

United States Department of Housing and Urban Development

Moving to Work Demonstration Program

Promising Practices Report for

MINNEAPOLIS PUBLIC HOUSING AUTHORITY (MPHA)

February 2009

INTRODUCTION

The Minneapolis Public Housing Authority (MPHA) joined the U.S. Department of Housing and Urban Development's (HUD) national Moving to Work (MTW) Demonstration Program in August 1998. In its first ten years, the MPHA MTW program focused on assisting Housing Choice Voucher (HCV) families reach economic stability and self-sufficiency through homeownership. In January 2008, MPHA executed the Amended and Restated Moving to Work Agreement, also known as the MTW Standard Agreement. This new agreement extends the agency's participation in MTW through its 2018 fiscal year and provides expanded MTW authority to the agency.

MPHA serves the City of Minneapolis, which has a population of 377,392 as estimated by the U.S. Census Bureau in 2007. The major industries providing employment opportunities include manufacturing, finance, insurance, and accommodation and food services.

The Minneapolis Public Housing Authority currently owns nearly 6,200 public housing units and manages 4,444 Housing Choice Vouchers. When MPHA first became a MTW housing authority, housing prices were low and rental units were hard to find. MPHA developed the Moving Home Program to help HCV-assisted families become homeowners. To date, the Moving Home Program at MPHA has successfully helped 21 families purchase homes in the City of Minneapolis. Five of these families have moved off assistance and sixteen are still participating in the program. Utilizing MTW flexibilities, MPHA was able to develop innovation through its Moving Home Program by:

- Forming partnerships to provide comprehensive support for families to reach self-sufficiency; and
- Developing a Section 8-based homeownership program to increase opportunities for housing and homeownership.

This report reviews MPHA's MTW program best practices since its inception and discusses the agency's progress towards meeting MTW program objectives. The report is based on interviews with housing authority staff and HUD MTW coordinators. It also draws on reports and data on MTW participants collected by MPHA, HUD, Abt Associates Inc. and Optimal Solutions Group, LLC over the course of the demonstration.

This report is organized to correspond to two of the three broad goals of the Moving to Work Demonstration Program, which MPHA has addressed to date: (1) providing work incentives to encourage resident self-sufficiency (2) increasing housing choice and homeownership.

SELF SUFFICIENCY INITIATIVES

Participants in MPHA's Moving Home Program are all first-time homebuyers. Therefore, it is important for families to receive counseling and support as they work through the homeownership process. MPHA utilized MTW authority to require Moving Home participants to take part in comprehensive supportive services. This included participation in the Family Self-Sufficiency (FSS) program, Economic Development and Supportive Services (EDSS) program, and counseling programs offered through MPHA's community partner, Thompson Associates, Inc.

First-Time Homebuyer Supportive Services

Thompson Associates, Inc. provided comprehensive supportive services for the 21 families in the Moving Home program. This began with initial consultation with the families to assess goals in building credit history, meeting monthly mortgage payments, and seeking employment. The Thompson Associates, Inc. counselors also ensured that families were participating in the relevant components of the existing FSS and EDSS programs at MPHA. In addition to working with the families directly, counselors also worked closely with the Wells Fargo Mortgage to help prepare families for the phase-out of the HAP after five years.

Promising Practice: First-time homeownership can be challenging for families previously on assisted-housing, and intense counseling and mentorship through the process has proven critical to MPHA's success. MPHA was keenly aware of the importance of continual involvement with the families having worked with first-time homeowners through its HOME program. Thus, MPHA was able to work efficiently with Thompson Associates, Inc. counselors to guide families through the process and prepare them for the end of the subsidy program after five years. MPHA's success in this realm demonstrates that housing authorities with homeownership programs must carefully assess the supportive services package needed to help families achieve self-sufficiency through homeownership.

HOUSING CHOICE AND HOMEOWNERSHIP INITIATIVES

Moving Home was the core component of the MPHA MTW program prior to the agency's recent execution of the MTW Standard Agreement. The Moving Home Program helps HCV-assisted families purchase homes. This program provides residents with ongoing HCV financial assistance after the purchase of a home for up to five years. The initial goal of the program was to assist 50 families purchase homes in the City of Minneapolis, but after the dramatic increase of housing prices in 2001, MPHA decreased the scale of the program to help 21 families.

"MTW Authority was central in the design and implementation of the Moving Home Program"
– Jan Hughes, *Public Housing Manager*

Core Differences from the Standard Section 8 Homeownership Program

MPHA's Moving Home MTW homeownership program differs from HUD's Section 8 homeownership program final rule requirements in several ways, including:

- **MPHA has shortened the length of assistance.** The length of voucher assistance under MTW is 5 years and final rule allows up to 15 years of voucher assistance for homeownership.
- **MPHA partnered with a lender and required participants to utilize that specific lender.** Under the final rule, MPHA would be required to allow homebuyers to seek financing from the lender of their choice instead of using a single lender as in the MTW Demonstration.
- **MPHA incorporated recapture provisions.** Recapture provisions in the MTW program, that take effect in the event the home is sold, are not permitted under the Final Rule.
- **Family Self-Sufficiency participation is required.** In the MTW program, participants are required to participate in the Family Self-Sufficiency program (FSS) but this requirement is not enforceable in the final rule.
- **MPHA has required annual HQS property inspections for homebuyers in the MTW program, which is not required under the Final Rule.**

Housing Assistance Payments (HAP)

Under the Moving Home program, families contribute 30 percent of their income toward monthly payments of PITI (which is the principal and interest owing to the mortgage lender for amounts borrowed to purchase the home, real estate taxes, and insurance for the home) and an additional \$25 to an escrow account administered by the loan officer to be used to pay for home repairs. MPHA makes the Housing Assistance Payment directly to the loan officer to cover the remainder of the loan payment. Families are reevaluated each year and may continue to receive HAP for up to five years.

In order to remain in the Moving Home program for the full five years families are to meet the following requirements:

- Continue to be eligible for tenant-based assistance under the HCV program;
- Continue to participate in the FSS program and attend counseling as required by MPHA;
- Use the home as the family's sole residence;
- Have an outstanding mortgage balance; and
- Have one family member take the title to the home within three years of the execution of the MPHA MTW agreement by HUD.

Housing Quality Standard Inspections

Under its Moving Home Program, MPHA used the annual inspections as a way of maintaining regular contact with the families and remaining informed about the condition of the home. This inspection could be used as an opportunity to ensure that homeowners were aware of needed repairs to the property. While not required in regular Section 8-based homeownership programs, requiring these inspections has been valuable to MPHA's self-sufficiency approach, as it helps to teach these first time homebuyers about how to maintain a home.

Lesson Learned: At the outset of the program the City of Minneapolis was an ideal city to implement an assisted-homeownership program. Historically Minneapolis has a high rate of homeownership because the private market provided low-cost single-family homes in the \$60,000 to \$80,000 price range.¹ However, housing prices increased dramatically after the signing of the initial MTW agreement. This provided MPHA with new challenges, but through forming partnerships with finance organizations, MPHA was able to successfully assist 21 families. **To date**, none of the families have defaulted on mortgage payments and five of the families have already phased out of the Moving Work program and are making mortgage payments without MPHA assistance. The remaining participants are expected to complete participation in 2009. MPHA plans to continue this program under the new MTW Standard Agreement.

¹ *Moving Home: Minneapolis Public Housing Authority's Moving to Work Program*. Prepared by Abt Associates, May 2001.