

Dream For All Shared Appreciation Loan Portal

California Housing Finance Agency
Management Innovation: Technology

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DREAM FOR ALL SHARED APPRECIATION LOAN PORTAL

Program Overview

CalHFA's launch of Phase I of the **California Dream For All Shared Appreciation Loan Program** had been a rousing success, with \$300 million in funds being reserved in just 11 days. Nonetheless, although the program recipients largely mirrored the racial and ethnic makeup of California homebuyers as a whole, some legislators observed that their constituents may not have had time or ability to put together an application in such a short time frame, and also that some geographic areas of the state received a disproportionate share of the funding.

With approximately \$255 million available to disburse in Phase II, we took this as a challenge to design access in a way that would bring in new homebuyers that didn't think they had a chance in today's challenging market, guarantee equal likelihood of selection for funding to all applicants, and also guarantee that we could control geographic equity across the state. Working with an outside vendor, we designed an industry-first Application Portal that pre-screened for eligibility, randomized applicants, controlled for geographic diversity and gave us granular control over wait lists and every other aspect of the application process.

Once again, the launch was a success, as we selected about 2,000 families to receive funding out of more than 18,000 applications in the Portal. Selections mirrored the geographic makeup of the state and we doubled the representation of Black applicants and maintained the high Latino share, even with geographic set asides that could have resulted in a reduced share. Overall, we are at about 70% BIPOC applicants and recipients.

Innovative

Dream For All was, in and of itself, an innovative program: the first attempt by a state housing finance agency to integrate the concept of shared appreciation into a large-scale, statewide loan program. And it had used a first-come, first-served reservation process that works very well for over-the-counter programs. We needed a more innovative and controlled approach to disburse highly oversubscribed funds and ensure that the borrowers most in need of the assistance, who could still qualify for a loan, were served by the program.

We got to work and implemented a game-changing technology solution that provided an entirely new loan delivery process because Phase II added a whole new layer of complexity due to the need for random selection and geographic equity. We opened the pre-registration Portal for one month, and all eligible applicants—whether on Day One or Day 30—had an equal chance of being chosen. We used OCR technology to help screen for application completeness and eligibility, streamlining the review of some 34,000 applications to identify those eligible for the random selection process. CalHFA staff were able to use the portal to communicate directly with applicants, requesting additional documentation or clarifying information to ensure that all eligible

applicants had the opportunity to submit a complete application. With the new portal technology identifying critical document and information gaps, we were able to process thousands of applications a day, conduct audits on parental relationships and parental homeownership status (since one of the qualifications was first-generation homebuyer status) and run the random selection process within a month of the portal closing. And of course, end-to-end encryption made user data secure.

Those who were chosen received a voucher, which they could show to a loan officer to prove they were approved for our program. We also added the geography layer to the selection process, so only a certain percentage of chosen applicants could come from any single geographic region.

Replicable

CalHFA worked with all our stakeholders again for Phase II, with a special emphasis on the legislative partners who wanted to see the geographic set-asides. We also brought in a third-party vendor who is now very familiar with our processes. Since this is a virtuous-cycle program (repayments from existing loans will fund future loans), we are already planning for future rounds—they will all use this pre-registration Portal technology. And, of course, any over-subscribed program that needs to be totally fair can use these methods also.

Respond to management challenge or opportunity

The first round of Dream For All had extremely high demand for loans, and we allocated \$300 million in reservations in just 11 days. Those who were not quick on the draw, or who hadn't heard about the program had no shot at receiving funding. We also got feedback from both the public and our legislators that a second round needed to extend the disbursement of funds over a longer time period, ensure geographic equity and have extensive outreach to underserved communities.

This solution allowed us to provide all qualified applicants with an equal opportunity to receive funding for a Dream For All loan. It also spread out the disbursement of funds over several months, since we had a wait list that was continually being monitored as people dropped out, returned their vouchers or used less funding than they had initially applied for. Most importantly, the Portal system gave us much more time to engage with local and state outreach and publicity partners to ensure as many people as possible knew about Dream For All.

Achieve measurable improvements in agency operations

The results spoke for themselves. We met our internal agency and external legislative goals to slow disbursement of funds and match geographic reach to population. We also had much greater control of how loan funds were distributed. Via high quality analytics and dashboards built right into the portal, we were able to review and monitor data, funds disbursed by region, number of borrowers by region and average loan amounts, all in real time with no delay.



We made things much more manageable for our internal staff, external housing counselors and lender partners by eliminating bottlenecks and the need for haste. Since consumers knew they could submit voucher applications at any point during the Portal's opening, they could make sure their applications were correct. And with the support of OCR technology, CalHFA staff had the opportunity to work with applicants to make sure that all documentation was in order. On the other side, once a qualified borrower received a voucher, loan officers and brokers could take the time to focus on the paperwork, ensuring higher-quality loan packages. In a survey of more than 1,000 voucher applicants, 94% said the Portal was "Easy to use," validating our emphasis on user-centric design

Provide benefits that outweigh costs and demonstrate effective use of resources

The cost of building, maintaining and administering the portal was approximately \$1.6 million, just 15% of our allowed administrative fee. With that investment, we were able to disburse approximately \$255 million in down payment assistance helping more than 2,000 families, and originating more than \$1 billion in first mortgage volume.

With most of the software development being done by our contractor, and much of the user data validated and verified automatically, our Single Family Lending and IT staff could focus on customer service and their other work instead of having to drop everything to build a new customer interface from scratch. In addition to the savings of staff time which costs hard dollars, we also reaped the benefits of several intangibles. Our legislative partners were very happy with the results. Our business partners gave us good loan packages, saving us countless hours of review and dealing with multiple submissions. Staff morale benefitted from the controlled distribution of funds and the ease of application review.

The Portal gave us the ability to establish waitlists for each geographic region, so that we could maximize the use of funds and number of borrowers served. This also minimized fallout and unused funds, as we could move people off the waitlist individually or in groups. We were also able to maintain our lender origination model and other key aspects of the existing origination process, which meant we did not need to hire any new staff or "borrow" staff from other divisions.

Achieve strategic objectives

The Dream For All Portal reached across several strategic objectives. First, it gave us measurable and reportable geographic equity for this highly-political loan program. Second, we ensured that underserved communities had ample opportunity to know about the program, and ample opportunity to apply for a voucher - nearly 70% of voucher recipients self-identified as belonging to a community of color. Third, we let borrowers take homebuyer education before reserving a loan, so they would be well-informed about whether the loan was right for them. And fourth, we gave borrowers time to shop for a home, achieving the goal of bringing new homebuyers in off the sideline - not just those already in the process of looking for a home.