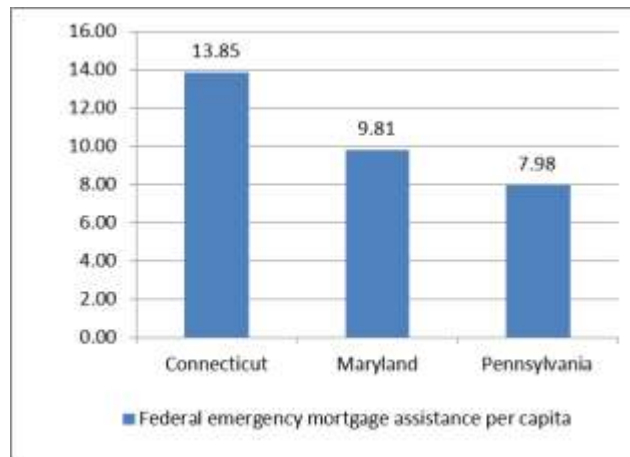




## NCSHA 2012 Annual Program Awards

### **Connecticut Housing Finance Authority Maximizes the Utilization of Federal Emergency Homeowners' Loan Funds to Benefit Connecticut Homeowners At Risk of Foreclosure**



#### **Background**

In April, 2011, CHFA received funding under the U.S. Department of Housing and Urban Development (HUD) Federal Emergency Homeowners Loan Program (EHLP). This HUD program provided assistance to homeowners who were at risk of foreclosure and had experienced a substantial reduction in income due to involuntary unemployment, or underemployment due to an adverse economic conditions or a medical condition. As part of HUD's 32 state \$1 billion dollar program, Connecticut qualified under program provisions for Substantially Similar States along with Delaware, Idaho, Maryland and Pennsylvania. Under these provisions, State HFAs that operated loan assistance programs determined substantially similar to the federal program received allocations to fund loans for homeowners in their states as well as payments to cover the administrative costs.

CHFA's administration of a state-funded Emergency Mortgage Assistance Program (EMAP), qualified the Authority as a Substantially Similar State. EMAP, which commenced in the latter half of 2008 and awarded 74 loans in 2009 and 132 loans in 2010. It was projected that the EMAP program would award 200 loans in 2011 in an assistance amount of \$14 million.

In April, HUD awarded \$29,897,304 for assistance to homeowners under Connecticut's substantially similar program with the requirement that these funds be fully obligated by September 30, 2011. Like the other substantially similar states, CHFA was faced with the challenge of building an infrastructure to support scaling up the 200 per year loan production capacity of the EMAP program to produce 640 loans in 6 months. This would require a 600% increase in application activity over its EMAP program levels.

#### **Strategy**

CHFA recognized immediately that rapidly achieving "scale" in the FELHP program in three areas would be essential to meeting the program targets in the compressed six-month time frame. CHFA would need to be able to "scale" up capacity on an ASAP basis as applications moved through the stages of the processing pipeline. The three process points where achieving scale would be essential were: Application Generation, Application Approval Processing and Loan Closing. At each of these three critical stages



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CHFA would have to rapidly and cost effectively achieve scale to generate the volume of activity necessary to obligate all funds within the limited timeframe. Further, because the average application took 45 days from intake to approval and 45 from approval to closing, the pipeline capacity was designed to move large volumes of applications in the shortest possible time through each stage of the process to assure sufficient time to complete the obligation of funds by the September 30 deadline.

### ***Application Generation:***

Based upon EMAP's returned application rate of 40% and approval rate of 25%, CHFA staff estimated we would need to generate over 900 applications per month to reach our initial goal of 640 committed loans. CHFA's EMAP program generated about 90 applications per month. This projected tenfold increase in application generation required that we develop an aggressive outreach and marketing strategy. We recognized that the traditional strategy of press releases from the office of Governor Dannel Malloy, outreach to state and local elected officials and housing fairs would not generate sufficient application interest. CHFA, working with an outside advertising firm, developed a radio and television PSA campaign that began running in late April. The ads featured Governor Malloy as the program spokesperson. The Governor's credibility was absolutely essential since at the same time various private for-profit entities were promoting supposed for-fee counseling and foreclosure assistance which contributed to market confusion with the free EHLF product.



[View the commercial](#)

In addition, CHFA utilized its own diverse staff in the commercial. Each employee in the ad spoke the word "home" in a language from their own background. CHFA targeted this "soft" and friendly approach in conjunction with the credibility from Governor Malloy because it was most likely to resonate with struggling homeowners as a safe and credible resource.

A second application generation improvement needed was to address the projected 40% return rate for applications. Increasing the application yield rate would produce a larger number of loans without having to grow the entire incoming application pool. Applicants initiated the request for an application via a phone call. To increase application yield CHFA contracted with an outside call center to place one or more calls to each unreturned application inquiry. Call Center employees were trained on the application and to provide general guidance for those having difficulty completing and returning the application. Of the 5,538 applications mailed out 3,600 were returned for a yield rate of 65%!

By programs end, CHFA took more than 36,000 calls and screened more than 3,600 applications from homeowners. As a result of the radio and television advertising campaign and the increased application yield rate, CHFA was well positioned to accept un-utilized FELHP assistance funds offered by HUD in August of 2011 because of the large ready pool of applications.

### ***Application Approval Processing:***

In designing pipeline capacity, it was recognized that applications would need to flow in large volumes through the application approval process. The program was designed to quickly intake as many applications within the first 90 days leaving sufficient time to complete the application approval and obligation process in the remaining 90 days of the program (September 30, 2011). To achieve this, CHFA provided significant cross training of EHLF program staff so that employees could be reassigned as needed across the continuum of the pipeline. CHFA call takers, who in the first 30-60 days screened



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incoming phone calls for application eligibility, were cross-trained as processors able to quality control incoming applications and documentation during the next 60 to 90 days. Experienced processors were cross-trained to serve as underwriters to work with an existing group of underwriters to calculate, verify assistance and obligate assistance in the following 90 to 180 days.

A second tool developed by CHFA was an automated tracking process known as SMARTrack. This tool had been used in the tracking of applications under the EMAP program and was redesigned to support the EHLP program. This tool allowed any of the EHLP staff to electronically view and track the status of every application from initial request for an application through closing. This tool worked to support our cross training efforts in that as call takers moved to processors and processors to underwriters, individual applications could be quickly and electronically reassigned.

### ***Loan Closing:***

To achieve scale in CHFA's capacity to close the large volume of loans in the final months of the program CHFA engaged two outside legal firms. These firms provided CHFA with a presence in the state's larger counties (Fairfield, Hartford and New Haven) in addition to CHFA's main office location in Rocky Hill. Additionally, to facilitate closings for working homeowners closing services were offered at all four locations weekdays, weekends and after hours. In one 60-day period, 678 closings were completed using the combine services of HFA legal staff and outside attorneys.

Lastly, the results achieved under CHFA's EHLP program would not have been possible without the full commitment of all CHFA staff resources. A special cross-agency team was assembled representing every area of CHFA to oversee and manage the process weekly. This team had full authority to implement resource sharing and service prioritization on an authority-wide basis. Asset Managers, program assistants, single-family underwriters, research analysts, multifamily underwriters, information technology, facilities support, finance and legal staff assisted in everything from after-hours application assistance with homeowners, group underwriting team evenings, weekend phone follow-up for applications and administrative services support. It was only through this level of authority-wide participation and engagement that CHFA was able to deliver a more than 900% capacity increase over its existing EMAP program.

### **Result**

We believe this effort offers a model for rapidly achieving scale in niche and special programs. As a result of the capacity gained through the various strategies employed by CHFA to achieve scale, the U.S. Department of Housing and Urban Development increased its allocation for homeowner assistance from \$29,897,304 to \$49,509,065 – a 150% increase over Connecticut's original assistance allocation. Moreover, on a per capita basis, CHFA was able to obligate by the program deadline the highest per capita assistance level of the substantially similar states in the HUD program.

Ultimately, these federal funds provided loans to allow 968 homeowners to remain in their homes. Between the EHLP and EMAP program, CHFA worked to keep 1,283 families in their homes, stabilizing neighborhoods and keeping properties from adding to the inventory of distressed properties for sale. For its efforts, the Authority was cited as one of three states who primarily benefitted from the \$1 billion Federal Emergency Homeowners Loan Program designed to assist distressed homeowners.