

Virginia Housing Development Authority Neighborhood Stabilization Partnership

“It’s sort of miraculous every time volunteers, donors and a hardworking family come together to create a Habitat home. The partnership between VHDA and Habitat has helped that miracle happen much more often in Virginia.”

Overton McGehee
Executive Director, Habitat for Humanity-Virginia

Brief Description

The Neighborhood Stabilization Partnership between VHDA and Habitat for Humanity-Virginia involves collaborative approaches and unique programs that support ways to successfully stabilize Virginia neighborhoods negatively impacted by the foreclosure crisis.

The VHDA/Habitat Virginia Neighborhood Stabilization Partnership includes:

- Reduced interest rates for first-time buyers to buy previously foreclosed homes.
- A fund allowing Habitat affiliates to raise capital by selling their loan portfolios to VHDA.
- Pro bono servicing of Habitat-Virginia loans by VHDA.
- Financial support to increase the capacity of Habitat-Virginia and its affiliates.
- VHDA volunteer associate support of annual Habitat builds.
- Free office space at VHDA

When/Why It Was Undertaken

VHDA and Habitat for Humanity-Virginia’s ongoing relationship expanded into a full-fledged partnership with the passage of the Housing and Economic Recovery Act (HERA). HERA authorized the Neighborhood Stabilization Program (NSP) to provide emergency assistance to state and local governments. Through the Virginia Department of Housing and Community Development, Habitat-Virginia received NSP funds to acquire and redevelop vacant and foreclosed properties that might otherwise become a source of community blight. Since then, VHDA has partnered with Habitat-Virginia to offer a variety of affordable housing programs that promote vibrant, sustainable communities.

What VHDA Has Accomplished

Reduced interest rates for first-time buyers

Using NSP funds, Habitat-Virginia and its affiliates across the Commonwealth purchase foreclosed homes. Once rehabilitated, these homes are offered to first-time buyers earning between 25%-50% of the area median income. Through its REACH *Virginia* program, VHDA has provided a set-aside of affordable first mortgage financing for this program totaling more than \$1.5 million. This set-aside increases homeownership affordability by discounting VHDA’s first-time homebuyer rate an additional ½%. By combining our low interest rate first mortgage with additional forgivable grant resources through NSP and the Federal Home Loan Bank, **first-time buyers benefit from a mortgage with an effective interest rate of 0%**. To date, Habitat-Virginia has bought 32 homes and sold nine to income eligible buyers. In addition to enabling deserving families to realize the dream of homeownership, the purchase and rehab of these homes has stabilized neighborhoods and reduced the potential for further decline in surrounding property values.

A fund enabling Habitat-Virginia to raise capital

In the past, Habitat for Humanity affiliates relied solely on donor contributions and mortgage income as the funding source for newly constructed homes. To help Habitat-Virginia better leverage their resources and provide liquidity, VHDA established a secondary market for Habitat loans. VHDA’s purchase of these loans at a discounted rate enables affiliates to access the capital required to increase the annual number of housing units produced. It also reduces Habitat reliance on donor contributions to accomplish its mission. **Since initiating this fund, VHDA has made available over \$15 million for the purchase of Habitat loans. This has enabled Habitat–Virginia affiliates to build approximately 214 additional affordable homes for families in need.**

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Pro bono servicing

For approximately 10 years, VHDA's servicing department has offered financial assistance to Habitat-Virginia affiliates by servicing their mortgage loans pro bono. Currently we service 1,232 loans with an outstanding balance of more than \$51 million for 34 Habitat affiliates.

Financial support to increase capacity

VHDA has supported Habitat-Virginia in its efforts to strengthen the organizational capacity of Virginia affiliates by providing \$60,000 in grants to the state organization. These special funds, intended to provide financial backing to key nonprofit organizations throughout the Commonwealth, have enabled Habitat-Virginia to increase affiliate capacity by providing educational opportunities and board training.

Annual financial donations and associate volunteerism

VHDA hosts an annual Charity Golf Tournament that provides financial support to homeless shelters, as well as funding for an annual Habitat build. Over the past eight years, this charity event has contributed \$176,500 to Habitat chapters across Virginia. In addition, VHDA associates have generously volunteered hundreds of hours of their time by actively participating in each Habitat build.

In 2010, VHDA's annual Charity Golf Tournament awarded a donation of \$22,500 to the Tri-Cities Habitat for Humanity. This donation supported the rehabilitation of a previously foreclosed home in the City of Petersburg purchased with NSP funds. VHDA associates again volunteered their time and skills to prepare the home for occupancy by a single grandmother and her dependent grandchildren.

Why It Is Meritorious and Meets NCSHA Award Judging Criteria

Innovative

Since the 1970s, Virginia's Habitat for Humanity has sustained its mission of providing decent housing for low-income families through volunteer labor and donations of money and materials. Habitat's business model relies on the homeowners' monthly mortgage payments and the generosity of donors. With limited resources and challenging economic times, it is critical that additional financial resources be identified. The VHDA/Habitat-Virginia Neighborhood Stabilization Partnership model incorporates several unique programs and approaches that can be implemented in incremental stages to further the effectiveness of both the HFA and Habitat for Humanity.

Replicable

Any HFA can enhance its objective of providing quality, affordable housing – while supporting the mission of Habitat for Humanity – by adopting one or more components of the VHDA/Habitat-Virginia Neighborhood Stabilization Partnership. As the HFA/Habitat partnership evolves and additional resources become available, more programs and initiatives may be adopted and implemented.

Responds to an important state housing need

In Virginia, there continues to be major concern over the impact of the foreclosure crisis on previously stable neighborhoods. VHDA's partnership with Habitat Virginia enables true collaboration that increases the effectiveness of each organization in reaching its mission of providing quality, affordable housing and, in turn, stabilizing neighborhoods suffering from widespread foreclosures.

Demonstrates measurable benefits to HFA targeted customers

VHDA's partnership with Habitat Virginia supports its strategic plan by addressing the housing needs of underserved households while ensuring an ongoing inventory of affordable housing that supports strong, viable communities. Once blighted neighborhoods are reinvigorated with a supply of well-maintained properties affordable to first-time buyers. Families that never imagined the dream of homeownership are afforded that opportunity due to a below

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market rate first mortgage. Habitat affiliates throughout the Commonwealth enjoy a ready secondary market for its mortgage portfolio, as well as professionally serviced mortgages at no charge.

Proven track record of success in the marketplace

To date, VHDA has provided affordable first mortgage money totaling over \$1.5 million through its subsidized financing program to support the partnership while increasing housing affordability for families and individuals purchasing homes in neighborhoods impacted by high foreclosure rates. Habitat Virginia's NSP efforts coupled with VHDA financial resources spurred the purchase and renovation of 32 previously foreclosed homes to stabilize neighborhoods at risk. With VHDA's assistance, more than \$11 million of Habitat loans have been purchased. This additional capital equates to the construction of approximately 60 Habitat homes that otherwise would not have been built. In addition, 34 Habitat chapters currently reap the benefits of free mortgage servicing provided by VHDA.

Provides benefits that outweigh costs

While difficult to quantify, the benefit of stabilizing at-risk neighborhoods through the rehabilitation of foreclosed homes and providing affordable housing options to previously underserved populations far outweighs the costs of providing below-market rate first-time homebuyer loans.

Demonstrates effective use of resources

Leveraging VHDA's resources with Habitat-Virginia's influence throughout the Commonwealth of Virginia has allowed both organizations to positively impact the stabilization of neighborhoods that were previously at risk.

Effectively employs partnerships

Recreating vibrant, sustainable neighborhoods from those negatively impacted by record numbers of foreclosures can only be accomplished with the help and support of others. The VHDA/Habitat-Virginia Neighborhood Stabilization Partnership has included the collaboration and assistance of several organizations, including the Virginia Department of Housing and Community Development and Habitat for Humanity-Virginia affiliates. The effective communication and teamwork of organizations was key in ensuring the partnership's success.

Achieves strategic objectives

VHDA is dedicated to providing financing for safe, efficient, affordable housing to low- and moderate-income Virginians. The VHDA/Habitat-Virginia Neighborhood Stabilization Partnership helps meet VHDA's strategic goals by addressing the housing needs of both:

- underserved households by increasing affordable housing opportunities, and
- communities by ensuring an inventory of affordable housing that supports strong, viable communities.

Conclusion

VHDA's financial resources—affordable first mortgage money totaling over \$1.5 million—used in partnership with Habitat-Virginia's NSP efforts have provided an effective 0% interest rate for many Habitat first-time homebuyers and led to the purchase and renovation of 32 previously foreclosed homes, stabilizing at-risk neighborhoods.

Also, VHDA made over \$15 million available at a discounted interest rate for the purchase of Habitat loans, enabling Habitat-Virginia affiliates to build approximately 214 additional affordable homes for families in need.

Future plans include providing additional services and financial resources in partnership with Habitat-Virginia as we collaborate to explore new initiatives to further strengthen our mutual mission.