

# DETROIT HOME MORTGAGE



**INVESTMENT PARTNER**

**COMMUNITY REINVESTMENT FUND**  
 crfusa.com

**ABOUT THIS PROJECT**

Detroit Home Mortgage will provide financing for up to 1,350 homes and will help restart Detroit’s single-family home mortgage market. This PRI is designed to help borrowers secure a first mortgage through financing from regional banks and a second mortgage up to \$75,000 for home renovations. The secondary loan pool is backed in part by Kresge’s \$6 million guarantee for homebuyer hardship defaults. This will allow conforming borrowers to receive home purchase and improvement loans that were not possible before due to low appraisal values on properties and insufficient collateral.

**IMPACTED LOCATION**

**DETROIT, MICH.**



**YEAR APPROVED**

**2016**

**TYPE OF TRANSACTION**

**GUARANTEE**



**WHY WAS THIS NEEDED?**

**CHALLENGE:** Long-term population loss in Detroit has led to depreciating value of the city’s housing stock, making it nearly impossible for would-be home buyers to qualify for mortgages for both home purchases and needed renovations. In 2014, only 12 percent of the city’s home sales used mortgages.

**RESPONSE:** The foundation worked with multiple financial institutions, as well as the state housing authority, other funders, the city and local nonprofit housing counseling service providers, to jumpstart home ownership in Detroit and consequently stabilize the city’s housing market. This effort will combat community deterioration in Detroit and bring stabilization and revitalization to the city’s neighborhoods.

**KRESGE PROGRAM**

**DETROIT**

**AMOUNT OF INVESTMENT**

**\$6M**

**GRANT SUPPORT**

**\$475,000**

**TERM OF INVESTMENT**

**23 YEARS**



## Key Considerations



**Kim Dempsey**  
DEPUTY  
DIRECTOR  
Social Investment  
Practice

» The primary risk to the foundation is market risk. The largest portion of our guarantee covers outstanding principal on mortgages that are “under water” at the time of sale due to borrower hardship. If single-family homes begin to appreciate and market conditions begin to normalize, the risk to the foundation decreases over time as equity built in homes helps protect borrowers from losses at the time of sale.

- » With more underwriting flexibility on appraised value, banks will be able to lend significantly more money than they would otherwise be allowed to finance critically-important home renovations and repairs.
- » Importantly, an intensive home ownership counseling curriculum is required for all borrowers wishing to participate in this program. We want to ensure all borrowers are well-informed about the risks of borrowing significantly more than their home is currently worth, as well as the limitations of the protections that will be put in place.

## ABOUT THE BORROWER



The Minnesota-based nonprofit Community Reinvestment Fund’s mission is to improve

the lives of disadvantaged people and strengthen distressed communities through innovative finance. Since 1988, CRF has combined social investments, grants and federal tax credit programs to harness the power of the capital markets for the betterment of underserved communities, supporting the full ecosystem of businesses, entrepreneurship, housing, daycare, healthcare facilities and schools in low-income neighborhoods. CRF’s purpose is to create good jobs rooted in underserved communities and to foster an environment that supports job growth within those communities. Overall, CRF has provided more than \$1.5 billion in financing that has improved communities and changed lives.

## IMPACT MEASURE

**46 MORTGAGES**  
(AS OF JUNE 2017)

## KEY PARTNERS

Community Reinvestment Fund serves as program manager, master servicer for all second mortgages, and fund manager. The Ford Foundation also provided grant support. The program lenders include: AAA Bank, Chemical Bank, Citizens Bank, Comerica Bank, Flagstar Bank, Huntington Bank, Independent Bank, and Liberty Bank. The investment also features a future grant commitment from the state of Michigan to cover payment shortfalls in the program.