# Entry Form
# 2017 Annual Awards for Program Excellence
### Entry Deadline: Thursday, June 15, 2017, Midnight ET

Each entry must include a completed entry form. Please complete a form for each entry your HFA is submitting. The completed entry form will become the first page of your entry.

This form is a fillable PDF. Type your information into the entry form and save it as a PDF. Please do not write on or scan the entry form. **Questions: Call 202-624-7710 or email awards@ncsha.org.**

**Entry Title:** Enter your entry's title exactly as you wish it to be published on the NCSHA website and in the awards program.

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**Category:** _____

**Subcategory:** _____

**Entry Summary:** A 15-word (max) summary of the program, project, or practice you are entering.

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**HFA:** _____

**HFA Staff Contact:** _____

**Phone:** _____

**Email:** _____

**Visual Aids:**
Are you mailing to NCSHA 10 copies of any visual aids that cannot be included in your entry PDF?       Yes          No

**Payment:**
My HFA is mailing a check to NCSHA.

My HFA is emailing the credit card authorization form to awards@ncsha.org.

## Respond to a Management Challenge or Opportunity:

Since 2014, the Connecticut Housing Finance Authority ("CHFA") saw a year over year (20%) growth in single family loan reservations that was straining its infrastructure and resources. Compounding the problem, Management faced additional challenges in aggregating and pooling loans. In 2015, CHFA selected the Idaho Housing and Finance Association ("IHFA") through an RFP process to pool and service CHFA's single family mortgages. Upon selecting IHFA, Management saw an opportunity to partner with another likeminded organization to improve efficiency through the timely exchange of data between CHFA and IHFA on an individual loan level basis.

For CHFA, the major challenge was devising an automated and workflow-driven process that interacted with several subsystems across two housing agencies and trustee offices within a short and strict turnaround time. A close coordination between the CHFA and IHFA as well as synchronization of near real-time data across several systems was imperative.

## Achieve Measurable Improvements in Agency Operations

The single family loan origination and servicing processes at CHFA include three distinct systems, which are utilized for production and back office operations with several integration points. Information within the system is managed by functional departments and regularly communicated to CHFA's trustee for transfer of funds and exchange of securities.

CHFA operates through a network of participating lenders. Once the lenders originate single family loans on the Loan Origination System (LOS), each loan undergoes an underwriting review step to ensure that the loan conforms and meets CHFA guidelines and requirements prior to a commitment being issued. The commitment of loans is then communicated to the servicer, initiating the pooling and servicing process. In previous years, the amount of time from this initial communication to the pooling of the loans could take as much as 30 days, putting CHFA generally on a monthly pooling schedule. In addition, the manual nature of CHFA's previous process, which included emails, drop boxes and data entry, frequently resulted in long gaps in communication on the status of the work.

Currently, these loans are assigned to and purchased by IHFA upon closing. The improved process includes CHFA reimbursing IHFA within 48 hours for the purchase value of the loan. Pooling now occurs twice a month with loans being pooled by interest rate and mortgage insurance type (e.g., FHA, PMI) and securitized into GNMA, FNMA or Freddie Mac securities.

## Innovative and Replicable

CHFA and IHFA jointly developed a process in which exchanges of data occur, and each transaction is capable of interfacing with CHFA's and IHFA's loan purchase and origination systems. Data fields and status codes were then added to the loan purchase and origination systems at both HFA's in order to track and trigger workflows. These data exchanges provide the daily communication necessary to facilitate the purchasing and

pooling process in a highly efficient manner with minimal labor or verbal communication required between the two HFA's.   This innovation is not just new, but fully replicable in the industry.

The solution to address this collaborative and time sensitive process was developing an extremely active event log that not only communicated with both agencies' systems but also triggered workflows, alerts and notifications to staff for prompt actions. The purpose of this event log was to track every significant interaction between several departments across both organizations in the most efficient way to both reduce turnaround time and ensure that data is entered only once into the system and then is automatically posted and/or updated in other sub-systems.

The first step in the solution design was developing a common transaction record set which represented all attributes for the process and that was concise. . After the transaction record was created, it was then optimized to address all possible exceptions and process rollbacks. The team then devised nine key milestones wherein each step escalated and triggered a workflow, generating notifications.  These nine milestones acted as stage gates in the process providing actionable data and necessary escalation of the process.

The critical steps involved in the nine-stage process were:

1. The LOS system at CHFA initiates the process by transmitting information to IHFA that a loan conforms to CHFA requirements and has been committed by our system. The transaction also indicates to IHFA whether the loan has an additional Down Payment Assistance (DAP) component along with the lender compensation payment required to be paid to the lender by IHFA on behalf of CHFA. On receipt of this transaction, IHFA loan system establishes a loan record in their pipeline and awaits further notifications from the lender.

2. Once the loan is closed, IHFA purchases the loan directly from the lender and notifies CHFA. In this notification, IHFA communicates to CHFA when the loan has been purchased and requests an amount for reimbursement including the lender compensation paid on behalf of CHFA by IHFA. On loans with DAP, the purchase of the loan by IHFA goes on hold until they receive an 'Ok to Fund' notification from CHFA as there are additional prerequisites at CHFA for loans with DAP.  CHFA provides IHFA the 'Ok to Fund' notification only after confirmation and approval of the DAP loan, which is serviced by another servicer.

3. On receipt of the purchase notification, CHFA reviews and validates the transaction and communicates to its trustee to fund the reimbursement to IHFA. CHFA notifies IHFA about the reimbursement of funds for that loan. This reimbursement of funds to IHFA happens within 48 hours of purchase of the loan.

4. The IHFA servicing system communicates to CHFA that the loan is ready to pool once it determines the readiness of the loan documents.

5. The pool creation at CHFA involves two functional steps wherein loans are first drafted to create potential batches. CHFA loan servicing staff organizes loans according to predefined rules based on the interest rate, mortgage insurance type and security type (GNMA, FNMA or Freddie Mac).

6. The next step towards pool creation is internal to CHFA wherein these batches are submitted for approval to the CFO. Once the pool batches are confirmed and approved by the CFO, IHFA is notified to initiate the loan pooling process with the appropriate GSE.

7. On receipt of the pool approvals, IHFA processes the loan pools with the appropriate GSE resulting in a pool number and CUSIP number. Once processed, pool numbers and CUSIP numbers along with the tentative pool settlement dates are communicated back to CHFA.

8. During the time between reimbursement and pooling, individual loan activity is occurring with payments being made directly to IHFA. Interest accrued on the loan is payable to IHFA until the loan is reimbursed and then the interest is payable to CHFA. Interest on the security from the date of issue to the date of settlement is also due to IHFA. Principal and interest due/accrued from time of reimbursement to settlement date is paid to CHFA at time of settlement. The transactional details are tracked by IHFA servicing and electronically communicated back to CHFA. CHFA reviews the transaction details and communicates the information to its trustee.

9. The final step in the process is the transaction settlement when the pools of loans are transferred to the GSE in return for a security to be held by CHFA's trustee.


## Provide Benefits That Outweigh Costs

Apart from the obvious advantages derived from automation and smooth flow of information, the measurable success factors achieved by the implementation of this model allowed CHFA to reduce its negative carry, increase its reinvestment rate, provide real time process transparency and ultimately increase its overall productivity.


## Demonstrate Effective use of Resources

The development and implementation of this solution took a few months of closely coordinated efforts by both housing agencies. CHFA internal staff rose to the challenge of developing a new model, took the lead, identified the problem, outlined the solution and engaged with IHFA to implement the solution using the existing systems.


## Achieve Strategic Objectives

CHFA is committed to continuous improvement, and is proud to say that this work furthers our objectives to be innovative, responsive and effective in alleviating the shortage of housing for low- and moderate-income families and persons in Connecticut.

# Visual Aid

## CHFA/IHFA Data Interchange Sequence Diagram



| Node | Description |
|------|-------------|
| OF* | * CHFA - Okay to Fund sent for loans with DAP only |
| PR | IHFA – Loan Purchase |
| RE | CHFA - Reimbursement |
| RX | CHFA - UnPurchase |
| RP | IHFA – Ready to Pool |
| CP | CHFA – Cancel Pool |
| UP | IHFA – Unready to Pool |
| PD | CHFA – Pool Draft |
| DX | CHFA – Cancel Draft |
| PA | CHFA – Pool Approved |
| PX | CHFA – Cancel Approval |
| PS | IHFA – Pool Settlement / NOD & GSE |
| DC | CHFA – $ DUE CHFA |
| EX | IHFA – Exchange Confirm |