

#### HOW IT SERVES BROADER SYSTEM REPAIR:

Service synchronization will address the opaqueness and fragmentation within the homebuying process that undermine trust. This will test a solution to create a more transparent, seamless, and stress-free transaction process for Black homebuyers, fostering greater trust in the system and building a more equitable homebuying environment.

## GROW AN ECOSYSTEM OF SUPPORTS POST-PURCHASE TO ENSURE LONG-TERM SUCCESS FOR BLACK HOMEOWNERS

Another important theme we heard through the co-design process was the lack of post-purchase support for new homeowners, beyond foreclosure prevention resources. As a result of racial inequities and generational wealth gaps, the homes that are affordable to Black households are often aging or come with higher maintenance needs. They are homes that require greater investment. Our homeownership system needs to respond to this market reality with targeted post-purchase solutions to ensure Black households can reap the benefits of homeownership equitably.

We also heard demand for additional education or technical assistance about the mechanisms for leveraging their home to build wealth. Participants in our engagement voiced interest in ongoing coaching, curriculum, and/or a digital platform that covers a tailored set of topics specific to the type of housing they purchased and their financial picture. Participants described the importance of digging into these questions after the purchase of the home, rather than during pre-purchase curriculum. Participants wanted to learn more about life insurance, wills, and trusts to better understand how their homes can benefit the next generations. They also expressed wanting more information about the factors that impact short-term and long-term wealth building, such as home insurance, property taxes, how forgivable down payment assistance impacts equity, or how and when private mortgage insurance (PMI) may be removed.

As a result, FHFund envisions building a framework for post-purchase support that includes:

- 1) Building the capacity of ecosystem partners to stay connected to homebuyers post-purchase, leveraging the Digital Hub—as previously described—to support home-specific education, planning, and connection to existing resources.
- 2) Developing a post-purchase curriculum that focuses content on short-term and long-term asset protection and wealth creation. Topics would include life insurance, wills, trust, home insurance, property taxes, forgivable and repayable loans, equity, etc.

- 3) Providing access to flexible financial resources to support financial or small-scale maintenance and repair emergencies, or investments in tools and resources that set the owner up for success.
- 4) Developing a post-purchase resource to address larger-scale home maintenance and repair needs in response to disparities in asset conditions. Flexibility should also be built into this tool, or another tool, to provide financial support to prevent loss of housing due to an income shock.

### HOW IT SERVES INDIVIDUAL BLACK HOMEBUYERS:

Black homeowners have the tools to invest in and grow the value of their home, improving their long-term wealth building trajectory.

### HOW IT SERVES THE ECOSYSTEM OF BLACK-LED

**SUPPORT:** Black-led nonprofits benefit from new resources and tools to refer their clients to, and are integrated into a more comprehensive network of support post-purchase.

### HOW IT SERVES BROADER SYSTEM REPAIR:

Culturally-responsive post-purchase support becomes a permanent facet of our housing system, responding to the market reality that affordable homes often come with quality concerns that impact wealth building potential and which Black households are burdened with resolving.

These ideas underscore that the homeownership journey is not over when the home purchase is completed and that wealth building is not guaranteed outcome, but one that requires support and intention. However, additional strategies are needed to address other systemic barriers to wealth building: namely, disparities in appraisal and tax assessment of Black-owned homes. Even with a comprehensive system of post-purchase support, these issues will hinder wealth building potential for Black homeowners. Further exploration of these issues and possible solutions is a necessary next step.





## CONCLUSION

To close racial wealth gaps and advance racial equity in the Twin Cities region, we must transform the homebuying and owning experience for Black families. The learnings gleaned so far from our Valuing Homes in Black Communities initiative have demonstrated that the challenges and barriers are deeply rooted and require us to align and sequence efforts, starting with homeownership access and sustainability. By prioritizing these strategies, we aim to reshape the homeownership experience for Black homebuyers, addressing systemic barriers and generational factors that have historically hindered equitable access to housing. Through these efforts, we envision a future where Black-led organizations are fully supported and compensated for their

essential work, where the transaction process is streamlined and transparent, and where a host of post-purchase supports are available to ensure homeowner success and growth.

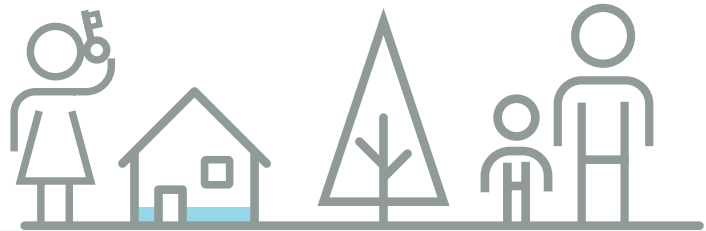
The ideas put forth through this process are just the beginning. There is much more work to do to address barriers to Black wealth building and to fully value homes in Black communities. At a time when new programs and resources are becoming available to support Black homeownership, it is imperative that we also make investments into improving the homebuying process and ensure that Black families can reap the benefits of homeownership equitably.

*By prioritizing these strategies, we aim to reshape the homeownership experience for Black homebuyers, addressing systemic barriers and generational factors that have historically hindered equitable access to housing.*

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Christine Velure Roholt, bswing  
Jen Altstadt, bswing



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### PHASE I PARTICIPANTS

#### Homeowners and Aspiring Homebuyers

Angela Hudson  
Antoinette Gill  
Bryt Turner  
Felicia Robertson  
Kaya Jelani  
Kiara White  
Melaney Williams  
Shanana Smith  
Sheryl Harris  
Stacy Hinton  
Tanereika Celestine  
Tez Hailu  
Travis Dollerson  
Yolanda White

#### Realtors

Richelle Taylor  
Seanne Thomas  
Cynthia Lewis

#### Organizational Partners

Kasey Kier, *Bell Bank*  
Keenan Raverty, *Bell Bank*  
Cristen Incitti, *Habitat for Humanity Minnesota*  
Shereese Turner, *Twin Cities Habitat for Humanity*  
Robyn Bipes-Timm, *Twin Cities Habitat for Humanity*  
David McGee, *Build Wealth Minnesota*  
Jeffery Robinson, *Build Wealth Minnesota*  
Regina McGee, *Build Wealth Minnesota*  
Julie Gugin, *Minnesota Home Ownership Center*  
Brooke Walker, *Minnesota Home Ownership Center*  
Mikeya Griffin, *Rondo Community Land Trust*  
E. Coco, *Rondo Community Land Trust*  
Elena Gaarder, *Metropolitan Consortium of Community Developers*  
Muneer Karcher-Ramos, *Saint Paul Office Of Financial Empowerment (now, McKnight Foundation)*

Trent Bowman, *Bremer Bank*  
Beth Hyser, *NeighborWorks Home Partners*  
Jason Peterson, *NeighborWorks Home Partners*  
Tal Anderson, *Minnesota Housing Finance Agency*  
Catrice Williams, *Urban League Twin Cities*  
Kizzy Downie, *Model Cities*  
Makeisha Hall, *Model Cities*  
Ed Goetz, *Center For Urban And Regional Affairs*  
Nichole Szczesniak, *Lutheran Social Service of Minnesota*  
Becky Pakarinen, *Lutheran Social Service of Minnesota*  
Lenny McNeill, *US Bank*  
Sodi Nichols, *US Bank*  
Tessa Eddy, *JPMorgan Chase (now, Neighborhood Development Center)*  
Joannette Cintron, *Old National Bank*  
Dondi Edwards, *Wells Fargo (now, GroundBreak)*

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### PHASE 2 PARTICIPANTS

#### Homeowners and Aspiring Homebuyers

Angela Dawson  
Angela Hudson  
Anika Bowie  
Antrenise Retic  
Charlene Forbes  
Elliott Williams  
Fatima Muhammad  
Heather Roby  
Lael Ware  
Melaney Williams  
PJ Hill  
Sheryl Harris  
Talia Jones  
Vanessa Gill

### PHASE 3 PARTICIPANTS

#### Homeowners and Aspiring Homebuyers

Vanessa Gill  
Trese Mosley  
Travis Dollerson  
Tosha Bergstrom  
Talia Jones  
Stacy Hinton  
Sheryl Harris  
Shanana Smith  
Paradyse Trezvant  
Kiara White  
Jessica Ford  
Jaylah Loving  
Jamael Lundy  
Heather Roby  
Felicia Robertson  
Fatima Muhammad  
Elliott Williams  
Antrenise Retic  
Anika Bowie

#### Realtors

Richelle Taylor  
Seanne Thomas  
Trent Bowman

#### Organizational Partners

Portia Jackson, *Twin Cities Habitat For Humanity*  
Catrice Williams, *Urban League Twin Cities*  
Malyun Yahye, *Hope Community*  
Mikeya Griffin, *Rondo Community Land Trust*  
E. Coco, *Rondo Community Land Trust*  
Brooke Walker, *Minnesota Home Ownership Center*  
Henry Rucker, *Project For Pride In Living*  
Melissa Pugh, *Project For Pride In Living*  
Beth Hyser, *NeighborWorks Home Partners*  
Casey Ware, *NeighborWorks Home Partners*  
Kizzy Downie, *Model Cities*  
Jeff Wills, *Model Cities*  
Julie Gugin, *Minnesota Home Ownership Center*  
Damon Mason, *Rondo Community Land Trust*  
Shereese Turner, *Twin Cities Habitat for Humanity*

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**Writing:**

Kirstin Burch, *Family Housing Fund*

Karyssa Scheck, *Family Housing Fund*

Micah Norman-Pace, *Family Housing Fund*

## END NOTES

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