

Virginia Housing Development Authority
Empowering New Buyers in Rural Regions

“I’ve seen many young families – including a lot of young teachers – in the Wise County area become mortgage success stories, thanks to the staff of VHDA’s Mobile Mortgage Office. Not only are they very helpful and responsive, they’re very qualified. Every time I’ve worked with VHDA it’s been a good experience, because I know that when they’ve helped a family dot all the i’s and cross all the t’s, that family really understands their mortgage commitment.”

Monty Salyer, Executive Director, Wise County RHA

Brief Description

Virginia is a state of stark demographic contrasts. The mega-corridor extending from Northern Virginia, through Richmond, to Hampton Roads is one of the fastest growing and most prosperous corridors in the nation. But with over 90% of Virginia’s total land area being defined as rural (containing less than 500 people per square mile), Virginia is also home to some of the nation’s most rural and least populated regions. Approximately 25% of the state’s 8 million residents are located in rural areas.

Addressing the housing needs of these 2 million rural Virginia residents requires creative and targeted methods and resources, and as Virginia’s state housing agency, VHDA has aggressively pursued a multi-dimensional approach to reach these rural constituents and improve their quality of life by providing affordable housing options. One of VHDA’s most innovative and successful approaches has been the Mobile Mortgage Office Initiative.

Meeting an Important State Housing Need

Recent census data reveals that the population of most of Virginia’s rural regions has either declined or remained static over recent decades, and the residents that remain in these rural regions are usually older, less educated, and less affluent than the state average.

Geographic isolation often results in inaccessible mortgage services and a general lack of knowledge about available lending programs for rural inhabitants. Many rural inhabitants are located far from local banks and lending institutions, are served by few realtors, and are otherwise not accessible to homeownership education and financial services as those in more urban areas.

Typical methods employed to reach and educate these rural constituents must be tailored to address the fact that rural households typically are not as likely as those in urban areas to be reached via internet and newspaper advertising. Establishing local lending offices to serve rural regions is usually not economically viable for either private or public lenders.

VHDA realized that its marketing, homeownership education, and lending program delivery efforts must be tailored and expanded to meet the challenge of increasing the availability of affordable housing options to this rural demographic.

VHDA’s Innovative Efforts to Reach Rural Constituents

In 1996, VHDA expanded its efforts to reach rural Virginians when it rolled out its Mobile Mortgage Office Initiative. Operating on a regular schedule, VHDA now utilizes one mobile mortgage office to cover the rural areas of the Eastern Shore, Northern Neck, and Southside Virginia regions, and a second one to cover the southwestern Virginia region. VHDA’s mobile mortgage offices currently serve over 50 localities across the state, delivering services at courthouses, churches, libraries, community centers, and retail shopping centers in hard-to-access areas of the state (see attached map of service areas).

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The main purpose of these mobile offices is to reach underserved rural Virginians in order to offer VHDA's low interest home loans to qualified applicants. In addition to this direct loan origination function, the mobile offices are an extension of VHDA's homeownership education department, and are used to give rural Virginians guidance on reestablishing credit, repairing past credit problems, and walking them through the process of buying a home. The mobile mortgage offices are also very active in outreach activities, educating and collaborating with realtors, non-profits, governmental agencies, and others that are involved in meeting rural housing needs.

The mobile mortgage offices attend housing fairs for specific localities and non-profit groups in the rural service areas, county fairs, community festivals, realtor and realtor association events, employer outreach programs, and meet with manufacturing and modular home distributors and non-profit housing partners. Attending these functions allows VHDA to reach potential customers that may not be as responsive or receptive as urban citizens to radio ads, newspaper advertising, or information available on the internet. As evidence of the success of these outreach efforts, approximately 41% of mobile mortgage office visits resulted from a rural Virginian being referred to the office from a realtor, and another 5% being referred from non-profit housing partners.

Since 1996, the mobile mortgage offices have produced \$127 million of loans to purchase 1,733 homes. That's an average of 100 loans a year. While loan size has varied over the life of the program, in recent years the average is about \$100,000. Oftentimes the mobile office accounts for 100% of VHDA's lending within certain localities, and statewide the mobile offices account for 38% of the total loan production in areas they serve. Even more impressively, the mobile mortgage offices have produced about 1,200 loan pre-qualifications per year or about 21,000 since 1996. That translates to about 50 pre-qualifications per month per office.

Why VHDA's Innovative Approach is Meritorious

Replicable

Other state HFAs will likely find that mobile mortgage offices can be cost effective ways of addressing the needs of rural, remote regions of their states. Keys to success include finding the right loan officer, offering a product mix that includes down-payment assistance and government insured loans, and modest spending on the acquisition and customization of a recreational vehicle. VHDA has one loan officer assigned to each mobile mortgage office and one staff member at its headquarters who coordinates and oversees the underwriting and loan delivery process. VHDA started by renting an RV in 1996. Since then it has purchased RV's and customized them for use as mobile offices.

Achievement of Measurable Benefits to Targeted Customers

Since their implementation in 1996, VHDA's mobile mortgage offices have originated an average of 100 loans per year to rural households that otherwise would likely not have become aware of the availability of VHDA's affordable housing finance options. The mobile mortgage offices generate a majority of the VHDA mortgages originated in many rural Virginia localities where other lenders are unwilling or unable to establish a presence.

Benefits Outweigh Costs

VHDA has found its mobile mortgage offices to be extraordinarily cost effective in reaching the most inaccessible Virginia markets especially when compared to the alternative of branch offices.

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VHDA charges two points to originate a loan and estimates that it earns the present value equivalent of another point over the life of each loan above its direct servicing costs. With an average of 100 loans per year at an average balance of \$100,000 for an aggregate \$10 million of new loans annually, the present value is approximately \$300,000. Total annual costs of about \$450,000 include operating costs of about \$125,000 and staff costs of around \$325,000.

The net annual cost of \$150,000 is far outweighed by the goodwill created by the VHDA's identifiable presence in about 50 of Virginia's most underserved localities. Combined, the mobile mortgage offices generate approximately 1,200 loan pre-qualifications a year, each of which represents extensive counseling at the individual level.

Effective Use of Resources

The mobile mortgage offices allow our loan originators to customize their coverage based on the needs of the areas they serve. Branch offices would not afford such flexibility. VHDA is committed – and in fact obligated – to serve its rural localities. The question is not whether we serve them, but rather how we can serve them in the most efficient and cost effective manner.

Effectively Employing Partnerships

The mobile mortgage office loan officers collaborate with realtors, non-profits, governmental agencies, and others that are involved in meeting rural housing needs by educating and locating needed services. In addition, the mobile mortgage offices are regularly deployed to housing fairs sponsored by localities and non-profit groups, county fairs, community festivals, realtor and realtor association events, and employer outreach programs, and meet with manufacturing and modular home distributors and non-profit housing partners.

Achieves Strategic Objectives

Reaching the 2 million Virginians that live in rural Virginia will always be a great challenge. Since 1996, the mobile mortgage offices have produced \$127 million of loans to purchase 1,733 homes. In many localities, the mobile offices are responsible for all of VHDA's lending within those jurisdictions. Statewide, the mobile mortgage offices account for 38% of the total loan production in areas they serve. Even more impressively, the mobile mortgage offices have produced about 1,200 loan pre-qualifications per year or about 21,000 since 1996.

Conclusion

The Mobile Mortgage Office Initiative has provided an effective mechanism for VHDA to address the needs of over 21,000 Virginians in its 16 years of service. The benefits of the program far exceed its annual net cost by helping citizens in rural jurisdictions struggling to obtain the information necessary to address their personal homeownership financing needs. VHDA won an Innovation Award from the Council of State Governments in 1997 for the Mobile Mortgage Office concept. After 16 years of success, the program deserves consideration for delivering sound results.

Attachments

Please note that a CD with the following attachments will be sent to judges from NCSHA:

- Map of the localities served by VHDA's mobile mortgage offices
- Photo of a VHDA Mobile Mortgage Office
- New VHDA Mobile Mortgage Advertorial