

2014 Entry Form
(Complete one for each entry.)

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

Entry Name **Rental Housing Risk Mitigation Initiative**
HFA **Virginia Housing Development Authority**
Submission Contact **Brian Matt**
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Qualified Entries must be received by **Tuesday, July 1, 2014.**

For more information about Qualified Entries, [click here to access the 2014 Entry Rules.](#)

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

HFA **Virginia Housing Development Authority**

Entry Name **Rental Housing Risk Mitigation Initiative**

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 checked="" 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 type="checkbox"/> Special Achievement	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO

Virginia Housing Development Authority Rental Housing Risk Mitigation Initiative

Raymond James Tax Credit Funds, Inc. has worked with VHDA for many years and has developed the confidence to partner with them on many LIHTC projects we have syndicated with great success. When issues that may affect the viability of projects arose we and VHDA have worked to identify them before they became significant and have worked together on solutions to protect and preserve affordable housing, consistent with the missions of each of our firms. We consider VHDA staff to be highly talented and experienced and look forward to working with them well into the future.

*Steve Johnson, Vice President of Special Asset Management Services
Raymond James Tax Credit Funds, Inc.*

Brief Description

The Virginia Housing Development Authority (VHDA) operates an uninsured multifamily loan program whereby VHDA absorbs the credit risk on a loan in exchange for an increased spread to VHDA's cost of funds. VHDA has continued to improve upon the portfolio monitoring process to find new and innovative ways to reduce that credit risk and help owners avoid foreclosure.

The multifamily loan program is a risky, yet significant source of business and VHDA works diligently to ensure the loans are performing well over the entire life of the loan, while providing quality, affordable housing. VHDA Asset Managers use an automated system, ProLink, that captures all financial, operational, and physical information relating to a property to assist them in monitoring the performance of the portfolio.

VHDA takes a proactive approach to identifying properties that pose an increased risk to the Authority or demonstrate a need for improvements. A program on ProLink has been designed to rate each property based on a variety of benchmarks like the debt service coverage ratio, operating expense ratio, loan-to-value ratio, and the physical condition of the property. ProLink then tallies the score of each property and assigns a rating. The Asset Manager then places the property on the "watch list" or the "at-risk" list based on the system generated score and their working knowledge of the property.

The designated watch list properties need to be monitored more closely due to their challenging characteristics. Properties on the watch list are generally not at the point of needing intervention; rather, being placed on the list alerts Asset Managers to monitor the performance of the properties more closely. The second, more escalated at-risk list is comprised of properties that pose an increased risk of foreclosure. These properties are sorted into three categories of low, medium, or high risk based upon their probability of facing foreclosure. A property may be determined to be low risk if the owner is facing minor challenges in maintaining the property or meeting operating obligations, but overall the challenges are less significant. On the opposite end of the spectrum, a property may be deemed high risk because of the owner's inability or unwillingness to meet their financial obligations, thus posing a greater risk of foreclosure.

Over the years, VHDA has formed strong partnerships with property owners and is dedicated to enhancing these partnerships in the future. ProLink is a vital tool in helping

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Asset Managers manage the rental portfolio and become more proactive in recognizing potential challenges; however, it is just one of several resources used to help maintain a strong loan portfolio. Associates from the finance, legal, asset management, multifamily servicing, compliance, and development departments meet quarterly to go over the at-risk list and discuss the available options. VHDA is able to offer “workout” deals, which are short or long-term loan modifications that allow the owner the opportunity to focus their resources in other areas that would increase property performance. Property owners also have the option of selling the property to new ownership that would assume the current financing.

VHDA currently monitors 1,482 properties, of which 1,100 properties have VHDA financing (1,270 loans). As of March 31, 2014, 13 out of 1,270 VHDA financed loans were delinquent, yielding a delinquency rate of 1.02%. Such a sizeable uninsured multifamily portfolio exposes VHDA to a potential for great risk, which is why VHDA has gone to great lengths to create innovative and proactive ways to partner with owners to mitigate that risk.

Why the Program is Meritorious and Meets NCSHA Award Judging Criteria

Innovative

VHDA monitors an uninsured multifamily portfolio of 1,482 properties with a desire to (i) ensure properties are performing at optimal financial, operational, and physical levels, (ii) minimize the risk of foreclosure by closely monitoring issues that arise, and (iii) work with the property owners to implement the appropriate strategy with the goal of correcting issues, thereby ensuring that the developments remain affordable and provide quality housing to Virginians. By using the ProLink system, VHDA has been able to efficiently and effectively monitor multifamily loans in an innovative way to decrease credit risk.

Replicable

Any HFA could approach their multifamily portfolio in a comparable fashion by assigning specific risk criteria and then monitoring and managing the risk in a systematic way.

Responds to an important state housing need

The VHDA multifamily portfolio monitoring program directly supports the Authority's mission of providing quality, affordable housing to Virginians.

Demonstrates measurable benefits to HFA targeted customers

VHDA monitors approximately 116,000 affordable housing units across Virginia. As a result of this initiative, residents at VHDA properties benefit from safer, better managed rental communities. Also, owners benefit from VHDA's monitoring and workout options by receiving the opportunity to work through temporary challenges and get their property back to performing at optimal levels.

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Has a proven track record of success in the marketplace

As of May 31, 2014, only 16 out of 1,258 VHDA financed loans were delinquent, thus resulting in a 1.27% delinquency rate.

Provide benefits that outweigh costs

This initiative provides the benefit of decreasing foreclosure risk due to poor property performance, and allowing owners the opportunity to correct issues through temporary loan modifications. The cost to implement this initiative was minimal as our system just needed to be modified to add the rating component. Also, our system allows Asset Managers to work more efficiently, as it is able to perform functions that they once had to perform manually.

Effectively employs partnerships

Asset Managers spend a considerable amount of time working with owners throughout both the watch and at-risk stages to arrive at the best solution for the property issues being faced. VHDA also takes a holistic approach to monitoring at-risk properties which requires the collaboration of the legal, asset management and compliance, development, and finance departments to work together to arrive at the best workout option for troubled properties.

Achieve strategic objectives

By providing quality asset management, the VHDA portfolio monitoring initiative helps achieve VHDA's strategic goals by addressing the housing needs of communities, and ensuring an ongoing inventory of affordable housing that supports strong, viable neighborhoods.

Conclusion

VHDA has employed a creative new method of monitoring the uninsured multifamily loan portfolio that combines the efficiency of technology and the knowledge and relationship skills of Asset Managers. Our system is able to measure the performance of a property against a set of specified criteria and give the property a risk rating. If the rating is unsatisfactory, it triggers the Asset Manager to monitor the property more closely by placing the property on the watch or at-risk list. The Asset Manager then works with the other departments throughout the Authority to arrive at the best possible solution and communicates the proper course of action to the owner. This initiative has provided measurable benefits resulting in low delinquency rates, and further advances the strategic objective of providing affordable housing to low and moderate income Virginians.