

# A Guide for Detroiters: Up to \$45k to Buy a Home & Which Lenders Close Those Loans



## David Palmer

MPA, CEO @ DC Palmer LLC

## Dr. Patrick Meehan

The Center for Equitable Family  
& Community Well-Being

**Contributors** to this report include Alex Hill, Aaron Deakins, Roshaun Harris, Michael Kloc. They supported data analysis, visualization, editing, and formatting.

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## I. INTRODUCTION

Detroit's down payment assistance (DPA) program makes up to \$25,000 available to city residents to purchase a home (while funds last). The [program](#), which launched on March 30th, provides cash assistance to support down payment, lender and closing costs, and can even pay down interest points on the loan and/or principal on the purchase price!

The city program can even be "stacked" with other DPA programs to provide even more support to Detroiters seeking to become homeowners. There are three ways to stack Detroit's DPA, using one or all of the three methods detailed here.

According to Anthony Smith, the City of Detroit DPA program manager, as of May 11, there were 2 applications successfully originated (closed), 11 vetted for approval, and 35 applications in process. By June 20, Dina Harris, CEO of National Faith Homebuyers – the contract organization managing the program for the city – reported that 38 home loans were originated (closed), 53 were approved pending closing, and 49 were in the application process. With roughly \$5 million available for DPA assistance, there are enough funds for at least 200 successful DPA applications available on a first come first serve basis. City officials and contractors have hinted that there is an opportunity to re-seed the fund with additional dollars if the program is successful. If these trends hold true, current City of Detroit DPA funding will be exhausted before the fall of 2023.

The City of Detroit hosted an info forum for Realtors at Central Detroit Christian Community Development Corporation on May 19. For the lenders present, 8 of the 9, provided information about their own DPA incentives. These lenders are highlighted in relation to the DPA stack options below. DC Palmer LLC organized lender data into these possible "stack" options presented here. This is not an exhaustive list that includes the wide universe of lenders, so work with your Realtor and lender to discover the right and available resources for you.

**A. Stack Option 1, MSHDA**

Consider a conventional loan from the [Michigan State Housing Development Authority](#) (MSHDA), through one of their approved lenders. The “[MI \\$10k DPA Loan](#)” provides up to \$10,000 in DPA to a buyer in the form of a 0% interest, zero payment second mortgage. The borrower makes no payments, but if and when the home is sold, some or all of that DPA loan must be paid from proceeds of the sale depending on the profit realized. In other words: if you make a lot of money selling your home after you have lived there for years or decades, you give some of those profits back to MSHDA to help others do the same.

	<u>Lender</u>	<u>DPA Grant</u>
Apply with lender	CIBC	\$10,000
Utilize MSHDA loan	<u>DPA Layer 1</u> MSHDA	<u>DPA 0% loan</u> \$10,000
Add Detroit DPA after home contract	<u>DPA Layer 2</u> City of Detroit	<u>DPA Grant</u> \$25,000

	<u>Lender</u>	<u>DPA Grant</u>
Apply with lender	Citizens First Merchants Bank	\$10,000 \$7,500
Utilize FHLBI DPA	<u>DPA Layer 1</u> Federal Home Loan Bank Indianapolis	<u>DPA Forgivable</u> \$10,000
Add Detroit DPA after home contract	<u>DPA Layer 2</u> City of Detroit	<u>DPA Grant</u> \$25,000

**B. Stack Option 2, FHLBI**

If the lender you choose to work with is a member of the [Federal Home Loan Bank of Indianapolis](#) (FHLBI), that lender can apply for up to \$10,000 in DPA on your behalf. All you have to do is ID a FHLBI lender to make the application for you.

**C. Stack Option 3, Lender Grant**

Many lenders offer their own grants to homebuyers. Each lender has their own amount available, and qualifications for the grant. Lender grants range from \$5,000 to \$15,000, depending on the lender program, and can include qualifications like being a first-time homebuyer, or purchasing in select zip codes or counties in Michigan.

	<u>Lender</u>	<u>DPA Grant</u>
Apply with lender	5/3 Bank Bank of America Chase Liberty Bank PNC	\$8,600 \$10,000 \$5,000 \$15,000 \$5,000
Add Detroit DPA after home contract	<u>DPA Layer 1</u> City of Detroit	<u>DPA Grant</u> \$25,000

### C. Stack Option 3, Lender Grant

If a buyer does not want to stack, and is grateful for the city’s \$25k, then no stacking is required. ID a lender of choice, and get a home under contract to purchase. Tell your Realtor and your lender that you want to take advantage of the city’s DPA program and tell them to do the necessary paperwork.

Using these options to stack DPA, a Detroit resident can receive between \$5,000 and \$45,000 towards purchasing a home in the city.

There are a number of [qualifications](#) that a homebuyer needs to meet to qualify for the Detroit DPA funding. These include: the borrower must be a resident of Detroit for the past 12 months, will be qualified by a lender for a mortgage; the DPA cannot exceed more than 50% of the purchase price; and all of the adults in the household must attend a U.S. Housing and Urban Development (HUD) certified homebuyer education class. With additional program requirements, it is important for a buyer to review the qualifications in detail before assuming qualification criteria are met.

## II. Detroit DPA Lenders & the Neighborhoods

Now that readers have hope and dollar signs in their minds, we should talk about the 13 lenders promoted as being part of the Detroit DPA program so that there is an understanding of how these lenders have performed historically. In the ten-year period of lending activity, from 2011 to 2021, 66% of Detroit neighborhoods saw less than 92 mortgage closings. One more time because it is a strange bit of trivia: 2/3 of the neighborhoods in the city of Detroit had less than 100 mortgages closed within them by these 13 lenders.

After analyzing Home Mortgage Disclosure Act (HMDA) data, these lenders do not do a substantial volume of lending in Detroit. The highest performing neighborhood averaged only 42 mortgages per year, of the decade analyzed. The lowest performing neighborhoods had zero mortgages by these 13 lenders in the ten year period.

HMDA data is published by the U.S. Consumer Financial Protection Bureau (CFPB). This is the most comprehensive publicly available data source for mortgage data in the U.S. According to the [CFPB website](#): “The Home Mortgage Disclosure Act (HMDA) requires many financial institutions to maintain, report, and publicly disclose loan-level information about mortgages.”

**Top 10 Neighborhoods for Mortgage Originations 2011-2021**  
By the 13 Recommended Detroit DPA Lenders

Rank	Neighborhood	# Applications	# Originations	# Denials
1	Rosedale	769	424	191
2	Lower Woodwa	580	376	74
3	Bagley	678	360	154
4	Finney	760	357	169
5	Palmer Park	596	353	126
6	Middle Woodw:	429	257	86
7	Grandmont	510	234	144
8	Pembroke	418	218	98
9	Evergreen	381	182	96
10	Durfee	335	181	78

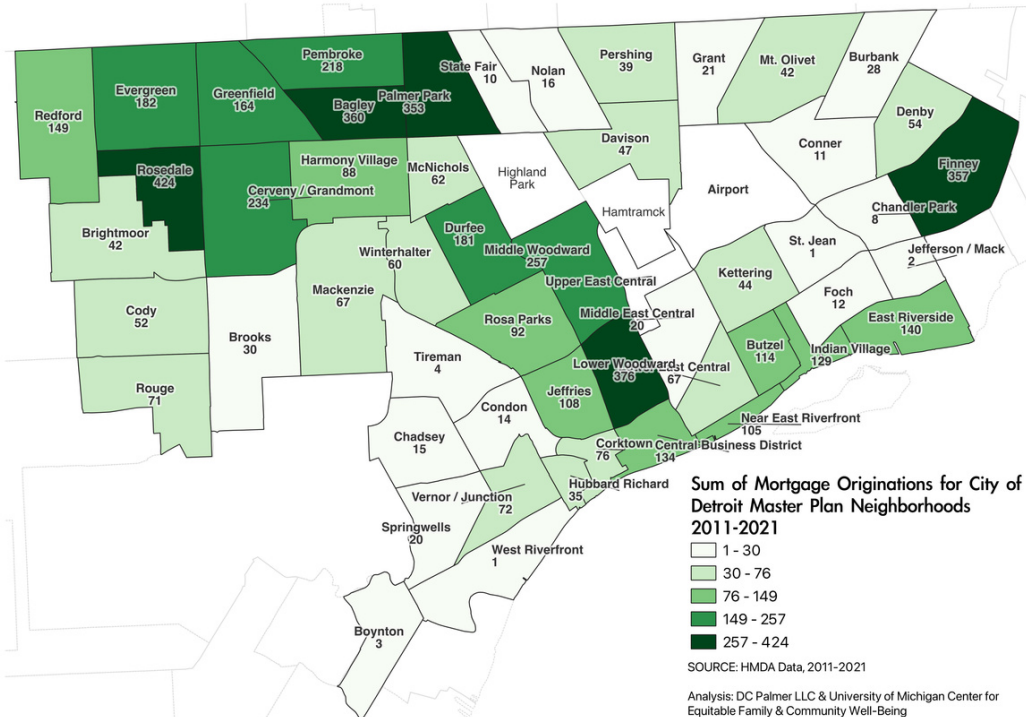
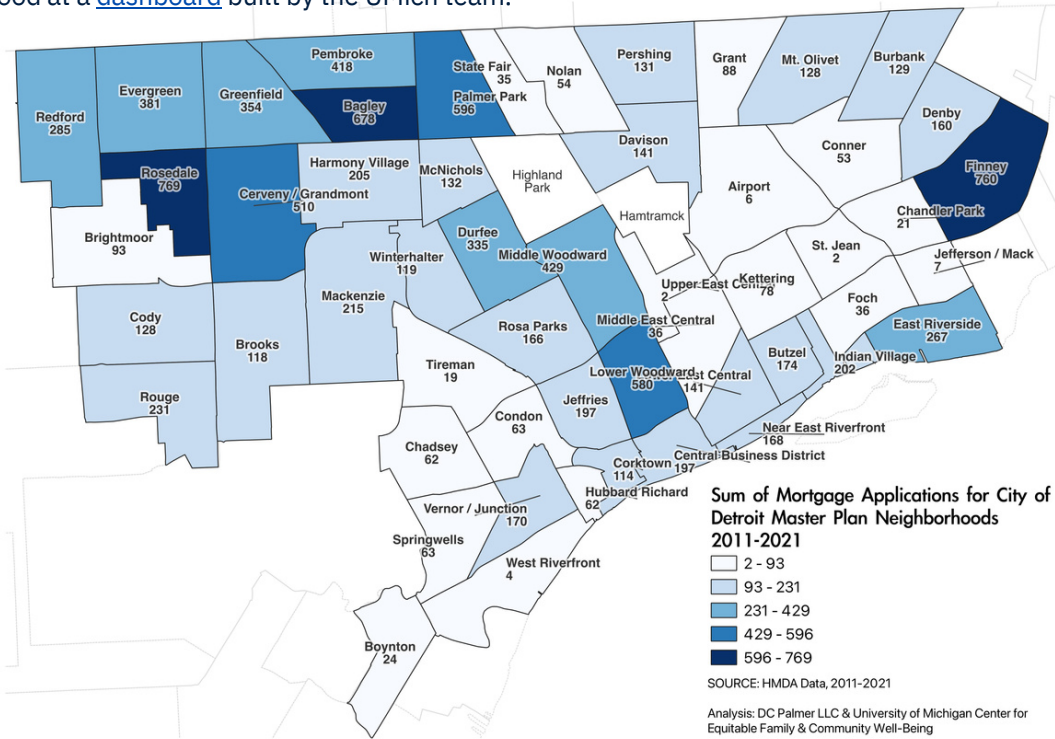
**Bottom 10 Neighborhoods for Mortgage Originations 2011-2021**  
By the 13 Recommended Detroit DPA Lenders

Rank	Neighborhood	# Applications	# Originations	# Denials
45	Conner	53	11	16
46	State Fair	35	10	10
47	Chandler	21	8	7
48	Tireman	19	4	10
49	Boynton	24	3	8
50	Jefferson	7	2	3
51	St. Jean	2	1	1
52	West Riverfr	4	1	2
53	Airport	6	0	6
54	Upper East C	2	0	2

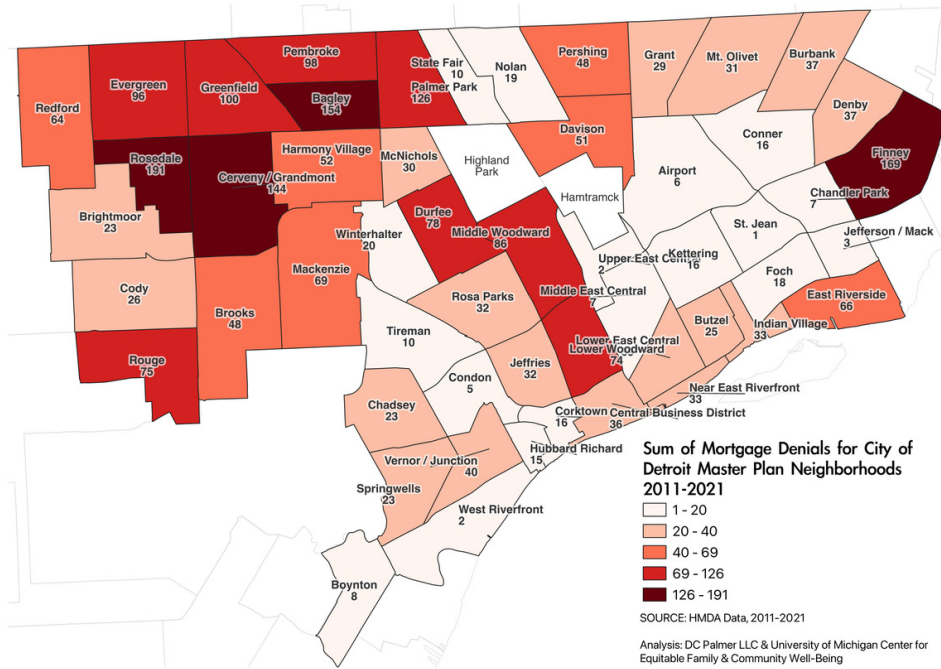
Source: HMDA data, with analysis by University of Michigan Center for Community and Financial Well-Being and DC Palmer LLC

With support from the University of Michigan (UMich) Center for Equitable Family and Community Well-Being, HMDA data was isolated for the City of Detroit from 2011 to 2021. The mortgage transactions were geo-coded to match Detroit’s neighborhoods as are defined in the city’s [Master Plan](#). This [data](#) was then further refined by DC Palmer LLC to isolate lending activity to the 13 lenders recommended on the Detroit DPA website.

Reference a map of the City’s Master Plan neighborhoods, and look at HMDA data and lender outcomes by neighborhood at a [dashboard](#) built by the UMich team.







#### IV. Lender Performance

Best case, Detroit DPA lenders averaged 42 mortgage originations per year in the highest performing neighborhood, worst case, they averaged 0.

#### Who are these lenders?

Most are name brands you know as can be seen on the city's [website](#):



### ROCKET Mortgage

The reasons why 13 prominent lenders originated (closed) only 5211 mortgages in this period are numerous and include, but are not limited to: low home values & high cost of lending (the lender loses money closing low dollar loans), low appraised values, property condition, insurability, buyer lendability, along with convincing arguments that support a case for institutionalized and systemic racism in the residential real estate industry writ large. [Detroit Future City](#) and the [Urban institute](#) have done important research on these topics during the last several years.

Entire books and dissertations have been and will continue to be written on the challenges in Detroit’s residential real estate market. Many of those challenges point directly at the federal government, the lending community, appraisers, and Realtors as culprits. There are few accountability pathways, and it is really hard to “win” Fair Housing cases with the paltry investment in oversight and enforcement. A prospective home buyer just wants a quality and affordable place to live, not years in court proving they were harmed after the fact. The system is designed to direct all of these actors away from the places where it is hard to easily do business.

All that said, over 600,000 residents in Detroit deserve a well-functioning real estate market, and opportunities to build wealth through ownership just like in adjacent suburbs. Here is how Detroit DPA lenders performed from 2011 to 2021.

First we can see from the HMDA data how many applications, originations, and denials each of the 13 lenders had. Again, the volume is shockingly low, but the best available data show Quicken Loans (Rocket Mortgage), Huntington and Flagstar were the only lenders who averaged more than 50 originations a year. For context, home purchase mortgage originations within the city of Detroit comprised 2.75% of the total for all of Wayne, Oakland, and Macomb Counties from 2011-2021 (12,943 out of 458,444).

<b>Lender</b>	<b># Applications</b>	<b># Originations</b>	<b># Denials</b>
QUICKEN LOANS, INC.	3142	1857	916
HUNTINGTON NATIONAL BANK, THE	1705	907	326
FLAGSTAR BANK, FSB	1721	883	435
INDEPENDENT BANK	737	498	80
JPMORGAN CHASE BANK, NATIONAL ASSOCIATION	986	261	169
FIRST INDEPENDENCE BANK	348	226	34
BANK OF AMERICA, NATIONAL ASSOCIATION	893	220	245
FIFTH THIRD BANK (and related entities)	369	99	76
PNC BANK, NATIONAL ASSOCIATION	229	87	93
CITIZENS BANK, NATIONAL ASSOCIATION	256	77	101
LIBERTY BANK (and related entities)	104	63	19
CIBC BANK USA	31	21	3
FIRST MERCHANTS BANK	15	12	2
<b>Grand Total</b>	<b>10536</b>	<b>5211</b>	<b>2499</b>

Median applications for DPA lenders: 190. Median applications for all other lenders: 4.

Source: HMDA data 2011-2021, with analysis by the Center for Equitable Family and Community Well-Being & DC Palmer LLC

Of those lenders with more than 200 originations, Independent Bank and First Independence Bank had the highest percentage of applications that turned into originations (successfully closed mortgages). While both are lower volume lenders, their success rates are dramatically higher than, for example, JP Morgan Chase or Bank of America. Independent and First Independence also had the lowest rate of denials of the Detroit DPA lenders who averaged closing more than 20 loans a year.

<b>Lenders with &gt;200 Originations</b>	<b>% Originated</b>	<b>% Denied</b>
INDEPENDENT BANK	67.57%	10.85%
FIRST INDEPENDENCE BANK	64.94%	9.77%
QUICKEN LOANS, INC.	59.10%	29.15%
HUNTINGTON NATIONAL BANK, THE	53.20%	19.12%
FLAGSTAR BANK, FSB	51.31%	25.28%
JPMORGAN CHASE BANK, NATIONAL ASSOCIATION	26.47%	17.14%
BANK OF AMERICA, NATIONAL ASSOCIATION	24.64%	27.44%

Source: HMDA data 2011-2021, with analysis by University of Michigan Center for Community and Financial Well-Being and DC Palmer LLC

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## V. Finding a Home

Detroit is a large city, with about 143 square miles. It has a wide variety of neighborhoods, architectural styles and amenities. Much of the city's infrastructure was built out 70-100 years ago prior to the city's population peak in 1950. Older housing stock comes with both an opportunity for character not found in newer homes, but also costs for renovation and environmental hazards.

Many first time homebuyers, even with generous amounts of DPA, will not have resources or expertise to renovate and update their new home. Buyers should seek the support of professionals whom they trust for advice. Underscore professional- a family member or acquaintance who claims expertise can cost a homeowner a lot of money and heartache if their advice is bad. Further, bad advice can be downright dangerous when it comes to roofing, heating, cooling, plumbing, electrical, and wholesale renovation. These updates should be done by licensed and insured contractors who pull permits with the City of Detroit when required.

Over 90% of Detroit's homes were built before 1978, and that means a buyer needs to assume it contains lead paint unless proven otherwise. Lead paint is a dangerous hazard for humans, especially children. Learn about the risks of lead paint exposure with info from the [U.S. Environmental Protection Agency](#).

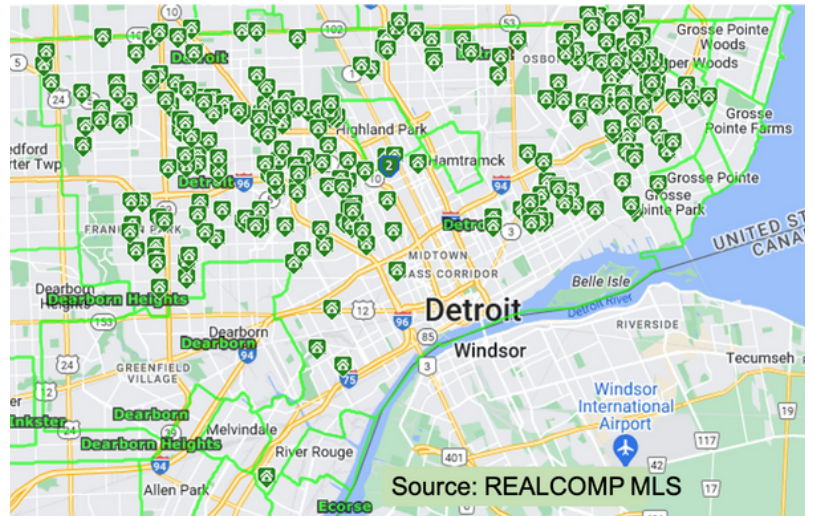
Buyers should be warned against the skewed reality that TV home makeover programs present, and of the heartache and [pain that costly renovation mistakes can inflict](#).

These topics and more are covered in HUD-certified homebuyer education training. Buyers can find a qualified education provider on the [HUD website](#) or via MSHDA.

A home's condition can be a key reason as to [why a mortgage application is denied](#). Many Realtors can support their clients by helping them understand the key health and safety challenges that are looked for during an appraisal process, and the lender will also be able to support the buyer in this education process. Home inspectors play a critical role in helping a buyer understand the property they are purchasing. Michigan does not regulate or license home inspectors, so a good resource to begin screening qualified candidates is the [American Society of Home Inspectors](#) membership database.

Buying a home is, in good part, a function of what is available on the market when a buyer is actively looking for a home. For example, on June 6, there were 277 homes active in Detroit priced at \$100,000 or less, with at least 3 bedrooms and 1 and ½ bathrooms. Many of these homes require renovation, many are tenant occupied, and a few are what many would consider

“move-in ready”. The buyer needs to understand and consider a wide variety of variables before buying a home. The \$100k price point is important because the income limits applied to the Detroit DPA program mean to access the \$25k in city resources, a single person who has very little debt will be able to afford a home between \$80k and \$100k, depending on the lender’s qualification requirements. Lending at \$100k and below represents a challenge for borrowers not only in Detroit, but across the country due to [challenges](#) in the market that favor higher value mortgages.



After filtering through the homes by aesthetic, condition, desired neighborhood, and proximity to the places and people that the buyer wants to be near, there are likely less than 20 properties at any given time available for purchase.

All of the available properties are now being sought after by buyers who have access to public and private DPA that was not available 6 months ago. Here we harken to the old adage: location, location, location. This is inherently linked to consumer demand for that location.

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## VI. What Success Looks Like

Buyers need to seek out professional support, engage and learn from homebuyer education, and be patient during an emotional and sometimes challenging process.

Lenders and Realtors need to rise to the occasion, and support buyers in a community that has never had this kind of access to life-changing asset building opportunities.

A highly motivated and well-educated buyer is the first step toward success. With several hundred of those buyers the system can be made to generate a higher volume of new originations. It is not our fault that lenders do not perform well in Detroit. It is, however, our responsibility to make them do better for Detroiters. Doing so allows our community to grow assets and family wealth over the long term.





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*The Center for Equitable Family and Community Well-Being was established in 2020 at the University of Michigan School of Social Work. The mission of the Center is to utilize collaborative relationships and innovative practice to foster a more equitable distribution of power and resources.*

For more information about our Center



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**About the authors:**

[David Palmer](#) is an Associate Broker and Realtor affiliated with Realty Experts based in Detroit, Michigan. He has a Master of Public Administration degree from Eastern Michigan University. In addition to real estate, he consults with nonprofits and philanthropy on matters of economic & workforce development.

[Patrick Meehan](#) is a Program Manager at the University of Michigan Center for Equitable Family and Community Well-Being, and earned a PhD from the University of Michigan in Social Work and Political Science.

Both are co-authors of [Detroit Dreams Deferred: Mortgage Ready but Many Miss Out](#).

Contributors to this report include [Alex Hill](#), [Aaron Deakins](#), [Roshawn Harris](#), and [Michael Kloc](#). They supported data analysis, visualization, editing, and formatting.

**Contact Us**

**Center for Equitable Family &  
Community Well-Being**  
1080 S. University Ave, Suite 4729  
Ann Arbor, MI 48109  
[equity-for-all@umich.edu](mailto:equity-for-all@umich.edu)  
[Trwilli@umich.edu](mailto:Trwilli@umich.edu)