

# Community and University Podcast Series

**Interviewee:** David Palmer, DC Palmer LLC

**Interviewer:** Emma Gilbert, REI Research Assistant

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**Emma Gilbert:** Hello, and welcome to Community and University, the MSU Center for Community and Economic Development podcast aimed at providing outreach to both community members and students throughout the state of Michigan. The Michigan State University U.S. Economic Development Administration University Center for Regional Economic Innovation's (REI) mission is to stimulate innovative economic development in the most distressed communities within Michigan.

The **REI University Center** embraces a culture of regional collaboration and knowledge sharing between economic development professionals and committed scholars. The Center's model provides responsive community engagement, strategic partnerships, and collaborative learning to support the creation and identification of innovative tools, models, and practices to increase the number of small businesses; create access to job skill development; improve public infrastructure; advance high-growth entrepreneurship, and; encourage global competitiveness to strengthen underserved communities and historically excluded citizens.

The **REI University Center**'s most recent award focuses on four key pillars of community and economic development that together will build up the resilience, sustainability, and equity within the communities in which it partners. The four pillars include, resiliency planning, financial resilience, circular economies, and 21<sup>st</sup> Century communications. The **University** Center will work with community partners to address these themes in Michigan Economic Development Corporation's identified Redevelopment Ready Communities containing opportunity zone census tracts and/ **OR** large concentrations of ALICE populations—or those who are asset-limited, income-constrained employed.

I am Emma Gilbert and I'm one of the hosts for Community and University. Today, we will be spotlighting one of REI centers Innovation Fellows, David Palmer, who is working on a project entitled "Growing a Well-Functioning Homebuyer Ecosystem for Low to Medium Income Detroiters," building financial resilience in the Detroit community. Innovation Fellows provide on the ground support and coordination to concepts into actions implementing new economic development tools, models and policies. Welcome to the CCED podcast, David.

**David Palmer:** Thank you for the invitation. It's an honor to be an MSU REI fellow this year.

**Emma Gilbert:** Now before we get started, do you mind introducing yourself including a little bit about your educational and professional background for our listeners?

**David Palmer:** Certainly. Again, my name is David Palmer. I live in Rosedale Park in the city of Detroit. I have a bachelor's degree in political science from Eastern Michigan University as well

as a graduate certificate in nonprofit management and a Master's in Public Administration, all from CMU. My professional background... I started actually working when I was 13 in a kitchen and was managing that kitchen by the time, I was 14 and became essentially a self-taught sous chef and spent 10 years in restaurants. So, in my early 20s I switched over to office life, if you will, and spent 13 years on that undergraduate degree. So, I was a non-traditional student focused on making ends meet as a self-sustained renter who had to have health insurance because I have multiple sclerosis. The medication that I've been on since 1999 is incredibly expensive, so maintaining health insurance was more important than the quick degree so I took 13 years on the undergrad and then quickly banged out the graduate certificate and the master's degree within a couple of years, once my income sort of caught up with my desire to earn post-secondary credentials. So, in my work background after restaurants, I managed an environmental services company in Ann Arbor which introduced me to real estate work. The environmental work that we were doing typically interacted with realtors during the contingency periods of single-family home sales. So, we would be installing RADON Mitigation systems, testing for mold, asbestos, lead, and other topics like that. After leaving that company, I spent a number of years in Maine, where I was doing political consulting for independent third-party candidates as well as working in that restaurant service field. Coming back to Michigan, where I grew up just north of Ann Arbor, lived in East Lansing for a number of years while I tend to fly through community college, and spent a total of 13 years living in Ypsilanti when I was running a small business, a German owned software development company and I managed the Western Hemisphere logistics marketing advertising and the accounting for those folks where we sold really expensive toys, little bit of fluid measurement devices to places like the MSU aerospace lab, where they looked at flow calculations. So, after that period, I moved into the nonprofit sector of my master's degree and was a senior director at the workforce intelligence network, when as it goes by as sort of the friendly regional labor market data geeks for the greater Detroit region. So, the 16 counties around the city of Detroit make up the labor shed for where humans live and work in what we collectively call the Detroit region. And we studied job postings from employers, such that we would be able to determine what employers said they wanted for talent. And then my job was to figure out what employers actually needed. And then we wrote 10s of millions of dollars of grants getting awarded to train people to do things that employers claim they want to do. During that process, I obtained a real estate license and now a broker's license. So, I also support folks in my sort of personal networks with single family and commercial real estate interests that they have. So, I'm a bit of a Swiss army knife as far as multidisciplinary person who does a lot of different things and really enjoys, you know, the quest of learning more than anything else, and supporting decent humans in their desire to be sustaining and live quality lives.

**Emma Gilbert:** Well, that's awesome. Thank you for that wonderful view of your professional life and your educational life. Now, you haven't really spoken about this yet, but do you currently own your own consulting agency? Do you want to speak to what DC Palmer's activities typically look like and how you got inspired to get involved in community economic development work in the first place?

**David Palmer:** Sure. So, a lot of the work that I've done over the years is truly driven by a passion for understanding how to reach that shining city on the hill type idea that the nation invests a lot of platitudes in. So, to operationalize that I always focused on the equal protection clause of the US Constitution. And if that were truly enforced the way I think it should be, then a lot of the inequities that we find in our education, economic housing, and other areas couldn't be reconciled if we treated everyone with respect and equal access. So, thinking about how to make a living while caring about these things, I've been blessed with the ability to write a lot of grants and have a lot of grants awarded. I've been blessed with the ability to convene and facilitate conversations between individuals and organizations that if they choose to focus on solving for a challenge, then they can move the needle if facilitated appropriately. So, DC Palmer LLC is simply a legal entity that allows me to be able to operate as a business. In this last year, I've hired my first project manager, so I actually have a staff and we'll be looking to hire one or two more people this year to support a number of different projects, and also have a large network of sole proprietors and independent consultants. Where we weave together the right number of smart people that can support bringing a project from idea to implementation and ultimately an outcome.

**Emma gilbert:** So, you're really spending that whole process from creating the idea itself, finding a way to fund that project, and seeing it through to the implementation phase in order to understand whether or not the intention behind the project truly was the outcome?

**David Palmer:** Yeah, that's the beauty of being a little bit of a data geek is when you are digging around in the numbers and you ask the numbers to provide you with answers based on the best available information, then the answers might not always align with the convenient narrative that we've all been led to believe. So, if you want to move that narrative towards a place of equity rather than exclusion, then there's lots of different ways to move that needle. And that's really, I think, where this fellowship comes in, focused on solutions after a year of research, with a bunch of really smart folks and a lot of interviews and these sorts of inputs. It's great to read reports, but if there's not a solution matrix on the other side, then we're just filling the library.

**Emma Gilbert:** Correct. Now you mentioned earlier that you live in Rosedale Park currently, but that you've also moved around to different cities within Michigan and even outside of Michigan, though, since you returned back to Michigan and began living within the city of Detroit or outside of it. What key changes have you observed in the Detroit community since you first started living in working in the area simultaneously?

**David Palmer:** Sure. So, let's see. I lived in Maine from '99 to '02 and then again in '06. So around that time on the East Coast, I lived in Michigan for most of my life. So, when I think about the changes that have occurred in Detroit, specifically over the last 30 or 40 years, there's been a dramatic decrease in homeownership, especially among the African American community. Detroit is the largest African American Majority city in the United States. And the 2008 recession, in particular, was incredibly hard on homeownership for a host of different reasons. Historically, African Americans have struggled to obtain homeownership because of policies from the federal government, lenders and realtors during the period, especially after

World War Two, when incentives were created, that were only available to white folks moving into new subdivisions, typically in rural areas, which have now become suburbs. So, thinking about the chance, it's really hard to reconcile past wrongs. But there is an opportunity to create new policies to make the incentives available to drive homeownership within communities that were historically wronged. So, when I think about the changes that have happened in Detroit over the last 30 to 40 years, I see a dramatic decrease in single family home ownership. I see an investor class that has purchased a lot of properties for nickels on the dollar, especially after the housing market crash and as a real estate broker. I serve things in the ecosystem where large branches of these properties are moved around between investors, and I see plenty of opportunities for the public sector and the private sector to engage in homeownership stabilization opportunities, whereby if we braided funding from public resources, private resources, and, indeed, this once in three generation opportunity under the American Recovery Plan act, that we could look at the demand for single family homeownership among low and median income interested persons in the city of Detroit and figure out ways to make homeownership available to them by braiding these resources and providing a move in ready home for someone who likely doesn't believe that they can attain homeownership in their current status.

**Emma Gilbert:** I think you just provided a great preface to the next part of our conversation about your project itself. But let's dedicate some time to truly understanding what you're working on with your Innovation Fellowship. So, can you provide our audience with an overview of your project itself, the research that you're conducting in order to move that project forward, and also how you hope it is implemented within Detroit?

**David Palmer:** Sure, so the genesis of this fellowship program that I'm working on now really started in 2020 when, as a consultant and a real estate broker, I was told by the state of Michigan that I couldn't do work anymore. So real estate sales were suspended during the pandemic under emergency order. And we weren't supposed to be out actively seeking listings or selling properties to buyers, whatever was in the system was supposed to be sort of wound down. So that, you know, the challenges around adjusting to COVID would be better understood by health policymakers and the governor and those folks. So, as I'm sitting in my home office, basically with nothing to do because my primary modes of work were stripped away from me, I sat there for a couple of days and thought about the things that I wanted to quantify. For the mental whiteboard of things that would just be interesting to learn about. So, I had been a realtor, and volunteer instructor for a homebuyer education course, and it's been through the MSU Extension since 2013. And thinking about 1 of these challenges in Detroit's real estate market in particular, I started to ask questions like, how many homebuyer education agencies are there in Detroit? What are their outcomes? Who do I go to figure that out? So, I started, went to the internet and started trying to answer those questions. So, I've discovered that in September of 2020, there were 16 different homebuyer education agencies headquartered in the city of Detroit, and I asked the HUD office in Detroit if they could provide me with 9902 form which each of those agencies reports quarterly to HUD what the outcomes of their education programs are. The Detroit office said thank you for asking, but we're not going to give you that information. So well, this is

aggregate data that shouldn't be publicly available. Why wouldn't you give it to me? I said, thank you for asking, but we're not going to give you that information. I said, well, can we move it up the food chain and talk to folks in HUD in DC?" So, for a number of weeks, a polite email exchange was going back and forth and the folks at HUD in DC said thank you for asking, but we're not going to give you that information. I said okay, this is awkward. So now I have to send you a FOIA request. FOIA is Freedom of Information Act. There are federal FOIA rules, and there are state FOIA rules. So, depending on what information you're seeking, under federal FOIA rules, I submitted the request for information for all these agencies. And HUD did not respond in the statutory timeframe that they're required to do so, which made me agitated. So, I thought okay, do you just call an attorney? No, it makes much more sense to call US Representative Rashida Tlaib. I've known representative Tlaib for a number of years and she has a particular passion for transparency and federal data. And I said, representative Tlaib, would you be willing to help me obtain this information? And she graciously assigned a staff person to support trying to get this information out of HUD. In the meantime, as a grant writer, I said, okay, are there any organizations in the region that would be interested in funding this kind of research to determine homebuyer outcomes from education? And after speaking with a number of funders, I settled on the University of Michigan Poverty Solutions and convened the University of Michigan School of Social Work Center for Equitable Family and Community well-being. So, Dr. Trina Shanks and her team, including Patrick Meehan, as well as Hector Hernandez, the executive director at the Southwest Economic Solutions, SWES, we refer to them as, is one of those homebuyer education agencies. So, while we were waiting for the HUD data to show up, we analyzed all of the single-family property transfer data from the assessor's office and started layering and other data from the Michigan State Housing Development Authority and a wide range of other resources to start developing a more sophisticated understanding of what the actual situation is in the city of Detroit for the number of mortgages in neighborhoods within the city. So, the outcome looked like two-thirds. Approximately two-thirds of the city of Detroit has less than 20% of its annual property transfers for single-family homes utilizing a mortgage, which is almost the exact opposite of what you see in all of the adjacent communities. So, property transfers in non-Detroit areas are almost always through mortgages for single-family properties. So, seeing the numbers which others have written about extensively in the past, but contextualizing the neighborhood level was really important. When we finally got the HUD data, we discovered that the HUD 902 form can be used as a proxy for demand for single-family home buyers that are interested in purchasing a home likely for the first time and especially in the city of Detroit. It was important for us to know that the participants in these programs reflect the demographic and income levels of the city. So, 78% of participants were less than 80% of the area median income, and 78% of the participants also were people of color. So, this is a lot of words to get to the point of saying that we produced a really nice report with some recommendations on how to improve single-family home ownership within the city of Detroit. And this fellowship is an opportunity to focus on the solutions matrix of those recommendations. So, we have good data, we have a 1 in 3 generation investment through the American Recovery Plan Act, and we have a whole bunch of federal resources and state resources that could be

braided to improve homeownership. So, this fellowship is focused on how to convene and facilitate and execute an opportunity to see that vision come to fruition.

**Emma Gilbert:** Now, you mentioned that you are working with the University of Michigan Poverty Solutions Center on gathering this initial data, but in your fellowship work, are you working with any other partners in the Detroit community? You were speaking to the fact that there are specific neighborhoods that are more underserved, and the educational experience and actual benefits from those educational experiences in those communities. So, might you be partnering with some of those neighborhood-specific organizations?

**David Palmer:** Sure. So, Poverty Solutions was the grantor that funded the research that we did last year. But the center that I've been working with most closely at the University of Michigan is the Center for Equitable Family and Community Well-Being, which is a center under the School of Social Work, which Dr. Shanks oversees. So, we meet every two weeks for at least an hour to talk about the things that we're working on and to continue to drive the collaboration on the research. So, we've been doing that for the better part of a year and a half now. So, collaborating with the University of Michigan team is an ongoing, enjoyable effort, as well as with Southwest Economic Solutions. So, the team has Hector Hernandez and Alex Vaikom in their housing department. So, Alex actually oversees the homebuyer education courses for the staff that swipes employees to provide those services. So, we're also working closely with Detroit Future City, as well as a number of other organizations like Liske and Invested Trade and other groups that have provided data or support or some opportunity. Just last week, I was providing a briefing for the policy leads for three members of city council, Detroit City Council, to kind of help get this data into the hands of literal policymakers to look for creative solutions. While there's still a chance to seek to influence how ARPA funds and other funds that could be braided with them could be used. So, those members of council are working with the information that we provided, and I've been consistently answering questions and offering ideas on how to drive that work forward so that ultimately more Detroiters can become homeowners. Because in Detroit, it's interesting that the taxpayers passed a bond proposal, called Proposal N, and I want to say it was in 2018, but don't hold me to that, I'd go look it up. Anyway, the vast majority of those funds will be used to tear down vacant homes, but there's 1400 homes approximately that were identified by the city as being opportunities to stabilize and stabilization typically means investing in a new roof or some other structural fix. So, when we mapped out where those homes were located, they're almost all in neighborhoods with very low mortgage activity. So, what I'm proposing to those that are interested in willing to do something about this is that if we braid funds like CDBG, we owe our workforce dollars and ARPA, and indeed private philanthropy and other dollars that could be available, then we could resuscitate those homes and make them available at a very affordable rate to people that have completed this homebuyer education. So, we've established a demand metric in that 7500 Detroiters took this education opportunity in the period between 2014 and 2019. But less than 20% of those folks actually purchased a home. So, there's about 5000 people that invested eight hours in a class to become a homebuyer that, for a number of different reasons, were unable to do that. Meanwhile, you have the city investing in properties that are in communities in neighborhoods that are very unlikely to receive a mortgage from a

normal human purchasing a home. So, are we going to choose to subsidize property improvements for the investor class, or are we going to choose to subsidize property improvements for median-income homeowners with people that want to become homeowners in the city of Detroit? I think it's well past time that we invest in our neighbors rather than investors.

**Emma gilbert:** So, through your research experience so far, have you spoken with any of those 5000 people, for example, or other people just in general, who may have noted that they're interested in becoming a first-time homebuyer and sharing their experiences as to what barriers they faced in actually using that education, putting it to use and buying that first home?

**David Palmer:** Sure. So, it's not just education that participants receive, they also receive opportunities for down payment assistance. So, Michigan State Housing and Development Authority, you can receive up to \$10,000 in down payment assistance if you complete this class and meet the lending requirements for additional loans. So, we did talk with several hundred of these program participants through a survey as a part of our research in 2021, and it's included in the report that we published. There is a tremendous amount of detail about the experience that homebuyer education participants had in the city with a laundry list of reasons why they did not buy home and for those that did buy homes, we asked them additional questions about what it was and where they bought it and how much their mortgage payment was and these sorts of things. So, we do have at least anecdotal survey research. I don't know that enough people were surveyed to get some really significant responses, but we do have a good amount of feedback from about 220 or so class participants that took the class at Southwest Economic Solutions during that period. So, when we think about, you know, the outcomes for that report and recommendations, we had an op ed published in the free press in January of 2022 that you can find pretty easily through your favorite search engine. And the recommendations coming out of the report were, one, we need to support the education ecosystem within the city. The 14 homebuyer education agencies that receive tub data from are, generally speaking, under resourced do the things that they're very good at doing, which is helping people understand the home buying process and become successful homeowners. So, I'm working with Detroit future city on how we can best support and further convene those homebuyer education agencies. The other two recommendations are that first state a fund needs to be established to allow community development organizations to acquire and rehab these single-family homes. Because the financing and patient capital that's required to do that work is not readily available to the ecosystem. In fact, almost 100% of the City of Detroit's affordable housing funds are exclusively focused on multifamily developments. But multifamily is not the only solution to affordability. And multifamily also does not offer the opportunity to grow intergenerational wealth through equity building. So, there's a dramatic missing gap in the affordable housing funding system that the city has the second portion of that piece or the third recommendation from the report. It's probably a better way to put it is that a portfolio mortgage fund needs to be established to finance the sale of these properties to these individuals to take class. If there's anything that can be taken out of the report, outside of this demand metric for single family housing for first time homebuyers, it is that the commercial and residential mortgage market has abjectly failed to trigger that. There are 10s of 1000s of property transfers every year that are in the cash market or

the gray market. And that there are volumes of data available showing that home mortgages are not made to Detroiters anywhere near the same ratio that they would be in adjacent suburban communities. Where the city just happens to be about 80% African American and is still suffering, the legacy of redlining and other federal and lender policies. It's really hard to make a case that the housing market interventions that have been employed by the city or lenders have moved the needle at all. So, when we look at that portfolio mortgage, the product is essentially a loan that would come from an entity that carries that mortgage on their own balance sheet. The retail lending market that you, if you go to apply for a mortgage from your local credit union, or a bank or a mortgage broker, is going to run you through a series of algorithms to determine if you're qualified by their standards and by federal lending standards to receive a mortgage. There's not necessarily a straight-line correlation between that determination and your actual ability to pay on a mortgage. So, the system filters out individuals with moderate and low incomes. It also serves to filter out individuals for purchasing properties that are, generally speaking, less than \$100,000 in value. The lending institution simply does not make enough money off a low dollar transaction to make it worth their time. So, they'll never say explicitly, a lender being a lender will never say explicitly that they will not lend below a certain amount, or they shouldn't because there is no allowance for cutting off a loan due to a mortgage by the state of Michigan, the minimum mortgage amount is \$10,000. And there is no minimum at the federal level. So, you shouldn't be able to get a mortgage just as easily at \$40,000 as you would have \$400,000. But in reality, it doesn't work that way. So, a portfolio mortgage product is absolutely critical, because the Detroiters that are taking these education programs, for a number of different reasons, do not meet the lending profiles that are preferred by the retail lending market. So, a little bit of word soup there, but that's to say that individuals with credit scores below 620, which there's lots of reasons why somebody might have credit score below 620, that are not necessarily even at fault of their own. And low dollar lending amounts sort of converge to say that they're not an ideal lending opportunity for retail lenders. So, we have some anecdotes of work where aspiring Light Tech homes, subsided single-family homes through low-income tax credits, have expired and southwest economic solutions as through transition those two mortgages with their own portfolio product. And in the 45 cases, they have a 0% default rate, even through the pandemic. So, we believe that if a person is gainfully employed, and is able to, you know, commit a portion of their income to paying rent, rent tends to be 30 to 40% more than a mortgage in many cases in these neighborhoods. So, if they can afford to pay more for rent then they can afford to pay less for a mortgage and gain equity. So, the narrative that we're weaving is that if we're willing to invest an awful lot of time and energy subsidizing corporations and investors with public dollars, then perhaps we can invest a portion of that enthusiasm into making our neighbors homeowners so that they're availed this intergenerational wealth building opportunity.

**Emma gilbert:** I think you just identified one of, maybe, the barriers to low to moderate income Detroiters actually pursuing their first home purchase and, being that they don't perceive that, they have the ability to do to this societal notion that well, mortgage is more expensive than rent. And I think you've just dismantled that premise in your comment. Now, how does your work, or does your work, really address kind of doing that false perception in the Detroit community?

**David Palmer:** It's a lot about one-to-one education. So, these HUD certified homebuyer education programs are one way to do that education. Another way to do that education is in my own work when I list a home for sale in the city of Detroit. I will oftentimes geofence advertising to a short radius around where that home is located, so that neighbors in that community are likely to see the home purchase opportunity. Over 90% of the individuals that respond to those ads, through direct messages or email, ask if the seller is offering land contract or rent to own opportunities. My typical response is that I do not engage in payday lending for housing, which is essentially what many land contract and rent-to-own opportunities are. There are some very nice land contract options that can be utilized, but generally speaking, they're not utilized in the same way in low-income urban environments as they are in other ways throughout the states, particularly in rural communities where large pieces of land would be sold from one person to another through a land contract. So, I invite these individuals that are asking these questions to consider taking a homebuyer education course and working with the providers within that learning experience to learn more about their credit profiles and how much money you need to save. And, you know, to qualify for the mission of down payment assistance program, you need to have at least \$1,000 saved in the bank. \$1,000 is not an insurmountable figure if you put your mind to it and are saving for a year or two or three, whatever your means are. So, qualifying for the Program includes saving at least \$1,000 for your purchase and working to get your credit score within the parameters that they require fast money. The majority of individuals that I talked to have thus far not been willing to go on with that process. So, there's a larger ecosystem education opportunity. So we know there's 5000 people that took these classes that were not able to purchase a home and how can we support the education ecosystem that continue following up with these individuals to keep them with the opportunities and care that's required to move someone from, you know, a multi job situation where you know, life happens and this buying a house thing didn't work out, so I'm just going to stay doing what I'm doing. Those education opportunities are numerous with realtors, there are numerous with lenders, who could be providing financial education in ways that are much more germane to the people that they're talking to. A lot of homes, financial education is surprisingly condescending. So, thinking about ways to make that education sort of culturally relevant to individuals who are actually very sophisticated with their financial planning tools to make ends meet, but maybe don't have the volume of resources that these classes are designed to educate, right. So, thinking about that sort of cultural context I think is really important in the education space, and ultimately having the patience and the care to help someone move from a mindset of limited resources to a mindset of abundant resources and that transition is one that takes time and care.

**Emma Gilbert:** I really appreciate your comment about centering cultural competency because I'm sure, as you've noticed, and moving to different communities of your own, you have noticed that different communities value different cultural norms, value different social norms, differently. And so, centering that, especially in Detroit, which is, as you stated, the largest population, or largest density, of African American people in the nation, you know, really putting that in forefront is essential. And creating that truly equitable experience to that education. Now, I wanted to keep pushing this conversation forward and addressing some of the advantages of establishing this well-functioning homebuyer ecosystem not only for low- and medium-income

Detroiter, but for all Detroiters in general. So, what is the benefit really to having more homeowners overall in the city? Can you speak to that?

**David Palmer:** Thinking about the benefit of homeownership in general, SEMCOG, the Southeast Michigan Council of Governments, I remember 7 or 10 years ago, whenever it was, I was sitting in one of their presentations, and they showed the accumulation of wealth over time. That was spurred by the subsidies that was received for their families after World War Two in leaving the city of Detroit to move to a suburb where they could receive these federally guaranteed loans, the wealth accumulation among Caucasian households had been in steady incline up until the 2008 recession when everybody took that right. So, you see this steadily increasing line on the bar chart over time. All other people of color had that line moving in a downward trend. And when you look at that information nationally, you have, essentially, the aggregate wealth communities of color going negative within our lifetimes. For a whole bunch of different reasons, including predatory student loan patterns, the bank ability of some of these communities due to lender bricks and mortar decline within communities of color etc. So, I think the data shows irrefutably that homeownership has been a way for wealth to be transferred between generations and Caucasian communities. And I believe the same is true in communities of color, but to a lesser extent, because poverty has been such a large portion of that community experience. So, homeownership is the easiest way to look at growing wealth within a community because homes typically appreciate in value over time and don't lose value except during the recession of 2008 trauma that we all experienced. And you know, even today, typically you see home prices increasing and double-digit fashions year over year. I just actually looked up in Washtenaw County, where in Arbor and Ypsilanti are located between 2019 and 2021. There was a 33% increase in rental prices amongst the properties listed for rent in the MLS. So, there's a 33% increase in rent, you can extrapolate out, you know, what those increases are in the community. So inevitably, someone is purchasing a home and they live in it for some period of time. In an ideal situation, they would live in it long enough where they pay off the property and then have this financial asset without having to pay for the privilege of living in your home through rent or mortgage or when you approach the end of your life and you choose to do something else with your living situation, then you sell that property and reap those gains at that time. Tax law allows someone who sells their principal property not to have to pay capital gains on that sale up to a certain amount. So, it's one of the few opportunities that you have in life to get a tax-free infusion of dollars through the time and effort that you invested in your property. So, if property values are rising in all communities, including the city of Detroit, and your homeowner, and you choose to move to a condo rather than a two-story Victorian style home, then you should be able to cash out those dollars and then reinvest them in your new home. Alternatively, as many people you know, eventually meet their maker, when you pass if your asset your home is paid off, then that wealth is typically transferred to other folks within your family or circles as you directed in your will or trust. So, this is what's happened in those Caucasian communities over time that SEMCOG did a very nice job of sort of detailing and that can happen in other communities as well if we make homeownership a realistic option, despite the challenges within the banking and the lending communities that serve as typically obstacles

to that happen. So that's what this project is really all about, is figuring out how to work around the known systems challenges that we have to create a solution that will work for my neighbors.

**Emma Gilbert:** So, in moving this project forward and building this ecosystem that you speak of, other than the challenges in gathering the initial HUD data, what other barriers have you faced in really, truly, you know, creating this initiative and moving into that implementation?

**David Palmer:** If you've listened to this podcast through this conversation to this point, you know that there's not really a convenient 45 second elevator pitch to explain how this stuff works. So, it takes time and interest to understand complex systems. And the homeownership system is complex. So, I'll use my own example as an anecdote. I lost about 70% of my income in 2020 when I wasn't allowed to do business and new contracts for services that I was providing to my clients were not forthcoming because everyone was in a period of uncertainty. That income recovered dramatically in 2021. And I decided that it was time to buy another house because I had sold it at the end of 2020. When I went to apply for a mortgage, they said, "Well, you're self-employed, you own your own company." You had this dramatic hit in income you don't qualify for a mortgage. But I went to a credit union instead. Instead, I would like to determine what the application criteria for your portfolio mortgage product would be. So, I invested about 13 hours' worth of time to complete paperwork and build balance sheets and profit loss statements that were required by the credit union to qualify for a mortgage that would require me to have a 30% down payment. And you know a purchase price not to exceed, I think, \$140,000. So, I found a home that I purchased for \$170,000 with that 30% down payment plus their closing costs based on capital that I had earned in 2021. And from cashing out our retirement account from back in 2020. So, thinking about how to do that was a pretty complex process. And the convenient sort of political narratives that we typically hear are around this false notion of personal responsibility and bootstraps that allow people to make excuses for why large groups of people don't have access to the same things that they think they have access to. So, thinking about how to sort of unravel those complexities is really a big part of this process. And develop, we've developed, you know, materials and slide decks and presentations that allow for those interested in investing the time to actually solve this challenge, rather than put out talking points about the challenge.

**Emma Gilbert:** What makes your project innovative? Or in other words, what's different that you haven't seen with other programs or organizations that have tried to build somewhat of a similar type of ecosystem or provide a similar type of educational benefit?

**David Palmer:** HUD data that we obtained on homebuyer education agencies has never been utilized in this manner before. So, this is the first time that we can find the individual agency level outcomes information was used to inform analysis of a homebuyer ecosystem. So, I have additional data requests to get all of the other homebuyer education agencies in the state of Michigan their data for the same timeframe, because I'd like to see what the experience is in Lansing or Flint or Brighton, or Paw Paw or other communities around the states see what homebuyer education looks like. I've also requested data for seven other states so that we can start looking to see if our communities have similar population or demographic makeups as the

city of Detroit. How do they handle these things? So, when I first looked at this in September 2020, Detroit had by HUD's website 16 different homebuyer education agencies, which was twice as many homebuyer education agencies as any other city in the United States with between 607-100,000 people. So, Memphis, San Antonio, other communities like that in the country have just a handful of these agencies. So that leads me to ask what do they do in those communities? So, there's a whole opportunity to do comparative research, which I believe, you know, satisfies the definition of innovators, to determine, you know, what are best practices from a slightly different lens than perhaps the common literature has considered to this point. As well as, you know, just the opportunity to convene partnerships with the state's tier one universities, figuring out ways to purposefully braid resources from University of Michigan and Michigan State University have been a goal of mine for a long time, which I think we're successfully doing through this Innovation Fellowship and bringing in Wayne State University into this process as well because they do a tremendous amount of work in their home city of Detroit. So, thinking about ways to leverage traditionally siloed university resources to focus on wealth building in this state's largest city is, I think, innovative as well. So, I think there's a lot of different innovation lenses that could be applied to this research and, frankly, just having an open and honest discussion that's informed strongly by verifiable data is arguably innovative in this day and age of rhetoric and platitudes as spouted on social media and cable media outlets. So, thinking how to reground ourselves in the present and the realities that we actually have in front of us rather than some long list of opinions is arguably innovative on its own right now as well.

**Emma Gilbert:** It's true, especially due to increasing inflammatory language that we see being used when speaking about inequities on social media and spreading misinformation. I think that you definitely have a strong point in saying that innovation in and of itself can come, or is driven by, the data, if you decide to use it in that way in which you have. And so, in speaking to the innovative nature of your project, how does your project also move the REI mission forward and that, you know, equitable development and the goals of financial resilience specifically?

**David Palmer:** Sure. So, I think I was first introduced to the REI Center in 2012 and 2013, because I authored a paper for another fellow in collaboration with another fellow looking at crowdfunding and community-based capital. So, when thinking about building a fund to allow for the renovation of single-family homes by nonprofit community development organizations, or how to build a portfolio mortgage product to allow traditionally unbanked individuals to purchase homes, you have to become familiar with how capital stacks are built. So capital stacks are the various funding resources that accumulate to a relatively large number that allow an organization or group of organizations to do this kind of work. So, pulling a number from thin air, say we needed to come up with \$50 million dollars to be able to fund home rehabilitations, and we needed to come up with \$70 million, getting pulled from thin air, to create a portfolio mortgage product. I have more solid numbers, but I don't feel comfortable discussing them at this time. So, I'm going to pull those numbers from thin air. So where does one come up with 50 million and then another 70 million, right? So, document \$120 million. Most normal humans don't have access to that kind of gap. So, we can look at government funding sources, we can look at impact investing, which is the concepts that institutional investors like university trust

funds, or pension funds, or philanthropy, who invest practically 100% of their investments into Wall Street. If they peeled off one, two or three percent of their funds and invested it in a local capital fund to allow for the renovation of homes or portfolio mortgage product, then the MSU Board of Trustees and the University of Michigan Board of Trustees and the state of Michigan Pension Fund could have a tremendous impact. It's directly measurable on the communities that they actually operate in. MSU, for example, I believe, has over almost 550 investments in different funds, which total, you know, 2+ billion dollars that the university invests for it is about University of Michigan's endowment is many times more than Michigan State's. Wayne State has an endowment. The Pension Board, state of Michigan Employee Pension Program has tremendous endowment that is invested and then even like the Michigan DNR Trust Fund, which was created by voters to support parks. You know, all of these sorts of institutional tens of billions of dollars and resources that are invested in Wall Street. If we could figure out a slice to make be made available for a Housing Trust Fund in Traverse City, or Charlotte, or Detroit, you know, could be capital that would stand up those funds. So, in thinking about these avenues for opportunity and connecting them across REI fellows, working with other fellows from this year in past years, I've been inspired by the work that they've done, and said that, you know, I think so the project that I'm working on is entirely consistent with long history of research and narratives that the REI Center has driven through these fellowship programs, opportunities.

**Emma Gilbert:** So, you previously spoke to this in a high-level way in which you spoke about how you identified in San Antonio for example, they also have these education institutions first time homebuyer education institutions. Now, what is the potential for an initiative like yours and building this functioning ecosystem to be implemented in communities across Michigan, as well as beyond Michigan? And what tools or partnerships have you identified from your experience in conducting this research so far might be helpful to other communities who are looking to create this kind of similar infrastructure?

**David Palmer:** So, access to equitable affordable housing is just as much a challenge in Michigan's rural communities as it is in suburban communities as it is in traditional urban settings. So affordable housing is a ubiquitous challenge that all communities are trying to solve. So, if something were to be learned from this project and other communities, it's that having access to the data to understand what our property transfers are, what percentages are on mortgages, understanding what the homebuyer education ecosystem looks like, how many people are taking those programs? Where down payment assistance loans are happening in the community? Is the product made available to everyone who couldn't qualify? And are there other institutions that are investing in the buyer down payment programs through the Community Reinvestment Act, a local community foundation, etc.? So really, there's a convening opportunity in regions around the state to address this hyperlocal challenge with local resources. And then while we are in this unique window of having tremendous amount of federal dollars available, there are ways to utilize these ARPA dollars to match other federal funding sources that typically require a one-to-one match, either through the Economic Development Administration, EDA, or perhaps through community development, block grants CDBG funds, or Community Foundation who was looking to make housing investments. If you had federal

resources that could match dollars that are coming out of the local family or community foundation or even a giant national foundation like, you know, Michigan has a number like Kellogg, Kreski, and others that really can have a tremendous impact. And I think philanthropy has been actively asking, where are the opportunities to amplify these investments for the benefit of our neighbors? So, I think if there were a template to be looked at for doing this work in another community. First and foremost, I'm always happy to jump on a phone call or zoom or drive to your community to have the whiteboard session to help you map this out in your part of Michigan and secondarily, I think, you know, just by understanding the actors that are participating in the system, and finding the realtors who are really passionate about community service, more than client prospecting, to help advise the decisions that are made, and then thinking, are the lenders in your community truly responsive to the needs of your community? You can begin discovering some of that information through the same data source that we use, which is 100 data from the federal government. So, home mortgage disclosure acts as a data set that you, or anyone, can download from a federal website and begin looking at all of the mortgage originations and mortgage denials within the communities that are germane to your interests. So, there's a whole bunch of different ways to do it. But ultimately, I think it needs to be informed and steadily steeped, and then ask a lot of questions of people that have been through homebuyer education programs to figure out what their actual needs are, rather than sitting in a boardroom and saying lots of opinions about what those people need. Whoever those people are in the context of where you live.

**Emma Gilbert:** That's great. Instead of super imposing your perceptions of what those people feel or experience, go ask the actual people there in your community. So, is there anything else you would like to address about your research or about opportunities for building local financial resilience that we haven't discussed today before wrapping up our conversation?

**David Palmer:** I'm slightly remiss because I don't have the Innovate Michigan! Summit information in front of me, but I trust that that information could be added at the end of this podcast to encourage listeners to come to the summit. I believe it's going to be in September at the Kellogg Center in Lansing or East Lansing, East Lansing, and come and listen to what students and fellows and associated small business entrepreneurs are focused on for the solutions that they've come up with through their own work streams. I'll be presenting at that Summit on the outcomes of this fellowship. I'll be producing a brief white paper that basically provides the template for the work that I've done over this year. So that if someone wants to read in more detail about my response to the previous question, that would be detailed in a digital or paper document to see how the dots were connected through this work overtime. So, I think takeaways, really hard problems can be worked on with time and dedication. And if you're not doing it, and you don't see what someone else doing it, then you need to support someone to do that work or figure out how to do it yourself. And that kind of work is going to be showcased at the Innovate Michigan! Summit later this year. And I think it's a really awesome opportunity to seek inspiration. And rather than investing as much time as we all tend to invest in complaining about things that every complaint should come with some sort of good faith attempt at a solution to matrix because there are solutions for everything that we complain about. And if we're in the

habit of complaining into social media, or to our family, or to our kids or to whoever your audience is, then that's a habit that you can break and inspire others to do something about if you choose to seek out solutions to those challenges and talk about them just as much as you complain about things.

**Emma Gilbert:** Some good advice, as it goes beyond just your project, but also just how to conduct yourself as a great professional in person.

**David Palmer:** That's what the project is about, we did the research and we complained about a whole bunch of data that's really challenging. And we complained about it, I think in a productive way. But it was still, you know, a list of challenges and perhaps grievances and have this fellowship be an opportunity to create a solutions matrix that can benefit the community that I live in and communities across the state and arguably around the country, a privilege that shouldn't be understated. So, we need to give back just as much as we take, if not more, I believe, and this is one way to operationalize that give back side of things is to help educate and make solutions available for intractable problems that can be solved if we choose to dedicate that time and energy.

**Emma Gilbert:** Now in response to your previous suggestion about truly engaging with this research and other research provided by other REI fellows about the Innovate Michigan! Summit, the event will actually be held on Thursday, April 18 of this year (2022) at the Kellogg Hotel and Conference Center in East Lansing. So those are the details that you can definitely find out more at the CCED social media as well as on our website. So, stay tuned for more information on that. And with that, I think it's time to wrap up our conversation for today. So, on behalf of the CCD office, David, I would like to thank you for joining us today and we look forward to the completion of your research and hearing more about the whole process in August.

This has been Community and University with David Palmer discussing his project, "Growing a Well-Functioning Homebuyer Ecosystem for the traders to build financial resilience. Tune in next time for another interview with REI!