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The mortgage and credit crunch has hit many Minnesotans especially hard, but one group is working to put people in homes, while at the same time restoring their credit.

SHOP (Sustainable Home Ownership Program) Home Mortgage, a non-profit based out of St. Paul, is working to get individuals who cannot qualify for traditional bank mortgages into homes using a buying strategy known as contract-for-deed. If the buyer is successful in the program, that person can transition out of the contract-for-deed into a traditional, fixed-rate bank mortgage.

A contract-for-deed is a buying strategy where the seller – in this case SHOP – provides financing to buy the property for an agreed-upon purchase price and the buyer repays the loan in installments. Typical clients of SHOP remain under contract-for-deed for three to 10 years, at which time, SHOP works with the home-owner to transition into a bank-owned mortgage.

"The program was created back in 2008 right after the mortgage crisis started and it was an attempt to make funding available for people who could no longer afford their mortgages," said Gary Beatty, vice president of SHOP. "When the mortgage crisis hit, a lot of people were left out in the cold when trying to find traditional financing. Sub-prime (loans) weren't even available."

Beatty said SHOP focuses its resources on homes in North Minneapolis and in East St. Paul.

"These are foreclosed properties that were boarded-up and vacant that we're trying to get back into the hands of home owners," said Beatty who said SHOP, with the assistance of licensed contractors, makes sure all homes under contract are up to code – and in many cases – updated with newer features. Some homes are valued at up to $250,000. SHOP is in partnership with the Greater Metropolitan Housing Corp. and Dayton's Bluff Neighborhood Housing Services.

Beatty said the program is a win-win for the home owners and the neighborhoods.

"Vacant, these homes do nothing for the neighborhood," said Beatty. "For the home owner, we're lending to people who wouldn't regularly qualify for home ownership. They were considered high risk. With our Bridge to Success, we reduce those risks and help to build a person's credit."

Bridge to Success is a combination of education and counseling that aims to revitalize a person's credit and increase that person's ability to borrow when the time comes. Through the program, prospective homebuyers attend homebuyer education classes and work with financial counselors to understand and evaluate a person's financial picture. Once a homebuyer's readiness is established, SHOP and the homebuyer will begin the search for a home. Once found, the client will enter into the actual contract for-deed for the property. While in the home, the client will continue to work with a financial coach with the goal of strengthening that person's finances and ultimately refinancing into a long-term loan.

"Before, people were put into a home without an understanding if the home was affordable for the person's lifestyle," said Marcus Manning, a SHOP loan officer. "That's why we focus on

educating the buyer on his or her finances and work with them to create a budget. We want to see the client succeed."

Manning said many of SHOP's clients have the economic resources to buy a home, but their credit standing will not qualify them for a traditional home loan.

"These people are forced to rent – sometimes at higher rates than a mortgage – when really they should be able to buy," said Manning.

Vellvet Jones was one such person. Jones recently went through a divorce and said her credit took a hit when her then husband had a property foreclosed upon. Jones' name was also on the loan.

"This program is helping to build my credit," said Jones who closed on her contract-for-deed home in April. Jones is now in a three-bedroom 1,600 square foot home in North Minneapolis. Her monthly payments are just above $1,000 a month. "When I was renting I was paying $1,100 for a house I didn't even want people to visit me at," said Jones.

Manning said the program is vital, especially for the children of clients. He said the stability of living in a home helps a child in school and in his or her social development.

To date, nearly 50 people have enrolled in SHOP. Of that, Beatty said about six have already transitioned into traditional mortgages. He said that number would be higher, but they are waiting for home prices to rebound following last year's tornado in North Minneapolis.

To learn more about SHOP, contract-for-deed and the Bridge to Success, visit www.shop-mortgage.org .