

The Kresge Foundation

Detroit Home Mortgage

Detroit, Michigan

Challenge

The Detroit mortgage market has struggled to serve residents adequately. After the recession and the housing crisis, home prices plummeted, and homes would rarely appraise at the sales price. Buyers were forced to close in cash—or were out of luck without it. This system is particularly punitive to moderate-income families.

Innovation

The Kresge Foundation and partners produced an ambitious program called Detroit Home Mortgage (DHM). Through DHM, buyers get a first mortgage up to the appraised value of the home and a second mortgage of up to \$75,000 for needed repairs. DHM is rebooting the single family home finance system by bringing new homeowners to the city and providing existing homeowners the resources they need to renovate their homes.

Overview

The Kresge Foundation provided a \$6 million guarantee, its largest guarantee to date, to take the risk off of the second mortgage pool. It also provided \$1 million in grant support. Other partners included six regional banks to originate the mortgages; the Ford Foundation, which offered grant support; the Michigan State Housing Development Authority, which offered its own guarantee; and the Community Reinvestment Fund, which manages and operates the program. Now, qualified buyers who want to fix up a home in Detroit have a way to do so. This systemwide solution is measured by the number of mortgages originated, underwritten, and closed (as well as the mortgages that come in through DHM but are closed through conventional means). In its first year, the program originated more than 130 pipeline borrowers, including 60 approved borrowers. It also implemented a homebuyer education program with neighborhood-based counseling agencies, helping interested homebuyers understand their mortgage and prepare for the renovation process. Mortgages in the city went up 25 percent from 2015 to 2016, and DHM was responsible for one-third of that bump.

PUBLIC-SECTOR PARTNERS

Michigan State Housing Development Authority.

OTHER PARTNERS

The Ford Foundation, Community Reinvestment Fund, Huntington Bank, Chemical Bank, Flagstar Bank, Independent Bank, Liberty Bank.

