



2013 NCSHA Award Nomination



Special Achievement

ENTRY NAME: APPLYING KAIZEN TO SAVE THE DREAM OHIO

*Douglas Garver, Executive Director
Cynthia Flaherty, Director of Homeownership*





2013 Annual Awards Entry Form
(Complete one for each entry.)

Entry Name Applying Kaizen to Save the Dream Ohio

Fill out the entry name *exactly* as you want it listed in the awards program.

HFA Ohio Housing Finance Agency

Submission Contact Arlyne Alston, Director of Communications and Marketing

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Program Contact Cindy Flaherty, Director of Homeownership

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Entry form with description, check(s), and visual aids (optional) must be received by NCSHA by **Monday, July 1, 2013.**

Use this header on the upper right corner of each page.

HFA _____

Entry Name _____

Communications	Homeownership	Legislative Advocacy	Management Innovation
<input type="checkbox"/> Annual Report <input type="checkbox"/> Promotional Materials and Newsletters <input type="checkbox"/> Creative Media	<input type="checkbox"/> Empowering New Buyers <input type="checkbox"/> Home Improvement and Rehabilitation <input type="checkbox"/> Encouraging New Production	<input type="checkbox"/> Federal Advocacy <input type="checkbox"/> State Advocacy	<input type="checkbox"/> Financial <input type="checkbox"/> Human Resources <input type="checkbox"/> Operations <input type="checkbox"/> Technology
Rental Housing	Special Needs Housing	Special Achievement	Are you providing visual aids?
<input type="checkbox"/> Multifamily Management <input type="checkbox"/> Preservation and Rehabilitation <input type="checkbox"/> Encouraging New Production	<input type="checkbox"/> Combating Homelessness <input type="checkbox"/> Housing for Persons with Special Needs	<input checked="" type="checkbox"/> Special Achievement	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO

2013 NCSHA Award Nomination

HFA: Ohio Housing Finance Agency

Category: Special Achievement

Entry Name: Applying Kaizen to Save the Dream Ohio

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Building and Rebuilding Save the Dream Ohio

The Ohio Housing Finance Agency (OHFA) is one of 18 housing finance agencies chosen by the U.S. Department of the Treasury to receive Hardest Hit Funds (HHF) to prevent foreclosure and strengthen housing markets. When OHFA launched the program in September 2010, all of the policies, guidelines and procedures had to be created from scratch. OHFA hired new staff, built a customized client management system with a third party vendor, developed relationships with mortgage servicers, and contracted with housing counseling agencies and title companies while the guidelines and processes continued to evolve. By 2012, the burden of continual modifications to the programs and guidelines was beginning to take a toll. The time from application to funding was too long and too many applications were sent back and forth between counselors and underwriters for clarification or additional documentation. Training and technical assistance had little effect on the problem. It was clear that Ohio's HHF program needed to be overhauled and streamlined.

The Kaizen Process

To help with streamlining the HHF program, OHFA sought assistance from the Lean Ohio team at the Ohio Department of Administrative Services. Lean Ohio helps state agencies improve their core business by reducing processing times, decreasing costs and increasing customer satisfaction by using the principles, tools and strategies of Lean, Kaizen and Six Sigma. The Lean Ohio team led OHFA and its partners through a Kaizen event aimed at eliminating inefficiencies in the HHF program. The term Kaizen is Japanese, meaning to break apart or change (kai) for the better (zen). A Kaizen event not only brings together the people who perform the work of the process, but also includes customers, stakeholders, and objective outsiders who have no knowledge of the process.

Before the Kaizen event, the Lean Ohio team met with OHFA's HHF management team to develop a scope and collect baseline data. OHFA selected stakeholders, OHFA staff, and consumer advocates to participate in the five-day event. The participants mapped out the program procedures and analyzed every step of the process to identify waste, over-processing, delays, loopbacks, handoffs, and defects. They used their findings to develop a new process that is simpler, faster, better, and more cost-effective. Then the participants created an implementation plan for the new procedures. The goals that OHFA set for the event are summarized on the scorecard below:

Pre-Event Measures and Goals

Measure	Current Level	Target	Gap
Pull through rate (submissions/registrations)	29.7%	40%	11.3%
Processing time from registration to funding	173 days	90 days	82 days
Approval rate (funded/submissions)	48.5%	70%	21.5%
Administrative cost ratio (Admin expense/total expense)	20.2%	<18%	2.2%

The five-day Kaizen event produced a recommendation for a new, streamlined application and review process that included:

- Pre-screening applicants for eligibility
- Creating a welcome center to assist homeowners with the application
- Developing a simpler, shorter homeowner application
- Reducing the number of required documents

Implementation Steps

The target date for implementation of all the changes was February 1, 2013, which required OHFA staff and management to handle multiple projects concurrently. During the implementation period, OHFA accomplished the following:

- OHFA staff developed questions for a pre-screening tool that would enable OHFA to screen clients for basic program eligibility prior to allowing access to the full Save the Dream Ohio application. OHFA sought input from housing counselors and then worked with OHFA's IT department to create a web-based tool that would limit access to the Save the Dream Ohio application to those who had successfully completed and passed the pre-screening questionnaire. The Pre-Screening tool was incorporated into the updated Save the Dream Ohio website.
- OHFA staff traveled to Michigan to learn about the state housing finance agency's Welcome Center and consulted with other states to learn about best practices for conducting client intake. OHFA hired and trained eight new employees to help callers with the pre-screening tool and application.
- OHFA submitted new Program Term Sheets to Treasury, which updated OHFA's HHF policies by raising the maximum benefit amount to \$35,000 and expanding eligibility. One of the most important changes was eliminating extensive hardship documentation by allowing homeowners to complete a hardship affidavit and letter instead. After Treasury approved the Term Sheets, OHFA staff completely revised and updated the Program Guidelines with a cleaner structure and searchable content.
- OHFA staff wrote the specifications in a Statement of Work for Counselor Direct (the Agency's contractor for the client management system) for a new homeowner application with easy instructions and help tools. The streamlined application reduced the number of required forms for applicants and was helpful in that it auto-populates much of the information based on the client's responses to online questions.
- OHFA issued a Request for Qualifications for the Agency's housing counseling partners across the state and awarded contracts based upon the competitive score factors. Because the Welcome Center replaced some functions previously offered by housing counselors, OHFA was able to reduce the maximum payment to housing counselors from \$1,100 per file in the prior contract to

\$850 per file under the new contract, saving the Agency at least \$2.5 million in administrative costs.

- OHFA's Office of Communications and Marketing designed new collateral materials (fact sheet, brochure, mailing insert and poster) and launched an advertising campaign to reach more eligible homeowners.

Outcomes

After only a few months, the results are already evident.

Results to Date

Measure	Prior Level	Target Goal	Current Level
Pull through rate (submissions/registrations)	29.7%	40%	42%
Processing time from registration to funding	173 days	90 days	61 days
Approval rate (funded/submissions)	48.5%	70%	64%
Administrative cost ratio (Admin expense/total expense)	20.2%	<18%	18.5%

This initiative demonstrates the criteria for a Special Achievement award:

Innovative: Kaizen, which is widely used for improving business processes in the private sector, has applicability in the public sector and for HFAs.

Important state need: The process improvements to Save the Dream Ohio have shortened the timeline for receiving assistance, thus providing better customer service to struggling Ohio homeowners and preventing foreclosures throughout Ohio.

Achieve intended results: OHFA identified goals at the beginning of the process that have been achieved through implementation.

Benefits outweigh the costs: By trimming \$2.5 million in administrative costs, there will be more funds available to help homeowners stay in their homes.

The Key Roles of a Kaizen Event



Kaizen events are being used in Ohio state government to dramatically improve and streamline core processes, cut costs, and increase customer satisfaction.

While state government has practiced various process improvement methods in the past, a Kaizen event is notably different.

- During a Kaizen event, the team meets for an entire week, starting Monday afternoon and making a final presentation Friday.
- The Kaizen approach is action-oriented. Implementation begins immediately. The process is not about simply making recommendations.
- As a Kaizen event unfolds, team members use Lean and Six Sigma tools to identify value added steps in the process, to remove waste and variation, and to build a simplified process that benefits customers and the bottom line.

Before, during, and after the Kaizen event, there are key roles that must be filled. Below is a summary of who does what.

Senior Manager

Before the Kaizen event: The Senior Manager is aware of and supports moving forward with the Kaizen event.

During the event: Shows his/her support for the event by attending and speaking at the event opening on Monday. Senior Managers are also encouraged to stop by any time during the event to see how the team is progressing and to show their support. They also attend the final report out Friday and share their thoughts on the team's accomplishments.

After the event: Is updated regularly on the team's progress. Attends 30-, 60-, and 90-day progress checks. Addresses any issues that neither the team leader nor the team sponsor can. Recognizes the team's efforts and accomplishments.

Sponsor

The sponsor indirectly oversees the process. This person may also be the Senior Manager.

Before the Kaizen event: Ensures the people and resources are available for the event. Approves scoping document.

During the event: Holds brief meetings with team lead and facilitator(s) during or after each day of the event. Addresses and removes barriers and secures resources as needed.

After the event: Attends all follow-up meetings, addresses any issues as needed, and provides team recognition.

Key Roles, continued

Team Leader

This is the person who owns the process.

Before the Kaizen event: Coordinates logistics, including reservation of facilities, procurement of supplies and equipment, etc. Communicates with the union(s) leadership. Invites process owners and customers to participate on the team. Identifies subject matter experts. Works with the facilitator to clarify the scope of the project, to identify and collect data and other background information, and to finalize the scoping document.

During the event: Participates as a team member. Keeps pulse of team for assisting in setting daily direction/agendas with facilitator. Communicates with the team sponsor. Contacts subject-matter experts as needed.

After the event: Tracks team history and archives any materials/documentation. Schedules follow-up progress-check meetings at 30-day, 60-day, 90-day, and one-year intervals.

Team Members

A Kaizen team is made up of people who do the work, customers, and outsiders. This ensures that the team brings together three key elements: process expertise, input from the people being served by the process, and a fresh perspective from those with no process knowledge.

Before the Kaizen event: Communicates with the team leader about logistics and purpose. Raises any concerns and looks to participating in team environment. Attends any pre-event meetings, as necessary.

During the event: Participates as a team member as an active/engaged participant bringing their direct knowledge or fresh perspective to the event concerning the process. Follows ground rules and shares desire to attain change.

After the event: Attends any post-event meetings as necessary, and follows up on any assignments as designated for the team's continued success.

Tuesday, July 31, 2012 - Kaizen Event Ideas/ Suggestions for Improvement

Borrower should only have to show (3) years hardship - No income loss

Eliminate Self Employed Borrowers - "This would have a negative impact"

Streamline counselor flow to the uniform internal and external

Less touches per file

Better flow of information for everyone (Homeowner, counselor, Underwriter, Closing)

Do not require homeowners to attend a workshop prior to applying to RSS Program

Simplify

Revise Checklist/ All Checklists

Maximize Work resources - Get the most out of your employees/ cross functional

Underwriter/Counselor portal should be synchronized/ Linked

Make decisions based on helping more homeowners

Regular scheduled training with clear expectations

Provide a web link to identify specific documents required

Transparency - Counselors and Underwriters can see each others screens

Revise Checklist/ All Checklists

Develop a team concept

Less files/ get in front of the problem

Compliance should be able to correct or change small errors

Shorten underwriting review timeframe

Support counselors more

Less changes

Better customer service

Application process, make it easier and faster

Approve functionality list of IVR, Counselor web page

reduce number of external agencies

Allow counselors and Underwriters to read each others notes

Review duties of pre-reviewers

More consistency

Eliminate QC process

Much less documentation

Fewer counseling agencies

If the file is incomplete second request should be declined

Reduce turnaround when new info is provided
Borrower brings mortgage and fingerprint and gets a check
Make addendum single document that populates each other
Have legal descriptions already typed for underwriters - "time saver"
Clear communication to homeowner
Do not recommend initial registration before appointment with a counselor
Compliance should email or contact counselors directly for changes or additional info needed- "Could be an issue with Best Practices"
Share checklists / Counselors and Underwriters so everyone knows what the other is looking for
Prior year tax return should be mandatory
Fewer required documents. Narrow to (5) required documents
Provide a checklist to homeowner
Counselor to not argue with the underwriter when asked for additional documents
Can't go forward with file until you get it right
Serve homeowners who are invested. Don't request documents over and over.
External agencies need standardized flow process
Don't require 60 days of income from borrower
Borrower to have ability to upload their own documents
Stricter timeline on homeowner to provide documents
Tier documents required depending on their hardship
More outreach efforts
Checklist 100% before submission
Quit changing guidelines. No changes for at least 6 months
reduce amount of documents required by homeowner
Correct Counselor Direct issues
Bring process in house to accommodate
Central call center. Intake before registration
Underwriter not to re-write legal description
Workplace suggestion box internal and external
Request all documents in the beginning
Counselor to submit quality files to eliminate the need for pre-review
Standardize hardship justification - "Not a good idea"
Better tracking for customer inquiries

Internal incentives for complete files (Counselors and Underwriters)
Standardize counseling process
More expediting communication for change and policy bulletins
HHF Review should not be emailed by counselors
More mission driven decisions
More information for homeowners on website
More reasons for approvals not denials
Clarify gray areas for hardships
Closing should do their own closing documents not the underwriters
Compliance has too many touches and too many steps
Internal teams to support each other
Designate a pre-reviewer for each site/ Quality control internally
One manual for underwriters and counselors
Faster customer service resolutions
Limit allowable changes to one per year
RSS Should not allow borrowers unless file is complete
Simplify process of paperwork between counselor and OHFA review box
Simplify application, we really have no teeth in it anyway
Program specific checklists
Who signs 3rd party authorization
Use an underwriter to underwrite a file on a webinar for training.



Ohio Housing Finance Agency

Kaizen Event Report Out

RESTORING STABILITY

July 30 – August 3 , 2012

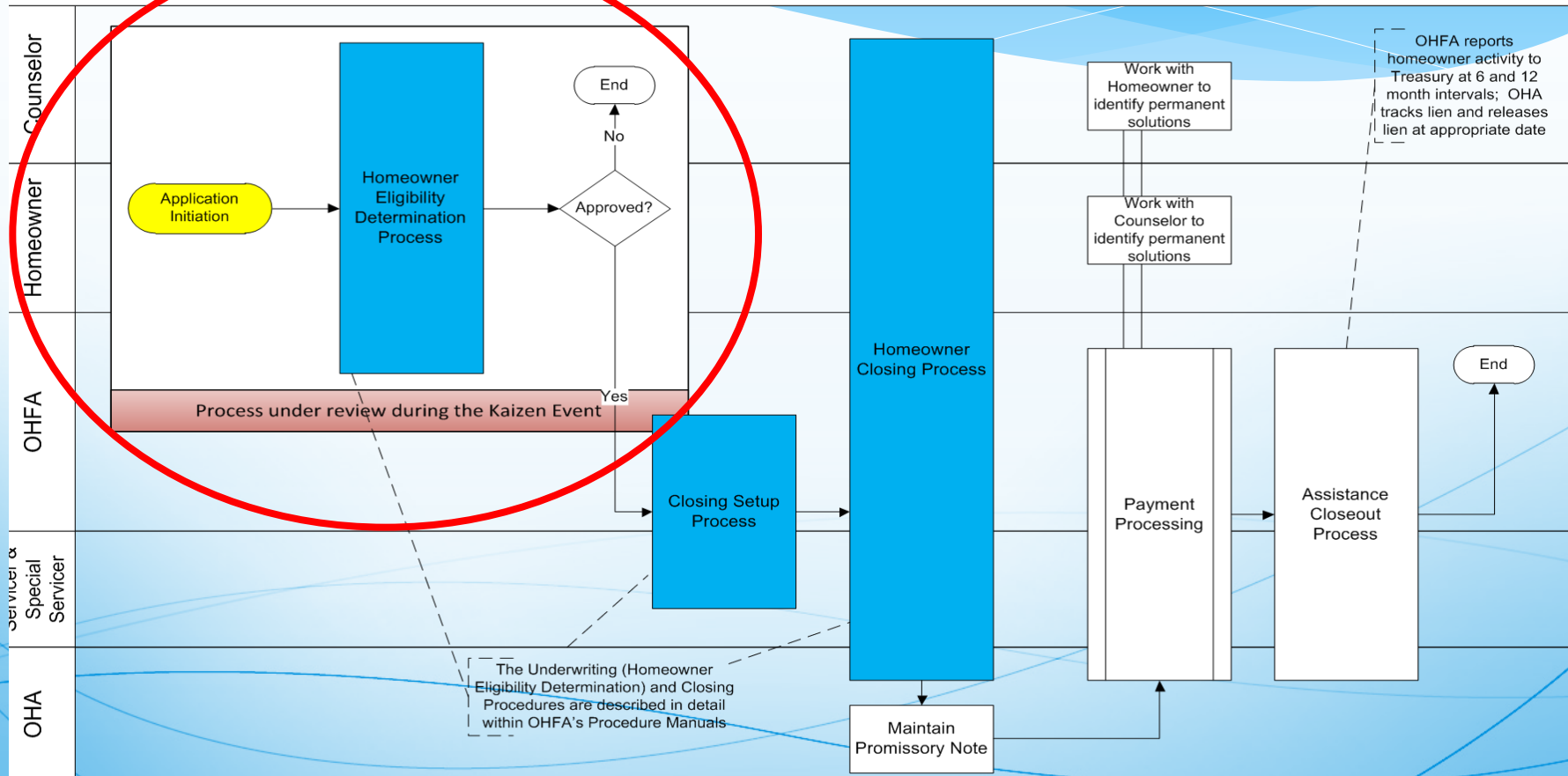
Stakeholders

- * OHFA Board
- * Taxpayers
- * Homeowners
- * Politicians
- * U.S. Department of Treasury
- * Servicers
- * Counseling Agencies
- * Legal Aid
- * SIGTARP
- * COHHIO



The Process Scope

Process: Restoring Stability Homeowner Assistance Life Cycle



Event Scope

What is the process?

- Qualifying eligible homeowners for HHF financial assistance. Homeowners register on-line and are automatically assigned to a housing counseling agency. The counselor assists the homeowner with collecting required documentation, recommends the appropriate program for assistance, and submits the file to the state for underwriting review.

Overarching Theme:

- * Preventing foreclosures by providing financial assistance on behalf of eligible homeowners to mortgage servicers and county treasurers.
- * Increasing number of Homeowners assisted without increasing current staffing levels or administrative costs.

Project Goals

1. Increase pull through rate from registration to application submission.
2. Increase approval rate from submission to funding
3. Reduce turnaround times by identifying and removing roadblocks.



The Kaizen Approach

Team-based energy and creativity drives immediate process improvement

DAY 1	DAY 2	DAY 3	DAY 4	DAY 5
Day of Learning and Level Setting:	Day of Discovery:	Day of Improvement:	Day of Design:	Day of Fine Tuning and Communication:
Getting everyone on the same page	Making the invisible visible	Creating the new process	Implementation & action planning	Celebration & sharing results

At the end of the week, each Kaizen team has designed dramatic operational improvements and plans for 30-60-90-day follow-ups

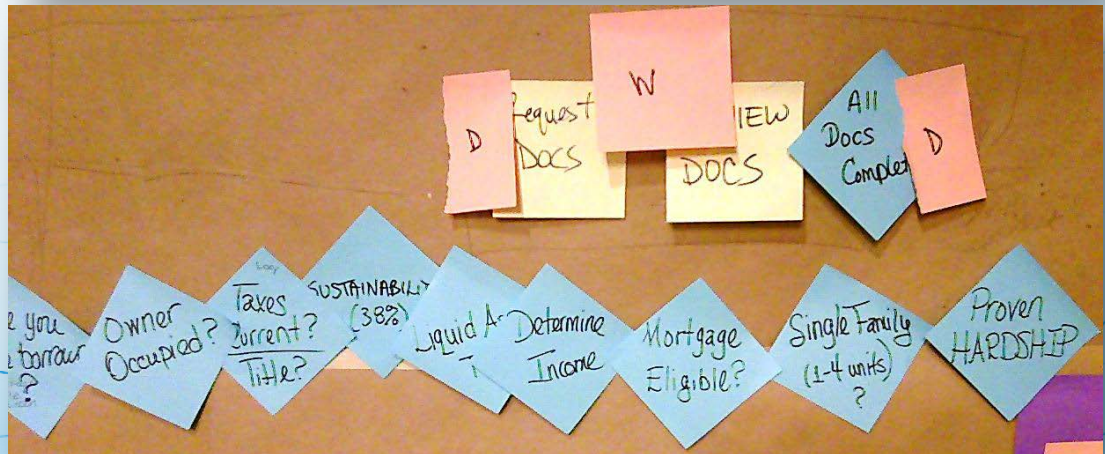
Intense work identifying Value and Waste



31 Points of Waste Identified

The original processes had:

- * Too many steps
- * Too many handoffs
- * Too many delays
- * Too many decisions
- * Too much TIM WOOD



The team brainstormed and evaluated 112 improvement ideas



More Results – Non Quantifiable

- ◎ Improved customer service
- ◎ More accountability
- ◎ Improved application process
- ◎ Standardization of documentation
- ◎ Faster processing
- ◎ Better use of technology
- ◎ Better utilization of staff
- ◎ Unified process



Improvement Summary

Current Key Issues

1. Increase pull through rate from registration to application submission.
2. Increase approval rate from submission to funding
3. Reduce turnaround times by identifying and removing roadblocks.

How We Fixed It

1. Reduced document requirements. Reduced variation in intake process.
2. Increased eligibility at pre-registration. “Live” assistance for documentation gathering.
3. Standardized registration and drop down menus. HCA’s receive only complete packets.



Implementation Plans

- * Time Line Plan
- * Policy/Procedures/Protocols Plan
- * Training Plan
- * Communications Plan
- * Information Technology
- * Backlog Plan



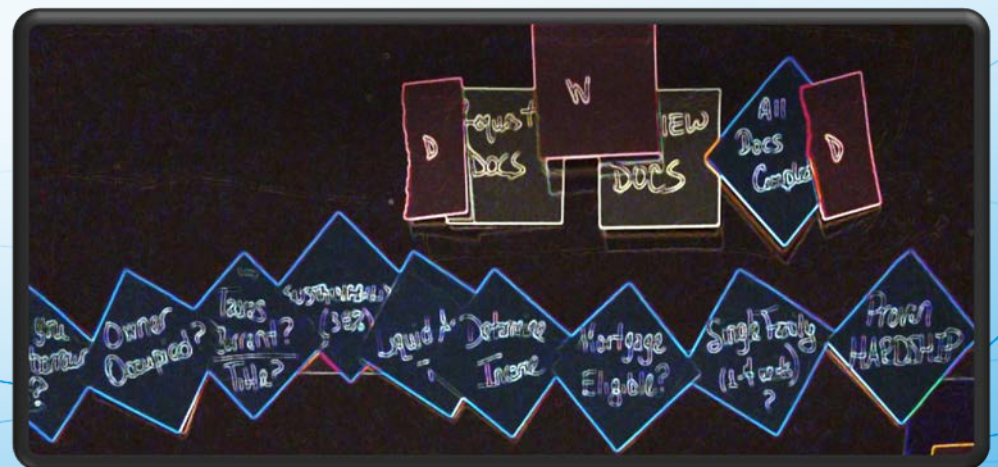
Personal Lessons Learned

We function best as a team
vs individually

Government can work

Assumptions are dangerous

We all have one common goal: Save Homes & Save the Dream



Agency: **OHFA**

Section: **Restoring Stability**

Major Changes:

1. Reduced document requirements. Reduced variation in intake process.
2. Increased eligibility at pre-registration. “Live” assistance for documentation gathering.
3. Standardized registration and drop down menus. HCA’s receive only complete packets.

Measure	Before	Projected After	Difference
Process Steps	127	63	50%
Decisions	32	10	69%
Handoffs	29	18	38%
Lead Time	67-375 days	3-45 days	88-95%

