

**LOW INCOME HOME OWNER PROFILES
PROJECT**

**SURVEY OF METRO AREA
MORTGAGE LOAN ORIGINATORS**

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Survey Summary

May 27, 1993

The specific survey objectives, protocol, and questions are attached to this summary. Advisory Committee Members and survey participants will be familiar with these materials. This summary, however, includes a purpose and procedure section that will highlight conformance and deviation to the circulated survey goals.

PURPOSE

The purpose of this survey is fully delineated in the objectives. A condensed version of these goals follows:

- 1) To define the Twin Cities area low income home mortgage programs in terms of their stated criteria for making loans to applicants.
- 2) To discover existing low income mortgage loan portfolio performance procedures, or to find out if a lack of these procedures existed.
- 3) To note program review and refinement processes that have, or will have, impact on the programs as information is gathered and analyzed.

In addition to these goals, the Advisory Committee debated the benefit of creating a profile of successful and unsuccessful low income home mortgagors. If undertaken, what might be the appropriate method of compiling these profiles? Agreement was reached to conduct this survey and then assess whether next steps were warranted.

PROCEDURE

In all but one case, the attached survey protocol was precisely followed. Survey participants received a letter

requesting their participation. With the letter they received the survey objectives, protocol, and questions. The survey designer then called and arranged a time to meet in the participants' place of work. One participant was unable to schedule a time to meet and was interviewed over the telephone.

Question number ten, concerning the typical procedure an applicant experienced, proved redundant and was swiftly disregarded. Otherwise, the interviews included all indicated topics in approximately their approved form and order.

Very few questions were perceived as too sensitive by our unusually forthcoming respondents. The participants in this survey were open and willing to share their insight into low income home mortgage procedures. The time spent in each interview ranged from one hour and ten minutes to over two hours.

Each participant received a brief letter of appreciation for their time and information. Many participants mailed extra information and/or forms for the use of the interviewer. Many expressed a desire for survey results, which they were assured they would receive in the early summer.

Then, the interviewer read participants' brochures and other written materials that augmented their oral explanations. As the interviews were "keyed in" from handwritten notes, a few questions arose that necessitated follow-up telephone call to insure accuracy. The resulting specific (and now legible) surveys are recommended for comprehensive information.

FINDINGS

In a somewhat misleading manner, the Summary Findings are sectioned into two major groups--nonprofits and private lenders. As you know, this is a particularly artificial categorization in this field. Private and public sector resources are more frequently combined than separated. The tables preceding this summary give a sketch of each organization's activities in first time mortgage lending.

NONPROFITS

Minnesota Housing Finance Agency
Family Housing Fund of Minneapolis and St. Paul
City of Minneapolis Community Development Agency
City of St. Paul Dept. of Planning and Economic Development

Dayton's Bluff NHS
Southside NHS
Habitat For Humanity

Northside NHS Westside NHS

These agencies and organizations operate, in most instances, as partners with private lending organizations as well as in administering programs of their own. The first four listed are large (relatively) sources of money for housing programs. These programs are usually fixed as to mortgage applicants' eligibility and financial status. In addition, they are further "restricted" by their need for compliance with HUD guidelines. These agencies have the largest number and longest history with loans to low income mortgagors.

Currently, the Firm of Gavny & Gavny is contracted to analyze the performance of certain of the low income loans and are asking participating lenders and services to add data to their reporting instruments to facilitate this analysis. (See letter on file.) Apparently, this analysis is on loans that have been supplemented by downpayment monies and monthly payment assistance. Further information as to the scope and specific content of this analysis is warranted before any further work on profiles. (Should it be decided to compile them.)

Other than this instance, large scale performance review of low income loans has not been done by the nonprofit sector. (Or, if done, local respondents are unaware of the effort.) The loans are sold and serviced in a fashion that seemingly makes this task very difficult. Some participants in this sector worried aloud that numerical analysis would result in a further narrowing of guidelines and thus reduce the funds ultimately available to low income applicants. On the other hand, some participants would welcome this information (sensitively handled) to better utilize currently available monies. Any extra paperwork in cumbersome governmental loan programs would be unwelcome to all.

How long this analysis will take and what it will cover is unknown.

The NHS's have done relatively few first mortgages that they have retained or serviced. Their portfolio of second mortgages on renovated housing would profile a population of previous homeowners. Whether or not this information could or should be combined with first mortgage data merits discussion should further work be done. However, the number of first time mortgages done at the four NHS's combined might be significant. This is particularly true if these loans

could be added to the "home grown" private program mortgages that are held locally. At first brush, it would appear that this combined portfolio would be most easily retrieved for comprehensive analysis. Also, many participants interviewed cited the personal relationships these partnerships create with homebuyers as important to their success. Comparison numbers with less personal programs would affirm or deny performance enhancement.

Habitat For Humanity (In the Twin Cities) is currently placing its procedures and policies under review. Their unique requirements (350 hours of physical labor) and no interest rate loans make comparisons suspect. This in no way negates the importance of their program. In fact, their equity requirement may be as powerful a failure prevention tool as cash downpayments. However, the similarity would be hard to calculate.

A very exciting facet of current low income home lending is the partnership that is taking place between NHS's, counseling agencies such as SPEAC, Damascus, and Acorn, and private mortgage lenders. These partnerships yield additional funds, "localness," flexibility, and resources for low income applicants that may not meet the more rigid standards of governmental programs.

Also worth further investigation are new nonprofit agencies entering the field.

PRIVATE LENDERS

TCF Mortgage	Norwest Bank	Metropolitan Federal
American National Bank		FBS Mortgage
Marquette Bancshares	Investors Savings Bank	

All of the private lenders that have "homegrown" low or moderate income mortgage products have, or will have, income identifiable portfolios for analysis. Because of the nature of private concerns, these loans will be analyzed. Some private mortgagors, like Investors Savings Bank and Metropolitan Federal, do not (to date) have special programs and do not track loan performance by income of applicant. Some concern was voiced that to do so would inevitably be criticized as discriminatory.

Each "home grown" program alone may not produce enough loans to warrant broad analysis or might be too program specific to

allow general conclusions. The opportunity to gather these loans, along with those made at NHS's, and compose confidential profiles could be worth exploration.

Also needing further investigation are new private players entering the field.

CONCLUSION AND POSSIBLE NEXT STEPS

The work of this survey augments Twin City area information about low and moderate income home loan resources. The news concerning area resources appears to be good in terms of new and existing products, but demand outstrips supply.

The fact that the number of applicants for these limited funds is so high makes two steps seem logical. Procedures to distribute the most limited funds (those less restrictive "homegrown" private programs and NHS controlled funds) should be fair and effective. This would indicate analysis of factors leading to successful long term homeownership.

The second step is effort to expand the capacity of Twin City agencies and lenders to process and fund qualified low income applicants. This would be easier, of course, should the first step yield encouraging results suggesting low income home mortgages are profitable, even after the labor intensive costs that currently accompany these loans. Average labor costs should also be determined.

People with lower incomes have been found to be loyal consumers, staying with products and services much longer than upper income comparison shoppers. This tendency, along with the fact that the lower income population is the only population in the U.S. that is steadily growing, would seem to offer private financial institutions sufficient incentive to expand their efforts in this area. To date, this has not offset conservative lenders postures. Accurate data could help the private sector make decisions.

One possible extension of this work would be an even more comprehensive compilation of lending resources (perhaps for the use of the Homeownership Center) including a directory for the use of nonprofit agencies. Some interest in this idea has been expressed by several local agencies.

In addition, these surveys should make interesting training aids for new counselors in housing related programs.

SUMMARY TABLES

Government Organizations

Organization	#Mortgages	Criteria/Ratios
MHFA	aprox.500 1992	HUD Guidelines 80% AMI (Mod) aprx. \$41k 50% AMI (Low) aprx. \$26k To qualify for dnpmt./mnthly ast. below 60% AMI Ratios 28/36 Investment Grade Credit Policy (2 years clean credit)
MCDA	5000+ total	HUD Guidelines (above) FHA ratios 29/41 Local Board Ratios 28/40 Investment Grade Credit Policies
Family Housing Fund	Dnpmt/mnthly clog. cost Asst. supplmt. NOT mortgage	80% AMI all else by cities
City of St.Paul	500+	Phase IX up to 110% AMI (\$56k) Equity Participation to 80% AMI HUD Guidelines FHA/VA ratios 29/41 Investment Grade Credit Policies

NOTES: AMI= Area Median Income

Hud Guidelines refer to governmental guaranteed programs with criteria set by federal agencies.

Ratios cited are always 1) Mortgage payment to gross monthly income
2) Total Long Term Debt to gross monthly income

Investment Grade Credit Policies are not well defined in the area of credit "worthiness" although most underwriters and loan processors achieve an average of sorts by rejection review procedures. Emphasis is on applicant "proving worthiness."

Private Lenders

Organization	#Mortgages	Criteria/Ratios
Metropolitan	Services for MHFA Numbers mixed	HUD GUIDELINES one program to 115% AMI No "homegrown" program FHA 29/41, Fannie Mae 3/2 33% Conventional 28/36 Investment Grade Credit Policies
American Bank	9 closed pending in American Dream Product	All regular HUD programs 9 American Dream uses Family Housing Fund Criteria if applicant receives assistance funds Otherwise 35/41 (ratios very flexible) One year clean credit history Two years (at least) since bankruptcy
Marquette Bancshares	Product not yet Approved old program sold to FBS	Part One will have income limit of \$38,400 Part Two--\$55,200 Part One only in Cities Part Two entire Metro area Ratios 33/38-40 One Year Credit Clear Some counseling required
Investors Mortgage	1,423 Loans below 80% AMI	Frequently use ARM's for lower income applicants HUD Guidelines Best Programs are own portfolio loans 33/38 Use past Rental Payment as primary gage Can be flexilbe on credit for internally held loans

Note: ARM= adjustable rate mortgage

Private Lenders Continued

Organization	#Mortgage	Criteria/Ratios
TCF Mortgage	No tracking of numbers specifically for low guidelines	New Damascus Program to 115%AMI (most will be 60%) HOPE Program below 80% AMI MHFA/FHA/VA standard HUD income Internal Programs flexible credit policies
Norwest Banks	647	CHOP to 80% AMI HUD Guidelines for Hud products CHOP ratios 38/38 unless fixed income then 34/38 2 year clean credit history 1 year since bankruptcy
FBS Mortgage	58	Home Advantage has no income limits, but loan officers get bonus for low income loans HUD products-Hud Guidelines Home Advantage Ratios 31/41 1 year credit history 1 year since bankruptcy

Habitat and NHS'S

Organization	#Mortgages	Criteria/Ratios
Dayton's Bluff	Less than five	HUD guidelines Really not in the first mortgage business
Northside	58	HUD Guidelines for HUD Products MCDBG Guidelines Problem Property Program/ Partnership with FBS (SEE BELOW FOR FBS) Flexible Ratios prefer debt under 50% Counseling requird
Southside	31	HUD Guidlines for Hud products Internal Funds flexible for needs of neighborhood Work with Banks "homegrown" products guidelines Look primarily at rental payment history not ratios Some counseling required Up to 50% long term debt
Westside	20	First mortgages not their focus thus far Partnership/ FBS (SEE BELOW) HUD Guidelines MCDBG guidelines City of St. Paul guidelines
Habitat for Humanity	24 this year	50% or less AMI Minimum \$770 per month* No ratios Family Selection Criteria under review 350 hours of work per family

*all other programs minimums are set by affordability ratio

I. Survey Objectives

To identify organizations that originate low-income home loans.

To detail these organizations' criteria for low-income home loan approval.

To determine existing assessment tools, follow-up mechanisms, and data gathering processes that individual organizations use to refine and improve loan criteria.

To gather information currently gleaned concerning each program's experience and resulting modifications to initial loan criteria and processes.

To compose a comprehensive list of loan granting organizations and attending information on each one's history, objectives, processes, criteria, volume, funding sources, and evaluation techniques for low-income home loan programs.

To create a composite profile of the successful loan applicant criteria from those of the various organizations.

To note similarities and disparities in varying loan originators' processes, criteria, assessments, and data. To suggest an inclusive range and modal area in which application procedures and loan guidelines fall.

II. Protocol

Each identified and approved organizational contact will be forwarded a copy of survey objectives and questions in advance of the telephone call to request and schedule an interview meeting. A cover letter will accompany the pre-call material to introduce the survey, procedure, interviewer, and imminent phone call. At this point, a method by which each interviewed organization will be apprised of the survey results should also be communicated.

The interviewer will then telephone each identified survey respondent to schedule a meeting and insure that the respondent is in possession of the survey material. These interviews will be conducted, whenever possible, in person and in the office or place of work of the respondent.

A copy of the interview schedule will be given to Advisory Committee members as soon as possible.

Each question will be asked in a semi-formal manner that

provides "room" for the respondent to answer with written materials, oral discussion, or delayed responses due to information checking. The interviewer will openly answer questions concerning the study, should they be posed. Should confidentiality be cited as a refusal to answer specific survey questions, the interviewer will note this on the survey and continue with less sensitive questions.

The time of the interview will vary, but the interviewer will attempt to politely keep the time under one hour. Should follow-up sessions be necessary due to information lags, the interviewer will use telephones or fax machines rather than further in-person meetings.

Each survey respondent will receive a brief thank you note within one week of the interview. They will be reminded of the results format and approximate timing, and encouraged to call to provide input they may think valuable as the project proceeds.

Survey results will be provided to respondents in the manner the Advisory Committee finds acceptable within two weeks of the completed profile.

III. Survey Questions

Organization:

Address:

General phone number:

Date:

Survey Respondent

Name:

Survey Respondent

Position:

Telephone #:

Fax #:

- 1) Please give a brief history of your organization's mortgage loan programs. In particular, note the history of organizational work with low-income homeowner loans:
- 2) How does your organization define persons or families eligible for low-income loans? Who makes and reviews these policies?
- 3) Please assist us in compiling the criteria used by low-income homeowner loan administrators by providing the guidelines your organization uses to review applicants. A suggested format is provided, but should your criteria be communicated more effectively in a different fashion feel free to substitute. Please note ranges as well as "cut-off points" where they apply.

A. Income Criteria (Sources of income counted, income ratios

applied, validation procedures used, etc.)

B. Debt, Obligation Criteria (As above)

C. Stability Indicators (Job tenure, Residency history,
Letters of reference, etc.)

D. Credit History Criteria (Credit checks used, allowable
"lates" and lapses, length of
required history, etc.)

E. Other Criteria, Guidelines, Required Information,
Supplementary Informations, Desired Attributes, etc.)

4) How does your organization solicit or receive low-income loan applications? Please note referring organizations, advertising media, public meetings and agencies, and telephone book placement, if they apply, as well as any other sources.

5) How does your organization inform potential applicants of the procedure they will experience? What assistance do applicants receive, if any, in completing the procedure?

6) What is the average time lapse between first contact with an applicant and decision communication?

7) What assessment procedures does your organization use to refine and review the low-income loan program in place?

In particular, please tell us methods you use to follow applicants after granting a loan, interventions you pursue should successful applicants experience difficulties, and loan criteria review procedures.

- 8) Please share your organization's knowledge of successful low-income home ownership program design, financial criteria, applicant attributes, follow-up or assessment methodology, and delinquency interventions.

- 9) Please furnish us with typical forms the applicant completes, the loan processors use, and the successful and unsuccessful applicant receives upon determination.

- 10) Please describe the "typical" procedure of the application process.

- 11) Please communicate problems, successes, critical information, or opinions not covered in this survey.

SURVEYS

CURA LOW-INCOME HOMEOWNER PROFILES PROJECT

Organization: Minnesota Housing Finance Agency

Survey Respondent: Michael Haley

Position: Director of Home Mortgage Programs

Address: 400 Sibley St., St. Paul

Telephone: 297-2678 Fax: 296-8139

- 1) Please give a brief history of your organization's mortgage loan programs. In particular, please convey the history of organizational work with low-income homeowner loans:

The Mortgage Revenue Bond program began in 1973. The agency has delivered its resources in a variety of ways over the time period. Today the agency designs programs for other loan origination institutions to administer, with the exception of the Urban Indian (native American) program which they administer directly.

- 2) How does your organization define persons or families eligible for low-income loans? Who makes and reviews these policies?

The agency has a policy board headed by the governor. It sets income limits that are below federal guidelines, and usually below city and county bond issuers. The limits are derived by assessing the median priced home in the Twin City, Rochester, St; Cloud areas. Then most programs use the HUD 80 % moderate, 50% low income guidelines for applicants.

Most down payment and monthly payment assistance goes to "families" (applicant household) with less than 60% of the area median income. (See Attachments.) Newly constructed homes may exceed existing median prices by up to ten thousand dollars.

- 3) Please assist us in compiling the criteria used by low-income homeowner loan administrators by providing the guidelines your organization uses to review applicants.
 - A. Income Criteria (Sources of income counted, income ratios applied, validation procedures used, etc.)

All income that would be reported in the federal income tax rules and regulations is counted. Written documentation must be provided. See the Procedures Manual for a complete definition.

In the Urban Indian program all applicants must undergo Homeownership counseling. Other exceptional programs may set slightly different criteria.

B. Debt, Obligation Criteria (As above)

The agency requires investment grade loan ratios for the majority of its programs, although it is looking at small exceptional programs to evaluate other criteria. The standard 28/36 ratios apply.

C. Stability Indicators (Job tenure, Residency history, Letters of reference, etc.)

Again investment grade standards are applied, except for the small exceptional programs.

D. Credit History Criteria (Credit checks used, allowable "lates" and lapses, length of required history, etc.)

As Above

E. Other Criteria, Guidelines, Required Information, Supplementary Informations, Desired Attributes, etc.)

Because other organizations actually process the applications of the potential homeowners, MHFA only review those loans that smaller, less sophisticated lenders make. This review is to insure that all procedures are completed accurately. FHA and VA loans are insured by the government which makes review of these loans unnecessary.

The agency does not require that originators obtain any information from applicants other than standard investment grade mortgage loan information.

The one exception, homeownership counseling for the Urban Indian program, is noted above.

- 4) How does your organization solicit or receive low-income loan applications?

Brochures, Realtor information sessions, Press Releases, Targeted Neighborhood newspapers, special emphasis on minority realtors and newspapers, Housing Fairs, and PSA's (public service announcements) in four Asian languages and Spanish. In the last two years Housing fairs have been particularly emphasized.

- 5) How does your organization inform potential applicants of the procedure they will experience? What assistance do applicants receive, if any, in completing the procedure?

Except for Urban Indian program, originating organizations assist applicants.

The exceptional program gives applicants a three Saturday training course on the whole mortgage process, as well as intensive one on one help.

In addition, sign language has been used to facilitate a deaf applicant. Language assistance will be sought if needed.

- 6) What is the average time lapse between first contact with an applicant and decision communication?

Specific lending organizations vary.

Exceptional program has only completed twenty loans and the time lapse has not been tracked.

- 7) What assessment procedures does your organization use to refine and review the low-income loan program in place?

A complete MHFA program assessment can be found in " Program Assessment January 1 to December 31 1992 " bound booklet.

However, individual borrowers are not followed by the agency.

Loan servicing organizations are evaluated according to guidelines in procedures manual.

- 8) Please share your organization's knowledge of successful low-income home ownership program design, financial criteria, applicant attributes, follow-up or assessment methodology, and delinquency interventions.

Every year we tinker with the programs to try different things. The more you can do at the point of sale with the borrower, the more likely you are to succeed.

The key is working with the Real Estate agents. Their understanding of the programs and participation is vital. Operational training given to lender is also critical.

- 9) Please furnish us with typical forms the applicant completes, the loan processors use, and the successful and unsuccessful applicant receives upon determination.

Forms on file.

- 11) Please communicate problems, successes, critical information, or opinions not covered in this survey.

Make resources available to a variety of participants as needs occur. Some examples of our successes are the Minnesota Mortgage program, the Minneapolis City Participation Program, Partnership for Affordable Housing, and the Community Reinvestment Act Incentive Program for lenders.

Our goal is to provide the programs on the widest possible basis statewide.

CURA LOW-INCOME HOMEOWNER PROFILES PROJECT

Organization: Minneapolis Community Development Agency

Survey Respondent: Mark Anderson

Position: Mortgage Finance Coordinator

Address: 155-5th Ave. S., Ceresota Bldg., Suite 600
Minneapolis, MN 55401-2546

Telephone: 673-5289 Fax: 673-5297

- 1) Please give a brief history of your organization's mortgage loan programs. In particular, note the history of organizational work with low-income homeowner loans:

The city established this agency in 1978. An excess of 5000 loans in Minneapolis have been processed since then.

- 2) How does your organization define persons or families eligible for low-income loans? Who makes and reviews these policies?

The agency uses federal and state income limits, loan guidelines, etc. They could make more restrictive guidelines but choose not to. The guidelines are sufficiently complex and restrictive as they stand.

- 3) Please assist us in compiling the criteria used by low-income homeowner loan administrators by providing the guidelines your organization uses to review applicants.

NOTE:

See CALCULATION OF QUALIFYING INCOME for very clear formula explanation.

A. Income Criteria (Sources of income counted, income ratios applied, validation procedures used, etc.)

Industry Standard when using Fha. They use the 29/41 ratio. Local Bond Issues they can set their own criteria, 28/40 is standard but we can go higher if we choose.

B. Debt, Obligation Criteria (As above)

The agency requires investment grade loan ratios for the

majority of its programs, see above for long term debt ratios applied.

C. Stability Indicators (Job tenure, Residency history, Letters of reference, etc.)

Again investment grade standards are applied, usually looking at two years history of all of the above. Many factors are looked at, however.

Further the economy will affect our loan policies. If investors believe the economy is expanding they are less restrictive.

D. Credit History Criteria (Credit checks used, allowable "lates" and lapses, length of required history, etc.)

No bankruptcy for two years.

No late payments or collection judgements for one year.

No foreclosures for three years.

Uses CSC credit services for credit reporting.

E. Other Criteria, Guidelines, Required Information, Supplementary Informations, Desired Attributes, etc.)

The Minneapolis/St. Paul Mortgage Program Phase IX is an FHA insured Loan. As the attached brochure describes, varying criteria apply for special assistance Loans, closing cost loans etc. These are federally decided.

People who are seen to be having trouble in qualifying are referred to HomeOwnership Works (HOW) for counseling.

4) How does your organization solicit or receive low-income loan applications?

We get our largest response from publicity such as articles in the newspaper or coverage on TV. We hold classes for the Board of Realtors in our programs, attend housing fairs, have brochures etc. We have done some paid advertising but it is very expensive.

5) How does your organization inform potential applicants of

the procedure they will experience? What assistance do applicants receive, if any, in completing the procedure?

Applications are taken by appointment. A loan officer tells them the whole procedure and assists them in completing the forms.

In addition, helpful checksheet applicants are given to organize their application procedure. (In file)

- 6) What is the average time lapse between first contact with an applicant and decision communication?

Strait purchase--90 days.
Purchase rehabs--120 days.

- 7) What assessment procedures does your organization use to refine and review the low-income loan program in place? In particular, please tell us methods you use to follow applicants after granting a loan, interventions you pursue should successful applicants experience difficulties, and loan criteria review procedures.

Private servicing organizations track loans.

Monthly, loan performance is assessed. In addition, program experience is gleaned from surveys of seller and mortgagors. (see attached.)

- 8) Please share your organization's knowledge of successful low-income home ownership program design, financial criteria, applicant attributes, follow-up or assessment methodology, and delinquency interventions.

Two organizations monitor our performance. A statistical analysis of the public served is compiled by demographics and geographic region. (See attached survey.)

Also see buyer/seller/surveys above and attached.

Periodically we assess who, what, where we should be encouraging. More restrictions on a program DO NOT HELP!

- 9) Please furnish us with typical forms the applicant

completes, the loan processors use, and the successful and unsuccessful applicant receives upon determination.

Forms on file.

- 11) Please convey successes, critical information, or opinions not covered in this survey.

"Make federal and state guidelines more simple."

"The major success of our programs I attribute public/private partnership. We try and leverage as much as possible the investments of public funds with private funds."

"When anyone participates in these programs the city wins. The house is maintained, the tax base is broadened, and people remain living in the city. Overly restrictive criteria lessens the number of people who can participate."

CURA LOW-INCOME HOMEOWNER PROFILES PROJECT

Organization: Family Housing Fund of Minneapolis and St. Paul

Survey Respondent: Lucy Heegard

Position: Special Consultant

Address: 801 Nicollet Mall, Suite 1515 Minneapolis, MN 55402

Phone: 375-9644 Fax: na

- 1) Please give a brief history of your organization's mortgage loan programs. In particular, please convey the history of organizational work with low-income homeowner loans:

The mortgage loans come from the two cities. Downpayment grants started in 1980. We receive funds from the McKnight Foundation and others.

- 2) How does your organization define persons or families eligible for low-income loans? Who makes and reviews these policies?

There is a working group of Family Housing Fund board of directors. Also the city staff and Family Housing Fund staff make policy.

This agency makes Downpayment grants, closing cost loans, and equity participation loans to assist home buyer is gaining a mortgage. Borrowers must have an adjusted gross income of less than 80% of the area median income. (Less than \$40,800.)

Attached circular defines explicit guidelines.

- 3) Please assist us in compiling the criteria used by low-income homeowner loan administrators by providing the guidelines your organization uses to review applicants.

A. Income Criteria (Sources of income counted, income ratios applied, validation procedures used, etc.)

Cities are responsible for insuring applicants meet criteria and for validating income/debt etc.

B. Debt, Obligation Criteria (as above)

Cities' responsibility.

C. Stability Indicators (Job tenure, Residency history,
Letters of reference, etc.)

As above

D. Credit History Criteria (Credit checks used, allowable
"lates" and lapses, length of
required history, etc.)

As above

E. Other Criteria, Guidelines, Required Information,
Supplementary Informations, Desired Attributes, etc.)

As above

4) How does your organization solicit or receive low-income loan applications? Please note referring organizations, advertising media, public meetings and agencies, and telephone book placement, if they apply, as well as any other sources.

Cities attract and refer. Brochures are circulated.

5) How does your organization inform potential applicants of the procedure they will experience? What assistance do applicants receive, if any, in completing the procedure?

Cities' responsibility.

6) What is the average time lapse between first contact with an applicant and decision communication?

Specific lending organizations vary.

7) What assessment procedures does your organization use to refine and review the low-income loan program in place? In particular, please tell us methods you use to follow applicants after granting a loan, interventions you pursue should successful applicants experience difficulties, and loan criteria review procedures.

Currently they are attempting to gather delinquency and foreclosure information for the last ten years. They are checking on the availability of the information and attempting to backtrack through records to see if information is in a form to be analyzed.

They use the Foreclosure Prevention Program, Northside Residence Redevelopment, the City of St. Paul Housing Information office, and the Home Program for counseling.

- 8) Please share your organization's knowledge of successful low-income home ownership program design, financial criteria, applicant attributes, follow-up or assessment methodology, and delinquency interventions.

This question and the rest of the survey do not apply specifically to this agency as they do not process or grant mortgages.

A set of brochures and graphs are on file about their primary activities.

CURA LOW-INCOME HOMEOWNER PROFILES PROJECT

Organization: City of St. Paul Department of Planning and
Economic Development
St. Paul Home Loan Fund

Survey Respondent: Maribeth Hultman
Position: Loans Supervisor
Address: 25 West Fourth St., St. Paul 55102
Telephone: 228-3300 Fax: 228-3341

- 1) Please give a brief history of your organization's mortgage loan programs. In particular, please convey the history of organizational work with low-income homeowner loans:

The City received Mortgage Lender approval in 1987. Since that time they have originated roughly 500 mortgages, 90% of which go to low income applicants. A moderate income program was instituted in 1992, in which household income can go up to 89k. Our purpose was not to compete with banks, but to complete special projects such as distressed properties and areas, refinancing and rehab, first time home buyers from public housing, purchase and rehab in one, and vacant housing purchase. We attempt to meet needs currently unmet by traditional mortgage sources.

- 2) How does your organization define persons or families eligible for low-income loans? Who makes and reviews these policies?

Phase IX goes to 110% of the median income according to HUD guidelines. For a four person family that goes up to \$56,100. Our Equity participation Program we make subordinate loans to applicants with up to 80% of median income. Closing Cost Loans (with the Minneapolis/St. Paul Family Housing Fund) and Downpayment grants are also for applicants with up to 80% of the median income. The City participates in making guidelines with other agencies to some degree, but most policies come from state and federal programs.

(See Attachments under Mortgage Lending page 5 for all guidelines.)

- 3) Please assist us in compiling the criteria used by low-

income homeowner loan administrators by providing the guidelines your organization uses to review applicants.

A. Income Criteria (Sources of income counted, income ratios applied, validation procedures used, etc.)

We use the FHA and VA mortgage guidelines. The ratios applied are 29/41.

Verification of income, etc. is for two years.

We will use income from all sources that look likely to continue including AFDC, child care, etc.

B. Debt, Obligation Criteria (As above)

We use CSC credit service for credit reports.

No bankruptcy within two years, and good credit history since.

We will look at utilities, phone bills, rent, etc. to augment credit report.

We look closely at the last twelve months of credit history, but we make allowances for credit problems resulting from medical expenses, layoffs from company shutdowns, etc. Things beyond the borrower's control.

C. Stability Indicators (Job tenure, Residency history, Letters of reference, etc.)

We do look at job tenure, but good reasons for gaps are acceptable.

We look at residency history for rental payment verification not for residency stability purposes.

D. Credit History Criteria (Credit checks used, allowable "lates" and lapses, length of required history, etc.)

We look at the whole file, searching for compensating factors. For example, we may see that housing cost for the applicant will actually go down from obtaining this mortgage. This could free up cash for the applicant. (inference: to deal with any credit problems.)

We attempt to identify reasons for any poor credit, and to

assess whether or not it will be re-occurring.

E. Other Criteria, Guidelines, Required Information, Supplementary Informations, Desired Attributes, etc.)

All time in the last two years must be accounted, so for example if the applicant was in school we would ask for transcripts.

No extraordinary information is required.

- 4) How does your organization solicit or receive low-income loan applications? Please note referring organizations, advertising media, public meetings and agencies, and telephone book placement, if they apply, as well as any other sources.

Press releases of new programs. Minneapolis/ST.Paul Home Tour. Housing Information Office. Board of Realtor meeting to train and inform realtors of program criteria, procedures.

We get referrals from neighborhood groups such as NHS's and CDC's.

We attend all housing fairs that are put on by district councils.

- 5) How does your organization inform potential applicants of the procedure they will experience? What assistance do applicants receive, if any, in completing the procedure?

- 1) Straight purchase for first time homebuyers from public housing-- We do initial screening on income ratios and then we have them go through first time homebuyer training with Thompson and Associates.

- 2) In All situations the applicant receives face to face assistance with the application by the loan originators and they are told the steps in obtaining the mortgage.

We also provide translators when they are needed.

- 6) What is the average time lapse between first contact with an applicant and decision communication?

6 to 8 weeks usually, but can go up to three months. We are

flexible at times to allow the applicant time to clear up problems and reach income/debt ratios.

Purchase/rehab loans take longer because of site bids that must be performed.

Also, sometimes we extend the processing time to allow applicants to "season" in new jobs and get passes the probationary period.

- 7) What assessment procedures does your organization use to refine and review the low-income loan program in place? In particular, please tell us methods you use to follow applicants after granting a loan, interventions you pursue should successful applicants experience difficulties, and loan criteria review procedures.

The Phase IX program sells the mortgages to Universal. Therefore, we can't assess the performance.

We are attempting to help in the performance appraisal of loans being done with the Family Housing Fund and the Gavzy & Gavzy company to assess the relative performance of loans receiving special assistance monies.

The Housing Information Office advises people having trouble on occasion some emergency funding is given to applicants if they have a one-time problem.

We evaluate our programs as to how well we are meeting the FHA guidelines. Also, we have frequent meetings with loan processors, Supervisors, and Loan offices to assess progress.

- 8) Please share your organization's knowledge of successful low-income home ownership program design, financial criteria, applicant attributes, follow-up or assessment methodology, and delinquency interventions.

We are starting a low income housing committee with the mortgage companies. We want to identify ways to deal with creating affordable housing and help people get ready to obtain mortgages.

For example, we are trying giving people a short form credit report at no cost to let people know the trouble spots they may encounter. They can then take the necessary action to repair problems and then come back with improved loan viability.

We have learned you must be very honest with people during

the processing of the loan. Tell them of any red flags or trouble spots that might keep them from being approved.

- 9) Please furnish us with typical forms the applicant completes, the loan processors use, and the successful and unsuccessful applicant receives upon determination.

We tell people on the phone in either case. We also make sure that those that are denied know where they can receive credit or other counseling they may need.

Forms on file.

- 11) Please communicate problems, successes, critical information, or opinions not covered in this survey.

The FHA rules are relatively inflexible. /Their is a vast amount of training time spent to teach our personnel how to fill out all the forms that are required. And, this year we have a brand new handbook to learn. This makes the goal of getting people into homes more time consuming and expensive than if the program were simpler.,

CURA LOW-INCOME HOMEOWNER PROFILES PROJECT

Organization: Dayton's Bluff Neighborhood Housing Services,
Inc.

Survey Respondent: Jim Erchul
Position: Executive Director
Address: 951 East Fifth Street, St. Paul, MN 55106
Telephone: 774-6995 Fax: na

- 1) Please give a brief history of your organization's mortgage loan programs. In particular, please convey the history of organizational work with low-income homeowner loans:

Dayton's Bluff NHS' primary activity is second mortgages to "fix up" a house that is either held free and clear by the mortgagor or is held in a contract for deed. If the first landholder won't all the mortgagor to get a rehab loan, sometimes Dayton's Bluff will pay off the landholder and wrap a first mortgage and rehab deal together for the mortgagor.

99% of loans are made to people below the 80% of area median income.

Dayton's Bluff NHS started making mortgages in 1981.

- 2) How does your organization define persons or families eligible for low-income loans? Who makes and reviews these policies?

DBNHS (Dayton's Bluff NHS) uses HUD guidelines--80% of area median income. When resources are available they make deferred loans to people at 50% or less of the area median. (often funds from the MHFA). The CDGB guidelines determine many of the guidelines. The DBNHS board and Loan committee make policy for loans.

See attached "Loan Policies" brochure.

- 3) Please assist us in compiling the criteria used by low-income homeowner loan administrators by providing the guidelines your organization uses to review applicants.

A. Income Criteria (Sources of income counted, income ratios applied, validation procedures used, etc.)

DBNHS really has no hard and fast ratios, but rather makes

judgements on an individual basis. We can adjust interest rates on second mortgages to help "fit" the borrower. We do insist on all written verification procedures.

B. Debt, Obligation Criteria (As above)

We use CSC credit reports, we have no written rule for bankruptcy situations. Our loan committee and board are a mixture of residents and business people and we work closely with our applicants, so a total picture emerges.

C. Stability Indicators (Job tenure, Residency history, Letters of reference, etc.)

We look at their employment situation for the last two years.

We don't focus on applicants' residency history.

D. Credit History Criteria (Credit checks used, allowable "lates" and lapses, length of required history, etc.)

We make notes on all credit lapses to explain to the loan committee what the applicant has told us.

Then we note an overall credit rating of "excellent, fair, poor, etc."

In our most common situation (rehab/second mortgage), the mortgagor already has a history with the property in question.

E. Other Criteria, Guidelines, Required Information, Supplementary Informations, Desired Attributes, etc.)

No. (See brochure for complete procedure.)

4) How does your organization solicit or receive low-income loan applications? Please note referring organizations, advertising media, public meetings and agencies, and telephone book placement, if they apply, as well as any other sources.

The City refers people to us. Social services agencies refers people. Our District Council. Sometimes we make flyers for an area with targeted funds. Block Club meetings. Ramsey Action Program.

Right now the demand is greater than the supply.

- 5) How does your organization inform potential applicants of the procedure they will experience? What assistance do applicants receive, if any, in completing the procedure?

Our loan officer (Carolyn) goes through the entire application with every applicant. We will get language help if it is needed.

If someone is handicapped we go to their home to help them apply.

- 6) What is the average time lapse between first contact with an applicant and decision communication?

To make application and get estimates on rehab work about three months is probably average.

Emergency loans, such as furnaces in the winter, can be approved almost immediately.

- 7) What assessment procedures does your organization use to refine and review the low-income loan program in place? In particular, please tell us methods you use to follow applicants after granting a loan, interventions you pursue should successful applicants experience difficulties, and loan criteria review procedures.

We do anything we can to prevent foreclosure. Sometimes we re-negotiate terms of the loan, or refer people to appropriate social agencies for help.

Twenty percent or so of our payments are late.

The emphasis in our policy is to comply with CDBG regulations. Our customer is really the neighborhood, not the individual or mortgage investors.

- 8) Please share your organization's knowledge of successful

low-income home ownership program design, financial criteria, applicant attributes, follow-up or assessment methodology, and delinquency interventions.

Some people really cannot afford a loan--in these cases we make deferred loans or outright grants.

Personal contact is very important.

9) Please furnish us with typical forms the applicant completes, the loan processors use, and the successful and unsuccessful applicant receives upon determination.

The applicant knows when the loan committee meets and usually they call to find out if they've been approved.

Forms on file.

11) Please communicate problems, successes, critical information, or opinions not covered in this survey.

One interesting procedure followed at DBHS is a practice of forwarding the loan package to the loan committee without the resident's name or specific address. This insures more objectivity and some confidentiality for the applicant.

We have not been successful at determining who will be a successful customer. So many things go in a person's life--we just don't know who will have problems paying the loan back.

CURA LOW-INCOME HOMEOWNER PROFILES PROJECT

Organization: Northside Neighborhood Housing Services

Survey Respondent: Chuck Calender

Position: Deputy Director NHS

Address: 1501 DuPont Ave. North Minneapolis, MN 55411

Telephone: 521-3581 Fax: 522-1963

- 1) Please give a brief history of your organization's mortgage loan programs. In particular, please convey the history of organizational work with low-income homeowner loans:

From 1987 to 1988 we conducted a demonstration project making purchase/rehab loans to applicants.

In 1990 we began the Problem Property Program with funding from MCDA, Family Housing Fund, and the Northwest Area Foundation.

To that time we had made twenty four loans.

Now FBS is helping us, after seeing the demonstration project worked, and we currently have 34 loans in process.

- 2) How does your organization define persons or families eligible for low-income loans? Who makes and reviews these policies?

We use the 80% HUD guidelines and the Community Development Block Grant criteria.

In addition, of course affordability. So far no one has felt the need to change.

We have a board of 21 people that includes the members of the loan committee and a majority of area residents. Also the members include representatives from business, government and lending institutions. The board approves loan amounts over 65K. The loan committee (majority of residents, one lender) approves loans below 65K. Northside staff complete the applications and give them to the loan committee. The board is responsible for setting policy.

- 3) Please assist us in compiling the criteria used by low-income homeowner loan administrators by providing the guidelines your organization uses to review applicants.

A. Income Criteria (Sources of income counted, income ratios applied, validation procedures used, etc.)

Now in our program with FBS, we are flexible on ratios.

We have a menu of mortgage products that allow us to serve most income levels.

B. Debt, Obligation Criteria (As above)

We prefer debt to be below fifty percent, but this is not set in concrete. Large amounts of cash, loan to value ratio can act as a cushioning factor.

C. Stability Indicators (Job tenure, Residency history, Letters of reference, etc.)

Nothing unusual here.

D. Credit History Criteria (Credit checks used, allowable "lates" and lapses, length of required history, etc.)

We have no magic cutoffs or numbers.

A bankruptcy can be offset by good, on time credit since.

We sell the loans immediately but if the loan goes bad in ninety days we have to substitute another one.

E. Other Criteria, Guidelines, Required Information, Supplementary Informations, Desired Attributes, etc.)

All buyer go through Buyer Development Process. This is three two and one half hour sessions and one on one loan counseling. We cover the buying process as well as the responsibilities of home ownership. Also home maintenance.

Because of this preparation a lot of self-selection goes on. Many people see that they have some work to do before they are ready for applications, and they take corrective action and come back.

Also, we have the added time of finding properties that would probably work for rehab.

- 4) How does your organization solicit or receive low-income loan applications? Please note referring organizations, advertising media, public meetings and agencies, and telephone book placement, if they apply, as well as any

other sources.

Neighborhood newsletter. Realtors. Word of mouth. City of Minneapolis referrals.

We don't do paid advertising.

- 5) How does your organization inform potential applicants of the procedure they will experience? What assistance do applicants receive, if any, in completing the procedure?

The counselor actually fills out the application, and the counseling process people go through informs them about the total mortgage and home buying procedure.

Language has not been a problem yet.

- 6) What is the average time lapse between first contact with an applicant and decision communication?

If the applicant is mortgage ready at the beginning of the process it takes about five weeks.

The rehab activities add time, of course, with estimates and bids.

People who identify themselves as not yet mortgage ready may take as long as they need to correct any problems.

- 7) What assessment procedures does your organization use to refine and review the low-income loan program in place? In particular, please tell us methods you use to follow applicants after granting a loan, interventions you pursue should successful applicants experience difficulties, and loan criteria review procedures.

We are just getting the database together as we service more loans.

We refer people in danger of foreclosure to Northside

Residence and Redevelopment Council Mortgage Foreclosure program.

- 8) Please share your organization's knowledge of successful

low-income home ownership program design, financial criteria, applicant attributes, follow-up or assessment methodology, and delinquency interventions.

Partnership with private organization that really listens and creates products to meet needs.

We have about twenty different mortgages we can offer.

9) Please furnish us with typical forms the applicant completes, the loan processors use, and the successful and unsuccessful applicant receives upon determination.

This interview was by telephone and forms are not on file.

The respondent indicated the forms are standard.

We do have the FBS package.

11) Please communicate problems, successes, critical information, or opinions not covered in this survey.

We need rehab funds because many houses won't meet industry standards for FHA, for example.

CURA LOW-INCOME HOMEOWNER PROFILES PROJECT

Organization: Southside Neighborhood Housing Services
of Minneapolis, Inc.

Survey Respondent: Ralph Wittcoff

Position: Executive Director

Address: 3030 Nicollet Ave. South Minneapolis, MN 55408

Telephone: 823-5216 Fax: 823-1751

- 1) Please give a brief history of your organization's mortgage loan programs. In particular, please convey the history of organizational work with low-income homeowner loans:

In 1976 we began rehab and second mortgaging, some default caused resale of the houses.

In 1990 we began the Problem Property Program specifically to provide first mortgages and asset renovation. Twenty-five mortgages have been done to date in this program, six people have been given mortgages for brand new houses developed by Southside Development Corporation. In 1991 we started counseling with the Norwest CHOP program and the Home advantage program with FBS.

- 2) How does your organization define persons or families eligible for low-income loans? Who makes and reviews these policies?

We use the HUD guidelines, but we also will loan to higher income applicants who have been turned down by other banks.

Our policies are determined by our Board (4 residents, 3 business member, 1 government representative)

Our loan committee makes specific loan recommendations.

- 3) Please assist us in compiling the criteria used by low-income homeowner loan administrators by providing the guidelines your organization uses to review applicants.
 - A. Income Criteria (Sources of income counted, income ratios applied, validation procedures used, etc.)

We actively look for income to apply for our applicants. We use foster care stipends, foodstamps, child support, etc.

We use standard written validation.

B. Debt, Obligation Criteria (As above)

See Files for specific policies.

Debt ratio--Monthly debt, including proposed mortgage payments, up to approximately 50% of gross monthly income.

C. Stability Indicators (Job tenure, Residency history, Letters of reference, etc.)

Stability can be a problem for low income people. We look at their history of rent and utility payment, and their explanations of lapses.

D. Credit History Criteria (Credit checks used, allowable "lates" and lapses, length of required history, etc.)

We use TRW and CDP for credit reports.

A bankruptcy can be offset by good, on time credit since. Judgements or charge offs must be explained.

No bankruptcies in the last twelve months.

Student Loan repayment.

E. Other Criteria, Guidelines, Required Information, Supplementary Informations, Desired Attributes, etc.)

Many buyers go through counseling, but no an absolute requirement.

- 4) How does your organization solicit or receive low-income loan applications? Please note referring organizations, advertising media, public meetings and agencies, and telephone book placement, if they apply, as well as any other sources.

Banks refer, ministers refer, neighbors refer. We had 395 applicants of which 150 got involved in counseling, and twenty-five got loans.

- 5) How does your organization inform potential applicants of

the procedure they will experience? What assistance do applicants receive, if any, in completing the procedure?

We have training sessions every other month. They are three hours long once a week for three weeks.

The loan counselor here actually fills out the forms for applicants.

- 6) What is the average time lapse between first contact with an applicant and decision communication?

Varies a lot, about 6 weeks if everything goes right. If applicant needs a corrective action plan it can take eighteen months.

- 7) What assessment procedures does your organization use to refine and review the low-income loan program in place? In particular, please tell us methods you use to follow applicants after granting a loan, interventions you pursue should successful applicants experience difficulties, and loan criteria review procedures.

We service our loans and track them individually. Out of thirty loans we have had one foreclosure and two mortgagors that are late, and one very strange case.

We evaluate the programs and procedures through the review of our Board and Loan Committee.

- 8) Please share your organization's knowledge of successful low-income home ownership program design, financial criteria, applicant attributes, follow-up or assessment methodology, and delinquency interventions.

"Most crucial point is one on one counseling. The next is having rehabilitation experts to help pin down the house's needs. If you leave people on their own with a house that needs work, it can be a prescription for failure. Many first time home buyers don't have the experience to judge and they shouldn't be left to the mercy of contractors. Also, they need to be helped in deciding if they can afford this investment and whether the house is a good investment."

- 9) Please furnish us with typical forms the applicant completes, the loan processors use, and the successful and unsuccessful applicant receives upon determination.

Forms on file.

- 11) Please communicate problems, successes, critical information, or opinions not covered in this survey.

We have a good system and bad capitalization.

Important components are personal relationship with applicant, strong commitment to homeownership.

We have a postpurchase follow up system and a home maintenance program that helps buyers not have expensive "surprises."

CURA LOW-INCOME HOMEOWNER PROFILES PROJECT

Organization: Westside Neighborhood Housing Services

Survey Respondent: Amy Grayson

Position: Administrative Assistant

Address: 127 W. Winnifred St. St. Paul, MN 55107-2128

Telephone: 292-8710 Fax: na

- 1) Please give a brief history of your organization's mortgage loan programs. In particular, please convey the history of organizational work with low-income homeowner loans:

In 1981 we began doing rehab and second mortgaging, at one point we had a neighborhood development corporation building new homes but funding and personnel changed.

Since our largest source of funds is MCDBG is our largest source of funds, that is what we tend to do.

- 2) How does your organization define persons or families eligible for low-income loans? Who makes and reviews these policies?

We use the HUD guidelines, and we follow the lead of the city of St. Paul.

Our policies are determined by our Board (9 residents, 6 business member, 5 government representatives).

Our loan committee makes specific loan recommendations.

- 3) Please assist us in compiling the criteria used by low-income homeowner loan administrators by providing the guidelines your organization uses to review applicants.

A. Income Criteria (Sources of income counted, income ratios applied, validation procedures used, etc.)

HUD guidelines.

B. Debt, Obligation Criteria (As above)

See files for specific policies.

We look at FHA underwriting criteria We can do what we want with our MCDBG underwriting criteria as long as the

applicants meet the income guidelines,. We take direction from the Board and loan committee. But, we can be very individual with applicants and look at the whole applicant situation.

C. Stability Indicators (Job tenure, Residency history, Letters of reference, etc.)

Stability we look at over time, not necessarily for the same source of income but rather a steady stream.

We look at rental payment history, utilities etc.

D. Credit History Criteria (Credit checks used, allowable "lates" and lapses, length of required history, etc.)

We use CSC for credit reports.

A bankruptcy does not necessarily preclude mortgage. We get letters to explain credit lapses and judgements. We like to see a good recent history, but we have no rigid number of years of clean credit.

If the applicant has no credit history, we attempt to find other sources of information.(rent,utilities.etc.)

E. Other Criteria, Guidelines, Required Information, Supplementary Informations, Desired Attributes, etc.)

None.

4) How does your organization solicit or receive low-income loan applications? Please note referring organizations, advertising media, public meetings and agencies, and telephone book placement, if they apply, as well as any other sources.

We send out flyers. Advertise in "The Voice." We participate in festivals, for example "Cinco De Mayo." We get referrals from Neighborhood House, Ramsey Action Program, St.Paul City, Westside Citizen's Organization.

Also banks sometimes refer people.

Most important may be word of mouth.

completes, the loan processors use, and the successful and unsuccessful applicant receives upon determination.

Forms on file.

- 11) Please communicate problems, successes, critical information, or opinions not covered in this survey.

We are thinking about other ways we can augment the homeownership services that are available.

Education in homebuying and homeownership is the most important thing, Post buying counseling such as budgeting and home maintenance activities are also critical because that will keep people in an ownership position.

- 5) How does your organization inform potential applicants of the procedure they will experience? What assistance do applicants receive, if any, in completing the procedure?

Brochures with complete procedures outlined. (See attachments.) We fill out all forms in the office with the applicant. We have a Spanish speaking person and we have Hmong translators. Some cultural barriers still apply, of course.

- 6) What is the average time lapse between first contact with an applicant and decision communication?

Up to about 90 days.

- 7) What assessment procedures does your organization use to refine and review the low-income loan program in place? In particular, please tell us methods you use to follow applicants after granting a loan; interventions you pursue should successful applicants experience difficulties, and loan criteria review procedures.

We have made twenty first mortgages since 1981. Of these two need constant counseling. We make a delinquency report every quarter to our loan committee and we have monthly in-house meetings.

We sometimes recommend credit counseling to delinquent mortgagors or the City of ST. Paul's foreclosure program.

- 8) Please share your organization's knowledge of successful low-income home ownership program design, financial criteria, applicant attributes, follow-up or assessment methodology, and delinquency interventions.

We are in the process of starting a program now using the national NHS program design as a model. We have gone to the banks for loans and we will rehab rental property and then target some of the property for lease purchase.

A key ingredient in program design is flexibility, open communication. For loan performance the keys are quick follow up and personal relationships.

- 9) Please furnish us with typical forms the applicant

CURA LOW-INCOME HOMEOWNER PROFILES PROJECT

Organization: Twin Cities Habitat for Humanity

Survey Respondent: Stephen Seidel

Position: Executive Director

Address: P.O. Box 7053 Minneapolis, MN 55407-0053

Telephone: 332-3372 Fax: 332-0640

- 1) Please give a brief history of your organization's mortgage loan programs. In particular, please convey the history of organizational work with low-income homeowner loans:

We made our first mortgage in 1986. We have made 60 families homeowners with 20 year no interest loans.

- 2) How does your organization define persons or families eligible for low-income loans? Who makes and reviews these policies?

50% or less of state median for family. So far we have used \$1000 a month as a minimum for a family of four, but we are seriously planning to try a smaller minimum for a smaller family, for example \$770 for a family of two.

We have five loan committees and the chairs of family selection review their policies and choose criteria.

- 3) Please assist us in compiling the criteria used by low-income homeowner loan administrators by providing the guidelines your organization uses to review applicants.

A. Income Criteria (Sources of income counted, income ratios applied, validation procedures used, etc.)

As above, all sources of income can be counted.

B. Debt, Obligation Criteria (As above)

Policies are set by family Selection Chairs. These policies are currently under review to obtain more uniformity among the five chairs. At this point they don't use debt to income ratios.

C. Stability Indicators (Job tenure, Residency history,

Letters of reference, etc.)

We do look at length of employment. Sometimes we get direct vendor pay from SSI or AFDC. Moving around a lot is common for very low income people.

D. Credit History Criteria (Credit checks used, allowable "lates" and lapses, length of required history, etc.)

All of this is up to family selection chairs and is currently under review.

E. Other Criteria, Guidelines, Required Information, Supplementary Informations, Desired Attributes, etc.)

We look for honesty and character.

"A family whose housing is depleting their resources and spirit and for whom permanent affordable housing will be a lifechanging boost." We look for responsibility and pride that shows in an applicant's current residence.

Our families put in 350 hours of work on the house as their investment. Also their is escrow money from between \$400 to \$800 dollars.

A family that can go through this process successfully has to have a certain amount of social interaction skills and willingness to work with many volunteers.

- 4) How does your organization solicit or receive low-income loan applications? Please note referring organizations, advertising media, public meetings and agencies, and telephone book placement, if they apply, as well as any other sources.

First Call for Help. Media coverage.

We have had 200 applications this year and we were only able to do twenty-four homes.

- 5) How does your organization inform potential applicants of the procedure they will experience? What assistance do applicants receive, if any, in completing the procedure?

The Family Nurture Program, training is given on all sorts of budgeting, legal, maintenance, taxes, wills, neighborhood issues. Only families that make it through training will succeed. Filling out form is the applicant's responsibility but they can call if they need help.

- 6) What is the average time lapse between first contact with an applicant and decision communication?

This is currently under review as well.

6 months to a year.

We are looking at a new process for receiving applications to reduce rework and backlog. A seasonal application period.

- 7) What assessment procedures do your organization use to refine and review the low-income loan program in place? In particular, please tell us methods you use to follow applicants after granting a loan, interventions you pursue should successful applicants experience difficulties, and loan criteria review procedures.

Annual review of loan portfolio.

We have family partners that visit the new homeowner four or five times in the year after the closed loan. They use seasonal issue and check on the condition of the home. If there is a problem the Family Services Manager calls.

We send out a letter to mortgagors at 15 days late. Then the Board president sends a letter, etc. increasing in firmness.

- 8) Please share your organization's knowledge of successful low-income home ownership program design, financial criteria, applicant attributes, follow-up or assessment methodology, and delinquency interventions.

We feel readiness for homeownership is very important and having a personal relationship with the family. We get this relationship during the 350 hours of work requirement.

It is necessary to balance the need for decentralization and consistency and conformity in our organization.

We use community based people to make decisions on families.

We are looking at subcontracting out the servicing of mortgagors to distance the delinquent mortgagor from friendships that have built over time.

- 9) Please furnish us with typical forms the applicant completes, the loan processors use, and the successful and unsuccessful applicant receives upon determination.

na

- 11) Please communicate problems, successes, critical information, or opinions not covered in this survey.

None.

CURA LOW-INCOME HOMEOWNER PROFILES PROJECT

Organization: Metropolitan Federal Bank

Survey Respondent: Colleen P. O'Kane
Position: Community Reinvestment Officer
Address: 425 Robert St. N. St. Paul, MN 55101-2019
Telephone: 225-7215 Fax: 225-7310

- 1) Please give a brief history of your organization's mortgage loan programs. In particular, please convey the history of organizational work with low-income homeowner loans:

In 1987, Rothschilds merged with Metropolitan. Rothschilds had been doing mortgages since 1982 and the experience cited herein comes from both organizations. They signed a contract with Minnesota Housing to service their loans, then they added services and loan products. They have bought banks throughout a region of eight states in which they participate in low and moderate mortgage programs and bonds.

- 2) How does your organization define persons or families eligible for low-income loans? Who makes and reviews these policies?

Applicants with up to 115% of area median income qualify, and all products are using HUD and/or Fannie Mae guidelines. The majority of loans are given to applicants with income under 80% of the area median. We have no "homegrown" programs.

It is up to us which bonds in which we choose to participate. Some are much more administratively difficult than others. (Bonds are written by attorneys.) See files for complete program criteria.

- 3) Please assist us in compiling the criteria used by low-income homeowner loan administrators by providing the guidelines your organization uses to review applicants.

A. Income Criteria (Sources of income counted, income ratios applied, validation procedures used, etc.)

There is no minimum loan or income except as calculated by

affordability. FHA uses a 29% house payment to income guideline, whereas conventional uses 28%, and the Fannie Mae 3/2 program uses 33%.

All verifiable sources of income are used as long as they are likely to have three years continuance (example, child support.)

B. Debt, Obligation Criteria (As above)

FHA up to 41% of income can be spent on long term debt (over VA total debt no more than 41%

Conventional 36%

Fannie Mae 38%

They use TRW for credit reports.

Late payments up to 2 over thirty and 1 over 60 are not even questioned.

More lapses can be explained with a letter.

There is a subjective assessment here and the need is to look at the whole applicant file.

The government monitors these loans and they demand that applicant pictures and race go to underwriters. It might be better if this data did not accompany the file for underwriting to be sure no bias is introduced.

C. Stability Indicators (Job tenure, Residency history, Letters of reference, etc.)

We do look back at employment for two years and at residency for seven.

D. Credit History Criteria (Credit checks used, allowable "lates" and lapses, length of required history, etc.)

We do two years of credit history checking and we can use landlords written verification in lieu of formal credit.

We use FHA/VA bankruptcy guidelines.

For Fannie Mae they look for 80% of bankruptcy debts to be

repaid.

E. Other Criteria, Guidelines, Required Information,
Supplementary Informations, Desired Attributes, etc.)

Borrowers sign an affidavit as to the truth of their application. We do ask for explanation of time spent that is not covered by employment.

- 4) How does your organization solicit or receive low-income loan applications? Please note referring organizations, advertising media, public meetings and agencies, and telephone book placement, if they apply, as well as any other sources.

Edina Realty	HRA (redevelopment)
Fannie Mae/Acorn (just starting)	Target (ethnic) newspapers
All Twin Cities NHS's	Banking Fairs

- 5) How does your organization inform potential applicants of the procedure they will experience? What assistance do applicants receive, if any, in completing the procedure?

We have a lot of literature that describes the process. The application is done in a face-to-face interview and the applicants receive total assistance with every form.

We are now instituting 24 hours translating services to be sure any applicant can get language help if they need it.

- 6) What is the average time lapse between first contact with an applicant and decision communication?

In the current refinancing/mortgage boom it is taking 60 days.

Usually it only takes thirty.

- 7) What assessment procedures does your organization use to refine and review the low-income loan program in place? In particular, please tell us methods you use to follow applicants after granting a loan, interventions you pursue should successful applicants experience difficulties, and loan criteria review procedures.

We concentrate on making sure all mortgages meet the specific bond requirements. In addition we review smaller banks applications for Minnesota housing to be sure they are done according to specification.

A notice goes out to delinquent mortgagors after 16 days. After 30 days we make personal contact and try to work out a payment plan. We also refer people to government approved counseling agencies. (LIST ON FILE)

(No specific by income numbers currently collected.)

- 8) Please share your organization's knowledge of successful low-income home ownership program design, financial criteria, applicant attributes, follow-up or assessment methodology, and delinquency interventions.

this is difficult to do because in the bond programs we turn over the loans to someone else, so we don't really have the data to analyze.

The CRA was not really enforced until 1988, so the data is hard to collect and it might go against individuals privacy rights.

- 9) Please furnish us with typical forms the applicant completes, the loan processors use, and the successful and unsuccessful applicant receives upon determination.

Forms on file.

Approved mortgages are notified by telephone.

- 11) Please communicate problems, successes, critical information, or opinions not covered in this survey.

We would like to see the criteria and data that shows what works in loans to low-income people.

We might (all of us in the field) do better to concentrate on specific aspects and become expert in those aspects instead of every organization doing everything. For example we are expert at bond loans.

Sometimes I feel "territorialism" impedes progress in this field.

CURA LOW-INCOME HOMEOWNER PROFILES PROJECT

Organization: American Bank

Survey Respondent: Lawana Brown/Mary Ann Sudeith
Position: Mortgage Officer/V.P. corporate Affairs and
Community Reinvestment
Address: 101 E. Fifth St., St.Paul, MN 55101-1860
Telephone: 229-6541
Fax: 229-6580

- 1) Please give a brief history of your organization's mortgage loan programs. In particular, please convey the history of organizational work with low-income homeowner loans:

After 9 months of research with SPEAC, ACORN, Family Services of St.Paul, Westside NHS and other agencies we designed a product and launched it in February of this year. We have closed nine mortgage loans for a total half million dollar volume and we have another half million dollar in loans pending. We call it "American Dream Affordable Home Mortgage Program."

- 2) How does your organization define persons or families eligible for low-income loans? Who makes and reviews these policies?

80 percent or under of area median income.

In addition, we participate in Family Housing Fund entry cost assistance program using their criteria.

The bank CRA committee and the quarterly review that is held with participating community counseling groups.

(See Terms and Conditions, on file, for an extraordinarily clear explanation of program specifics.)

- 3) Please assist us in compiling the criteria used by low-income homeowner loan administrators by providing the guidelines your organization uses to review applicants.

A. Income Criteria (Sources of income counted, income ratios applied, validation procedures used, etc.)

35% expense to income ratio, but Am.Bank will look at compensating factors.

Standard Fannie Mae/Freddie Mac Uniform Instruments. We may use Fannie Mae Timesaver documentation.

B. Debt, Obligation Criteria (As above)

Obligations to income ratio is 41% of the borrowers stable monthly income.

C. Stability Indicators (Job tenure, Residency history, Letters of reference, etc.)

We look at every application in a case by case fashion.

Since many of our applicants have been through a recognized homeowner education program they have been recommended by that program.

D. Credit History Criteria (Credit checks used, allowable "lates" and lapses, length of required history, etc.)

Satisfactory credit for twelve months/no bankruptcy within the last two years/ credit clean after that.

Again we want to stress that we look at the whole picture.

E. Other Criteria, Guidelines, Required Information, Supplementary Informations, Desired Attributes, etc.)

Homeownership counseling is required only if the applicant receives down payment and closing cost assistance.

No other special criteria.

- 4) How does your organization solicit or receive low-income loan applications? Please note referring organizations, advertising media, public meetings and agencies, and telephone book placement, if they apply, as well as any other sources.

Housing Fairs, through counseling agencies. Through all our banks.

Right now there is more demand than they can meet WITHOUT solicitation.

- 5) How does your organization inform potential applicants of the procedure they will experience? What assistance do applicants receive, if any, in completing the procedure?

Those that have not been through counseling are given a checklist that explains all of the procedures. The loan officer goes through all of the application and stresses the meaning of it.

They use a realtor with translating skills in the Asian community. Otherwise interpreters are available.

- 6) What is the average time lapse between first contact with an applicant and decision communication?

45-60 days. Right now there is an appraiser problem.

- 7) What assessment procedures does your organization use to refine and review the low-income loan program in place? In particular, please tell us methods you use to follow applicants after granting a loan, interventions you pursue should successful applicants experience difficulties, and loan criteria review procedures.

We have a quarterly review with participating counseling groups. (See files.)

Also we will look at the demographics monthly. We have a CRA Committee that includes our bank president and head of marketing that meets regularly to review the program.

- 8) Please share your organization's knowledge of successful low-income home ownership program design, financial criteria, applicant attributes, follow-up or assessment methodology, and delinquency interventions.

We have learned that entry cost assistance is a must. Homeowner counseling is very important for some applicants. Going one step further, individualizing every loan, flexibility is very important.

Our product does not require the private mortgage insurance

which helps lower cost. Of course, that means we can't sell these loans which ties up our capital.

- 9) Please furnish us with typical forms the applicant completes, the loan processors use, and the successful and unsuccessful applicant receives upon determination.

Forms on file.

Note: usually applicant is informed with phone call.

- 11) Please communicate problems, successes, critical information, or opinions not covered in this survey.

Be sure to create a product WITH the community. Have people with comprehensive knowledge and sensitivity. You almost have to remove your old underwriting "hat" and say, "How can we make this loan," not how can we deny it.

You can't compensate your mortgage loan people based on production. This is a time intensive process.

counseling or as much as multiple counseling sessions for a year. It will depend on the applicant's situation and readiness.

- 4) How does your organization solicit or receive low-income loan applications? Please note referring organizations, advertising media, public meetings and agencies, and telephone book placement, if they apply, as well as any other sources.

We will solicit applicants through counseling agencies, marketing throughout the bank and branches, brochures, newspaper advertisement, and public forums.

- 5) How does your organization inform potential applicants of the procedure they will experience? What assistance do applicants receive, if any, in completing the procedure?

We created a training program for counseling agencies and counselors. We wrote agreements that detailed the assistance an applicant will receive. The mortgage originator and counselor will make sure the applicant is completely informed and assisted.

We will obtain translators when necessary.

- 6) What is the average time lapse between first contact with an applicant and decision communication?

Since we have internal approval it should be a very short time, maybe even two weeks. Of course since the interests rates dropped we are backed up because of appraisals.

Because of the help from counselors in the old Marquette program almost every applicant that came to us was excepted.

- 7) What assessment procedures does your organization use to refine and review the low-income loan program in place? In particular, please tell us methods you use to follow applicants after granting a loan, interventions you pursue should successful applicants experience difficulties, and loan criteria review procedures.

Quarterly meetings with community counselors and bank personnel. In the old program with 35 loans we had no delinquent payments over thirty days for the year we had the

loans. We think this was due to the excellent counseling. We had a very committed group of people.

The new program is not up and running yet for procedures to be in place.

8) Please share your organization's knowledge of successful low-income home ownership program design, financial criteria, applicant attributes, follow-up or assessment methodology, and delinquency interventions.

- 1) Working through community based counselors.
- 2) Dedicating a salary compensated loan originator to the program.
- 3) Effectively marketing the program.
- 4) Senior management to support the program and make policies.
- 5) A staff that is familiar with the program and its guidelines.

9) Please furnish us with typical forms the applicant completes, the loan processors use, and the successful and unsuccessful applicant receives upon determination.

They will be all the regular forms, but program does not yet have approval.

11) Please communicate problems, successes, critical information, or opinions not covered in this survey.

We think the personality of the loan originator and counselors are very important. They need to be accessible, nonjudgemental, and supportive. These people play a big part in keeping the applicant engaged in the process. It is just tremendously important to have people committed to the process.

Also, we want to diversify the personnel who implement the program by race, gender, neighborhood, income level, and language skills.

CURA LOW-INCOME HOMEOWNER PROFILES PROJECT

Organization: Marquette Bancshares, Inc.

Survey Respondent: Chris D. Andersen
Position: V.P. Community Development
Address: Sixth & Marquette P.O. Box 1000,
Minneapolis, MN 55480-1000
Telephone: 341-5674 Fax: 373-6815

- 1) Please give a brief history of your organization's mortgage loan programs. In particular, please convey the history of organizational work with low-income homeowner loans:

Marquette Bank merged with First Bank in 1992. First Bank received the loan portfolio in low income housing. We has started (at Marquette Bank) in Sept. 1990 with Tier I and Tier II and had made some thirty-five loans. Where applicants had gone through counseling with one of the four agencies with whom we had contracted.

Now at Marquette Bancshares we are coming out with A "Flexible Program for Low-to-Moderate Income Buyers" for which we hope to get final approval very soon.

The program (see attached brochure) has two parts with part one being for applicants with less than \$38,400 annual income and purchasing a property in ST. Paul or Minneapolis. Part 2 has an income ceiling of \$55,200 and the home can be anywhere in the metro area.

Part 1 will consider loans on houses that need repairs before moving in on a case-by-case basis. Part 2 will not.

- 2) How does your organization define persons or families eligible for low-income loans? Who makes and reviews these policies?

We aim for consistency with the City programs and to be consistent with applicants' housing affordability. We also want to meet our CRA objectives. To meet these goals we have a meeting monthly with the V.P. of all Mortgaging, myself and the Senior V.P. of Retail Banking to review progress.

- 3) Please assist us in compiling the criteria used by low-income homeowner loan administrators by providing the guidelines your organization uses to review applicants.

A. Income Criteria (Sources of income counted, income ratios applied, validation procedures used, etc.)

We will look beyond traditional sources to any income we can document. We will look for a housing expense of no more than 33% of gross income.

B. Debt, Obligation Criteria (As above)

We have a lot of flexibility here. We are not selling the portfolio to the secondary market, and we want the emphasis to be on MAKING the loan. We will look for about 38 to 40% maximum debt payment.

See brochure, on file, for additional information.

C. Stability Indicators (Job tenure, Residency history, Letters of reference, etc.)

We want a credit history of one year, and we will look at utility payments, rent, etc. to augment this history.

D. Credit History Criteria (Credit checks used, allowable "lates" and lapses, length of required history, etc.)

If an applicant has had a bankruptcy, but shown an ability to recover and make payments for one year he/she can be eligible.

We will look at each individual situation, particularly if illness, divorce, or job loss has caused credit problems. We have no magic number of late payments that would prohibit the loan.

Again, we want to be as inclusive as possible.

E. Other Criteria, Guidelines, Required Information, Supplementary Informations, Desired Attributes, etc.)

We want our applicants to have experienced some form of counseling with ACORN, Anoka County Community Action Program, Northside Residents Redevelopment Council, or Family Services of St. Paul. It could be as little as two hours of one-on-one

CURA LOW-INCOME HOMEOWNER PROFILES PROJECT

Organization: Investors Mortgage

Survey Respondent: David G. Ruesink
Position: Asst. V.P. Secondary Marketing
Address: 200 East Lake Street Wayzata, MN 55391
Telephone: 475-8775 Fax: na

- 1) Please give a brief history of your organization's mortgage loan programs. In particular, please convey the history of organizational work with low-income homeowner loans:

We started in 1983 with the FHA/VA programs and we have participated in the County and State bond programs for the last six years.

Two years ago we Started offering the Fannie Mae Community Homebuyers program and the first of this year we began participating in the 3/2 program.

By income:	% of area median	#loans	1/1/92--12/31/92 % of total
	0-50	351	3.9
	51-80	1,423	15.8
	81-115	2,209	24.6

As you can see, almost 20% of our total first mortgage loans are to applicants under 80% of the area median income. This is a conservative figure because some of our low income refinance applicants don't report income and thus get put in the highest income category.

- 2) How does your organization define persons or families eligible for low-income loans? Who makes and reviews these policies?

We participate in all MHFA programs and use their guidelines.

We also use the Fannie Mae Community Homebuyers guidelines.

We make many conventional and adjustable rate mortgages to low income applicants using the standard mortgage loan guidelines.

Our chief underwriter makes our policies.

- 3) Please assist us in compiling the criteria used by low-

income homeowner loan administrators by providing the guidelines your organization uses to review applicants.

A. Income Criteria (Sources of income counted, income ratios applied, validation procedures used, etc.)

Fannie Mae CHOP guidelines are that housing payment should not exceed 33% of gross income.

Right now an applicant might do better with a 2/1 ARM for example:

Applicant with Annual \$28k income using standard 28% ratio would qualify for \$653 a month payment. This would translate to about a \$95,000 mortgage or, with \$5,000 downpayment a one hundred thousand dollar home.. There are no points and a life cap of 11 and 1/2%, 2% annual cap. Paying 5 and 1/2% for two years guaranteed would sometimes actually be a better deal for the applicant than the Fannie Mae program. You have to look at the specific numbers for each applicant to "diagnose" his or her best mortgage product.

B. Debt, Obligation Criteria (As above)

Fannie Mae the maximum obligation is 38% of the applicant's gross income. Standard products are 36%.

Fannie Mae/ Freddie Mac loans have to meet their underwriting guidelines which are considerable.

Our own adjustable rate products will be kept in our portfolio and we have considerably more leeway. We can use our common sense. Sometimes the applicant doesn't have enough documentation to satisfy FMFM (Fan.Mae/Fre.Mc) but we feel we have enough to make a quality (not risky) loan.

Sometimes we can see that, for example, a wife might soon go back to work and we factor that prospective income into our decision.

C. Stability Indicators (Job tenure, Residency history, Letters of reference, etc.)

Standard.

D. Credit History Criteria (Credit checks used, allowable "lates" and lapses, length of required history, etc.)

FMFM Standard.

Again, in the loans we keep in our own portfolio, we will look at each individual situation.

Sometimes we see that the applicant's history of rental payment is good at OVER the amount of the mortgage payments. Obviously, that may offset other negative factors when we can use our own judgement.

E. Other Criteria, Guidelines, Required Information, Supplementary Informations, Desired Attributes, etc.)

Any Fannie Mae Community Homebuyer applicant must undergo the Home Study Course (on file) which entails reading the handbook, creating a budget, and mapping out emergency plans. The bank issues the applicant a certificate of completion. Other than this, no.

- 4) How does your organization solicit or receive low-income loan applications? Please note referring organizations, advertising media, public meetings and agencies, and telephone book placement, if they apply, as well as any other sources.

Erin Ryan mails out information to community associations and we had 80 first time home buyer seminars last year. All our loan officers market our programs (60 loan offices) and we talk to citizen's groups and realtors on a formal and semiformal basis.

- 5) How does your organization inform potential applicants of the procedure they will experience? What assistance do applicants receive, if any, in completing the procedure?

We have face to face interviews in which our staff really fill out all necessary paperwork and explain all terms and conditions. The Homebuyers' Course also give those applicants additional assistance.

So far, we haven't needed language assistance.

- 6) What is the average time lapse between first contact with an applicant and decision communication?

4-6 weeks (Purchases, not refinance.)

- 7) What assessment procedures does your organization use to refine and review the low-income loan program in place? In particular, please tell us methods you use to follow applicants after granting a loan, interventions you pursue should successful applicants experience difficulties, and loan criteria review procedures.

Our chief underwriter takes a second look at all our procedures regularly.

We have the standard late notices procedure and at 45 days we try to make a "workout" plan. Sometimes we recommend credit counseling from a HUD approved counseling agency.

- 8) Please share your organization's knowledge of successful low-income home ownership program design, financial criteria, applicant attributes, follow-up or assessment methodology, and delinquency interventions.

I really can't say anything specific about low income mortgages because we treat them just the same as all our customers. Also, the loans are not categorized by income to look at the specific performance of lower income loans. Senior management to support the program and make policies. Our total portfolio has a delinquency of less than 2 and 1/2%

As far as I know there is no tracking of the Fannie Mae Community HomeBuyer loans.

The only time we find out whether we made a mistake is as foreclosure approaches one of our committees review the specific loan.

- 9) Please furnish us with typical forms the applicant completes, the loan processors use, and the successful and unsuccessful applicant receives upon determination.

ARM mortgage applications available on request.

Fannie Mae forms on file.

Adverse Action on file.

All applicant's are notified by phone as well as form.

- 11) Please communicate problems, successes, critical information, or opinions not covered in this survey.

We do a second review of ALL rejections.

We really make loans to individuals and we try to offer many products to "fit" more people. (See Community Reinvestment Act Statement on file for all product descriptions, program participations.)

CURA LOW-INCOME HOMEOWNER PROFILES PROJECT

Organization: TCF Mortgage Corp.

Survey Respondent: Loreen Engebretson
Position: Special Projects Manager
Address: 801 Marquette Ave. Minneapolis, MN 55402
Telephone: 370-2674 Fax: na

- 1) Please give a brief history of your organization's mortgage loan programs. In particular, please convey the history of organizational work with low-income homeowner loans:

In 1984 we became a mortgage entity. We have participated in FHA/VA, city and state bond programs from that time. In 1990 TCF piloted the CRAIP program in order to help low income households have more access to mortgage funds.

In conjunction with ACORN, we implemented the HOPE program in 1990 with very low entry costs for households at 80% or below the area median.

We are also in partnership with Damascus on a lease/purchase program. Damascus buys HUD homes at a discount and rehabs them. They take out interim financing with FirstStar or MHFA. Then when they find a family to buy a home they do a 30 year loan with TCF. Damascus enters a Contract for Deed situation for various terms (max. 5 years) with the applicant. The applicant can save the downpayment for the period and do loan counseling, if needed. Then the applicant will fulfill the terms and become first mortgagor at the end of the period.

- 2) How does your organization define persons or families eligible for low-income loans? Who makes and reviews these policies?

FHA/VA standard criteria.

HOPE program at 80% of area median.

MHFA programs guidelines.

Damascus program is maximum of 115% of area median, but most applicants are under 60%. People with under 80% of area median income receive additional assistance from Family housing Fund.

3) Please assist us in compiling the criteria used by low-income homeowner loan administrators by providing the guidelines your organization uses to review applicants.

A. Income Criteria (Sources of income counted, income ratios applied, validation procedures used, etc.)

Standard ratios (28% max for housing payment) on Fannie Mae. Bond programs specify their requirements.

HOPE program has a 33% max housing payment to gross income. Standard sources.

B. Debt, Obligation Criteria (As above)

We look at many risk factors in their payment history, but we look especially closely at their housing payment (usually rent) history.

C. Stability Indicators (Job tenure, Residency history, Letters of reference, etc.)

We aren't concerned if the applicant has a variety of jobs if their income is relatively stable.

D. Credit History Criteria (Credit checks used, allowable "lates" and lapses, length of required history, etc.)

We use CSC for credit reports.

Government programs have criteria, but we have some leeway.

Many of our applicants for the special programs have had loan counseling.

We have no rigid rules but look at what we can do with each applicant under the guidelines of the different programs we have to offer.

E. Other Criteria, Guidelines, Required Information, Supplementary Informations, Desired Attributes, etc.)

No. Counseling as noted above.

- 4) How does your organization solicit or receive low-income loan applications? Please note referring organizations, advertising media, public meetings and agencies, and telephone book placement, if they apply, as well as any other sources.

Articles in the four NHS news organs. Articles in the minority newspapers. We attend all housing fairs. Mailings to area Realtors. We have Community Homebuyer's Seminars scheduled regularly. (See files for specifics.)

- 5) How does your organization inform potential applicants of the procedure they will experience? What assistance do applicants receive, if any, in completing the procedure?

Credit and Loan counseling agencies inform their participants about the whole process, as do our seminars.

Applicants are informed as to the decision by mail, phone calls, by counseling agencies. In addition to the form that goes to those who have been turned down we recently began sending a letter (see attached) outlining alternative measure the applicant can take.

- 6) What is the average time lapse between first contact with an applicant and decision communication?

Average 30 to 45 days, right now (mortgage crunch/refinance wave) 60 days.

- 7) What assessment procedures does your organization use to refine and review the low-income loan program in place? In particular, please tell us methods you use to follow applicants after granting a loan, interventions you pursue should successful applicants experience difficulties, and loan criteria review procedures.

We review our products with funding and counseling organizations. We want to assess whether the products are meeting the needs of the applicants.

We need to assess applicant performance to see if training is being effective.

Committees review our procedures and then recommend

improvements, for example reducing the amount of time an applicant must document their cash on hand.

- 8) Please share your organization's knowledge of successful low-income home ownership program design, financial criteria, applicant attributes, follow-up or assessment methodology, and delinquency interventions.

Be creative and experimental Try things. Go out into the community and see what the needs are.

- 9) Please furnish us with typical forms the applicant completes, the loan processors use, and the successful and unsuccessful applicant receives upon determination.

Standard product forms. Other forms available on request.

- 11) Please communicate problems, successes, critical information, or opinions not covered in this survey.

Perhaps each lending organization should become specialists in one program or area, instead of everyone doing everything. Their added expertise in that area would improve their effectiveness and reduce the confusion the customer feels over which organization does what.

CURA LOW-INCOME HOMEOWNER PROFILES PROJECT

Organization: Norwest Banks Minnesota, N.A.

Survey Respondent: Donald A. Williams
Position: Community Mortgage Loan Representative
Address: 3030 Nicollet Ave. Minneapolis, MN 55479
Telephone: 667-1716
Fax: 667-1733

- 1) Please give a brief history of your organization's mortgage loan programs. In particular, please convey the history of organizational work with low-income homeowner loans:

We started the CHOP (Community Homeownership Program) in 1990. In 1991 we started participating in the FHA Section 203k program which gives applicants access to single loans that cover both the purchase and rehabilitation of a home.

We are partners with the counseling organizations in the CHOP program. (Note: We have brochure with total history of Norwest Home Loan Programs. Included are the demographics of successful mortgagors.)

- 2) How does your organization define persons or families eligible for low-income loans? Who makes and reviews these policies?

FHA/VA standard criteria.

CHOP program at 80% of area median.

Middle Income Housing Program (Fannie Mae/MCDA/SPDPE) up to \$89,250.

These home must be in specific, targeted areas.

- 3) Please assist us in compiling the criteria used by low-income homeowner loan administrators by providing the guidelines your organization uses to review applicants.

A. Income Criteria (Sources of income counted, income ratios applied, validation procedures used, etc.)

All sources of income are included even teenagers in the family that work and can provide income.. If income is from

a fixed source then ratio falls from the CHOP 38% maximum housing payment to gross income to 34% to account for problems of inflation on fixed income.

There are also slightly more restrictive income ratios for those having a loan for their downpayment.

B. Debt, Obligation Criteria (As above)

CHOP program 38% debt to income ratio. (More generous than FHA.)

C. Stability Indicators (Job tenure, Residency history, Letters of reference, etc.)

We have relaxed requirements of two years of residency history and one year of employment history.

D. Credit History Criteria (Credit checks used, allowable "lates" and lapses, length of required history, etc.)

We can accept applicant's with bankruptcy after one year of they have discharged their obligations.

Many of our applicants have worked to clean up their credit history with the help of the counseling organizations.

E. Other Criteria, Guidelines, Required Information, Supplementary Informations, Desired Attributes, etc.)

We give loans for downpayments at the mortgage rate.

4) How does your organization solicit or receive low-income loan applications? Please note referring organizations, advertising media, public meetings and agencies, and telephone book placement, if they apply, as well as any other sources.

Educational sessions. Workshops, Housing Fairs. Neighborhood newspapers. Bank brochures and ads.

We work with area realtors to market our product and of course all of the counseling agencies.

- 5) How does your organization inform potential applicants of the procedure they will experience? What assistance do applicants receive, if any, in completing the procedure?

Workshops and counseling sessions help tremendously in preparing applicants. We have pre-qualifying discussions to see what they can afford.

We fill out the forms one-on-one and the loan originator will even read to them if necessary.

We have translators within the bank for all of the languages we usually find in the community.

- 6) What is the average time lapse between first contact with an applicant and decision communication?

60 days without the workshops 81 days with the workshops.
have) 60 days.

- 7) What assessment procedures does your organization use to refine and review the low-income loan program in place? In particular, please tell us methods you use to follow applicants after granting a loan, interventions you pursue should successful applicants experience difficulties, and loan criteria review procedures.

At first we offered a downpayment GRANT of \$1500.

But we found that that increased delinquency.

We get a monthly report, for example April we have 647 loans for \$33,200,000 with delinquency in terms of 30/60/90/120 days.

We sent people in trouble to the Mortgage Foreclosure Prevention Program but the funds ran out. We do recommend credit counseling and budgeting courses.

- 8) Please share your organization's knowledge of successful low-income home ownership program design, financial criteria, applicant attributes, follow-up or assessment methodology, and delinquency interventions.

We need creativity in financing. It is hard for low income people to come up with a downpayment, so LOANS help (not grants) more people participate.

Pre-purchase counseling is important, training in home maintenance areas, good investments (versus unwise) in home improvements, and general home management training.

We also found the Mortgage Foreclosure Program helpful when it had funds.

- 9) Please furnish us with typical forms the applicant completes, the loan processors use, and the successful and unsuccessful applicant receives upon determination.

Forms on file.

- 11) Please communicate problems, successes, critical information, or opinions not covered in this survey.

Covered everything in other questions.

CURA LOW-INCOME HOMEOWNER PROFILES PROJECT

Organization: FBS Mortgage Corporation

Survey Respondent: Gary Beatty
Position: Manager of Community Lending Department
Address: 16 Ninth Ave. North Hopkins, MN 55343
Telephone: 936-2764 Fax: na

- 1) Please give a brief history of your organization's mortgage loan programs. In particular, please convey the history of organizational work with low-income homeowner loans:

FBS had always been in the FHA/VA and government bond programs. We started participating in the Fannie Mae Community Homebuyer program in 1991. At this time, FBS was reorganizing and we are now responsible for offering the mortgage products of the bank. FBS Mortgage must be involved with the CRA requirement for the bank.

We began by working with the community agencies such as SPEAC, Acorn, Northside Redevelopment, etc. In April, 1992, we jointly designed the Loan Resource Program (Lending Options for All Neighborhoods) and the Home Advantage Product. We made our first Home Advantage loan in July.

Through our community partnership we have made 48 loans (end of March) and have fifty more in the pipeline. Of course, we have many other products that we also offer to low and moderate income applicants that we don't keep track of separately in this department.

- 2) How does your organization define persons or families eligible for low-income loans? Who makes and reviews these policies?

We have no upper limit. We really would like each community to have economic diversity in the area. Restricting mortgage loans to lower income people restricts the neighborhood. The community agencies do pose some regional boundaries for their loans because of their specific missions.

At FBS three people make policy in this area; myself, the V.P. of Marketing, and the President of FBS Mortgage.

- 3) Please assist us in compiling the criteria used by low-

income homeowner loan administrators by providing the guidelines your organization uses to review applicants.

A. Income Criteria (Sources of income counted, income ratios applied, validation procedures used, etc.)

We have many products to offer. Some of them have guidelines you will already be familiar with.

Bond programs-set by program CRAIP-set by program

MHFA First Time Homebuyer-set by program Community Homeowner

203K-set by program FHA/VA-set Capital Reserve

We do standard validation of applicants. In our own program, as mentioned above, we don't have income limits.

The specific applicant should not have a house payment of more than 31% of his/her gross monthly income.
(See brochure, on file.)

On the other hand our loan officers , while having a base salary, also have special incentive to close low to moderate income mortgage loans.

B. Debt, Obligation Criteria (As above)

We do a three credit merge from three repositories to do a quicker credit check process.

We look for long term debt of 41% or under of the applicant's gross income.

See attached brochure for additional information.

C. Stability Indicators (Job tenure, Residency history, Letters of reference, etc.)

We prefer a "family" or household that has been together for awhile if two or more incomes are being used to qualify.

We would like a borrower to be in a permanent position, but we consider their cash flow. If they show a history of being employed we can look at the history and average the income.

We look at the last twelve months of residency, if it is in the applicant's favor we will look at more to augment credit history of ability to meet housing payments.

D. Credit History Criteria (Credit checks used, allowable "lates" and lapses, length of required history, etc.)

If an applicant has had a bankruptcy we like two years to have passed since its discharge. But if there are extenuating circumstances one year.

We really depend on the counselors--they have been working with the people for sometimes 6 to 12 months. That shows a serious commitment to clearing up any financial problems. The loan officer considers that.

Also, we listen to the reasons for problems. If problems are caused by an isolated event (sickness, job loss, divorce) they can show that that event is not a part of their current life.

We have no length of credit history an applicant has to show.

E. Other Criteria, Guidelines, Required Information, Supplementary Informations, Desired Attributes, etc.)

Counseling for special products, (See brochures.)

- 4) How does your organization solicit or receive low-income loan applications? Please note referring organizations, advertising media, public meetings and agencies, and telephone book placement, if they apply, as well as any other sources.

Note our signs around churches showing partnership with SPEAC. (we have copy on file.)

We also send flyers to churches and we advertise in neighborhood papers. Word of mouth is probably our best advertisement.

We do a series of Home Buyer Workshops throughout the year. (See schedule.) We locate these workshops in the different neighborhoods.

- 5) How does your organization inform potential applicants of the procedure they will experience? What assistance do applicants receive, if any, in completing the procedure?

Both counseling agencies and loan officers help applicants through the process. Most people go through at least a three day course designed to explain almost every step of the process and then have one on one time with their counselor and the loan officer.

- 6) What is the average time lapse between first contact with an applicant and decision communication?

The mortgage plus the rehab estimates take about 90 days.

- 7) What assessment procedures does your organization use to refine and review the low-income loan program in place? In particular, please tell us methods you use to follow applicants after granting a loan, interventions you pursue should successful applicants experience difficulties, and loan criteria review procedures.

The program is too young to have a lot to assess.

We have a special collections person to work with these loan holders if they run into problems making payments.

We have quarterly reviews with each community partner to review our products, the process, our relationship, and to analyze if we need to take any action.

- 8) Please share your organization's knowledge of successful low-income home ownership program design, financial criteria, applicant attributes, follow-up or assessment methodology, and delinquency interventions.

You have to listen to the needs of the community.

The community organization understands the problems and have enough knowledge and background to understand banking parameters.

It is also very important to have management that encourages and supports experiments to improve access and effectiveness of programs. (FBS has a Foundation to help.)

We need to make people educated consumers. They need to recognize housing value and to understand different economic environments have different impacts.

- 9) Please furnish us with typical forms the applicant

completes, the loan processors use, and the successful and unsuccessful applicant receives upon determination.

Standard forms.
Available on request.

- 11) Please communicate problems, successes, critical information, or opinions not covered in this survey.

It is vital to put people with low cash reserves into homes in good conditions.

We like to work with people before they have chosen a specific property.

We need to educate consumers, but we also need to provide products that fit different economic status.

Our goal is to expand the parameters. We hope to eventually sell our portfolio to Fannie Mae/Freddie Mac, and to get them to buy off on our program. Then the amount of money available essentially will become unlimited.