

NCSHA 2016 Annual Awards Entry Form

(Complete one form for each entry)

Deadline: Wednesday, June 15, 2016

Visit ncsha.org/awards to view the Annual Awards Call for Entries.

Instructions: Type entry information into the form and save it as a PDF. Do not write on or scan the form. If you have any questions contact awards@ncsha.org or 202-624-7710.

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

Entry Name: _____

HFA: _____

Submission Contact: (Must be HFA Staff Member) _____ **Email:** _____

Please provide a 15-word (maximum) description of your nomination to appear on the NCSHA website.

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

HFA: _____

Entry Name: _____

Select the appropriate subcategory of your entry and indicate if you are providing visual aids.

Communications	Homeownership	Legislative Advocacy	Management Innovation
Annual Report	Empowering New Buyers	Federal Advocacy	Financial
Creative Media	Encouraging New Production	State Advocacy	Human Resources
Promotional Materials and Newsletters	Home Improvement and Rehabilitation		Operations
			Technology
Rental Housing	Special Needs Housing	Special Achievement	Are you providing visual aids?
Encouraging New Production	Combating Homelessness	Special Achievement	Yes
Multifamily Management	Housing for Persons with Special Needs		No
Preservation and Rehabilitation			

Non-Profit Partner Faces Production Barrier

Rhode Island Housing had a long and productive relationship with Habitat for Humanity, so when **new regulations threatened Habitat for Humanity’s volunteer-powered model for affordable housing, the housing finance agency leapt into action.** After all, Habitat homes have been vital to meeting housing needs across the country and in our state. Had Rhode Island Housing not been able to work with Habitat to **craft a funding and servicing option for loans,** its ability to work with Habitat—and **Habitat’s ability to provide attractive, safe housing within Rhode Islanders’ financial reach—could have ground to a halt.**

Regulatory changes create unintended challenges

Habitat for Humanity has been an important player in creating affordable homeownership opportunities both nationally (since 1976 it has put 6.8 million people into safe and affordable homes nationwide) and in Rhode Island. Rhode Island Housing has enjoyed a particularly strong relationship with South County Habitat for Humanity, which serves the southern part of the state. Since we began working with the nonprofit about 15 years ago, we have purchased 49 loans (\$3.6 million). We have 42 active loans today, with a current principal balance of \$2.2 million.

The new **Consumer Financial Protection Bureau (CFPB)**, created by the Dodd-Frank Act of 2010, promulgated rules to protect homebuyers from the exorbitant interest rates seen in the housing crisis that led to the Great Recession. **The irony is this: Habitat loans were already at 0%.** A homebuyer couldn’t do better than that. But the **law of unintended consequences swept up the nonprofit builder in a wide net,** in which all mortgage lenders were required to provide complex disclosures about rates and fees—**disclosures calling for legal assistance that volunteer-based Habitat could not afford.**

That *presented a challenge for Rhode Island Housing and its largest Habitat partner, South County Habitat for Humanity.* So we worked with this non-profit partner to **devise a much-needed loan funding and servicing option.** They were able to do this, in part, because Rhode Island Housing originates its own loans.

Background

In November 2013, the CFPB integrated the disclosures and regulations related to the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA) to create what is widely known as TRID (as in TILA-RESPA Integrated Disclosure), or “Know Before You Owe.” The goal was to protect consumers from practices that fueled the housing collapse of the Great Recession, which was triggered by lenders who knowingly gave loans to people who couldn’t repay them—lenders who often charged rates that would shoot up after a short time and who bundled and resold those mortgages, thereby washing their hands of the responsibility to collect. The new mortgage servicers were often quick to foreclose when borrowers found themselves overwhelmed.

“Know Before You Owe” regulations involve assurances that borrowers can pay, but for Habitat clients who provide sweat equity, ability to pay is calculated differently than for typical mortgages. The new regulations also involve elaborate disclosures on what the borrower will owe over time—disclosures that are important in most cases but beyond the scope of what a nonprofit like Habitat and its volunteers can offer.

A Win for Habitat, low-income homebuyers and us

The loan origination program that Rhode Island Housing entered into with Habitat for Humanity South County **lent our capacity, infrastructure and experience to the nonprofit so it could keep homebuilding moving forward without a break.** The program supports the creation of safe, affordable homes for a population that might not otherwise have the opportunity to own a home. **It enables Habitat to do what it does best: provide families with attractive housing within their financial reach.** And it enables Rhode Island Housing to fulfill its mission and do what *it* does best: provide and service loans. The program also helps Rhode Island Housing support the state's interest in stabilizing neighborhoods.

Taking on a partner's burden

Rhode Island Housing's seasoned loan-origination operation already had the infrastructure to support the CFPB's regulations and incorporate them into the agency's day-to-day technology. Today Rhode Island Housing originates and closes Habitat's 0% interest loans in accordance with applicable state and federal laws and regulations and Habitat's underwriting guidelines. The agency's board voted to retain ownership of the loans at the reduced cost of 68 basis points of the full principal balance.

Rhode Island Housing remains responsible for:

- servicing the loans, including accepting and applying customer payments,
- engaging in loss mitigation,
- and foreclosing if necessary.

Rhode Island Housing found the level of cooperation—among in-house departments as well as with South County Habitat for Humanity—particularly important in developing the solution. That is why **only eight months after the rules were enacted in October 2015, the agency and Habitat had the process up and running for applicants.**

South County Habitat is the largest Habitat for Humanity chapter in Rhode Island, but Rhode Island Housing hopes to build upon the success of this new program and expand to other chapters in the near future.

The new rules would have meant purchasing expensive processing software and paying monthly access fees to process fewer than 10 mortgages a year. There are intricate information and timing requirements that if handled incorrectly would have negated our ability to sell our mortgages to Rhode Island Housing or anyone else. We rely heavily on mortgage sales to fund our ongoing projects. As small nonprofit underwriters, we faced an onerous burden.

*When I requested help from Rhode Island Housing, they quickly understood our problem and wanted to work with us to find a solution. Idiosyncrasies unique to our organization presented challenges, but Rhode Island Housing was up to the task. After numerous exchanges, we agreed that Rhode Island Housing will underwrite our homeowner mortgages to our standards and will **process and meet all the TRID requirements guaranteeing saleable mortgages and a homeowner-friendly process.** Not only will this new process save us **thousands of dollars each year**, but will **lift a heavy burden from our small staff.** Our first homeowner to experience the procedure found it to be simple, efficient and friendly. We are grateful to Rhode Island Housing for, once again, being a source of willing support and workable solutions.*

– Lou Raymond, executive director of South County Habitat for Humanity

Happy members of the Sabourin Family at the April dedication of their new Habitat for Humanity home in Charlestown, Rhode Island.



Highlights of Action by Board of Commissioners
Approval of Habitat for Humanity South County, Inc. Loan Origination Program

I. SUMMARY

This Request for Action is for authorization for Rhode Island Housing to modify its existing relationship with Habitat for Humanity South County, Inc. (“Habitat”) and enter into a Loan Origination Program Agreement. The Loan Origination Program will support the creation of safe, affordable homes for a population that may not otherwise have the opportunity of homeownership.

II. DISCUSSION

Since 1999, Rhode Island Housing has purchased and serviced Habitat loans under the Rhode Island Housing/Habitat for Humanity Purchase Mortgage Program. Since the inception of this program, Rhode Island Housing has purchased forty-nine (49) mortgage loans from Habitat, for a total of approximately \$3.6 million. This year, Rhode Island Housing has purchased seven (7) loans from Habitat for total of \$746,884.00.

Recent regulatory changes have made it more difficult for Habitat to originate and close these loans in-house. Rhode Island Housing staff has met with Habitat’s Executive Director to discuss ways in which Rhode Island Housing may assist it with the loan origination process. As a result of the discussion, Habitat has asked that Rhode Island Housing originate loans on its behalf and in accordance with its underwriting guidelines.

Under the Loan Origination Program, Rhode Island Housing will:

- Originate and close Habitat’s 0% interest loans in accordance with applicable state and federal laws and regulations and Habitat’s underwriting guidelines;
- Retain ownership of the loans at the reduced cost of 68 basis points of the full principal balance; and
- Remain responsible for servicing the loans including, but not limited to, accepting and applying customer payments, engaging in loss mitigation, and foreclosing on real estate.

III. RECOMMENDATION

Staff recommends that the attached resolution authorizing Rhode Island Housing to modify its existing relationship with Habitat and enter into a Loan Origination Program Agreement be approved.

IV. ATTACHMENTS

- A. Resolution

**Resolution of the Board of Commissioners
of
Rhode Island Housing**

Whereas, Rhode Island Housing (the “Corporation”) is authorized to make loans to persons of low or moderate income who may purchase residential housing;

Whereas, Habitat for Humanity South County, Inc. (“Habitat”) creates safe, affordable homes for persons of low income;

Whereas, Recent regulatory changes have made it difficult for Habitat to originate and close mortgage loans in-house; and

Whereas, the Corporation finds:

- (1) That originating and closing Habitat loans will be of public use and will provide a public benefit; and
- (2) That the development of a Loan Origination Program for Habitat will be under the authority of and consistent with the provisions of Rhode Island Housing enabling act, Chapter 55 of Title 42 of the Rhode Island General Laws.