

# NCSHA 2015 Annual Awards Entry Form

(Complete one form for each entry)

**Deadline: Wednesday, June 10, 2015**

Visit [ncsha.org/awards](http://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 Matt Cunningham at [mcunningham@ncsha.org](mailto:mcunningham@ncsha.org) or 202-624-5424.

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

**Entry Name:** WCDA Risk Management Program

**HFA:** Wyoming Community Development Authority (WCDA)

**Submission Contact:** (Must be HFA Staff Member) Shannon Hillibush **Email:** hillibush@wyomingcda.com

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

WCDA Risk Management Program is viewed as a corporate problem solver that streamlines processes, creates best practices, and lends credibility to WCDA

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

**HFA:** WCDA

**Entry Name:** WCDA Risk Management Program

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

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

HFA: Wyoming Community Development Authority (WCDA)  
Category: Management Innovation—Operations  
Entry Name: WCDA Risk Management Program  
Contacts: David Haney, Executive Director  
Shannon Hillibush, Director of Human Resources/Risk Manager

## **INTRODUCTION**

Risk management is viewed as a corporate problem solver that streamlines processes, creates best practices, demonstrates due diligence, and lends credibility to the Authority. Given the importance of risk management to the compliance, regulatory requirements, and continued existence of the Authority, the WCDA management team began implementation of a Risk Management Plan in December 2013. Since that time, the management team has executed a Risk Management Plan template identifying risks, risk owners, risk levels/consequences/probability, impact, action plans, resources, and target dates. An example of the plan is attached for information as Appendix A.

Initially, management drafted Risk Management policies and procedures to establish scoring criteria and identify six major categories of risk, including: **Interest Rate, Financial, Transaction, Compliance, Strategic, and Reputation**. Any product or service may expose the Authority to multiple risks; these categories are not mutually exclusive. Engagement of departmental directors ensued following the development of the Risk Management Plan spreadsheet.

## **INNOVATION**

The WCDA Executive Team (Executive Director, Deputy Executive Director, and Director of Finance & Administration) and Director of HR/Risk Manager were established as the Risk Management Team. Thereafter, the Risk Management Team developed and utilized a Risk Management template to identify risks for each department, including major categories listed above.

To successfully identify risks to the Authority, the Risk Management Team also followed a four (4) step process "*How WCDA Manages Risk?*" The process purpose was to 1) Evaluate Loss Exposure, 2) Assess Risk Management Methodology, 3) Establish Risk Programs, and 4) Adapt to Change. An example of this process is attached as Appendix B.

Understanding that departmental directors were paramount at identifying risks within specific departments, the Risk Management Team began regularly scheduled status meetings with department managers. These meetings allowed structured time to review the specific risks, risk levels, and establish priorities, strategies, and timelines to combat those risks. The following process was followed during each meeting to ensure standardization throughout the process.

The process of Risk Management is to:

- 1) **Identify** the risks
- 2) **Measure** the importance of various risks
- 3) **Strategize** to limit OR eliminate the risks that are “Intolerable”
- 4) **Implement** those strategies
- 5) **Monitor** the sources of risk—are our strategies effective/need revisions-status meetings

### **REPLICATION**

The WCDA Risk Management Team has shared the Risk Management Plan template with other HFAs in the past. Refinement for specific needs should be a simple replication process for other agencies. The WCDA Executive Director and Director of HR have expressed availability for brainstorming or as questions arise.

Furthermore, both rating agencies, Standard and Poor’s and Moody’s, expressed their pleasure with both the methodology and the detail associated with the Risk Management Plan, citing the unique nature of the Housing Finance Agency sector. The Risk Management methodology, plus the complete analysis of the loan loss reserve to offset future risks makes the effort process an extremely valuable tool for future planning.

### **RESPOND TO MANAGEMENT CHALLENGE**

Late in 2013, the WCDA Executive Director challenged the Director of Human Resources with development and implementation of a Risk Management Plan at the Authority. The Director of HR assembled a Risk Management Team (Executive Director, Deputy Executive Director, Director of Finance & Administration, and Director of HR) to brainstorm risks and action plans. Those items were added to the Risk Management Plan template. Status update meetings with each group of directors were scheduled to review the specific risks, establish priorities, strategies, and timelines to combat those risks, as well as provide status updates from risk owners. An additional piece of the Risk Management Plan was the assessment of Authority-wide insurances, ensuring all coverage was current and appropriate. The challenge has been successful, thus far.

### **ACHIEVE MEASUREABLE IMPROVEMENTS IN AGENCY OPERATIONS**

Measurable improvements have been made to Authority operations through the implementation of the Risk Management Plan. Compliance, regulatory requirements, succession plans, and continued existence of the Authority have been scored as high (RED) priorities. Action plans and target dates are reviewed quarterly to ensure steps have been taken to combat high level risks identified. To date, the Authority has moved 38 risks from RED to YELLOW, 52 risks from YELLOW to GREEN, and 2 risks from RED to GREEN. Please see Appendix C for an example of the risk levels legend. With the development of departmental procedures and the Authority-wide Risk Management Plan, agency operations have improved and many processes have moved to more acceptable risk levels.

### **PROVIDE BENEFITS THAT OUTWEIGHT COSTS**

The Director of HR/Risk Manager developed the program internally and therefore, no costs were incurred. Additionally, the resources required per risk are identified within the Risk Management Plan. Benefits to our borrowers, staff, professional associates, board of directors, and federal/state delegation will far outweigh any monetary expenses incurred as the plan proceeds. For example, technology has been a high priority risk with obvious high costs. However, the benefits to upgrading systems, implementing new processes, and providing enhanced services will benefit all our borrowers, staff, and partners for years to come.

### **DEMONSTRATE EFFECTIVE USE OF RESOURCES**

The Risk Management Plan has allowed Authority staff and management to concentrate on higher scoring risks (RED risks.) By focusing on the high priority risks, WCDA management can implement action plans, target dates and risk owners, ensuring identified risks are dealt with in an expedited and proper fashion. Additionally, the development of departmental policies and procedures throughout the Authority has demonstrated effective use of internal controls. The documented policies and procedures have proven effective as turnover or retirement occurs.

### **ACHIEVE STRATEGIC OBJECTIVES**

The purpose of a comprehensive Risk Management Program at the Authority was to provide a stable, healthy, and sound organization for its customers, employees, and partners. Management and staff are responsible for implementing the Risk Management Program and must perform duties independent of risk-taking activities. By concentrating on enhancements to processes, the Authority continues as a proficient, resourceful, and successful organization. Achieving strategic objectives at WCDA will be attained through risk management tactics and action plans.

### **ATTACHMENTS**

Appendix A—Sample Risk Management Plan  
Appendix B—How WCDA Manages Risk flow chart  
Appendix C—Risk Levels Legend

# APPENDIX A

# WCDA RISK MANAGEMENT PLAN

AS OF 5/26/2015

RISK OWNER	RISK	RISK LEVEL	CONSEQUENCE	PROBABILITY	IMPACT	LINES OF BUSINESS AFFECTED	EXISTING/PROPOSED RISK ACTION PLANS	ADDITIONAL RESOURCES REQUIRED	ORIGINAL TARGET DATE	CURRENT TARGET DATE
INTEREST RATE RISKS										
	INTEREST RATE									
EXAMPLE	Add risks regarding this category....	A	M	U						
					Add impact to HFA....	SF, LR, SERV	Add Action Plans to address risks...	Add resources required...	Add target date	Add target date
FINANCIAL RISKS										
	FINANCIAL: Liquidity									
EXAMPLE	Add risks regarding this category....	T	MOD	PO	Add impact to HFA....	F&A, RM, Exec	Add Action Plans to address risks...	Add resources required...	Add target date	Add target date
	FINANCIAL: Credit									
	FINANCIAL: Profitability									
	FINANCIAL: Asset Liability Management									
F&A, Executive	Add risks regarding this category....	T	MAJ	PO	Add impact to HFA....	ALL LOBs	Add Action Plans to address risks...	Add resources required...	Add target date	Add target date

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AS OF 5/26/2015

RISK OWNER	RISK	RISK LEVEL	CONSEQUENCE	PROBABILITY	IMPACT	LINES OF BUSINESS AFFECTED	EXISTING/PROPOSED RISK ACTION PLANS	ADDITIONAL RESOURCES REQUIRED	ORIGINAL TARGET DATE	CURRENT TARGET DATE
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## TRANSACTION RISKS

	TRANSACTION RISKS									
LR, Exec, RM, F&A	Add risks regarding this category....	I	MAJ	L	Add impact to HFA....	LR, F&A, RM	Add Action Plans to address risks...	Add resources required...	Add target date	Add target date

	TECHNOLOGY RISKS									
IT, Exec, RM	Add risks regarding this category....	I	MAJ	PO	Add impact to HFA....	ALL LOBs	Add Action Plans to address risks...	Add resources required...	Add target date	Add target date
IT, Exec, RM	Add risks regarding this category....	T	MOD	PO						
REO, Servicing, Construction, SF	Add risks regarding this category....	I	MAJ	L						

	ADEQUATE INSURANCE COVERAGES									
RM, Executive	Add risks regarding this category....	T	MOD	PO	Add impact to HFA....	ALL LOBs	Add Action Plans to address risks...	Add resources required...	Add target date	Add target date

	POLICY AND PROCEDURES MAINTENANCE/REVIEW									
F&A, Executive	Add risks regarding this category....	T	MOD	PO	Add impact to HFA....	ALL LOBs	Add Action Plans to address risks...	Add resources required...	Add target date	Add target date
RM, Executive		I	MAJ	PO						

	DISASTER RECOVERY & BUSINESS CONTINUITY									
RM, Executive	Add risks regarding this category....	T	MOD	PO	Add impact to HFA....	FAC, ALL LOBs	Add Action Plans to address risks...	Add resources required...	Add target date	Add target date

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RISK OWNER	RISK	RISK LEVEL	CONSEQUENCE	PROBABILITY	IMPACT	LINES OF BUSINESS AFFECTED	EXISTING/PROPOSED RISK ACTION PLANS	ADDITIONAL RESOURCES REQUIRED	ORIGINAL TARGET DATE	CURRENT TARGET DATE
COMPLIANCE RISKS										
	COMPLIANCE RISKS									
F&A, Exec, RM	Add risks regarding this category....	I	MAJ	L	Add impact to HFA....	ALL LOBs	Add Action Plans to address risks...	Add resources required...	Add target date	Add target date
	DEPARTMENTAL COMPLIANCE:									
LR	* Loan Review Compliance	I	MAJ	L	Add impact to HFA....	LR, RM	Add Action Plans to address risks...	Add resources required...	Add target date	Add target date
	REGULATORY RISKS									
F&A, Executive	Add risks regarding this category....	I	MAJ	PO	Add impact to HFA....	ALL LOBs	Add Action Plans to address risks...	Add resources required...	Add target date	Add target date
	LEGAL RISK									
RM, Executive	Add risks regarding this category....	I	MAJ	L	Add impact to HFA....	ALL LOBs	Add Action Plans to address risks...	Add resources required...	Add target date	Add target date



# WCDA RISK MANAGEMENT PLAN

AS OF 5/26/2015

RISK OWNER	RISK	RISK LEVEL	CONSEQUENCE	PROBABILITY	IMPACT	LINES OF BUSINESS AFFECTED	EXISTING/PROPOSED RISK ACTION PLANS	ADDITIONAL RESOURCES REQUIRED	ORIGINAL TARGET DATE	CURRENT TARGET DATE
STRATEGIC RISKS										
	PROGRAMMATIC RISKS									
FP, Exec, RM	Add risks regarding this category....	I	MAJ	PO	Add impact to HFA....	FP, Constr	Add Action Plans to address risks...	Add resources required...	Add target date	Add target date
	PERSONNEL COSTS & BENEFITS									
HR, Executive	Add risks regarding this category....	A	MOD	PO	Add impact to HFA....	FP, Constr	Add Action Plans to address risks...	Add resources required...	Add target date	Add target date
	SUCCESSION PLANNING									
ALL LOBs	Add risks regarding this category....	I	MAJ	L	Add impact to HFA....	FP, Constr	Add Action Plans to address risks...	Add resources required...	Add target date	Add target date
	THIRD PARTY RISK									
F&A	Add risks regarding this category....	I	MAJ	L	Add impact to HFA....	FP, Constr	Add Action Plans to address risks...	Add resources required...	Add target date	Add target date
HR, RM, F&A, IT	Add risks regarding this category....	A	MIN	U		ALL LOBs		COMPLETE	COMPLETE	COMPLETE
	BACKUP FOR VITAL/KEY ROLES & TASKS									
F&A, HR	Add risks regarding this category....	T	MOD	U	Add impact to HFA....	FP, Constr	Add Action Plans to address risks...	Add resources required...	Add target date	Add target date

WCDA RISK MANAGEMENT PLAN

AS OF 5/26/2015

RISK OWNER	RISK	RISK LEVEL	CONSEQUENCE	PROBABILITY	IMPACT	LINES OF BUSINESS AFFECTED	EXISTING/PROPOSED RISK ACTION PLANS	ADDITIONAL RESOURCES REQUIRED	ORIGINAL TARGET DATE	CURRENT TARGET DATE
REPUTATION RISKS										

	REPUTATION RISK									
HR, Executive	Add risks regarding this category....	T	MOD	PO	Add impact to HFA....	FP, Constr	Add Action Plans to address risks...	Add resources required...	Add target date	Add target date

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RISK OWNER	RISK	RISK LEVEL	CONSEQUENCE	PROBABILITY	IMPACT	LINES OF BUSINESS AFFECTED	EXISTING/PROPOSED RISK ACTION PLANS	ADDITIONAL RESOURCES REQUIRED	ORIGINAL TARGET DATE	CURRENT TARGET DATE
LEGEND										
RISK LEVEL:										
(A) ACCEPTABLE RISK LEVEL: Monitor and further reduce where practicable										
(T) TOLERABLE RISK LEVEL: Risks must be reduced so far as is practicable										
(I) INTOLERABLE RISK LEVEL: Immediate action required										
MAGNITUDE OF CONSEQUENCE:										
(M) MINOR: Some disruption within the normal functions. Manageable risk with minimum estimated cost.										
(MOD) MODERATE: Immediate time/resource reallocation will be necessary with a moderate estimated cost.										
(MAJ) MAJOR: Operations are severely disrupted and significant risk of failure to part of the business is possible.										
PROBABILITY OF CONSEQUENCE:										
(U) HIGHLY UNLIKELY: Probability between 0% and 35%										
(PO) POSSIBLE: Probability between 36% and 65%										
(L) LIKELY: Probability between 66% and 100%										

GROUPS:

Group #1: pink

List names of those employees included in the meeting

Group #3: Orange

List names

Group #5: Green

List names

Group #2: yellow

List names

Group #4: Purple

List names

Group #6: Blue

List names

# APPENDIX B



# HOW WCDA MANAGES RISK?

*Achieve balance of Risks vs. Opportunities*

## #1 Evaluate Loss Exposure

### VALUES EXPOSED TO LOSS:

- \* Property
- \* Key Personnel
- \* Freedom from Liability
- \* Net Income

### EVALUATION TOOLS:

- \* Questionnaires
- \* Loss histories
- \* Fin. Statements & Records
- \* Personal inspections
- \* Experts

### IMPACT ON WCDA:

- \* Legal requirements
- \* Operating results
- \* Continuous/Stable Ops
- \* Growth
- \* Loss of niche in market

## #2 Assess Risk Management Methodology

### ASSESSMENT CRITERIA:

- \* Effectiveness standards
- \* Financial standards

### RISK CONTROL STOP LOSSES:

- \* Exposure avoidance
- \* Loss Prevention
- \* Loss Reduction
- \* Segregation of exposures

### RISK FINANCING--RETENTION:

- \* Current Expensing of Losses
- \* Unfunded reserves
- \* Funded reserves
- \* Borrowing (warehousing?)
- \* Captive Insurer -- ??

### RISK FINANCING--TRANSFER:

- \* Commercial insurance
- \* Contractual risk transfer
- \* Government programs

## #3 Establish Risk Management Programs

### MAKE TECHNICAL DECISIONS:

- \* What needs to be done?
- \* By whom?
- \* When must it be done?

### MAKE MANAGERIAL DECISIONS:

- \* Who is to do it?
- \* Under whose direction?
- \* What departments affected?

### ASSURE PROPER IMPLEMENTATION:

- \* Planning to implement
- \* Who responsible
- \* Potential outcomes
- \* Unintended consequences

## #4 Adapt to Change

### PERFORMANCE STANDARDS:

- \* Results standards
- \* Activities standards
- \* Policies/Procedures

### TYPES OF CHANGES:

- \* Values Exposure to Loss
- \* Org Goals/Strategic Plans
- \* Risk Mgmt Techniques
- \* Costs and Benefits
- \* Attitude Toward Risks

# APPENDIX C



## RISK LEVELS LEGEND

### LEGEND

#### *RISK LEVEL:*

(A) ACCEPTABLE RISK LEVEL: Monitor and further reduce where practicable

(T) TOLERABLE RISK LEVEL: Risks must be reduced so far as is practicable

(I) INTOLERABLE RISK LEVEL: Immediate action required

#### *MAGNITUDE OF CONSEQUENCE:*

(M) MINOR: Some disruption within the normal functions. Manageable risk with minimum estimated cost.

(MOD) MODERATE: Immediate time/resource reallocation will be necessary with a moderate estimated cost.

(MAJ) MAJOR: Operations are severely disrupted and significant risk of failure to part of the business is possible.

#### *PROBABILITY OF CONSEQUENCE:*

(U) HIGHLY UNLIKELY: Probability between 0% and 35%

(PO) POSSIBLE: Probability between 36% and 65%

(L) LIKELY: Probability between 66% and 100%