

“I thank VHDA for taking on the servicing of my mortgage,” said one Virginia Habitat for Humanity homeowner. “It has made the whole process more professional. I pay my mortgage on time and I now have an established credit record because VHDA reports my payments to the credit bureau. At first, I was scared when Habitat told me they were sending the mortgage to some big company – I thought that I would lose the personal contact and no one would care about me. But the VHDA staff has been great to work with. They answer my questions and I know that if I do get into some difficulty, the Habitat chapter and VHDA will still help me get my mortgage caught up and back on track.”

1. Brief Description of Program

The Virginia Housing Development Authority is deeply committed to supporting Habitat for Humanity chapters across Virginia. This commitment and strong partnership is clearly demonstrated through VHDA’s pro-bono servicing of Habitat loans for very low-income homebuyers.

VHDA offers all “phases” of loan servicing to 23 Habitat chapters throughout the state, including customer service, escrow analysis, and loss mitigation. VHDA currently services more than 940 Habitat loans with unpaid principal balances of more than \$31 million. In addition to providing pro-bono loan servicing to Habitat chapters, VHDA also purchases loans from these chapters to provide them with more capital to build homes.

Also, VHDA provides pro-bono office space, office supplies, and phone service for Habitat’s new Statewide Development Office. VHDA absorbs both the pro-bono Habitat loan servicing and office support into our staff time and annual operating budget.

2. Why It Was Undertaken

A “mission-critical” strategic priority for VHDA is to help low-income Virginians obtain housing. The pro-bono loan servicing VHDA provides to Habitat chapters supports this mission-critical priority by allowing Habitat chapters to allocate more of their limited resources to core business activities – in particular, building houses for low-income families throughout the state.

VHDA is able to offer this pro-bono support to Habitat for Humanity due to significant cost savings resulting from bringing most of our loans in-house for servicing. VHDA has realized cost savings of more than \$5 million due to increased efficiencies as a result of this loan service restructuring. With these savings, VHDA expanded its programs within its loan servicing area to support the important work of Habitat chapters. This symbiotic relationship has increased the ability of both Habitat and VHDA to leverage expertise, focus on core business practices, and achieve strategic priorities – truly a “win-win” scenario.

3. What It Has Accomplished

VHDA’s pro-bono loan servicing program has increased Habitat for Humanity’s capacity to raise funds and build more houses for low-income families. The program has also empowered homeowners by giving them high quality loan servicing and increasing their knowledge of their mortgage through VHDA’s useful educational materials. A good example of this is our Homeownership Guide. Since the guide was published, it has been provided to all customers whose loans we service. Other benefits of the Habitat program include:

- Habitat chapters have experienced significant cost savings. Based on construction costs of \$30,000 per home, these savings translate into approximately four new homes per year for low-income families.
- Habitat chapters are able to maintain close relationships with their customers without the demands of day-to-day loan servicing.
- Habitat chapters are receiving regular mortgage payment remittances, which strengthen their overall cash flow and ability to build more houses.
- Habitat customers – who tend to be inexperienced with servicing processes – are now more able to have important loan questions answered and make independent housing decisions that help build strong credit records while avoiding financial crises.

4. Why It Is Meritorious and Meets NCSHA Award Judging Criteria

Innovative. VHDA's ability to service its own loans is a rare innovation, as most HFAs do not bring loan servicing functions in-house. By leveraging our unique loan servicing experience, expertise, and variety of mortgage servicing systems, VHDA is able to provide the same high-quality mortgage loan servicing to Habitat customers as it provides to VHDA customers. VHDA's assumption of the loan servicing functions for Habitat loans on a pro-bono basis has increased Habitat for Humanity's ongoing, long-term capacity to build housing for those most in need. This innovative program has also helped Habitat borrowers become more knowledgeable, self-sufficient homeowners as a result of VHDA's customer service and educational efforts.

Is Replicable. This program is certainly replicable by other HFAs that service their own loans, or by mortgage banking organizations willing to offer pro-bono services to Habitat for Humanity chapters. Markets across the United States could use VHDA's experience, documentation, and mortgage servicing systems as a model to create this type of program in their areas.

Responds to an important state housing need. VHDA's primary mission is to "help low- and moderate-income Virginians attain quality, affordable housing." The Habitat for Humanity Pro-Bono Mortgage Loan Servicing Program directly supports this mission by increasing the capacity of Habitat chapters to raise funds and build homes. By leveraging VHDA's expertise in loan servicing, homeownership education, and other aspects of the home buying process, VHDA has employed an additional solution to meet Virginia's affordable housing challenges.

Demonstrates measurable benefits to HFA targeted customers. Benefits of VHDA's Habitat for Humanity Pro-Bono Mortgage Loan Servicing Program include:

- Empowers customers to become independent homeowners and, through numerous loss mitigation options, provides them with opportunities to save their homes in a time of financial crisis. VHDA currently has three certified housing counselors that work with Habitat and other customers experiencing financial hardships.
- Provides Habitat customers with high-quality assistance. VHDA has an exceptionally knowledgeable, experienced mortgage loan servicing staff, with an average of 15 years of experience. VHDA also provides customers access to their loan information through the Internet and Interactive Voice Response (IVR) systems.

- Provides customers with several ways to make their mortgage payments, including Automated Clearing House (ACH), televoice, Internet, Speedpay and through customer service representatives. The program also provides electronic deposits to Habitat accounts for principal payments collected.

Have a proven track record of success in the marketplace. VHDA's Habitat for Humanity Pro-Bono Mortgage Loan Servicing Program provides loan servicing for 23 Habitat chapters throughout Virginia. Through this program, VHDA services more than 940 loans with unpaid principal balances of more than \$31 million. For each loan serviced, VHDA provides Habitat chapters with the same high-quality level of loan servicing that we provide to our own loan customers. This data clearly demonstrates that the program is practical, market-tested, and delivers important results.

Provides benefits that outweigh costs. By providing Habitat chapters with pro-bono loan servicing, VHDA is saving Habitat approximately \$10 in servicing costs per loan. Based on the number of Habitat loans that VHDA currently services, this translates into an annual saving of over \$110,000 for Habitat. While VHDA assumes the costs associated with servicing Habitat loans, the program's ability to support the critical objectives of both VHDA and Habitat as well as leverage our mutually supportive areas of expertise clearly outweigh any costs.

Demonstrates effective use of resources. VHDA's ability to support the Habitat for Humanity Pro-Bono Mortgage Loan Servicing Program is directly related to our efficient in-house servicing operation and accompanying cost savings. This has allowed VHDA to direct increased resources towards important programs within its loan servicing area, while also allowing both Habitat and VHDA to focus on core business practices.

Effectively employs partnerships. The partnership between VHDA and Habitat for Humanity is a successful, mission-driven partnership that provides significant benefits to low-income Virginians. Many VHDA associates also volunteer their time to build Habitat homes, and VHDA's foreclosure attorneys offer their legal services pro-bono in the event of a Habitat loan foreclosure. Further, VHDA's tax service vendor provides pro-bono tax services to Habitat chapters; and in March 2006, VHDA provided a free workshop for over 80 Habitat leaders to educate them on all aspects of loan servicing and encouraged them to join our free servicing program. As VHDA and Habitat chapters continue to work together, we remain committed to identifying new partnership opportunities to fulfill our related missions.

Advances strategic objectives. VHDA has a number of strategic objectives aimed at helping low-income citizens throughout Virginia attain quality, affordable housing. The Habitat for Humanity Pro-Bono Mortgage Loan Servicing Program clearly advances these priorities by increasing the capacity of Habitat chapters to serve this community. VHDA plans to further strengthen its partnership with Habitat for Humanity chapters by increasing the number of loans serviced for current Habitat affiliates as well as encouraging new affiliates to join VHDA's no-cost servicing program. By expanding the reach of VHDA's Habitat for Humanity Pro-Bono Mortgage Loan Servicing Program, we increase our service to low-income Virginians and take another step towards our vision – to be the leading mobilizing force for affordable housing in Virginia.

Conclusion

VHDA's Habitat for Humanity Pro-Bono Mortgage Loan Servicing program empowers new buyers by allowing Habitat for Humanity to use their scarce resources to develop more affordable housing and help keep people in their homes while VHDA covers the expense of servicing their loans.