

**NEIGHBORHOOD REINVESTMENT CORPORATION,
THE NEIGHBORWORKS® NETWORK AND
THE NEIGHBORWORKS® CAMPAIGN FOR HOME OWNERSHIP 2002**

Neighborhood Reinvestment Corporation was established by an act of Congress in 1978 (Public Law 95-557). A primary objective of the Corporation is to increase the capacity of local community-based organizations to revitalize their communities, particularly by expanding and improving housing opportunities.

These local organizations, known as NeighborWorks® organizations, are independent, resident-led, non-profit partnerships that include business leaders and government officials. All together they make up the NeighborWorks® network.

The NeighborWorks® Campaign for Home Ownership 2002 is the largest national initiative of its kind: a joint effort by private industry and government working with community-based NeighborWorks® organizations to bring more families into home ownership. NeighborWorks® organizations participating in the campaign use the NeighborWorks® Full-Cycle LendingSM system. Under this system, prepurchase education, innovative loan products and early-intervention delinquency counseling are combined into a system that helps create successful homebuyers who take charge of their neighborhoods as well as their homes.

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Metropolitan Life Foundation

Sibyl Jacobson, President and CEO

Winning Strategies represents the best work of the NeighborWorks® organizations and many partnering organizations whose work is included here. We appreciate the time they devoted to sharing their successes.

Neighborhood Reinvestment Corporation staff who contributed their expertise and time to this project include Ellen Lazar, Executive Director; Clarence Snuggs, Deputy Executive Director/Treasurer; Steve Tummaro, Director, External Affairs; John Leonard, Manager, Communications; and the entire External Affairs staff; Margo Kelly, Deputy Executive Director for Field Operations; Ken Wade, Manager, National Initiatives; Marty Gruer, Management Consultant, Single Family, and the entire Single Family Practice Group.

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*This publication is dedicated to the memory of Alison Thresher,
whose work researching and describing the success of the NeighborWorks® network
over the past seven years added immeasurably to this any many other projects.*

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The Campaign also receives support from hundreds of local private- and public-sector partners.

Partners' support for the NeighborWorks® Campaign for HomeOwnership 2002 includes **operating support** for office space, staff, supplies and equipment; **capital** for NeighborWorks® organizations' revolving loan funds, which Neighborhood Housing Services of America, the NeighborWorks® secondary market, can purchase so that the funds can be re-loaned in their target communities; and **leadership** through volunteer service on local NeighborWorks® organizations' boards of directors, committees and special projects.

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Introduction

The NeighborWorks® Campaign for Home Ownership 2002, in creating a framework for expanding NeighborWorks® organizations' work with first-time homeowners, has also had the positive outcome of pooling the collective talent and creativity within the network of those organizations. The Campaign has given dedicated people who are the wellspring of local organizations' talent a chance to come together, share their wisdom and be inspired by their colleagues' ideas.

These Winning Strategies are a natural response to the enthusiasm and collective thought expressed through the Campaign. Documenting these strategies as case studies has been an important piece of the Campaign's work, in part because these written reports can disperse accounts of successful models to distant locales and a range of audiences. The objectives in publishing the Winning Strategies have been:

1. To describe and record in a straightforward way NeighborWorks® organizations' innovative approaches to helping families overcome barriers to home ownership;
2. To illustrate how NeighborWorks® organizations are implementing the comprehensive approach to home ownership called Full Cycle LendingSM, itself formalized under the aegis of the Campaign; and
3. To offer NeighborWorks® organizations and others interested in home-ownership promotion a way to learn from and perhaps replicate existing work in the field.

The Case for Home Ownership

Expanding opportunities for people to become homeowners is an important national policy objective. Home ownership, a metaphor for financial and family security, is an umbrella that shelters families in times of uncertainty or need. Of equal importance, home ownership is stabilizing — bringing assets, security and long-term economic and social benefits to families as well as neighborhoods. When home ownership wanes, the neighborhood often declines. Conversely, when home ownership is on the rise, the number of families with a stake in improving and preserving the neighborhood increases as well.

These intertwined systems of benefits, for families and for neighborhoods, provide a context for the work of expanding home-ownership opportunities. Home ownership gives families choices. Families choose to invest in a house. They choose responsibility, a willingness to show they have the wherewithal to own and maintain a home. That personal choice is linked to choice of place. For families of modest means and perhaps without a tradition of ownership, these choices are significant and may lead to one of the most important investments a family can make — investment in a home.

The actual work of home-ownership promotion is to help families make that choice successfully, to their benefit and the benefit of the neighborhood. This involves acquainting families with and educating them about home-purchase opportunities. It involves bringing flexible financing products to the table, to put home ownership within reach of families held back by barriers. It means helping families after purchase, by teaching maintenance skills and the money-management skills needed to preserve and keep their properties. Finally, this work requires an ability to think creatively, to envision holistic strategies to protect homebuyers' individual choices and encourage other investments, helping to add rings to the growing tree that is a neighborhood.

Campaign for Home Ownership 2002

The NeighborWorks® Campaign for Home Ownership 2002, an aggressive five-year initiative, is a joint effort of banks, insurance companies, secondary markets, government, the real estate community and others working locally with NeighborWorks® organizations. Nationwide, more than 130 NeighborWorks®

organizations in the Campaign will educate 270,000 families, create 40,000 new homebuyers and generate \$2.9 billion of investment in modest-income communities nationwide by the end of 2002.

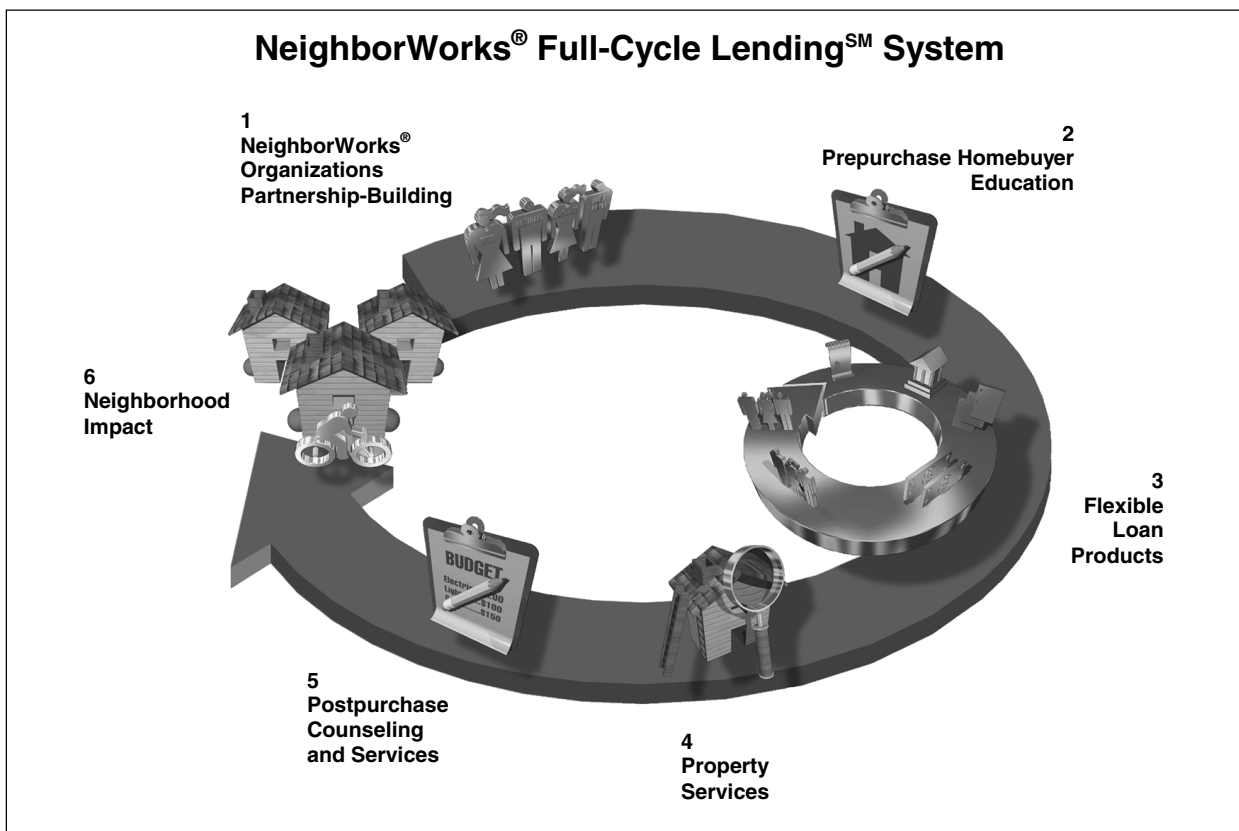
Patterns at Work

Some Winning Strategies are simple, others complex. Viewed individually, each Winning Strategy tells a story of innovation. Each sprang from one organization's thinking, brainstorming and persisting: each is an evolved approach to a particular challenge, whether it be connecting to customers, educating buyers or providing flexible financing.

Taken as a whole, the Winning Strategies evidence some fundamental principles that are critical to success. The first of these is partnership. They show how NeighborWorks® organizations are forming partnerships that make home-ownership opportunity the concern of a range of heretofore unlikely partners — churches, hospitals, financial institutions and municipal governments.

The second theme is recognition that overcoming barriers to home ownership for modest-income, often first-generation homeowners requires a comprehensive approach. This approach, NeighborWorks® Full-Cycle LendingSM, is a system of borrowing as well as lending that takes seriously lower-income homebuyers' needs and barriers as they face achieving home ownership.

Full-Cycle LendingSM is a systematic approach to home ownership for families of modest means and a way of promoting home ownership for neighborhood leaders and their partners in business and government. Full Cycle LendingSM recognizes that home ownership is more than a one-time financing transaction: it is a process of homebuyer education, flexible financing and follow-up, in the form of postpurchase counseling. Full-Cycle LendingSM is strategically planned to create positive outcomes for neighborhoods. For financial institutions, secondary markets, insurers and municipal governments — all of whom seek to invest in new homebuyers and communities — Full-Cycle LendingSM serves as a credit enhancement.



Section 1 Partnership-Building

Case Studies in this Section:

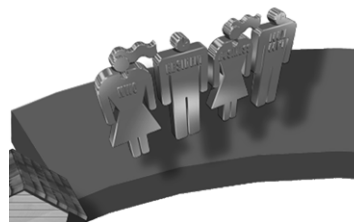
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Section 1. Partnership-Building

**1
NeighborWorks®
Organization
Partnership-Building**

The Winning Strategies in this section describe NeighborWorks® partnerships developed to help reach and serve a customer base.

The NeighborWorks® Campaign for Home Ownership 2002 partners with corporations, foundations, public agencies, other nonprofits and citizens to invest in and support NeighborWorks® organizations and HomeOwnership Centers. These partnerships enable the Campaign to provide capacity-building and training for local NeighborWorks® organizations, social investments through Neighborhood Housing Services of America, Individual Development Accounts and economic-literacy training for community residents, and foreclosure intervention in NeighborWorks® neighborhoods. Campaign partnerships enable community-revitalization goals to be met as well, opening new business opportunities and enhancing success in existing markets. Such partnerships on the local, regional and national levels have been made with insurance and financial institutions, retail corporations, foundations, local businesses, utilities, public agencies and others.



Some examples: In Chattanooga and New Haven, NeighborWorks® organizations have worked with hospitals to reach potential homebuyers among hospital employees. In New York City, NHS of New York City worked with multiple partners to create the first NeighborWorks® Home Ownership Center, a one-stop shop where customers can get information about credit, loans, insurance and property rehabilitation. NeighborWorks® organizations in Salisbury, Maryland, and Ithaca, New York, have linked with partners who can help supply and coordinate volunteers. Experiences of NHS of Santa Fe and NHS of Rochester show how partnership with local religious communities can help reach customers.

Because real estate brokers and agents play an important role in the home-ownership process, NeighborWorks® organizations have developed special relationships with them. In Lafayette, Indiana, and Baltimore, Maryland, NeighborWorks® organizations have made the real estate community more aware of NeighborWorks® counseling and financing assistance. In Milwaukee, the NHS developed a homebuyer guide, with the real estate community's support, to help buyers who have had homebuyer education find a home to buy.

Allentown NHS Partnership With State Utility

OUTCOME: Allentown Neighborhood Housing Services (NHS) and the City of Allentown received a \$200,000 grant from Pennsylvania Power and Light (PP&L) to create the Community Partnership Program, which subsidizes down-payment and closing costs for individuals buying homes in a designated city of Allentown area. This program is a good example of how a public utility can invest in home ownership.



BACKGROUND

Like many public utilities, PP&L has a grant-making program for local communities. When PP&L issued a request for proposals, the City of Allentown Redevelopment Authority, in partnership with Allentown NHS, responded with a home ownership program proposal. Allentown NHS administers the program.

COMPONENTS

1. Grants for Low-Income Homebuyers

The Community Partnership Program awards down-payment and closing-cost assistance grants to individuals earning less than 80 percent of area median income, as set by HUD.

Borrowers must contribute at least 3 percent of the purchase price, or a minimum of \$1,300 plus a non-refundable \$300 application fee to NHS. None of these funds can be in the form of a gift but must come from a source that demonstrates a payment pattern of at least 90 days.

2. Qualification

Borrowers must have an acceptable credit history. If an applicant has insufficient credit history, nontraditional sources of credit, such as rent or utility bill payments, can be used to evaluate the loan application.

The applicant must verify that he or she has been employed for at least two years or has some other form of stable income. Qualifying income will include base earnings plus an average of overtime, bonus, or commission income verified by employment history and tax returns. Self-employed applicants must be self-employed for at least two years.

Based on income eligibility and verification of employment income and credit history, and upon approval into the program, each applicant is given a conditional letter of acceptance. The applicant must then find a house — in the target area — within 90 days, either by contacting a Realtor or finding a home on their own.

3. Loan Product

After an applicant chooses a house, NHS accompanies the applicant to one of two participating lenders, PNC Bank and CoreStates Bank.

Both lenders offer fixed, 30-year mortgages, with a maximum loan to value ratio of 100 percent. Private mortgage insurance is not required.

4. Homebuyer Education

All applicants must attend the Home Ownership Counseling Program coordinated by the Community Action Committee of Lehigh Valley. This program also is offered in partnership with Allentown NHS.

RESULTS

In the program's first six months, 13 homebuyers received down payment and closing cost assistance. The city Redevelopment Authority set an objective of assisting 60 homebuyers over a two-year period.

LESSONS

1. Customer Base

Public utilities have a vested interest in supporting home ownership in older, core neighborhoods. In Allentown, the Community Partnership Program helps PP&L ensure that these neighborhoods maintain population and, in turn, a customer base into the future.

2. Concentrated Effects

Because use of the Community Partnership Program is restricted to home purchase in some of Allentown's older declining neighborhoods, the impact of home ownership and rehabilitation will be more noticeable. Buyers who qualify for this program can also use some of the city's other programs for purchase and purchase-rehabilitation, helping to leverage their potential impact.

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NHS of Baltimore Real Estate Partners

OUTCOME: By working in partnership with Neighborhood Housing Services (NHS) of Baltimore, real estate agents have been able to bring more customers into NHS neighborhoods, to look at and to buy listed homes.



BACKGROUND

NHS of Baltimore, a large organization with one central office and four neighborhood-based offices, works in the City of Baltimore and Baltimore County.

COMPONENTS

1. Using Agents' Expertise

NHS seeks guidance from agents in communicating with the real estate community and potential buyers. NHS is serious about learning from the real estate community. A partner in a large real-estate agency is on the NHS board of trustees. In Patterson Park, NHS uses an advisory group of six agents. NHS also refers potential buyers from its homebuyer education program to these agents when buyers are ready to look for a home.

2. Explaining NHS Products

NHS tries to educate real estate agents about special loan products and about matching these products with potential buyers.

NHS offers first mortgages with lower down payments, which also cover property rehabilitation. Other financing tools include low-interest or deferred second mortgages and closing cost loans. In the Greater Hillendale neighborhood, NHS is conducting a special pilot project offering income tax credit for owner-occupant buyers.

NHS staff in Irvington, Patterson Park and Greater Hillendale try to keep agents abreast of

special programs through visits to agencies and direct mail. Patterson Park maintains a database of about 200 agents, and does regular, brief mailings about special financing and other services.

3. Extending Referrals

When customers have had homebuyer education and are ready to buy, NHS refers them back to the real estate agent who sent them.

4. Benefiting From Agents' Success

NHS recognizes its own interest in helping agents sell houses in NHS neighborhoods. The Irvington, Greater Hillendale and Patterson Park offices research listings in their areas. Irvington compiles listings monthly, with maps, and offers them to NHS customers and others. In Patterson Park, agents can show an NHS "model home" – a typical neighborhood house, rehabilitated to high quality standards — and can leave their neighborhood listings in the model house. Agents may also post their Greater Hillendale listings in that NHS office.

The three offices sponsor neighborhood-wide open houses. In Greater Hillendale, the event is done mid-week for agents; in Irvington and Patterson Park, open houses are on Sundays for potential buyers. NHS staff market the events in the newspaper and in mass mailings to potential buyers.

Patterson Park also organizes a quarterly, neighborhood-wide ad of listings in the weekly *City Paper*. Agents who have listings in Patterson Park are invited to put those listings in the ad for a nominal fee.

Greater Hillendale staff prepare "listing packets" for agents to use in marketing properties in that area. The packets include information about neighborhood covenants, special financing and promotional materials on schools. Patterson Park staff prepare newsletters on their neighborhoods, with profiles of recent homebuyers, which agents can use in promoting their listings.

LESSONS

1. Clarifying NHS Mission

Some Baltimore-area agents assumed that NHS was selling its own properties and making commissions. Steady education has helped agents understand that, unlike some community development corporations, NHS wants agents to continue to sell homes successfully. This helps NHS achieve its mission of neighborhood revitalization.

2. Succinct Communication

NHS staff, realizing that agents don't get paid to read NHS marketing materials, try to make this information brief and to the point. NHS also has learned that one visit or mailing is not enough. Regular communication is key to bringing in new agents and to keeping known agents informed.

3. NHS Rehabilitation Standards

The special financing that NHS offers requires properties to be rehabilitated to NHS standards that work in favor of the buyer and the neighbor-

hood. These standards are designed to ensure that buyers don't end up in a property requiring unaffordable repairs. The aim, overall, is to improve the neighborhood. Meeting these standards adds time to the homebuying process, resulting usually in 90 to 120 days between contract and closing.

4. Inclusiveness Adds Value

NHS staff have found value in involving real estate agents in planning stages of marketing and program development. Agents tend to understand what works in outreach to other agents and to buyers.

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NHS of Boise Corporate Partners in Homebuilding

OUTCOME: Neighborhood Housing Services of Boise, Idaho, recruited corporate sponsors to help construct new housing for low-income, first-time homebuyers.

1
NeighborWorks®
Organization
Partnership-Building



BACKGROUND

NHS of Boise was incorporated in 1982 and serves the city of Boise, Ada County and, starting in 2000, the state of Idaho. NHS of Boise is a NeighborWorks® Full-Cycle LenderSM and provides pre- and postpurchase counseling, affordable financing and house rehabilitation.

NHS of Boise established a plan for corporations to sponsor house raisings for low-income families. The corporate sponsors were asked to provide a majority of the funding for the projects, plus complete most of the planning and construction. The first house raising was completed in conjunction with Albertson's, a large grocery store chain; the second, with Micron Corporation. The main headquarters for both corporations are located in Boise.

COMPONENTS

1. NHS Responsibilities

The house raisings were technically a partnership between NHS of Boise and the sponsoring corporations, but corporate employee-volunteers did a majority of the work. NHS of Boise helped the corporations with initially organizing the projects, and acquired the lots. It was not involved with constructing the projects, but did identify interested homebuyers and provided financing.

2. The Building Lots

An individual donor contributed the lot for the first project. NHS of Boise purchased the second

lot, at a discount. Both homes were built in the same residential neighborhood of Boise, even though it was not a typical neighborhood for NHS of Boise. Because the first lot was donated, and both lots were affordable and in need of development, NHS of Boise decided to purchase the second lot in the same neighborhood.

3. THE FIRST HOUSE RAISING

The executive director of NHS of Boise approached Albertson's with the house-raising proposal. The grocery chain accepted the role of corporate sponsor. Albertson's then used its own architects to create building plans. They met with NHS of Boise to review the program requirements, city building guidelines, corporate work teams and marketing tactics.

Albertson's hired contractors to build the foundation, driveway and sidewalks, install the furnace and air conditioning, and install the electrical and plumbing work. Employee-volunteers then arrived in teams to carry out the remainder of the construction. City inspectors were continuously on site to ensure the work would pass inspection. NHS of Boise hired a professional to lay the floor coverings, but Albertson's employee work teams did everything else, including painting projects, hanging sheet rock and cabinets, erecting fences and landscaping.

4. The Second House Raising

The second project was identical to the first, except for minor modifications in the planning and construction. The primary corporate sponsor was Micron Corporation, but Norwest Foundation also provided financial support. The Norwest Housing Foundation gave \$25,000 to purchase the lumber package, and formed a team of employees to complete painting projects.

The Micron employee work teams did the same types of construction projects as Albertson's work teams. Micron, however, had its own plumbers and electricians, and thus did not need to hire contractors for those services.

Micron solicited support from other businesses in the area and requested donations of building supplies. Local businesses provided appliances, wiring, cables, cabinets, floor coverings and shingles.

Publicity was greater for the second project, because Micron chose to pay for extended coverage to increase community awareness of the company and its involvement in the “affordable housing project.”

5. Selecting Buyers

NHS of Boise loan applicants who were most in need were invited to apply for the program. Interested households were identified, then NHS staff members met to determine which family would be best suited. Appropriate buyers were selected on a case-by-case basis.

6. Financing Package for Buyers

NHS of Boise has a unique purchase-loan package for its customers (see *Winning Strategy* in Flexible Loan Products section). Partnering lenders in Boise have created a funding pool, which allows the NHS to provide a low-interest loan at 100-percent financing, with no private mortgage insurance or recapture-clause requirements. This unique package was available for the families who purchased the corporate-sponsored homes.

7. Program Costs

The only costs for NHS of Boise were purchasing one building lot, plus some modest publicity expenses. NHS staffing expenses for the program were really not substantial. The publicity provided by NHS of Boise consisted of an ad in the local newspaper, thanking the corporations for their enthusiasm, determination and support.

RESULTS

- Two house raisings have been completed, and both houses were sold immediately.
- The sponsors’ employees got so involved in the house raisings that they did extra projects for both properties. Employee-volunteers solicited donations of household items and contributed themselves to help buy needed items. They installed sod, underground sprinklers and fences at each property. At one house,

employees even erected a swing set, planted flowers and hung miniblinds.

- Each participating corporation received an enormous amount of recognition and publicity for sponsoring the house raisings. The public was pleased to see the corporations giving something back to the community, and showed a lot of excitement and support for the program.
- Both houses sold for less than their appraised value. The first house was appraised at \$92,000 and sold for \$60,000. The second was appraised at \$98,000 and sold for \$85,000.
- NHS of Boise in spring 2000 was organizing a third corporate-sponsored house raising for later in the year. Two smaller corporations were uniting to conduct the project. Construction was to begin sometime in fall 2000.

LESSONS LEARNED

- This has been a very successful program, which, remarkably, has not been overly complex. Businesses partnering in this type of project are likely to experience some complications, but there nearly always are steps available to solve them. It is important to not be intimidated by minor complications and use the resources available to solve any program obstacles.
- The most difficult element for NHS of Boise was preparing the homebuyer for the forthcoming surge of attention from the media, the employee-volunteers and the community. Sponsoring employee-volunteers got very passionate about the work they were doing. They often wanted the buyer to fit into a certain role, which was sometimes uncomfortable for the buyer. Workers tended to expect a lot of emotion from the homebuyer, and some workers felt disappointed if the homebuyer was reserved and wanted to avoid attention. The first buyer, in fact, nearly decided against purchasing, due to the publicity the program was receiving. Any organization coordinating a similar program should be careful about balancing these sometimes-conflicting inclinations.

- The executive director of NHS of Boise had a vision for these projects, which is ultimately what made the house raisings so successful. The director did not hesitate to approach corporate offices, and succeeded in selling them on the idea. She also realized the importance of timing, and approached corporations just when they had a special interest in giving back to the community.
- To organize a similar program, it is absolutely necessary to have a clear vision of its opportunities, and to be excited about the project. Enthusiasm is contagious. Corpora-

tions are more likely to accept sponsorship when they can see a project's feasibility and sense the program's excitement.

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Hospital Partnership of Chattanooga Neighborhood Enterprise

OUTCOME: Chattanooga Neighborhood Enterprise (CNE) developed a relationship with a local hospital to help promote home ownership among hospital workers.

1
NeighborWorks®
Organization
Partnership-Building



NEED

Memorial Hospital was a Catholic hospital in the eastern part of Chattanooga, managed by the Sisters of Charity of Nazareth Health Corp. The partnership between CNE and Memorial Hospital evolved at a time when hospital accreditation — vitally important in the competitive health-care industry — had brought new pressures to bear on hospitals.

Without accreditation, hospitals cannot receive Medicare and Medicaid payments, which would severely constrain their potential markets. The Joint Commission on Hospital Accreditation in Chicago sets accreditation standards for, inspects and accredits hospitals.

While the quality of health services and patient care are accreditation's primary focus, hospitals' contributions to quality of life for their employees as well as patients are being looked at and, consequently, expanded. Helping employees buy homes fits squarely within this area.

In addition, nonprofit hospitals that are free from certain tax-paying obligations are increasingly under scrutiny. Efforts hospitals make to benefit local communities, in lieu of paying taxes, become important strategic measures in providing a rationale for non-profit status.

While these are important factors in considering hospital partnerships to promote home ownership, the partnership between CNE and Memorial Hospital developed more serendipitously.

The CNE executive director and the hospital controller met at a high-school football game and began talking about a possible partnership. Out of this, an innovative and effective approach developed.

COMPONENTS

1. Down-Payment Assistance

The hospital advanced \$400 to employees wanting to buy homes. In neighborhoods with market values averaging in the \$50,000 to \$75,000 range and in combination with special financing from CNE, \$400 can be significant down-payment assistance.

2. Second-Mortgage Funds

Memorial also invested \$50,000 in a second-mortgage loan fund. This money was invested with CNE in an account yielding between 3 percent and 3-7/8 percent. CNE used this money for homebuyer loans, to supplement first-mortgage financing. The program put no income cap on homebuyers, for eligibility, but had different loan limits depending on purchase and rehabilitation costs. For buyers under 50 percent of median income, the loan was up to \$7,500; for buyers in the 50 percent to 80 percent range, the loan limit was \$5,000; for buyers over 80 percent of median income, the limit was \$2,500.

In this scenario, the hospital received repayment of principal and interest but CNE owns the mortgage. Memorial made a grant of \$5,000 to CNE to administer this fund.

3. Outreach

To reach hospital-employees, CNE did a number of outreach activities, including putting an office on site to explain the program and take applications; conducting 45 minute home-ownership orientation sessions; and promoting the program through internal employee publications. To access these special funds, employees had to use CNE.

LESSONS

1. Employers' Obligations

Hospitals exist in a regulatory and political environment. While this is not the same kind of environment in which banks operate, hospitals need to

make efforts to improve employees' quality of life. These circumstances offer a useful way into discussion of assisting home ownership.

2. Reception by Staff

While the hospital controller and its senior administration bought into this partnership fairly easily, the line staff were not sold right away. In fact, the program was perceived more as an intrusion. The hospital president sent an endorsement memo to staff; executive staff attended orientation sessions to show the hospital administration's support. The program requires an ongoing awareness of whether its implementation component is working.

3. Marketing

The hospital did not market the program adequately, though it had initially committed to the marketing piece. CNE, therefore, had to take the lead in educating employees about the program. That is, commitment at the top did not necessarily translate into commitment throughout the organization, requiring CNE to carry out some of the key functions for reaching customers.

With top administrative staff support, the personnel department put information in payroll envelopes. CNE printed, delivered, and distributed flyers in the hospital. Perhaps the best marketing device occurred when a key employee, a hospital vice president's secretary, bought a house.

4. Continued Interest

The hospital was interested in using CNE as a developer and was likely to continue to invest in this program. CNE, for its part, learned about employer-assisted home ownership by running the program and is replicating it with other major Chattanooga employers, mainly private corporations known to CNE through its board.

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NHS of Connecticut Statewide Fund-Raising Partnership

OUTCOME: NeighborWorks® executive directors and insurance-industry leaders in Connecticut created “Neighborhood Housing Services of Connecticut” in the 1980s as a statewide fund-raising vehicle for the state’s local NeighborWorks® organizations. The partnership secures and distributes contributions from participating public and private donors, and also conducts annual campaigns.



BACKGROUND

In the 1970s and early 1980s, Neighborhood Reinvestment Corporation encouraged local NHS partnerships comprised of residents, local government representatives and lenders. Then, a “full-partnership” model was introduced in five cities, including two in Connecticut, that added insurance companies as additional partners. In 1984, NeighborWorks® executive directors in Connecticut decided to apply the “full-partnership” model to the entire state.

First called the “Connecticut Insurance Full Partnership,” the project was later renamed “NHS of Connecticut.” One of the goals of the statewide partnership was to make it easier for insurance companies to support local NeighborWorks® organizations. Participating companies, thus, could write one check, to NHS of Connecticut, that would be distributed proportionately to each participating NeighborWorks® organization. Currently, six local NeighborWorks® organizations participate in the program, covering Connecticut’s five largest cities plus Norwalk and New Britain.

COMPONENTS

Board Members. The executive director of NHS of New Haven is president of NHS of Connecticut. The remaining NeighborWorks®

executive directors and their board presidents comprise the NHS of Connecticut board. NeighborWorks® executive directors hold all board leadership roles (officers).

Distribution of Funds. Neighborhood Housing Services of New Haven is considered the office for NHS of Connecticut. Contributions to NHS of Connecticut are mailed there. The board president is accountable for funds received and deposits contributions into the proper account. The formula for dividing contributions evolved over time. Presently, funds are distributed evenly among participating NeighborWorks® organizations. Donor-designated contributions are also accepted.

Annual Campaign. The annual campaign for NHS of Connecticut consists of proposals from each NeighborWorks® organization, which are sent to the only remaining insurance company in the program, Allstate Insurance Company. Upon receipt of the proposals, Allstate sends a contribution to NHS of Connecticut, which makes the deposit and distributes the funds to each local organization.

Partnership Meetings. Initially, the NHS of Connecticut board met monthly. It then varied the frequency of its meetings, based on need. Meetings were held quarterly, then, more recently, semi-annually or annually. It is the goal of NHS of Connecticut to resume quarterly meetings.

Expanded Goals of NHS of Connecticut. When incorporating, NHS of Connecticut was made a statewide NHS, so NHS services (such as housing development activities and home-ownership education classes) could be available outside local NHS target areas. The founding partners wanted NHS of Connecticut to have a role beyond fund-raising. It was thought important to make rehabilitation and education services available throughout the state.

RESULTS

- During the first years of the program, seven insurance companies contributed. Over time,

the number decreased, until now just one company contributes. Companies left the program for several reasons. Some wanted to focus on a single community; others grew larger and did not feel obligated to help smaller organizations. Many companies changed their focus from housing to health or managed-care issues. Because the Community Reinvestment Act does not apply specifically to insurance companies, companies have not felt obligated to use contributions to NeighborWorks® organizations as evidence of reinvestment in their communities.

- In addition to Allstate Insurance Company, Charter One Bank (formerly Albank) and the Connecticut Housing Finance Authority (CHFA) also support NHS of Connecticut. Charter One Bank donates funds for NeighborWorks® organizations to use in homebuyer-education classes. The Connecticut Housing Finance Authority funds selected organizations for homebuyer education, and also provides additional funds for postpurchase counseling, foreclosure prevention and delinquency counseling. The funds are available to three local organizations in the partnership.
- To date, no attempt has been made to support development projects outside communities participating in NHS of Connecticut. Most NeighborWorks® organizations have felt they simply did not have the time or staff to become involved elsewhere. Another obstacle is NHS of Connecticut's lack of staff or funds to assist with new areas or programs. Additionally, NeighborWorks® staff working for NHS of Connecticut were concerned about possible liability issues.

LESSONS LEARNED

- This program has enormous potential. Despite the decrease in participating donors, NHS of Connecticut board members wish to continue fundraising statewide. The organization is hopeful that the program will continue, but has found it difficult to raise funds without staff.

- An effective, comprehensive fund-raising program needs full-time staff to do outreach, conduct an annual campaign, and communicate with participating companies. This is vital if a program is to succeed. At first, NHS of Connecticut was very successful and received a great deal of recognition. Over time, however, it was not able to produce the desired results, due to lack of staff. Participating executive directors were unable to fill in as NHS of Connecticut staff because of other time commitments. The fund-raising program could be revived, but, unquestionably, a resource-development coordinator would need to be hired.
- NHS of Connecticut needs to seek grant support and find proper funds for its program. In 1998, NHS of Connecticut submitted a grant proposal to Neighborhood Reinvestment for staff, but the funds were denied, because the program did not fit grant guidelines. Connecticut NeighborWorks® directors continue to believe that a good resource-development coordinator could generate enough funds to keep the position funded. Meantime, it is important to identify lasting and appropriate sources of funds. NHS of Connecticut will continue to explore available funding in its attempt to achieve this goal.
- The responsibilities and physical location of a full-time, NHS of Connecticut employee still need to be determined. NHS of Connecticut plans to have its resource-development coordinator approach the larger companies in the state in organizing an annual campaign, and distribute whatever funds are received. The resource-development coordinator could either be based at NHS of New Haven or work alternately at each NeighborWorks® organization in the state.
- NeighborWorks® organizations elsewhere that may be interested in creating such a statewide fund-raising entity need to file complete IRS Form 990s if any income is received, even if it is passed through to local organizations. No matter how ambiguous the status of a statewide NHS may seem, it is essential to be aware of

and follow all appropriate IRS rules and guidelines.

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Fifth Ward CRC Partnership with NBA Team and Fannie Mae Foundation

OUTCOME: Houston's Fifth Ward Community Redevelopment Corporation (CRC) is one of 12 nonprofits selected nationally to be part of the Fannie Mae Foundation's NBA Home Team Partnership. Fifth Ward CRC worked with the Houston Rockets to promote home ownership for low- and moderate-income families and conduct other neighborhood revitalization activities in Houston's Fifth Ward.



BACKGROUND

Fifth Ward is one of Houston's poorest communities, with median income of \$7,600 and about 62 percent of the Ward's population living below poverty level. The majority of the community is African-American, with a growing number of Latinos.

Housing stock is predominantly single-story frame houses, about 40 years old. Fifth Ward CRC has found that it less expensive to build new homes than to rehabilitate existing structures. The organization created a general contracting division, FWC Builders, which hires contractors on a house-by-house basis, with contracting preference given to Fifth Ward residents. FWC Builders also trains young people in construction trades.

COMPONENTS

1. Home Team Application Process

The Fannie Mae Foundation asked the Fifth Ward CRC to apply to the Home Team program. Fifth Ward CRC is in its second year of participation in the Home Team partnership. CRC must reapply to the program yearly.

2. GRANTS

The Foundation made two annual grants of \$75,000 to Fifth Ward CRC, for housing development. In addition, the Rockets made a \$10,000 grant to Fifth Ward CRC.

3. Workdays

Sponsors of the partnership worked as volunteers during workdays that also involved Houston Rocket team members; volunteers from the team staff, the Fannie Mae Foundation and Fifth Ward CRC; and prospective homebuyers. Tasks ranged from painting to landscaping to installing vinyl siding or hanging drywall. Workdays typically had 25 to 35 volunteers. The Fannie Mae Foundation helped organize workdays.

4. Publicity

The Fannie Mae Foundation was responsible for publicizing the partnership, volunteer workdays and related activities, through press releases and media coverage. The Rockets also promoted the partnership at half-time during games, in their team newsletter and by lending their celebrity to Fifth Ward CRC programs.

5. Reporting

Fifth Ward CRC supplied the Fannie Mae Foundation with monthly reports detailing activity in areas such as home purchases, construction and workdays.

6. Technology Donations

The Fannie Mae Foundation donated computers and software, such as Fannie Mae's Desktop Home Counselor, to help Fifth Ward CRC pre-qualify homebuyers.

RESULTS

- The NBA Home Team partnership helped Fifth Ward CRC increase its homebuilding capacity by four to six homes per year. The houses sold for about \$60,000.
- In part because of the Home Team grants, Fifth Ward CRC was able to provide down payment

and closing cost assistance up to \$15,000. After the partnership began, CRC received higher numbers of loan applications, phone calls and walk-in traffic.

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High School Houses of NeighborWorks® Organizations

OUTCOME: Two NeighborWorks organizations — Neighborhood Housing Services (NHS) of Great Falls, Montana, and Pocatello, Idaho — have helped local high schools organize the building of a total of six houses by students.



BACKGROUND

The Pocatello NHS (PNHS) executive director approached the local school district with the proposal that NHS would fund and organize a student building project if the school district would select teachers and students to participate. Although similar projects in the state had been criticized for taking advantage of student labor, NHS's involvement as a nonprofit may have made a difference in Pocatello because the school district was receptive and agreed to the plan.

The Pocatello house was a success and inspiration to Great Falls public school teachers, who traveled to Pocatello to see the house. NHS of Great Falls subsequently went to its school district. Although officials there also were receptive, the program took 1½ years to set up because of complicated scheduling of students and teachers.

COMPONENTS

1. Scheduling of Classes

In Pocatello, teachers met with 12 students from 1 to 4 p.m. This was a more expensive undertaking for the school system than a regular construction technology class because of the small student-teacher ratio. Also, the fact that students would spend an hour of their own time (from 3 to 4 p.m.) automatically eliminated some students.

The Pocatello program also included interior design students, who selected color combi-

nations of paint, tile and carpeting; woodworking students, who built and installed kitchen cabinets; and landscaping students, who designed and installed sprinkler systems and laid sod.

The Great Falls program used a total of four construction technology classes from two high schools and an alternative education high school. In the first year, 50 students participated; in the second year, 66 students were involved. One teacher was at the site all day, another was there for five hours. Students worked at the houses in two-hour stints, five days a week

2. Planning and Design

Because the Great Falls construction technology teachers had had little experience with home building, they joined their students in working with the NHS construction person to understand the house plans. Students and teachers then took those plans to the city building department. Through this process, they had exposure to the processes of reading plans, getting a building permit and seeing what the city requires. Students learned how to lay out a house on a lot, pour a foundation, and do framing techniques.

The Pocatello program used a house designed by NHS of Great Falls. The houses built in Great Falls are 864 square feet, each with a front porch and back deck. The second and third houses had finished basements, which added bedroom space, a family room, bath and laundry. All three Pocatello houses had full basements.

3. Finances

The high school houses in both cities have sold for about \$70,000.

NHS of Great Falls owned the lots, paid for materials and provided second mortgage funds for homebuyers of low and moderate income. The Gannett Foundation awarded NHS of Great Falls \$5,000 that helped underwrite building costs of two of the high school houses and that provided homebuyer financing assistance. Montana Power/Entech Foundation made a \$1,500 grant to the high-school house developments. The Great

Falls school district also used grant funds to provide a construction trailer with tools.

PNHS used a line of credit of about \$60,000 that it receives annually from US Bank. Once the organization paid off the line of credit and land and interest costs, it realized a profit of \$5,000 to \$10,000. Those funds went to operating expenses. PNHS provided financial assistance to buyers of the high-school houses.

PNHS also received:

- A \$10,000 grant from the Ifft Foundation, for tools;
- A construction trailer, from the school district;
- From Idaho State University, student construction interns for the first two houses and a research intern to study the program's long-term impact;
- A grant from United Way to hire an on-site assistant for the second high school house; and
- From U.S. Bank, \$700 for a special luncheon to honor student participants. The bank also planned to report on the PNHS high school houses in its in-house publication.

4. Donations of Materials, Services

Both organizations solicited and received a considerable number of donations for the high-school houses. These came from excavation, concrete, lumber and construction companies. In both cities, contractors showed students how to pour foundations. Builders lent scaffolding. In Pocatello, plumbers help teach their trade to students and did work at cost; in Great Falls, plumbers worked at no cost, using materials that NHS provided. Also in Great Falls, one NHS board member who owns a construction company donated safety goggles for the classes when he saw that students weren't wearing them; another board donated backfill and demonstrated proper compaction to the students.

Overall, the Great Falls high school house classes received contributions from more than 20 organizations. About 10 businesses made donations to the Pocatello program.

With the level of giving that both organizations received, they could pass on savings to buyers of the homes.

5. Labor Union Participation

Unions in both cities endorsed and helped with the classes. Because the construction industry in the state has a labor shortage, unions as well as builders saw the high-school programs as chances to attract apprentices and other employees. Builders in Pocatello noted that NHS was filling an open niche by building \$70,000 homes.

6. Construction Supervision

The NHS of Great Falls construction administrator supervised building of the houses, which had to meet FHA standards (buyers would likely be receiving FHA mortgages).

7. Video Production

NHS of Great Falls did an hour-long, step-by-step video about the high school houses. At the end of the year, students visited the NHS of Great Falls office; watched the video; and discussed with staff how they, as students, fit into NHS home-ownership and neighborhood-revitalization work. NHS of Great Falls also has a seven-minute version of the video to play at the open houses held upon completion of the high school houses, at year's end.

Montana Education Association included the Great Falls project in a public-relations video.

LESSONS

1. Donations

For NHS of Pocatello, the high school houses were a good project for generating financial contributions, in part because people in the community like to see young people doing something positive. For Great Falls, donations provided the subsidy that helped make the houses affordable to families earning 80 percent of median income or less.

2. Celebrating Success

Both organizations emphasized celebrating students' work with groundbreakings; open houses held at the finished houses; in media releases; and in NHS publications. Elected officials, parents, NHS board members and contributors attended

the celebrations. Both PNHS and NHS of Great Falls emphasized the importance of recognizing the groups of students, whose achievements generally are overshadowed by those of school athletes and academic achievers.

3. No Complaints

NHS of Great Falls noted that it did not receive calls or complaints from neighbors, despite the continual presence of 50 teenagers in the neighborhood. The only known complaint came from students, who wished they could have had more hands-on work.

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Great Falls NHS Involvement with Realtors®

OUTCOME: Great Falls NHS has developed a strong connection to local Realtors, dramatically changing both the Realtors' perceptions of NHS and of the neighborhood.

1
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BACKGROUND

In the 1960s, Great Falls was expected to grow from 40,000 to over 100,000 by the 1980s. The residential area to the south of the downtown was predicted to become all commercial. Homeowners in that neighborhood were moving into newly constructed homes on the edge of town, often selling their homes to speculators as rental housing. With lax zoning, auto-body shops and other undesirable businesses began cropping up. The residential area to the north of the downtown began a similar decline.

Then, the growth trend reversed when the Anaconda Copper Company closed its operation, taking 3,500 primary jobs, and Malmstrom Air Force Base lost 1,500 jobs. Anticipated growth of the commercial area into the residential areas was not going to happen. When NHS began its work in these two downtown neighborhoods in 1980, more than 350 houses were boarded up.

COMPONENTS

1. Connecting to Realtors

Like many NeighborWorks organizations, Great Falls NHS was engaged in buying, rehabilitating and selling distressed properties. Early on, the program made a tactical decision to involve Realtors in the sale of those properties rather than sell them without Realtors. While, in the short term, the program would be adding cost to the sales price to compensate for Realtor involvement, over the long term, the neighborhood would be served if Realtors were drawn into working there.

2. Board Membership

As a first step, NHS got a well-respected Realtor to join the board. This Realtor agreed to forego the three percent broker's listing commission, while the three percent seller's commission was retained. Properties were listed and Realtors began to work in the neighborhood.

3. State Housing Finance Agency

NHS then went to the state housing finance agency (HFA) and asked for a set-aside of an initial \$500,000 at 6.78 percent from a mortgage revenue bond payback fund. This set-aside was available only for properties in the target area. At the time, interest rates were double-digit, so availability of this money was an incentive for greater Realtor involvement in the target area. As rates came down, subsequent set-asides were less incentive for new home purchases.

4. Federal Home Loan Bank

NHS then succeeded in obtaining Affordable Housing Program grants of \$100,000 from the Federal Home Loan Bank, which provided up to \$2,500 per homebuyer for down payments and closing costs, along with the 6.78 percent mortgages. This helped to make home purchase more attractive once again in the target neighborhoods.

5. NHS New Construction

Throughout this period, Realtors were becoming more familiar with NHS and more comfortable working in the neighborhood. When NHS began to move forward on a new construction program, it sought input on the kind of homes that should be built from the brokers and owners of the major real estate agencies. NHS also asked for a concession on fees, requesting the brokers forego their three percent commission. The brokers responded positively to this request. Those who agreed to the lower fee signed a form. A list of these real-estate agencies was then given to prospective buyers.

RESULTS

- According to a survey at the inception of this approach, 65 percent of the Realtors in Great Falls indicated the target area was a bad place to do business. Two years later, 60 percent said

it was a fair place to do business. Now 95 percent say it is a very good area to do business.

- Realtors have also become NHS supporters: Each year, about 40 Realtors are involved as volunteers in the program and as contributors to the annual fund drive.
- In terms of neighborhood change, out of the original 350 vacant structures, only 40 buildings still remain vacant. An original vacancy rate of 16 percent in the area has been reduced to 2 percent, and property values have shown steady appreciation.

LESSONS

1. Costs and Benefits

The main lesson in this approach revolved around the tactical decision to involve Realtors in the sale of NHS-assisted properties. There was a cost in this approach since it added a Realtor's commission to the sale price. However, NHS felt that this cost was offset by the benefit of getting Realtors involved in selling the neighborhood instead of having them tell their customers, "You don't want to look there, that's a bad neighborhood."

2. Making the Pitch

Convincing Realtors to lower their fees involved several key selling points. First, over time, NHS convinced Realtors to work in the neighborhood. While originally neither disposed toward NHS nor the neighborhood, Realtors had become familiar with both.

The new construction example illustrates other selling points:

- Realtors were made aware of the specific pieces that were making the new homes affordable. Everyone involved was giving up something — lenders, title companies and the state finance agency were all charging lower fees, plus there was a \$20,000 subsidy from grants.
- NHS had done initial marketing of the homes and had found more than 100 families interested in purchase, providing the Realtors with a significant base of potential customers in a new market.

3. Commitment

Like many others, Realtors also become emotionally caught up in helping NHS customers who are disadvantaged. For instance, buyers of roughly 25 percent of homes in the Great Falls down-payment and subsidy programs have had disabled family members. Helping families like these buy their own homes is a satisfying experience for all involved.

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Ithaca NHS Real Estate Focus Group

OUTCOME: To help boost its home-ownership production, Ithaca Neighborhood Housing Services (INHS) organized a focus group of real estate agents that has been helpful in improving the working relationship between INHS and this local trade group.



BACKGROUND

INHS has been in business for 18 years. Along with administering a variety of housing programs, INHS has helped more than 160 families buy homes. When INHS joined the Campaign for Home Ownership in January of 1995, the organization began to assess its operation and expand relationships staff thought were needed to achieve success in the Campaign. INHS decided to interview local real estate agents, because of their key role in the homebuying process.

INHS' initial outreach efforts to real estate agents included:

- Making presentations to sales meetings of major real estate firms in Tompkins County;
- Giving real estate agents written materials about INHS programs;
- Distributing a monthly one-page newsletter called The Housing Quick News, providing updated information on programs and services;
- Making a keynote address on affordable housing financing at the annual Financing Fair, a Board of Realtors meeting where lenders promote their products and services;

- Talking as often as possible to individual real estate agents.

Despite this consistent outreach, INHS was disappointed to receive few referrals for financing and few follow-up questions initiated by real estate agents.

This general lack of response prompted INHS to conduct a focus group with real estate agents. Ultimately, this was a vehicle for INHS to learn more about how real estate agents perceived NHS and how that relationship could be improved.

COMPONENTS

INHS committees had several real estate agents as members. The agents were asked to identify their colleagues in the community and to invite them to participate in a focus group. INHS made an effort to pull in real estate agents perceived to be most influential in Ithaca — not just those who were positive about INHS. Twelve agents were invited to the focus group; eight attended.

The focus group was informal. The discussion centered on three areas:

- How well real estate agents understood the NHS mission and what NHS does in helping homebuyers;
- The best ways for INHS to communicate effectively with real estate agents;
- Barriers in working within that profession.

RESULTS

1. Identifying Obstacles

The focus group helped identify some of the obstacles NHS was experiencing in working with real estate agents. It turned out that despite the presentations INHS had made previously, area real estate agents did not understand what INHS does.

- They did not understand loan program guidelines. Real estate agents thought low- and

moderate-income guidelines, for example, were lower than they were.

- They thought INHS services were focused on a much lower-income population, whose members agents believed could not afford home ownership.
- Others thought the only houses INHS dealt with were those it owned through the purchase-rehabilitation-resale program called House Recycling.
- Still others did not know about the strong relationship INHS had with banks.

Real estate agents thought INHS was like a bank, the only difference being that INHS loan approval processes took longer. INHS staff explained the range of services INHS provides — in particular, rehabilitation monitoring — and how INHS can be more flexible in their underwriting than a bank.

The focus group uncovered a barrier in improving relationships between real estate professionals and INHS. INHS has a program in which it acquires problem buildings, then rehabilitates and sells them directly to buyers. Real estate agents had traditionally seen this as taking business from them, which created a backlash toward INHS.

2. Homebuyer Education

When INHS described its homebuyer education programs and mentioned that real estate agents could use these programs to help people become homebuyers, several agents said that they already do this themselves and don't need help. Again, the implication was that they would lose customers if someone else developed a relationship with a homebuyer.

3. Redefining Outreach

INHS is changing how it relates to real estate agents as a result of information gained from the focus group.

- **Multiple Listing Service.** INHS is listing properties it has for sale through the Ithaca

Multiple Listing Service and is making sure real estate agents know this.

- **Incremental communication.** Recognizing that the previous communication strategy was not working, INHS is focusing on building strong relationships with a few real estate agents, particularly those inclined to work in INHS neighborhoods with modest-income customers. INHS is hoping to create a successful relationship with these few so that they can build on success and include more real estate professionals.

LESSONS

1. Changing Strategy

INHS had assumed the way it was connecting with real estate agents was effective, but the focus group demonstrated a need to re-think its strategy. The focus group gave important feedback to INHS on how the organization was perceived and what barriers needed to be overcome.

2. One-on-One Contacts

INHS tended to treat all real estate agents the same and tried to communicate by using group presentations and written materials. They learned that more effective communication would result if they concentrated on contacting, in person, a smaller number of real estate agents who were interested in working with INHS. These people, INHS hoped, would become "opinion leaders" and spread the word among their peers about working with INHS.

3. Creating the Right Forum

The focus group was a more effective means of communicating with real estate agents. When INHS went to a sales meeting, its presentation was competing with multiple items on the agenda. The focus group was a better opportunity to communicate what INHS does in a less distracting setting.

4. Clarifying Income Guidelines

Real estate agents' perceptions of INHS were an obstacle to their understanding of the program in terms of their own self-interest. Agents saw the INHS income restriction as eliminating many of the homebuyers they dealt with. They were surprised to discover, when these requirements were

laid out, that some of their buyers fit the guidelines.

5. Clarifying Real Estate Guidelines

INHS learned more about how the real estate business works. Agents compete with each other, even within the same office, for listings and sales. Also, agents come and go in the industry, which would require INHS to constantly feed information to individual agents.

6. Commissions

INHS had avoided listing properties and paying commissions on its own House Recycling projects, in order to cut costs. INHS realized, however, that this short-term view was probably costing more in terms of building strong, long-term working relationships within this professional community. The focus groups led INHS to reconsider its policy.

7. Building Trust

Although INHS is in the business of helping people buy homes, they were viewed as outsiders by

real estate agents. Because no one on the INHS staff was licensed as a Realtor and because they hadn't made a habit of attending the industry's professional gatherings, INHS didn't have the local real-estate community's trust either as a competitor or partner. Gaining this trust, INHS realized, would be an important element in building a good working relationship.

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Ithaca NHS On Site Volunteer Services

OUTCOME: On Site Volunteer Services planned and supervised 92 volunteer projects with nine nonprofits in Tompkins County, New York, over the course of an academic year. Most of the 982 volunteers who worked on these projects were students at Cornell University or Ithaca College, both located in Ithaca. Forty-two of these projects were with Ithaca Neighborhood Housing Services, Inc.



BACKGROUND

Ithaca Neighborhood Housing Services has a long history of working with students at Cornell University. In 1995, a junior at Cornell founded a group called The Partnership to relieve Ithaca Neighborhood Housing Services of the considerable time and resources required to arrange these volunteer projects.

With the support of local nonprofit organizations and Cornell University, he was able to hire two students to expand the capacity of the program to serve volunteers and nonprofit groups. The organization, renamed On Site Volunteer Services, now employs 16 undergraduate college students and organizes about 500 people each semester to volunteer on hands-on projects.

This partnership is taking advantage of an emerging trend toward volunteerism and community service at universities nationally. For example, Cornell offers a traditional scholar program that requires community service as do many of the fraternities and sororities at the university.

COMPONENTS

1. Service Agreement

On Site Volunteer Services maintains service agreements with several nonprofit organizations. A project manager is assigned to each agency

and works to identify and plan hands-on projects for volunteers. In the past, most of the projects have been interior demolition, interior painting, or landscaping or other outdoor projects. For INHS, volunteers usually worked at cleaning and demolishing INHS buildings before construction and in some painting and finish work during construction.

2. Volunteer Management

On Site provides the planning, scheduling, training, equipment, and supervision for the projects. The organizations receiving the volunteer services have general liability insurance that covers volunteers.

RESULTS

On Site Volunteer Services supervised close to 1,000 volunteers in 92 projects in an academic year. INHS received the help of 464 volunteers over a one-year period through On Site Volunteers, saving the NHS an estimated \$60,000.

LESSONS LEARNED

1. Finding Pools of Volunteers

Colleges and universities offer a huge pool of potential volunteers with a variety of skills. An increasing number of college-sponsored organizations are interested in doing community service.

2. Sharing Workload

Planning, scheduling, and supervising volunteers are such time-consuming tasks that nonprofit organizations may not be able to take advantage of volunteer time available from college students in their communities. It is convenient to have another organization to which the labor-intensive tasks involving volunteers can be delegated.

3. Feedback

Gathering and evaluating feedback from both customers and volunteers on a regular basis is an essential tool for making this partnership work. Using up-to-date technology such as custom-designed tracking software makes this possible.

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Lafayette NHS Relationship with Realtors®

OUTCOME: Lafayette (IN) Neighborhood Housing Services (NHS) has developed over time a strong relationship with the local board of Realtors®. A key component in this relationship is an annual contribution from the Board of Realtors to NHS of \$6,500.



NEED

As NHS moved into home-ownership promotion there was a need to respond to families who were qualified to buy but lacked the down payment. NHS created the Home Start Program, a lender-pool financing product, and developed homebuyers clubs. In so doing, they began to educate local Realtors and seek input on program design, viewing Realtors as partners in marketing programs rather than as competition. NHS, with Home Start and the homebuyers clubs, also became a source to which Realtors could refer people.

COMPONENTS

- A direct contribution from the annual board of Realtors golf outing, of approximately \$6,500, as well as smaller contributions from individual Realtors.
- Realtors assist in homebuyer clubs and homebuyer counseling by participating in sessions on how to work with Realtors.
- The relationship with the board of Realtors has been helpful in resolving problems NHS has experienced with certain Realtors. The board has intervened when NHS indicated Realtors were not acting appropriately.

APPROACH

Initially, NHS asked the board of Realtors to appoint someone to serve on the Homebuyers Clubs Committee. This person provided valuable input and, more importantly, got to know NHS opera-

tions. When the Home Start loan product was developed, that connection was helpful in increasing the visibility of the NHS to the board of Realtors. The board invited NHS to their board meeting to explain the product.

Subsequently, NHS was invited to a number of Realtor sales meeting where the product was explained and specific instruction was provided to Realtors on the special offer-to-purchase form that was part of this program.

The Realtors had sponsored a charity golf outing for several years, with proceeds going to various worthy causes. NHS was invited to make a presentation before the board and was successful in convincing them to designate NHS as the recipient. For several consecutive years, NHS has received the proceeds from this event.

LESSONS

1. Equal Footing

NHS was successful with the local board of Realtors in part because they approached the board as partners rather than as competition.

2. Realtor Appointee

It was important in developing this relationship that NHS asked the board of Realtors to appoint a person to work with NHS. This helped NHS connect directly with the board and was more effective than NHS soliciting participation on its own.

3. Committee Work

NHS succeeded in involving individual Realtors on working committees and in presentations. This brought Realtors' insights into the ongoing program and helped build the relationship.

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NHS of Los Angeles Partnership with Countrywide

OUTCOME: Neighborhood Housing Services of Los Angeles developed a partnership with Countrywide to both refer and originate first mortgage loans.



BACKGROUND

Countrywide is a major national lender and has been seeking to increase its loan origination among low- and moderate-income borrowers. NHS of Los Angeles has developed an approach to Countrywide that builds on the presence of NHS in central city neighborhoods and helps Countrywide meet its lending objectives.

NHS of Los Angeles was referred to Countrywide by some local business leaders. NHS Executive Director Lori Gay made initial contact with a Countrywide representative at a community meeting and connected with the loan products committee of the NeighborWorks® Campaign for Home Ownership. Countrywide considered a role as a conduit for the Fannie Mae product that was being developed with the NeighborWorks® networks but subsequently withdrew from this role.

The NHS began negotiating with Countrywide, which had branches in Los Angeles County but none in the city. Countrywide was not a household name within city neighborhoods and, as a result, while Countrywide was seeking borrowers in those neighborhoods it had no point of entry into the system. NHS provided a valuable linkage to that market.

NHS, in negotiating, reviewed its basic fee structure with Countrywide and sought engagement at a similar level. Countrywide said no. As a high-volume, non-portfolio lender, Countrywide had a different set of parameters than most local lenders. NHS and Countrywide worked together on a

projection of volume and an acceptable fee structure.

COMPONENTS

The NHS of Los Angeles-Countrywide Partnership has two major components: a customer referral component that is operational and a wholesale component that is just starting.

Customer referral component. NHS prepares a preliminary loan package for the NeighborWorks® Fannie Mae or Freddie Mac product and refers that customer to Countrywide for underwriting. Countrywide, at NHS's request, has one designated underwriter to review the package. Countrywide has reduced the interest rate by 20 basis points, and pays NHS ⁷/₈ of one point at closing.

Wholesale relationship. NHS ships a fully processed loan package to a team of Countrywide underwriters in the wholesale division. On these, Countrywide will drop their normal application fee and allow NHS to charge up to 2 points and a \$250 fee to the borrower. Countrywide will also pay the NHS one point for a fully complete, approved package.

LESSONS

- In negotiations, the NHS found that Countrywide had a different perspective than most lenders. Since Countrywide holds no loans in portfolio what it can give up in negotiation is limited. NHS after a while recognized this and sought concessions on administrative issues. For example, NHS sought to have a sole delegated underwriter for the customer referral product and was successful in getting that established.
- NHS saw enormous changes in the West Coast lending market as more and more lenders were being gobbled up by larger lending institutions. NHS sought to establish a relationship with one of the more aggressive institutions.
- The partnership with Countrywide, while it did not yield substantial operating support, did

allow NHS to access significant in-kind resources. Countrywide has a highly regarded training department in which NHS staff were trained. Countrywide also assisted NHS in developing computer linkage to the direct underwriter.

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Main South CDC Partners with Clark University in Revitalization Efforts

OUTCOME: The Main South Community Development Corporation (CDC) in Worcester, MA, has developed a strong partnership with nearby Clark University to revitalize the University Park neighborhood. The neighborhood plan covers physical rehabilitation, public safety, education, economic development and social/recreational development.

1
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Partnership-Building



Clark is involved in all five of these areas, including providing incentives to faculty and staff to purchase and rehabilitate homes in the neighborhood, and offering full undergraduate tuition scholarships to the children of eligible neighborhood residents. Clark has also played a pivotal role in the establishment of a school for grades 7 through 12 for neighborhood children.

BACKGROUND

Clark University is located in the University Park section of Worcester, Massachusetts. The neighborhood covers approximately one square mile and has a population of 12,000. The housing consists of large, Victorian frame houses that were once occupied by the owners and managers of now vacant factories located on the eastern and southern boundaries of the neighborhood, as well as traditional three-story, three-unit homes that housed factory workers.

Over the years, a number of the large single-family homes and three-deckers were bought by absentee owners and converted into rental units. The neighborhood began to decline and prospective students and parents began citing Clark's location and related issues of safety as major concerns.

In 1984, Clark University hired a new president who believed that an important part of his role was to work with the community to improve the surrounding neighborhood and to improve Clark's image with and relationship to the rest of the community. Over the next decade, Clark spent considerable time working with other local institutions and nonprofits to develop common goals and objectives for the community. Together they worked on a series of small projects and developed mutual goals, a good working relationship, and a sense of trust.

In 1995, the University Park Neighborhood Restoration Partnership, which was spearheaded by the Main South Community Development Corporation and Clark University, completed a neighborhood revitalization plan for University Park. The plan includes physical rehabilitation, public safety, education, economic development and social/recreational development. Additional organizations were brought into the partnership including other local nonprofits and the state, local, and federal governments.

One of the critical strategies of the plan is to increase the home-ownership rate in the neighborhood and to encourage current residents to remain and to invest in their properties. Clark offers major incentives to meet these goals.

COMPONENTS

1. Housing

New Homebuyers

Clark will grant full-time faculty and staff who purchase homes within the target area \$5,000 at closing. The employee must agree to remain employed at Clark and to live in the property for at least five years. If the buyer leaves Clark or sells the home, Clark will be reimbursed for a prorated portion of the initial grant.

For each year the buyer remains at Clark and lives in the home, Clark pays them a bonus of 12

percent of their base salary, up to \$4,000 per year. This incentive is paid each year for up to seven years.

The Main South Community Development Corporation operates a purchase-rehabilitation-and-sale program for the three-decker buildings in the University Park neighborhood. The organization uses a variety of financing mechanisms and subsidies to enable these homes to receive quality rehabilitation, yet remain affordable. Clark University guarantees a \$1,000,000 loan pool with a local bank for the Main South CDC for acquisition and rehabilitation financing.

This arrangement allows the Main South CDC to greatly expedite its process for acquiring and rehabilitating properties in the neighborhood. Each loan is secured by a mortgage note, with Clark guaranteeing any loss on the loan. Furthermore, in the case of default, Clark agrees to take over the property and renovate and sell it.

Existing Homeowners

Clark grants up to \$5,000 for the rehabilitation of the exterior of a home to faculty and staff who already own homes in the target area. Clark reimburses for pre-approved work, subject to the same occupancy requirements as the program for new homebuyers.

These homeowners are also paid a bonus of 12 percent of their base salary, up to \$4,000, for each of the next seven years they remain in the property.

Rental Housing

Main South CDC owns and manages over 100 rental units valued at over \$9 million. Clark University has provided unsecured gap financing for the development of these rental units.

2. Education

Clark also provides an unusually generous educational incentive to attract and retain homebuyers. The university provides full undergraduate tuition scholarships, worth \$20,500 a year, to the children of neighborhood residents who meet three main requirements. These requirements are:

- They must have lived in the neighborhood for 5 years before enrolling.
- They must meet Clark's academic requirements for admission.
- If eligible, they must also apply for federal and state scholarship grant programs.

This program is open to all residents including renters and owners and employees and non-employees of the Clark.

In addition, Clark has worked with the Worcester public school system to establish a special neighborhood school for grades seven through twelve.

RESULTS

- Since the program began in 1995, twelve employees of Clark University have purchased homes in the neighborhood and five homeowners have participated in the exterior improvement program.
- Nine properties have been sold under the Main South CDC's purchase-rehabilitation program, five more are in progress, and there is a waiting list of buyers.
- Eleven students have received tuition scholarships since the program was instituted three years ago.
- The University Park School began operation this year with a seventh grade class of 35 neighborhood children. The school plans to add a grade each year until it is offering grades seven through twelve.

LESSONS LEARNED

- Recognize and acknowledge the self-interests of partners from the start. Then develop common goals and objectives.
- Programs and partnerships to revitalize neighborhoods have to be neighborhood-based. It takes time to develop programs this way but, in the long run, they are much more successful than those that are developed by a top-down approach.

- Relationships take time. Be patient. First work on small projects where you can have quick, tangible results.
- The support of the president and top management of both the university or college and the other partners is key to making the partnership successful. All partners need to make stated commitments to the partnership.
- Neighborhood revitalization goes beyond bricks and mortar. Quality, affordable housing alone is not enough to attract people to a neighborhood.
- Subsidizing home ownership is a way of priming the pump for increased investment in a neighborhood. However, a neighborhood can-

not be revitalized until it attracts private, market-rate investment.

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NHS of Massillon Relationship with Builder

OUTCOME: Neighborhood Housing Services (NHS) of Massillon, Ohio, has a strong relationship with a for-profit builder that helped the NeighborWorks® organization do the first new private residential construction in the neighborhood in more than 50 years.



BACKGROUND

Massillon is a city of 32,000 people just outside Canton. NHS of Massillon was established in 1992 and focuses on one neighborhood on the city's southeast side. About 745 families, most of them African-American, live in this neighborhood. House values are in the \$30,000 to \$40,000 range.

Like many NeighborWorks® programs, NHS of Massillon began with a focus on helping people rehabilitation. While this is still important to NHS of Massillon, revitalizing the neighborhood requires bringing new residents of varying income levels into the community. NHS of Massillon hopes to eliminate the neighborhood's stigma as a low-income community.

When an opportunity arose to acquire land, NHS of Massillon began to consider building new houses in the neighborhood. The organization bought two dilapidated houses that sat on more than an acre of land. Since it was not feasible to repair the buildings, they were cleared and a site for new construction was assembled. Subsequently, NHS developed and sold four houses and is planning a 58-unit development.

COMPONENTS

1. Relationship-Building

The key component in development of this land was the relationship NHS of Massillon had formed with a private, for-profit home builder, Steve Smith. Through his company, MDS Development,

Smith had developed eight subdivisions and 10 commercial projects as well as public housing.

NHS of Massillon had dealt with Murphy Construction, a sister company of MDS, on several rehabilitation projects. Smith agreed to NHS of Massillon's request that he build affordable homes on the land.

2. Home Design

NHS of Massillon gave Smith a general idea of an appropriate home design: about 1,400 square feet; three bedrooms; 1½ baths; full basement; and attached garage. The MDS architect came back with two designs: a ranch house with a base price of \$77,500 and a two-story house priced at \$78,800.

3. Pricing

After NHS of Massillon acquired the lots and razed the houses, the parcel was replatted to accommodate three homes. Each buyer bought a vacant parcel for about \$6,000, and then contracted with Smith for construction. Actual sales prices included soft costs and a developer fee to NHS of Massillon.

NHS raised money for this project from five local foundations: the Stark County Foundation (\$20,000); Timken Foundation (\$10,000); Deuble Foundation (\$5,000); David Foundation (\$5,000); and Hoover Foundation (\$5,000). Neighborhood Reinvestment Corporation made a grant of \$25,000. Foundation funds were used as soft seconds of \$30,000 per building, for soft costs and developer fees.

A sample pro forma illustrates development costs and the uses of the subsidy:

House cost	\$78,852
Lot	4,500
Driveway	2,500
<hr/>	
Actual purchase price of home	\$85,852

Other costs:

Site preparation	\$1,513
Plans	250
Project management fee (to NHS)	2,000
Legal fee	125
Insurance during construction	50
Allowance for overruns	3,750
Taxes during construction	250
Developer fee (to NHS)	4,000
Marketing fee	100
<hr/>	
Total soft costs	\$12,038
Available funds from grants	\$30,000
Total soft costs	-12,038
<hr/>	
Available as down payment supplement for homebuyer	\$17,962
Purchase price of home	\$85,852
21% down payment	-17,962
Amount to be financed	\$67,890

Charter One and National City Bank financed the transactions. Buyers brought in 2 percent to 3 percent of the purchase price of their own capital as down payment.

RESULTS

- NHS of Massillon, in partnership with Smith's company, built three houses on the acre site. NHS also built a fourth home for a senior couple on land they already owned.
- NHS of Massillon's objective of creating an income mix, which was its motivation in undertaking new development, was met. Two of the new homeowners were lower income: the senior couple and a family with four children. Two buyers earned moderate incomes.
- Media coverage about the new development communicated NHS of Massillon's overall mission. One new moderate-income buyer who was interviewed said that while she could afford to live elsewhere, she wanted to remain in the neighborhood where she grew up.
- Federal Deposit Insurance Corp. vice chairman and Neighborhood Reinvestment Corp.

board member Andrew C. Hove, Jr., toured the site during NeighborWorks® Week.

LESSONS

1. Finding Existing Opportunities

This is an example of opportunities that exist to partner with for-profit builders. In this case, the builder, who had achieved a great deal in his field, relinquished his normal profit margin but received positive recognition for doing so.

2. The Partnership

NHS of Massillon was a good vehicle for the builder to use in making a commitment to the community. NHS of Massillon has a positive image and shared the builder's commitment to quality. While the builder's willingness to build without normal profits was significant, NHS of Massillon added substantial value by marketing the homes, prequalifying buyers, funding subsidy and acting as a go-between for the builder and the buyers.

3. Insisting on Standards

NHS of Massillon insisted on high construction standards, to aid in erasing the neighborhood's stigma as second-class. The builder provided units similar, from a construction standpoint, to those in more expensive subdivisions. Buyers added and paid for amenities.

4. Building Capacity

This experience greatly increased NHS of Massillon's capacity as a developer. The builder involved NHS in negotiations, so that NHS staff learned how a development is put together. As a result, NHS went on to negotiate purchase of a 20-acre site for a 58-unit subdivision.

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NHS of Milwaukee Neighborhood Home Buyer Guide

OUTCOME: Neighborhood Housing Services of Milwaukee, Wisconsin, produced a quarterly listing of homes for sale in its targeted neighborhoods. This booklet, the *Neighborhood Home Buyer Guide*, was published in partnership with the Milwaukee Board of Realtors®.

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BACKGROUND

The NHS of Milwaukee operates in neighborhoods across the city. It has a central office, which manages the lending programs and overall program administration, a North Side office that works with eight neighborhoods, and a South Side office that works with six neighborhoods. Each neighborhood has a resident-based advisory council.

The NHS is developing a better relationship with the real estate community. In 1991, recognizing the profit margin was lower in the NHS neighborhoods, the NHS provided a \$500 finder fee as an incentive to agents to sell properties there. This approach was refined as NHS saw owner-occupancy increasing in the target neighborhoods. Agents were offered \$250 as an incentive for sales between owner-occupants and \$500 for sales from absentee owners to owner-occupants.

The incentive program, initially funded by Neighborhood Reinvestment Corporation, was an effective demonstration. It achieved what it had set out to do — get real estate agents familiar with the NHS and its neighborhoods. As part of this overall strategy to develop a better relationship with the real estate community, the NHS proposed that a booklet listing NHS neighborhood properties for sale be published in partnership with the local Board of Realtors. The need for such a booklet was driven in part by the suc-

cess of the NHS's home buyer education efforts. NHS was clearly successful in finding and developing potential buyers but there was still a need to give those potential buyers an idea of what was actually available on the market.

The NHS had developed some good contacts within the real estate community by having a member of the Board of Realtors on the NHS board. The idea was first presented to the Multiple Listing Service and the details of how it might work were flushed out. The concept of the *Neighborhood Home Buyer Guide* was then presented to the Board of Realtors with the following selling points:

- Properties for sale in NHS neighborhoods were priced lower than in much of the metropolitan market and as a result profits would be lower. The *Neighborhood Home Buyer Guide* would be a valuable piece of advertising for real estate brokers.
- The NHS plays a key role in finding and educating potential home buyers. The *Neighborhood Home Buyer Guide* would help Realtors connect to that system.
- The ability to list in the *Neighborhood Home Buyer Guide* was another benefit to being a member of the Multiple Listing Service.

The Board of Realtors was asked to do two things. First, in supporting the development of the *Neighborhood Home Buyer Guide*, it was asked to secure the permission of the listing agents and, second, it needed to provide the NHS with copy. NHS would then be responsible for printing and distributing the *Neighborhood Home Buyer Guide*. The cost of printing, approximately \$4,000 per issue for 3,000 copies, was paid for by lenders involved with the NHS.

COMPONENTS

The *Neighborhood Home Buyer Guide* runs an average of 60 pages. It features a map of the NHS neighborhoods and basic information about

the NHS with advice for potential home buyers. The bulk of the booklet contains listings of properties for sale by neighborhood. Each page contains six listings. Each listing contains a photo of the property and relevant information including the price and agent with whom the property is listed. The lender sponsoring each publication is given the back cover page for advertising.

The *Neighborhood Home Buyer Guide* is distributed to all the families involved in home buyer education. In addition it is distributed to banks and local businesses.

RESULTS

The *Neighborhood Home Buyer Guide* provides NHS with a tool to help families it is preparing for home ownership to enter the market. The result is increased referrals from Realtors, especially for buyers who need some additional counseling to better qualify for home purchase.

LESSONS

- The NHS of Milwaukee in both the sales incentive program and through the *Neighborhood Home Buyer Guide* recognized the Realtors' self-interest and responded to it. If it takes as much effort to sell a \$90,000 suburban house as it does to sell a \$40,000 city house, Realtors will achieve a higher profit margin in the suburbs. The sales incentive program was a way to lure Realtors into NHS neighborhoods by making the profit margin

more even. The *Guide* was a way to add marketing values by providing extra visibility to neighborhood properties.

- The NHS has worked hard to build relationships with Realtors who have an interest in improving the neighborhood. The NHS has been successful in developing certain Realtors who are becoming specialized in neighborhood markets and are knowledgeable about the programs of NHS. While the *Guide* has enjoyed the support of many Realtors there are still several operating who appear to have little concern about who buys the house.
- The *Guide* features only properties listed by Realtors participating in the Multiple Listing Service. There are many additional properties for sale by owner of listed through the Milwaukee Realtists, and other real estate professionals.

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NHS of Milwaukee Link to Employer-Assisted Housing

OUTCOME: Neighborhood Housing Services (NHS) of Milwaukee connected with the nonprofit Select Milwaukee Inc. in developing the Harley Davidson Co. employer-assisted housing (EAH) program, which employees can use to buy homes in a nearby NHS neighborhood.

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BACKGROUND

Nationally, an increasing number of employers are offering home-ownership assistance as an employee benefit, usually in the form of grants or loans for down-payment or closing cost assistance. Employers may offer loans at a below-market interest rate that are forgivable over a period of years, using this longer-term arrangement as a mandatory or optional inducement for beneficiaries to stay with an employer. In areas with high housing costs, the EAH benefit can help employees buy homes closer to work, thereby shortening commutes and, theoretically, boosting productivity. In any case, employers often see this benefit as a way to instill loyalty, reduce turnover and, in so doing, cut recruitment and training costs.

Recipients of EAH benefits are required to pay income tax on grants or on loan amounts that are forgiven. For an employer, an EAH is potentially tax deductible.

Communities and employees may see an employer's promotion of homeownership as a gesture of corporate good will, which it often is. From the employer's point of view, few employees may actually use the benefit.

In terms of increasing home ownership and, by extension, revitalizing neighborhoods, EAH programs are a natural. In some cities where employers have linked their EAH plan to a geographic area, the programs have maxed out, using

all of the funds allocated. This has occurred in Baltimore, MD; Portland, OR; and New Haven, CT. In some cases, employers replenished the EAH funds in subsequent phases.

COMPONENTS

1. Select Milwaukee

Select Milwaukee approaches EAH from the viewpoints of neighborhood revitalization and air-pollution control. The nonprofit organization calls its approach Walk to Work. Select Milwaukee will develop an employer's plan from soup to nuts, advising about benefits packages, eligibility requirements and identifying neighborhoods in which the EAH plan would be helpful.

Select Milwaukee develops and administers the Walk to Work programs, which minimizes administrative tasks or costs that an employer might associate with offering an EAH benefit. It publishes and distributes informational materials; prequalifies prospective buyers; and organizes homebuyer education and counseling. For employees of certain income levels, the organization can match employer support with additional down-payment and closing cost assistance.

Select Milwaukee works with employers, the city of Milwaukee, community-based organizations, the Wisconsin Housing and Economic Development Authority, the Greater Milwaukee Committee, mortgage lenders and realty professionals.

Select Milwaukee connects employers with its Walk to Work plan as a way for companies to meet Clean Air Act requirements to reduce single-occupancy vehicle travel to and from the workplace.

2. NHS Connection

A service that Select Milwaukee offers employers is "cooperative program relationships" with community-based organizations that co-sponsor neighborhood tours, open houses and homebuyer education in neighborhoods. It is in this guise that NHS of Milwaukee links with Select Milwaukee and companies with EAH benefits.

For instance, when Select Milwaukee was developing an EAH plan with Harley Davidson, NHS linked company representatives with resident leaders in the Martin Drive neighborhood, which NHS serves. Meeting with residents and touring the neighborhood gave Harley Davidson representatives a favorable impression of the area, which influenced the company in its decision to commit to an employer-assisted housing plan.

NHS is discussing with Badger Mutual Insurance Co. additional ways for the company to be involved in the Clark Square neighborhood, which NHS serves. EAH is a topic of discussion. The company already purchased two houses, now rented to employees, on the street behind their building. Badger is pleased with improved security in that area and the ease with which those employees can get to work, particularly with snow and other weather conditions.

Select Milwaukee identifies and describes NHS of Milwaukee in EAH materials it prepares and gives to company employees.

NHS of Milwaukee does two homebuyer education classes per month and an additional monthly class in Spanish. Homebuyers whom NHS has counseled may go on to buy a home through an EAH plan such as those Select Milwaukee has organized.

3. The Harley-Davidson Example

The company's Walk to Work Home Purchase Program provides full-time and part-time Milwaukee-area employees with a three-year forgivable loan of \$2,500, to help with down payment and closing-costs to buy a new or existing home. Properties that employees can finance include single-family houses, duplexes, mixed-use properties and condominiums that are within a city of Milwaukee Targeted Investment Neighborhood. Employees need not be first-time homebuyers. The Harley-Davidson program is a one-year pilot.

The loan is forgivable, by one-third per year, if an employee:

- Stays employed by Harley Davidson;

- Maintains ownership interest in the property; and
- Continuously occupies the property as a principal residence.

If an employee fails to meet these requirements, the unforgiven loan amount is due the company.

4. Local EAH Programs

Other Milwaukee employers offering employer-assisted housing plans through Select Milwaukee are:

- Northwestern Mutual Life;
- Sinai Samaritan Medical Center;
- Wisconsin Electric Power Co.;
- WISN-TV;
- Visa Lighting Corp.; and
- Greater Mitchell Street Association.

Also in Milwaukee, St. Joseph's Hospital has an EAH plan for a neighborhood.

LESSONS

1. Easy Replication

Select Milwaukee's Walk to Work Program is a model other NeighborWorks® organizations could replicate and sell to neighborhood businesses, universities, hospitals and government entities. EAH plans generally use an approach similar to Select Milwaukee's. The walk-to-work concept, promoting a neighborhood, is less common but certainly in the marketplace.

2. The Corporate Link

Employers are receptive to an employee benefit that promotes home ownership for several reasons.

- An EAH plan generally benefits employees in the mid- to lower-level salary range and can be a counterpart, for these employees, to relocation benefits sometimes offered at the upper end of the employment scale.
- Helping employees attain home ownership — which many in the moderate to low salary range may have judged not to be possible for them — instills loyalty, theoretically increasing productivity.

- Staying in a home long enough to accumulate equity is in a homeowner's interest; from an employer's viewpoint, this kind of stability reduces turnover and, in so doing, cuts recruitment, training and administrative costs.
- An EAH benefit, often begun as a pilot, is a relatively inexpensive prerequisite to offer and may be tax-deductible.
- Living near the workplace lessens likelihood of absences because of weather.

3. Neighborhood Revitalization

An employer benefits from home ownership in areas close to the workplace because ownership spreads revitalization, making safer neighborhoods. If a place of business is in an area perceived to be safe, people are more likely to consider working there or continuing to work there. Because employers increasingly report local shortages of skilled labor, these public-safety considerations are important to address.

Employee-homeowners who have rehabilitated and cared for their homes, when and if they do sell, leave improved housing stock for future owners and employees.

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Neighborhoods Inc. of Battle Creek School Partnership

OUTCOME: By coordinating various programs and interest groups, Neighborhoods Inc. of Battle Creek (NIBC) was able to partner with a local school to make a nearby area safer for children.

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BACKGROUND

One of three neighborhoods in which Neighborhoods Inc. works, Washington Heights is an older area that has traditionally suffered spot abandonment, reduced home ownership, declining maintenance standards and weak market values. Because the Washington Heights neighborhood is so large and has a wide variety of interests, Neighborhoods Inc. challenged key leaders, school administrators and residents to propose where NIBC should direct resources.

This challenge was discussed for nearly a year before any ideas were forwarded. One of the first proposals was to improve the area around Lincoln Elementary School in the troubled Lincoln Park section of Washington Heights. One four-corner area near the school was especially blighted. Because many children passed through this area on their way to school, the community proposed that Neighborhoods Inc. concentrate on improving it.

COMPONENTS

Taking their lead from local leaders, school personnel, and residents in the area, Neighborhoods Inc. rehabilitated several properties and sold them through their affordable housing program. They also lent existing residents money for home repairs. Moreover, Neighborhoods Inc. purchased a few local properties, and when buyers came forward on their own, helped them finance these homes.

To find suitable owners for their rehabs, NIBC challenged Lincoln School administrators to produce qualified buyers. After receiving several referrals, NIBC provided these people with homebuyer education. Finally, Neighborhoods Inc. organized several block projects in the area.

RESULTS

- By coordinating neighborhood involvement programs in outreach, leadership training, organizing and homeownership, and by working with social service agencies and the city of Battle Creek, Neighborhoods Inc. was able to provide the strategies and tools allowing residents around Lincoln School to manage the neighborhood. This occurred only after residents had been challenged to identify problems and suggest viable solutions.
- Residents around Lincoln School seem to have taken control of their neighborhood. For example, after an abandoned, city-owned building was defaced with graffiti, a pastor and some neighbors recruited young people to paint over the graffiti one Saturday morning.

LESSONS

1. Linking Self-Interests With Action

This modest intervention is significant because it connected the NeighborWorks® organization's self-interest in increasing home ownership and improving troubled properties to the self-interest of a key local institution, the school. The intervention not only treated specific problem properties but also helped the school by making an area around it safer.

2. Schools as Markets

NIBC also saw the school not only as an important partner in this effort but as a potential market where NIBC could reach potential customers, i.e., school families.

3. Persistence

Coordinating unorganized efforts requires an investment of time. Neighborhoods Inc. had to continuously go back to the Lincoln School neighborhood to determine appropriate next

steps. Agreements made in the beginning needed to be constantly reinforced and sometimes changed as situations changed, over the course of the project.

4. Schools as Allies

Schools, as neighborhood institutions, have a self-interest in the health of the area around them. Schools also have networks of leaders and families. Although schools may not be organized to take action in a community, they can be valuable allies. It makes sense to look where the self-interests of an NWO and a school might be aligned.

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NHS of New Haven Partnership with a Hospital

OUTCOME: Neighborhood Housing Services (NHS) of New Haven, Connecticut, has developed a partnership with a hospital to promote home ownership among hospital employees. This partnership, based on the reciprocal interests of the NHS and hospital, is a good model for employee-assisted housing.



BACKGROUND

St. Raphael's Hospital is a major medical facility in the center of the NHS neighborhood. The hospital had a long history of neighborhood involvement. As a religious institution run by the Sisters of Mercy, the hospital had an expressed obligation to serve the surrounding community.

NHS sought to turn this sense of obligation into a program that could serve the long-term interests of both the hospital and the neighborhood. Over time, NHS had built a relationship with the hospital through contact with its staff. NHS presented its strategy of distressed property rehabilitation, home ownership, and home improvement to the hospital in terms of the hospital's self-interest in maintaining a stable surrounding community for its patients and employees.

COMPONENTS

Three basic components make up the partnership between Saint Raphael's Hospital and the NHS.

1. Operating Support

A contribution from the hospital to NHS of \$10,000 to support general operating costs of the neighborhood-revitalization program.

2. Down-Payment Assistance

A down-payment assistance fund of \$50,000 in grants and low-interest loans for hospital employees buying homes in a specified area was established. Administered by the hospital, this fund is open to employees who have been on the

job for at least two years with no disciplinary actions on their record.

3. Homebuyer Education Contract

A contract was signed for NHS to give four one-hour home-ownership seminars for hospital employees, for a fee of \$500. Employees have responded very positively to the seminars.

LESSONS

1. Defining the Market

This partnership is an example of an NHS going directly to a pool of potential purchasers and determining through an education process how to move that market toward home ownership.

2. Building the Partnership

The ability to establish this program was based on a long-term relationship with the hospital. NHS got to know the hospital leadership and provided opportunities for that leadership to know NHS before an approach was made.

3. Good Fit for NHS

Hospital employees — practical nurses, lab technicians, clerical staff — tend to have stable but low-paying jobs. They fit in the profile of people NHSs have been assisting in home ownership.

4. Shared Goals

While NHS has an interest in increasing home ownership, this approach is an example of how NHS asked: "Who else has an interest in increasing home ownership?" In this case, the answer was a nearby hospital with a commitment to staying in the neighborhood and a vision for stabilizing that neighborhood through their employees' home ownership. In other cases that question can lead to other institutional connections, e.g., churches, schools and labor unions.

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NHS of New Orleans Outreach to Residents of Public Housing

OUTCOME: Neighborhood Housing Services of New Orleans, Louisiana, with support of the local Public Housing Authority (PHA), began outreach among local public housing tenants. This approach initially met with moderate success in helping public housing residents move into private home ownership.

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BACKGROUND

New Orleans is a city of approximately 500,000 people, of which 55 percent of the population is African-American and about 10 percent is Latino. NHS of New Orleans has three neighborhoods in which neighborhood planning, lending and real estate development activities are carried out. As part of the NeighborWorks® Campaign for Home Ownership 2002, NHS has expanded its home-ownership counseling, construction management and lending services citywide.

The PHA in New Orleans serves almost 50,000 residents in public housing, which has been characterized by decades of neglect, with poor maintenance and management in the developments and high levels of crime. The PHA was given management authority over the developments. An executive council was put in place to oversee operations and to begin a strategic planning process.

One of the management-group representatives approached NHS with an idea to encourage certain public-housing residents to explore home ownership as an option. Neighborhoods adjacent to PHA developments appeared to have a number of affordable home-purchase opportunities. Unlike some cities where public housing is confined to certain areas, New Orleans public housing is located throughout the city in developments of low-rise townhouses.

COMPONENTS

With support of the PHA, NHS targeted public-housing residents paying \$300 or more per month for rent. NHS scheduled seminars at three different developments and, with a local financial institution, provided a basic orientation to home ownership and background on financing.

Because the seminars were introduced through the PHA, local resident management councils were skeptical. In addition, the PHA took on the responsibility for marketing the seminars, some were concerned about appropriate follow-through. Despite these difficulties, five public-housing families successfully moved into home ownership with the assistance of NHS.

LESSONS

1. Resident Council Support

While the PHA's support is important in developing an outreach strategy to public-housing residents, developing a close working relationship with the resident councils may be even more important. Local resident councils need to buy into the concept of home-ownership education to create a level of acceptance necessary to make outreach work.

2. PHA's Interests

In some ways, efforts to help public-housing residents move to ownership in the private market contradict the self-interest of the PHA, which stands to lose some of its more stable, employed families. However, local resident councils could be an ally in providing more options for tenants.

3. Losing the Safety Net

Substantial personal obstacles impact the movement of working families out of public-housing and into home ownership, even if down payment and monthly cost obstacles are overcome. Public housing, despite its difficulties, is a kind of safety net for people. Many residents expressed concerns about a private purchase (or rental) situation, that if they lost their job, they would lose their home.

4. Building Residents' Confidence

Despite preconceived notions about public-housing residents' inability to become successful homeowners, NHS found in its outreach that a number of public-housing residents did have the capacity to own. While home ownership was achievable and possible, the residents themselves often thought it was out of reach. Building resident confidence through education therefore is important. In New Orleans, many houses cost about \$50,000; the average monthly note for homebuyers is \$400 to \$450. With public-housing residents paying similar amounts in rent

(30 percent of their income), the cost differential in that market is fairly narrow.

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Local 1199 Partnership with NHS of New York City

OUTCOME: Neighborhood Housing Services of New York City established a unique partnership with Local 1199, a union representing hospital workers; Amalgamated Bank, a financial institution with strong labor ties; Excelsior Capital, a quasi-governmental intermediary for affordable housing investment; and GE Mortgage, a lender for home purchases. The partnership focused on helping members of 1199 access home ownership.



BACKGROUND

New York City is one of the nation's most expensive housing markets, with the median home price at \$150,000. Median income of New Yorkers is only \$42,000, creating a significant affordability gap. Despite this gap, experience from NHS of New York City shows that modest-income, working residents have a strong interest in home ownership.

The customers that NHS helps are from a population of prospective homebuyers largely untapped by conventional lenders. NHS statistically outperforms government and private channels of credit in reaching this market:

- 88 percent of the homebuyers assisted by NHS have been from minority populations.
- 51 percent of NHS buyers are African American;
- 34 percent are Latino; and
- 3 percent are other minorities.

This affordability gap provides an ongoing challenge to NHS to find qualified families to move into ownership.

PARTNERS

1. Local 1199

Local 1199 is a labor union representing health and human service workers with a high propor-

tion of minority members. The local formed a housing committee to develop a program to help members to buy homes.

In this partnership, Local 1199:

- prints and distributes to its members informational and educational material about the program;
- provides office space and equipment at 1199's office where assigned NHS staff work with union members interested in participation in the program;
- provides equipment NHS can use in home-buyer workshops; and
- appoints a program administrator who oversees the program's daily activities and works closely with NHS staff assigned to 1199.

2. Excelsior Capital Corporation

Excelsior is a nonprofit corporation formed to promote economically targeted investments by institutional investors. Excelsior had developed a home mortgage loan program, Empire Home Mortgage Program, designed to make home ownership in New York state more accessible.

In its partnership with NHS and Local 1199, Excelsior:

- designs a mortgage program tailored to the needs of the members of 1199. The GE Community Home Buyer product is the primary financing used in this program;
- develops marketing materials for 1199 to distribute to its members;
- does quarterly reports for 1199 with data on homebuyers NHS is servicing;
- negotiated with GE Capital Mortgage Services to install the MARS system at the 1199 offices. MARS is a software program that facilitates preparation of credit reports for prequalification of applicants; and
- negotiated with Amalgamated Bank of New York to provide a \$110,000 grant to NHS to cover the program's operating costs. Excelsior also made a grant to NHS of \$25,000 toward costs of delivering the program.

3. NHS of New York City

For its part, NHS:

- provides two full-time staff members to work at the 1199 office;
- holds educational seminars for 1199 members, which satisfy the educational requirements of the Community Home Buyer mortgage product; and
- provides budgeting, saving and credit counseling, and debt restructuring services to 1199 members and refers members to participating lenders.

THE PROGRAM

NHS of New York City provides a range of homebuyer counseling and loan packaging services to the members of Local 1199. NHS has two staff people located at union headquarters who provide individualized counseling and follow-up to members.

1. Homebuyer Education Workshops

Local 1199 announced these NHS seminars' availability in its newsletter; several thousand members returned a response card indicating their interest. Such a large response was a challenge to NHS to develop an efficient mechanism for homebuyer education and follow-up.

NHS designed a successful two-phase approach. Interested members are grouped by place of employment. Phase I is a 1½-hour introduction to home ownership; initial attendance averaged 200 members. This session is an overview of NHS of New York City and its relationship to Local 1199 and general background on buying a house. At the end of the session, participants are asked to fill out a prequalifying form and authorize NHS to do a credit report.

After Phase I, NHS reviews the prequalification information and credit reports. Members who are prequalified are invited to a Phase II session, which provides more detailed information. Members who may have savings or credit deficiencies are encouraged to contact NHS housing counselors, whose names are posted at union headquarters.

Phase II is a 3½-hour session on family budgets, the real estate sales contract, financing products

and home inspection. At the end of Phase II, members get a certificate of completion and are encouraged to go home shopping. NHS loan counselors follow up as well on those members' progress and make themselves available for individual counseling.

2. Loan Processing

When a member finds a building to purchase, he or she continues to work with NHS loan counselors during the application process. Through this partnership, NHS has a relationship with GE Mortgage. GE Mortgage offers a 30-year, fixed-rate Community Home Buyer loan product with 5 percent down required for purchase of a one-unit property, and 10 percent down required for purchase of a two-unit property. NHS prepares the application materials on software provided by GE and transmits the loan information electronically to GE's main office. In four to six weeks, the loan decision is made.

NHS has helped GE understand some of this market's peculiarities. Many of the borrowers are Caribbean immigrants, who often use alternative savings plans and may have no established conventional credit, yet have a solid history of bill-paying. As an intermediary between the borrower and the financial institution, NHS can document creditworthiness to the lender. At the same time, through the seminars, NHS is educating this market about financial institutions and helping to overcome some of the cultural barriers that inhibit involvement with mainstream financial institutions.

LESSONS

1. Market-Driven Approach

Unlike many home-ownership efforts that start with buildings that need buyers, this approach targets a particularly large market of employed working families and helps that market move forward into home ownership. Membership of Local 1199 is predominantly minority with strong representation of African Americans, Caribbeans, Latinos and Asians — all of which are groups traditionally underserved by conventional credit.

2. LACK OF INFORMATION

From the experience of interacting with these members at the seminars, it has become clear to NHS staff that one of the major barriers to home ownership for this market is lack of knowledge about the process. Many members, although they are working people with good credit, could not grasp the possibility of home ownership. The seminars have helped 1199 members understand the process and how much house they can afford.

3. Great Response

The NHS staff was surprised at both the enormous response to the seminars and members' readiness for home purchase. Almost two-thirds of the members attending the Phase I session met the prequalification threshold requirements for Phase II.

4. Site and Schedule

Because interested members were grouped by place of employment, NHS initially went out to the site, usually a hospital, for the Phase I seminar. However, doing the session at the union headquarters was a better alternative because it drew larger groups of people from several employers. Members were accustomed to coming to the union hall. NHS wrote a schedule of seminar dates and times, establishing an agenda over six months and enhancing NHS's preparation.

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NHS of New York City Homeownership Center

OUTCOME: The Neighborhood Housing Services (NHS) of New York City Homeownership Center is a “one-stop shop” that consolidates, in a central location, counseling services at each stage of home ownership: homebuyer education before and after purchase; insurance services; access to down-payment and closing-cost assistance; and bank referrals for housing rehabilitation and special mortgage products.



The NHS of New York City Homeownership Center was the prototype for the NeighborWorks® Home Ownership Centers that have opened in ensuing years.

BACKGROUND

The creation of a centrally located Homeownership Center arose from the need to meet a tremendous, untapped demand for home ownership in New York City. A growing number of low- and moderate-income residents of the city's five boroughs are seeking home ownership and have the capacity to attain it. Lack of access to credit, however, stands in their way, as do limited opportunities for homebuyer education. The Center is a convenient place for families to get homeownership counseling and to overcome barriers to lending.

COMPONENTS

1. The Center is centrally located in downtown Brooklyn, in close proximity to public transportation. It is adjacent to a Dime Savings Bank branch. Dime Savings Bank donated the space, investing \$150,000 to renovate it. Chase Manhattan Bank donated \$50,000 for start-up costs.

2. In addition to Dime Savings Bank and Chase Manhattan, other banks that are members of the Center and offer low down-payment mortgages

to first-time homebuyers are: Atlantic Bank of New York; The Greater New York Savings Bank; Citibank N.A.; GreenPoint Bank; and Marine Midland Bank.

3. Allstate Insurance Company donated a kiosk for the entrance to the Homeownership Center. Insurance companies participating, in addition to Allstate, are State Farm, Aetna, Metropolitan Property and Casualty, and Nationwide.

4. Other banks offer programs through the Center. For example, ten banks invested \$200,000 each into a \$2 million loan pool to assist the Cash 2 program. Cash 2 makes loans for down payments and closing costs.

5. NHS of New York City's Landlord Education Program, teaching first-time buyers of two- to twenty-unit buildings how to maintain a residential building, is available at the Center. The Industrial Bank of Japan Ltd.; The Fuji Bank and Trust Company; The Bank of Tokyo Trust Company; IBJ Schroder Trust Company; LTCB; Sumitomo Trust Company; Bank of Yokohama; and Tokyo Momin provide operating funds for the Landlord Education Program.

6. Chemical Bank, The Fuji Bank and Trust Company and the Fannie Mae Foundation have funded a program, run out of The Homeownership Center, to assist first-time Latino homebuyers who have cultural, language or perceptual barriers to accessing conventional lenders.

7. Fannie Mae Foundation made a challenge grant of \$50,000 toward the Center's operation. Morgan Stanley Foundation matched with \$25,000 and Amalgamated Bank with \$55,000.

8. NHS covered the Center's operating costs with:

- A \$100 annual fee per customer household for homebuyer seminars, one-on-one counseling, and qualification certificates.

- A \$5,000 quarterly fee for banks participating in the Center and its customer-referral network.
- A sliding fee of \$500 to \$1,000 for training sessions for a maximum of 25 landlords of properties for either two to four families or five to 20 families. These sessions are an optional service that the Center offers to banks.
- For each closed loan NHS produced, NHS received \$750 for costs such as one-on-one counseling, marketing, bank referrals, and pre-qualification services for customers banks refer.

9. The Center's employees initially included an education director; a program assistant; and three mortgage counselors, who speak three languages, English, Spanish and Creole.

LESSONS

1. Replicability

The Center concept is replicable for other NeighborWorks® organizations, particularly since NHS of New York City has already confronted and worked out the challenges of start-up. In addition, The Homeownership Center is a vehicle an organization can use to package and promote programs that it already is operating.

2. Promotes Full-Cycle LendingSM

The Center concept is a natural extension of NeighborWorks® Full-Cycle LendingSM, providing counseling at necessary junctures in home ownership and access to flexible loan products and insurance.

3. Underserved Markets' Needs

The Center can be a neutral space for potential homeowners. For instance, non-English speakers can get home-ownership counseling at the Center.

4. Accessibility

A home-ownership center needs to be in a central location that is close to public transportation and is fully accessible to customers with physical limitations.

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Richmond NHS Collaboration with Community Development Corporations

OUTCOME: Richmond, Virginia, Neighborhood Housing Services (RNHS) developed an innovative collaboration with a group of community development corporations (CDCs) in which the NHS provided financing and counseling to buyers of properties developed by those CDCs.



BACKGROUND

Richmond has had an increase in the number of local CDCs redeveloping vacant houses in its most distressed neighborhoods. Since these are not typically first-choice neighborhoods, after-rehabilitation sales prices often exceed market values. To attract buyers to these neighborhoods, a set of incentives was needed. RNHS, with CDCs involved in the Richmond Community Development Alliance, developed not only the necessary resources but properties for resale; buyer education and counseling; and attractive financing for home purchase.

COMPONENTS

RNHS and the CDCs put together a system that connects the pieces necessary to develop affordable home-ownership opportunities. That system's components are

1. Predevelopment Financing

On the predevelopment side, the Local Initiatives Support Corporation (LISC) provides RNHS and CDCs with predevelopment and construction lines of credit leveraged with other private lender support. It provides the CDCs with an important tool in advancing the development of distressed properties.

2. Homebuyer Counseling

RNHS and the CDCs work closely with an entity called Housing Opportunities Made Equal

(HOME). HOME provides prepurchase counseling citywide and refers buyers who have received a certificate indicating they have completed training to the CDCs. The CDCs then work with the development of distressed properties.

3. Down-Payment Assistance

Given the market conditions and the need to reach families at lower-income levels, some kind of down-payment assistance product was necessary. The city of Richmond allocated Community Development Block Grant funds for this purpose. These funds were supplemented with an RNHS-secured \$150,000 grant through the Federal Home Loan Bank Affordable Housing Program. This provided a pool of funds to make down-payment assistance loans of \$3,000 to \$8,000 at a zero percent deferred rate. This has proven to be an important incentive to home purchase in neighborhoods where CDCs are working. RNHS in this context acts as one of the lenders and funds these down-payment assistance loans.

4. Home Purchase Financing

To provide a further incentive for buyers in these neighborhoods, the CDCs, NRHS and LINC applied to the state for an end financing pool. The Regional Loan Fund, established by the state of Virginia Department of Housing and Community Development and the Virginia Housing Development Authority, is a \$3.8 million first- and second-mortgage pool. The first-mortgage products are a 5 percent, 30-year product and a 3 percent, 20-year product. The second mortgage pool makes deferred payment loans up to \$25,000 at zero percent. RNHS, in conjunction with participating local lenders as well as CDCs, originates and packages loans funded by the state.

HOW THE SYSTEM WORKS

RNHS has an efficient system of disbursing down-payment assistance grants. This system works as follows

1. The CDC requests a commitment for down-payment assistance for a buyer. RNHS forwards

a commitment letter, with a checklist of items that must be given back to RNHS after closing, including

- customer information sheets;
- HUD settlement statement;
- verification of income; and
- certificate of counseling.

2. A closing date is established.

3. RNHS sends a check for the down-payment assistance amount and a deed of trust to the attorney handling the closing.

4. Recorded documents and other closing documents come back to RNHS.

LESSONS

1. Recognizing a Niche

In this situation, RNHS determined where it could add the most value. The city was interested in developing a coordinated structure among the CDCs. Because RNHS was involved in the Richmond Community Development Alliance, it was positioned to be part of this discussion and found an appropriate niche.

2. Increasing Transactions

Participation in this system has given RNHS a way to be involved in more home-ownership transactions in a number of neighborhoods, without diluting its efforts in the RNHS target neighborhood.

3. Judging Buyer Capacity

Both RNHS and the CDCs are interested in the long-term success of this effort. As a result, they

look very closely at the customer and his or her ability to manage home ownership. New buyers are not pushed to their financial limits and mortgage payment ratios are generally maintained at or below 28 percent.

4. Defining Roles

While most cities have CDCs, a collaborative structure like the one in Richmond is somewhat unusual. It features RNHS in the important role of securing critical subsidy financing, allowing the CDCs to focus on development of affordable homes.

5. Sharing Resources

Involvement in this collaborative effort has moved RNHS to a different level. With more CDCs in Richmond, competition for resources is greater. Working with CDCs so that resources can be shared has reduced competition and increased collaboration. Broadening its scope of involvement has helped RNHS shore up its base of fund-raising support.

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The HOME STORE, Rochester, New York

OUTCOME: The city of Rochester, New York, has a centralized “one-stop shop” for a variety of housing initiatives to recycle vacant buildings. The city contracts with the Urban League to administer this entity; the Urban League, in turn, sub-contracts the home-buyer-education component to NHS.



BACKGROUND

The city of Rochester undertook a study of vacant homes and developed a number of initiatives aimed at turning these properties around. NHS, along with several other nonprofits, had formed a consortium, HOME Rochester, to turn around vacant buildings. The consortium had been successful in developing centralized funding sources for this effort, but was having difficulty in coordinating sales. In dialogue with the city, a centralized customer-friendly marketing, buyer education, and financing center was developed.

COMPONENTS

As a one stop-shop the HOME STORE brings services for potential homebuyers of vacant properties together in one place, including:

1. A Central Intake System

This system provides initial screening and determines preliminary eligibility of prospective homebuyers. Buyers who appear interested and eligible are given a list of available properties and referred to a sales agent.

2. Case Management Services

Each prospective homebuyer is assigned a sales counseling agent who works with the buyer through the loan process to closing and after.

3. Counseling Services

This is the piece that the NHS is most involved in. Depending on individual needs and circum-

stances, several formats are used in homebuyer education, ranging from fast-track sessions to longer-term homebuyers clubs.

4. TARGETED MARKETING

Marketing the services of the HOME STORE involves a range of strategies, including connecting to minority churches, holding seminars at locations within neighborhoods, and other forms of outreach. The HOME STORE also has held a “home expo” involving a series of model homes open to the public. A series of monthly seminars has served as a way of introducing people to the HOME STORE.

The HOME STORE is funded by the city of Rochester through a contract with the Urban League. It has a full-time staff of four and two part-time positions, including time spent by the NHS staff person.

LESSONS

1. Innovation

While none of the activities of the HOME STORE is unique, the idea of the city pulling these program pieces together in one place and contracting with a third party to administer them is new. The focus of the HOME STORE is on the marketing and financing of vacant properties, although that role might be expanded to include other home-ownership opportunities as well. The early experience of the HOME STORE suggests that this “one-stop shop” approach is effective in enhancing the visibility of home-ownership promotion.

2. Niche for NHS

A second major lesson is that collaboration with other groups can have sustained benefits. While in a collaborative effort one organization may lose a little, much more can be gained. NHS, while not the lead agency in the HOME STORE, has developed a niche in the area of homebuyer education, which has helped it in its relationships with local banks seeking to develop new markets.

3. Customer Response

Having a range of services in one physical place has created a more user-friendly environment to bring people into the system. There has been a concentrated effort to make the HOME STORE not look like a city program and this seems to be paying off in terms of customer response.

4. Relationship Building

Moving city government in this direction required a substantial amount of relationship building. NHS was involved in the discussions with

the city about how the city's initiatives would be implemented; NHS kept pushing the idea of a one-stop user-friendly center.

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NHS of Rochester Partnership with Congregations

OUTCOME: Neighborhood Housing Services (NHS) of Rochester, New York, has formed a partnership with a group of African American congregations to provide homebuyer-education services.



BACKGROUND

Since urban churches were concerned about neighborhood conditions, NHS of Rochester decided to hold homebuyer orientations at churches, as a vehicle for promoting further homebuyer education.

When the orientation was announced in the church bulletin, a number of parishioners attended. Some NHS staff and participants found they already knew each other from their own church congregations.

A consideration for NHS was how to expand delivery of homebuyer education to meet growing demand. In the previous year, NHS had run six homebuyer clubs serving 74 people. At each orientation (before an individual club was formed), about 50 people indicated interest in more education. In addition, NHS had run six fast-track sessions for 107 people.

NHS's original intent was to develop a network of homebuyer clubs in churches, with one church member as mentor and other members such as real-estate agents and contractors to serve as expert advisors to the club. In this model, NHS would supplement these groups with whatever expertise was required. Using a VISTA volunteer, NHS began an outreach effort to neighborhood churches to gauge interest.

At about the same time, a group of ministers in Rochester, the Community Alliance of Black Ministers, was raising concern about unequal

credit opportunities for residents of city neighborhoods. In response to these concerns, the alliance and several banks organized a program called Footprints on the Path to Home Ownership, a basic homebuyer orientation program. After an initial evaluation by bankers and ministers, a decision was made to have an outside organization manage this program. NHS responded to a request for proposals and was selected to manage Footprints on the Path to Home Ownership.

Rochester is a city of 230,000 people. Of these, about one-third are African American, 10 percent are Hispanic. Housing prices in the areas NHS serves average \$42,000, and the housing market in those communities is fairly soft. NHS has effectively used homebuyer education to build home-ownership demand.

COMPONENTS

"Footprints on the Path to Home Ownership" is a six-session orientation. Church members and a bank representative serve as mentors for participating families.

NHS was the constant in this equation, convening the meetings, bringing in resource people and providing mentor training. Participating banks paid NHS \$1,200 to conduct the training and \$20 for each person attending.

LESSONS

1. NHS Role within an Institution

NHS involvement in Footprints on the Path to Home Ownership is part of a strategy to cultivate relationships with churches and to create a system of homebuyer education outside NHS. In this system, NHS trains mentors and provides consistency of approach. NHS expertise is used strategically where needed, but energy and leadership to run the homebuyers clubs comes from the religious institutions.

2. Importance of Approach

Having a person from the church constituency who is also involved with NHS (for instance, a resident board member or customers) to help es-

establish a relationship is more effective than, for example, cold calling.

3. Institutions as Markets

NHS sees institutions and institutional membership as an important base for home ownership. Like churches, other institutions have networks and relationships that imply a potential interest in home ownership. NHS is looking at parents of students at the local high school as a potential market for NHS home-ownership services.

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St. Petersburg NHS “Homes for the Holidays”

OUTCOME: St. Petersburg, Florida, Neighborhood Housing Services (NHS) has developed a working partnership with a professional athlete from the Tampa Bay Buccaneers football team who donates funds for NHS homebuyers to use toward down payment and closing costs.

1
NeighborWorks®
Organization
Partnership-Building



BACKGROUND

St. Petersburg NHS, located two miles from downtown St. Petersburg and 20 minutes from Tampa, opened in 1980 and serves a population of 240,000. As a NeighborWorks® organization, NHS provides Full-Cycle LendingSM, secondary financing, homebuyer education, and owner-occupied rehabilitation, technical and financial assistance.

Warrick Dunn is a running back with the Tampa Bay Buccaneers who initiated a project two years ago to help single mothers buy homes. Dunn’s mother was a police officer in Baton Rouge, Louisiana, who was killed in the line of duty. That event inspired Dunn to give back to the community with a program called “Homes for the Holidays,” helping single mothers buy homes.

NHS heard about “Homes for the Holidays” from St. Petersburg housing department officials, and learned that Dunn wanted to expand outside Tampa into St. Petersburg. At the time, the city was involved in the program, but was having difficulties facilitating the expansion. NHS and its partner, Bank of America Community Development Corporation, contacted the Buccaneers directly, and expressed their ability to accommodate Dunn with the expansion to St. Petersburg.

COMPONENTS

Warrick Dunn’s Contribution. Dunn donates \$5,000 to selected homebuyers to use for the

down payment and closing costs on a home. He prefers to connect the closing events with the winter holidays, and coordinates each event to occur at some point between Thanksgiving and Christmas Eve. Dunn meets each homebuyer and attends the closings as a witness.

NHS’s Role. NHS is the liaison between Dunn and the homebuyer. NHS is responsible for locating a qualified buyer, assisting with financing, and helping the buyer find an affordable house. The buyer receives credit counseling and attends NHS’s homebuyers’ class. NHS helps the homebuyer obtain a first mortgage through a local lender, then provides a second mortgage for the remainder of the financed amount.

Qualifying Factors. The two program prerequisites, as defined by Dunn, are that the buyer be a single mother, and that she need financial assistance to afford home ownership. The buyer must also fit NHS income requirements and have a satisfactory credit history.

Additional Assistance. Once the buyer and the home are selected, the Buccaneers solicit donations from local retailers to thoroughly furnish the home. The retailers provide furniture for the living room, dining room and each bedroom, stock the kitchen cupboards with food and kitchen materials, and supply linens, household appliances, drapes and wall hangings. Dunn does not inform the buyer that the home is furnished, to add an additional, surprise gift at the closing.

The Closing. “Homes for the Holidays” closings are done at the house and are a celebrated event. Dunn attends and signs the paperwork as a witness. Various media are invited to attend, as well as local politicians, each organization involved in the process, and the buyer’s family and friends.

RESULTS

- St. Petersburg NHS has completed one project with Warrick Dunn and the Buccaneers, and is planning to complete another in 2000. Dunn typically helps two to four homebuyers a year in Tampa, Baton Rouge and St. Petersburg.

- NHS contacted the Tampa Bay Devil Rays baseball team and proposed opening the program to baseball players too. The Devil Rays, in fact, are interested in a similar program, and are planning to present a “Homes for the Holidays” model to their players as an option for community service.
 - NHS was able to utilize its media connections to make the closing a big event. The NFL video team also attended and filmed the event. The story was featured on television by the NFL media and was noticed by Dan Rather of CBS News. CBS News then invited the homebuyer and Dunn to share the story on the national evening news.
 - The event was successful and well-attended. The state legislator from the district came to the closing and the city council was present to make a dedication. Members of the buyer’s family wrote and read poems, and the family’s pastor attended and prayed. The Buccaneers and Warrick Dunn were given full credit for their support, and NHS was mentioned as the liaison. Dunn presented the keys to the buyer, who was astonished when she opened the door and saw that the whole house had been fully furnished. The event was very moving and filled with emotional testimonies and gratitude.
- team. Outline your responsibilities, such as finding appropriate homebuyers and providing credit counseling, homebuyer education and financing. The more a team knows of your organization and its program, the more likely the program will succeed.
 - Be sure to gain approval from the media before presenting the plan to a sports organization, so the media are ready to be involved. A solid and supportive relationship with the media is an important factor in marketing the program to a team.
 - This program is not difficult to duplicate if you have a professional sports team in your area. Professional athletes typically have a community-involvement requirement in their contract, but may not be aware of all available community-service activities. If a Neighbor-Works® organization is in the same city as a professional sports team, it is definitely worthwhile to connect with the athletes and their respective organizations.
 - It is vital that the homebuyer be open-minded and receptive to all that the program entails. For example, the buyer must be comfortable with the publicity surrounding the program and the closing event. The local housing organization must be able to help the buyer prepare for the media’s attention and cope with any fears or anxiety.

LESSONS LEARNED

- When approaching professional sports teams, be sure to stress that this type of program is extremely good publicity for both the team and the player. Inform the team of the project’s goals, and emphasize that the good will generated applies not only to the team and its athletes, but also to the community as well.
- Have a detailed plan before proposing the project to a sports organization. Include in the proposal your organization’s skills in obtaining local press coverage. This is an important aspect. By coordinating local media coverage, NHS can give back to the athlete and the

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Salisbury NHS Discounts for Buyers

OUTCOME: Salisbury Neighborhood Housing Services (SNHS) has made home ownership in the area's revitalizing neighborhoods more affordable by forming partnerships with firms and individuals that are willing to offer their home-purchase and settlement services at reduced cost.



NEED

SNHS saw the need to offer financial incentives, such as below-market loans and lower settlement costs, to mitigate risks associated with home ownership in blighted or revitalizing neighborhoods. SNHS found that an effective way to offer these incentives was to create mutually beneficial partnerships with service providers.

COMPONENTS

1. Lawyers

Local bar association members were asked to participate by charging a flat fee of \$200 per settlement for SNHS customers. They responded with a long list of participating attorneys. SNHS customers have the right to choose their own attorney, but to qualify for the discount they must use the participating attorney assigned to their loan.

2. Appraisers

A group of local appraisal companies reduce their fees to \$100 for SNHS customers. One company serves as the coordinator and assigns appraisals as SNHS sends in orders.

3. Credit Bureau

The credit report fee is waived in full for SNHS customers. Therefore, customers can assess their credit ratings, with the help of SNHS, without investing any money. Past experience shows that if customers have no risk of losing their up-front money, they are more likely to continue the pre-purchase process.

4. Home Inspectors

SNHS contracts with a certified home inspector who has reduced fees for a complete home inspection and work write-up to \$200.

5. Termite Inspectors

The termite inspection fee was reduced to \$60.

LESSONS

By reducing purchase and settlement costs, SNHS makes home ownership more affordable while increasing the marketability of homes in its target neighborhoods. The long-term success of this valuable partnership with service providers is strengthened by setting fees that are reduced but in most instances still cover providers' hard costs.

Typically, an SNHS customer can save as much as 50 percent on closing costs by using services this innovative partnership offers.

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Salisbury NHS Real Estate Partners

OUTCOME: By consciously setting out to form partnerships with real estate agents, Salisbury Neighborhood Housing Services (SNHS) has greatly overcome agents' misconceptions about the organization and has engineered a mutually beneficial arrangement in which, on the one hand, SNHS opens new neighborhood markets and sends customers to real estate agents. On the other hand, by listing and selling homes in areas SNHS serves, real estate agents come to understand and aid in SNHS revitalization plans.

1
NeighborWorks®
Organization
Partnership-Building



BACKGROUND

Salisbury NHS works in three older neighborhoods in Salisbury, Maryland. This small city, located on Maryland's predominantly rural Eastern Shore, has a Spanish-speaking population that is on the increase and consists in large part of first-generation homebuyers who need linguistically appropriate help in navigating home ownership. As a regional center for poultry production, Salisbury also is home to many moderate- to low-income working people. Housing stock in certain SNHS neighborhoods is substandard.

Local real estate agents previously had used SNHS as a last resort, sending customers who had exhausted home-purchase financing options or who had bought houses in need of substantial repair. Rather than have frustrated buyers, sellers and brokers, SNHS sought to forge links between parties that would increase the likelihood of prospective buyers reaching the settlement table.

COMPONENTS

1. Explaining SNHS Mission

Real estate agents are well-served by an understanding of the NeighborWorks® organization's

long-term commitment to neighborhoods and of the organization's not-for-profit role as an advocate, separate and apart from individual sales. Integral parts of this SNHS commitment are stringent property inspection and rehabilitation. SNHS takes care to communicate that measures such as these result in a better product on the market and a more valuable asset for both the homeowner and the neighborhood. This type of communication has been the basis for strong partnerships.

2. Spanish-Speaking Community

SNHS has an intentional program for reaching Spanish-speaking customers. As part of this outreach, SNHS refers Spanish-speaking customers to a real estate agency where staff are bilingual. SNHS also has Spanish-language radio ads that publicize its homebuyer education classes and first and second mortgage financing for homes in SNHS neighborhoods. SNHS also can supply interpreting services and document-translation, thanks to the volunteer work of a Puerto Rican, Spanish-speaking homeowner whom SNHS assisted in buying a home.

3. Open House Day

SNHS helped sponsor, market and staff a multi-neighborhood open house, with participation of many area brokers. The summer event had advance media notice that included a two-page spread in a local real estate magazine. The Open House Day generated more buyer traffic and contracts than agents had expected. As a result of this event, a real estate agency that produces a television program on its listings, proposed a show on properties eligible for SNHS financing.

4. Continuing Education Credit

SNHS is developing with the Coastal Board of Realtors® a three-hour training for its members about SNHS and its neighborhood revitalization and flexible financing work. The class will count as continuing education credit for agents. SNHS will certify graduates, which puts them on a referral list for home-buying customers.

5. Working With Agents

Real estate agents participate as instructors in SNHS home-buyer education classes, explaining how potential homeowners and real estate community can and should interact.

SNHS markets real estate listings in neighborhoods it serves, increasing the pool of potential buyers. SNHS also provides real estate agencies with:

- Brochures about flexible financing, for agents to use in marketing properties;
- Yard signs connecting the availability of financing through SNHS with real estate agents; and
- SNHS balloons for open houses.

LESSONS

1. Customer Service

Real estate agents can provide customer service that makes a positive experience for the home-

buyer more likely. Once familiarized with SNHS services, agents will be able to make better decisions about which customers to refer for SNHS counseling or financing.

2. Shared Work, Shared Exposure

Combining marketing efforts with those of real estate agencies doubles the potential exposure for both. Real estate agents with a strong sense of their NeighborWorks partnership will come to an NeighborWorks® organization for marketing tools that make homes in SNHS neighborhoods more competitive.

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Salisbury NHS Volunteer Strategy

OUTCOME: Salisbury Neighborhood Housing Services (SNHS) has attracted and used volunteers in a number of capacities to accomplish the organization's home-ownership goals.



BACKGROUND

SNHS, organized in 1993, focuses on three target neighborhoods close to downtown Salisbury. In the course of its development, SNHS has had several opportunities to achieve significant impact in those neighborhoods, such as rehabilitating several donated buildings and removing some dilapidated, problem buildings. Because SNHS has a small staff, it decided to pull together project-specific, action-focused planning and implementation groups that could best capture these opportunities and supplement standing committees' work. These action teams, as they are called, are an important component in SNHS's home-ownership strategy.

COMPONENTS

1. Action Team

The action team concept, drawn from the concept of Total Quality Management (TQM), calls for experts from various disciplines to pool their talents and energies on a specific project from beginning to end. Since many of the opportunities that emerged were real estate development — establishing the NHS office and a rental unit; organizing a purchase-rehabilitation program on Hazel Avenue; and removing problem buildings on Catherine Street — SNHS sought experts in that field. Volunteers ultimately included an appraiser, attorneys and an area resident with specialized real estate skills. Each action team had an average of five people, including staff.

The SNHS board set a vision for each project; the action team determined specific steps for getting

from point A to point B. The action team respected outcomes the board wanted to see from each project, but the team had the flexibility to implement. Action teams successfully negotiated with architects and contractors on these projects. SNHS has used volunteers in other components of its home-ownership program.

2. Homebuyer Education

The SNHS Education Committee, in looking at expanding the organization's homebuyer education efforts, solicited volunteers from financial institutions and customers. Fourteen people expressed a willingness to become homebuyer education instructors. Ethan Pope, a staff person from Chattanooga Neighborhood Enterprise trained the volunteers. Now, SNHS volunteers and staff teach two education sessions per month.

3. Marketing

SNHS has used volunteers in marketing, in the hopes of enhancing the SNHS image and broadening the reach of its publicity. SNHS recruited a business writer to chair a committee, a person who had a business of her own and a self-interest in gaining exposure. This person's involvement improved the quality of communication SNHS dispersed. SNHS also drew into its marketing efforts a graphic artist, an event organizer and journalism students.

4. Loan File Reviews

SNHS asked a group of mortgage lenders to review loan files for accuracy and completeness. Several lenders were interested in volunteering by reviewing files on a regular basis with the SNHS lending staff person and identifying items to correct. Use of volunteers in this capacity has helped SNHS achieve high standards in managing its loan portfolio and has enhanced its overall lending operation.

LESSONS

1. Accommodating Volunteers' Interests

One benefit of the action team approach is that volunteers can choose projects that most engage their interest. Team members' work is hands-on,

giving them ownership in success, a factor that in turn reinforces additional volunteer activity.

2. Recognition

Volunteers need to be recognized. SNHS recognizes volunteers' efforts in the SNHS newsletter and at public events, such as groundbreakings, and at national and district Neighborhood Reinvestment Corporation events.

3. Training for the Future

Volunteers breed more volunteers. Volunteer activities are good training grounds for future board members. By being intentional in enhancing its public image, SNHS was building a reputation as an organization that could attract volunteers.

4. Strategic Recruitment

Salisbury NHS was strategic in its volunteer recruitment by bringing in experts with skills that could benefit the organization.

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NHS of Santa Fe Relationships with Churches

OUTCOME: Neighborhood Housing Services (NHS) of Santa Fe has developed a strong relationship with a number of local churches around homebuyer education. The particular approach the NHS took in developing this relationship provides a good lesson on connecting to local institutions.



BACKGROUND

Santa Fe's real-estate market has experienced a rapid escalation in value over the last decade. The median sale price has risen to \$182,000 as demand for housing from people outside the community makes ownership less affordable for native Santa Feans.

With housing prices rising rapidly, home-ownership opportunity in existing neighborhoods was insufficient, requiring NHS to look county-wide for affordable-housing product.

In spite of the problems, these market conditions presented NHS with some opportunities to increase home ownership among local working families. The State Housing Finance Agency was offering a 6¾ percent mortgage product; some affordable stock was available, and no one was really focusing on the first-time homebuyer market. NHS saw a niche for its intervention and began to carry out a strategy to develop that niche.

A key piece in that strategy was simply making more people knowledgeable about home ownership. People were discouraged and thought they would be unable to ever become homeowners. The NHS home-ownership strategy had at its core an emphasis on increasing individuals' confidence in their ability to access the system.

COMPONENTS

Much of the outreach in Santa Fe has taken place within the networks of churches and church-related schools, since this is where a market of potential homebuyers is situated. The approach to these institutions is based on determining if the congregation has an interest in increasing home ownership. If so, NHS helps design an appropriate approach.

The approach and the relationship of NHS to churches has three basic components.

1. Interviews With Pastors

As part of a process to become acquainted with the Santa Fe community, the NHS executive director did a series of individual meetings with church pastors. The meetings' purpose was not to sell NHS but to engage pastors in a discussion about how they viewed Santa Fe's housing situation. Pastors were asked whether access to home-ownership was an issue in their congregations and whether there was an interest in pursuing homebuyer education and assistance.

These assessment interviews helped NHS determine that some churches did have an interest in home ownership. Where this was so, NHS developed a homebuyer-education workshop series for them.

2. Introducing Homebuyer Workshops

NHS went back to the churches with the outline of how the homebuyer workshops would work. The pastor might refer NHS to a particular group in the church, such as the Peace and Justice Committee or the Adult Education Committee, and NHS staff would work with that committee on how to introduce the homebuyer workshop.

What worked best was an announcement at the Sunday service from a parish leader, with other parishioners available to sign people up at the end of the service. NHS's role was to organize the announcement, performing tasks such as providing clipboards for sign-up. Throughout this process, it was important to reinforce that this

was the church's meeting and that NHS was an invited guest and resource.

3. The Homebuyer Workshops

The homebuyer education workshops offered to the churches were intended to do two things: increase people's confidence in their ability to buy homes, and increase their information about how home purchase works. Doing this kind of seminar in the context of the church was important. People felt affirmed as members of the congregation and this affected their openness to participate and learn.

The workshop curriculum focused on what NHS can do to help people buy and what people themselves need to do. It discussed the barriers to home ownership and how certain barriers could be overcome. The workshops also provided information to people about new loan products and down-payment assistance. The workshop in one parish extended into several sessions covering topics in more detail.

Again, the idea of NHS being the guest was reinforced. Before the meeting, NHS reviewed with the pastor or group leader what was to be covered and made sure the meeting would be appropriately similar to other church-related meetings. For example, it was discussed in advance whether other church-related business needed to be covered, or if the meeting would begin with a prayer.

One overall advantage was that the NHS homebuyer education instructor had participated in similar sessions and was successful in buying a house as a result of that training.

LESSONS

1. The Churches' Interests

In developing the approach to churches the NHS was careful not to simply "use" the church. Home ownership was discussed in the context of the church's self-interest. If parishioners being unable to buy homes was a problem for the congregation, then a dialogue about how NHS might help the church alleviate the problem was possible. Access to home ownership was a problem

for some, but not all, of the congregations NHS encountered. For those where this was an issue, NHS presented itself as a resource.

2. Recognizing Obstacles

This approach recognizes that major obstacles to home ownership can be personal discouragement and lack of knowledge about the system. Addressing these issues within an institutional framework where people felt at ease was important.

3. Effective Introduction

In approaching the churches, NHS did not assume the pastors knew about NHS. Providing the organization's credentials was an important first step in building each relationship, but initial individual meetings were less a sell of NHS and more a discussion about housing. From this dialogue with pastors, NHS developed homebuyer-education strategies.

4. Defining the Problem

Understanding specific problems is important. In Santa Fe, the problems are affordability and lack of knowledge about the home-purchase process. Elsewhere, the problem may be lack of confidence in a neighborhood. What NHS learned about the problem from ongoing dialogue with pastors and participants helped develop both homebuyer training and loan products.

5. Looking Beyond Marketing

This approach was successful in positioning home ownership as a strategy within the self-interest of the church as a value-based institution. It differs from simply marketing to churches in that it seeks to understand that self-interest and determines where the NHS might add value.

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Neighborhood Housing Services of Santa Fe Teacher Home Fund

OUTCOME: Neighborhood Housing Services of Santa Fe, New Mexico, has developed an innovative program, called the Teacher Home Fund, to help combat high teacher turnover in the area because of low teacher salaries and high housing costs.



BACKGROUND

NHS of Santa Fe has been serving the city's 60,000 residents since 1986. The organization provides homebuyer education, one-on-one counseling, low-interest mortgages for first-time homebuyers and home-repair loans. NHS of Santa Fe began by providing rehabilitation for homeowners on the West Side of the city, then expanded to provide education, lending and new construction to all of Santa Fe and the surrounding counties.

Expensive housing has been a major issue in Santa Fe for many years, especially for area educators. Teachers in Santa Fe earn among the lowest salaries in the nation, while Santa Fe housing costs are among the highest. Schools in the Santa Fe district lose 20 percent of their educators each year, due to the incompatibility of living costs and teaching salaries. Teachers earn a starting salary of \$23,000 a year, and on average earn about \$31,000 a year. The median cost of purchasing a home in Santa Fe is over \$200,000. High teacher turnover makes it difficult for schools to provide high-quality education, and creates an obstacle to stabilizing neighborhoods. NHS decided to help stabilize schools, neighborhoods, teachers and their families by creating the Teacher Home Fund.

COMPONENTS

1. Program Mission

The mission of the Teacher Home Fund is to strengthen communities and schools by providing closing-cost and down-payment assistance, low-

interest purchase loans for homebuyers, and low-interest rehabilitation loans for homeowners.

2. Land Title Trust Fund

The Land Title Trust Fund (LTF) is a pool of funds created by title companies to make housing more accessible for low-income families in New Mexico. The developer of the fund, the CEO of a Santa Fe title company, realized that there were millions of dollars sitting in escrow accounts managed by title companies, which could be earning interest and benefiting the community. Developers then worked to pass legislation enabling title companies to place the escrow funds into interest-bearing accounts and to use the interest accrued in support of affordable housing. The legislation was passed, and launched the Land Title Trust Fund program. Title companies voluntarily choose to participate. NHS of Santa Fe, among other housing organizations, can apply for funds to use in creating affordable-housing options.

3. Teacher Home Fund

The Teacher Home Fund was developed by NHS of Santa Fe to help teachers purchase a home or receive affordable rehabilitation loans. The Land Title Trust Fund granted money for NHS customers to use as down-payment and closing-cost assistance, and to provide low-interest, home-repair loans to current homeowners. Educators in the program are also able to take advantage of NHS mortgage-loan products and homebuyer education. The Teacher Home Fund makes it possible for buyers to purchase a \$100,000 home with as little as \$1,000 of their own money.

4. Qualifying Factors

Applicants need to meet certain criteria to be eligible for the Teacher Home Fund. They need to be employed as a teacher, and either be a first-time homebuyer or own a home in need of repairs. LTF requires that the household be at or below 80 percent of the median income. If a family's income is higher, the applicant is then directed to other NHS programs. Applicants also need to adhere to routine qualifying factors, such as suitable and manageable credit, stable and

verifiable income, etc. The interest rate for loans through the Teacher Home Fund is based on a sliding scale, and ranges from 0 to 6 percent. The mortgage-loan interest rates fluctuate with each individual product, but all are below-market.

Though there are qualifying factors, NHS will work with every teacher on an individual basis. Loan counselors help any teacher interested in the program to create a home-ownership plan, based on their specific needs.

5. Funding

Capital for the Teacher Home Fund is primarily granted from the Land Title Trust Fund, but additional supporters have recently become involved. The Community Development Financial Institution (CDFI) Fund, a program of the U.S. Department of the Treasury, now contributes to the Teacher Home Fund, as well as the Fannie Mae Foundation, the New Mexico Mortgage Finance Authority (NMMFA) and Santa Fe Community Foundation.

In 1999, the CDFI Fund matched the amount given by the Land Title Trust Fund, and Fannie Mae granted \$30,000 to the Teacher Home Fund. The New Mexico Mortgage Finance Authority does not donate funds directly into the program, but manages the LTTF funds. NMMFA also has financial programs that NHS can access, to provide additional, alternative loan products.

6. Staff

A single staff person at NHS maintains the program, carrying out marketing and outreach duties and recruiting teachers. Once a potential buyer is identified, the person is guided into the appropriate NHS program. The introductory phases, conducting initial marketing and stabilizing the funding, were the most time consuming. Staff now needs only to maintain the program, by broadening teachers' awareness of it, supplying schools with program fliers and brochures, and coordinating local publicity.

RESULTS

- Twenty-one teachers have met with NHS counselors, and each is in a different stage of the homebuying process. Some have received purchase loans; some will be closing soon;

and some are working on lowering debts and increasing savings. The first loan through the Teacher Home Fund closed in February 2000. Since the program's inception, 11 teachers have become homeowners.

- The first outreach event, to inform teachers of the Teacher Home Fund, took place in October 1999. The program coordinator conducted outreach to 20 schools; some 30 teachers from throughout Santa Fe attended. The district has approximately 750 teachers.
- During the program's first quarter, there were 40 inquiries. As of May 2000, the number of inquiries has risen to 65 for home purchase, and six for home repair.
- Nineteen teachers have come to NHS for orientation and home-purchase counseling; two have come for home repair.
- NHS has completed two home-repair loans.

LESSONS LEARNED

- Each teacher interested in the program needs help on a case-by-case basis. Each household has different circumstances. It is important for the organization to take time to help each family and its unique situation.
- Marketing the program and conducting outreach are extremely important, as is maintaining connections with teachers and schools. Teachers are often overwhelmed with information on various programs and opportunities, and do not fully understand all that is offered. Take the time to educate teachers on the program and services available.
- The longevity of this type of project relies heavily on stable funding. When seeking contributions, look for supporters who are interested in backing the program long-term. In time, the program may become self-sustaining, but stable funding is very important during the developmental stages.
- At least one part-time staff needs to be available to coordinate the program. The coordinator is responsible for program outreach, com-

pleting necessary reports, and maintaining program awareness in the community and among teachers.

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NHS of Syracuse Collaboration with Consumer Credit Counseling Services

OUTCOME: Neighborhood Housing Services of Syracuse, New York, has developed a collaborative effort with a major national credit counseling organization, Consumer Credit Counseling Services (CCCS).

1
NeighborWorks®
Organization
Partnership-Building



BACKGROUND

NHS of Syracuse was seeing an exponential growth in the amount of homebuyer training that was being offered in the local market. While described as homebuyer training these efforts, sponsored by real estate companies and financial institutions, were often thinly disguised efforts at prospecting for sales in a very slow real estate market. NHS saw the need to build its own capacity as an organization that offers quality homebuyer education. After some initial discussion with Consumer Credit Counseling Services, NHS saw the opportunity for a mutually beneficial collaboration.

NHS was first introduced to CCCS by a financial institution representative serving on the NHS board. CCCS had substantial strength in training on household budgeting, understanding credit reports, and the laws that govern credit reporting. CCCS is a nonprofit organization that offers credit counseling in 1,000 locations across the country. NHS's strength was that it was already doing homebuyer education and it had a system for homebuyer education that CCCS could fit into. CCCS, on the other hand, had good contacts with major downtown employers and could draw on those contacts for homebuyer education.

COMPONENTS

NHS and CCCS decided to collaborate on a homebuyer education program of 13 sessions of

45 minutes each, at noon at a downtown location. The objective was to provide office workers an opportunity to avail themselves of homebuyer education at a convenient place and time.

Participants paid a nominal \$5 fee to cover the cost of materials. Each participant at the beginning received the Fannie Mae homebuyer guide, which was the basic reference for the course, and an in-file credit report. CCCS focused its training on household budgeting, analysis of the credit report, and the laws that govern credit reporting.

Along with this homebuyer training spread over a number of weeks, Syracuse NHS also offers an eight-hour Saturday session. This is designed for people who are already into the homebuying process and need to complete a substantive homebuyer education course.

LESSONS

- Consumer Credit Counseling Services proved to be a good resource for the credit issues around home purchase. CCCS also proved to have connections with a number of large employers that can be developed to expand the homebuyer education workshops.
- While the first group that signed up for the workshops was only seven people, NHS sees those seven as representing seven entries to different employers.
- As homebuyer education expands, there is the challenge to avoid burning out the trainer and to keep the material new and interesting.
- Providing a copy of an individual's in-file credit report was a useful hook in getting people signed up. An opinion issued by the attorney for CCCS indicated this was an acceptable practice as long as the person was not being charged.

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Vermont Statewide HomeOwnership Center Collaboration

OUTCOME: Burlington, Vermont, Community Land Trust (BCLT) is part of a statewide collaboration, NeighborWorks® HomeOwnership Centers of Vermont, striving to standardize homebuyer products and services. The goal of the collaboration is to provide the entire state with a similar package of services, available for any Vermont resident.



BACKGROUND

Burlington Community Land Trust has been serving and its 40,000 residents since 1984. The organization was started with seed money from the city to promote affordable housing and revitalize lower-income Burlington neighborhoods. BCLT expanded in 1986 to serve all of Chittenden county, but continues to focus on specific Burlington neighborhoods. Special loan products are available for homebuyers in target areas, along with homebuyer classes and postpurchase counseling, which are available to all households.

Five Vermont housing organizations, including BCLT, have developed a programmatic name and parallel identity as the “NeighborWorks® HomeOwnership Centers of Vermont” to serve all the state’s 14 counties. Four of the five agencies currently are certified as HomeOwnership Centers, and the fifth is awaiting Neighborhood Reinvestment certification. The collaboration was established to demonstrate continuity to consumers and to show that the member-organizations are connected and offer the same products and services statewide.

The centers are in Burlington, serving the Champlain Valley; Lyndonville, serving the Northeast Kingdom; Montpelier, serving central Vermont; Springfield, serving southeast Vermont; and West Rutland, serving southwest Vermont. In addition to BCLT, other participating Neighbor-

Works® organizations include Gilman Housing Trust, Rockingham Area CLT and Rutland West NHS.

The reasons for forming the partnership were to provide statewide coverage of homebuyer programs and products, to network and share information, to strengthen programs within each organization, to gain resources for each organization, and to develop long-term partnerships with sponsors.

COMPONENTS

1. Marketing Study

BCLT and other organizations in the partnership conducted a joint marketing study to determine whether a need existed for a statewide system of home-ownership centers. The group then examined potential costs and funding sources.

NeighborWorks® HomeOwnership Centers of Vermont established a “capital campaign” to raise money for each organization to apply toward programs and loan products. The marketing study was functional in providing information for the capital campaign as well as displaying the need for resources in operating the HomeOwnership Centers.

2. Start-Up

The Vermont Housing Finance Agency (VHFA) wanted every resident in the state to have access to the same funds and programs, and therefore initiated the statewide collaboration. VHFA also wanted to expand its market and concentrate on serving previously underserved populations. The VHFA created several affordable, below-market loan products, and organized the partnership to ensure equal opportunities for potential homebuyers. VHFA provides NeighborWorks® HomeOwnership Centers of Vermont with technical assistance and training, and coordinates quarterly meetings in which the agencies involved come together and discuss progress and programs.

Another important connection in the statewide collaboration is with the Vermont Community Foundation. The foundation employs experts in fundraising and foundation affairs, and has provided funding as well as technical assistance. The foundation is not only a substantial source of capital, but also provides connections to banks and insurance companies. Additionally, the foundation will contribute to choosing a “campaign coordinator.”

3. Campaign Coordinator

NeighborWorks® HomeOwnership Centers of Vermont will hire a full-time campaign coordinator. The responsibilities of the coordinator will be to determine whom to approach for funding and when, and how much money is necessary to support programs at each organization. The coordinator will concentrate on program standardization and will help distribute funds received through the campaign. Additionally, one person from each organization will meet regularly to brainstorm sources of capital and determine where funds will be applied.

4. Project Cost

Staff time is the main cost. Each agency spends approximately 10 to 20 hours a month on the program. Expenses also include hiring the campaign coordinator, plus travel and phone costs for each organization.

RESULTS

- Five organizations, covering nearly all counties in Vermont, are involved in the collaboration. NeighborWorks® HomeOwnership Centers of Vermont plans to provide statewide coverage of special loans and services.
- Burlington Community Land Trust will expand its service area again, as will most of the other agencies in the partnership. Several home-ownership centers may double or triple their service areas. Each organization needs to prepare for the increase and adapt accordingly.
- Programs of all five organizations have been standardized, including homebuyer classes and orientation, purchase-loan products, post-purchase counseling and postpurchase classes.

- Standardizing programs is making it easier to market them and share resources.

Local Impact in Burlington

- The visibility of Burlington Community Land Trust has been raised.
- False perceptions of BCLT are being eliminated because of its new identity as a “Home-Ownership Center.” People are realizing the agency’s broader guidelines and are more open to learning about the program.
- BCLT is enhancing many local partnerships. Businesses and partners want to be involved in the new programs and products shared by the statewide collaboration.
- Linking with national organizations adds a higher level of credibility to Burlington Community Land Trust. BCLT is now linked with Bank of America, Fannie Mae, Neighborhood Reinvestment and other organizations.
- BCLT is seeing a broader customer base due to changing perceptions of what services the HomeOwnership Center provides.

LESSONS LEARNED

1. Communication

Have regular and open communication with all groups involved. It is complicated to collaborate with five separate organizations, each of which has a different mission and service area. The partnership needs to decide which programs should be standardized, and which ones may remain independent. Goals must be broad enough for each organization to fit into the program.

2. Goals and Guidelines

Create goals and guidelines at the beginning, so organizations know what to expect. Trouble ensues if a program starts with a distinct plan, and only later realizes a sponsor requires different results. Expectations often change once a project begins, and it is helpful for organizations to be flexible and allow the program to evolve.

3. Identity Change Challenges

Changing an organization's identity is difficult. If a program is going to become a "HomeOwnership Center," anticipate problems in changing its name, letterhead and logo. Be prepared for resistance, confusion and complications. The creation of the parallel identity has been worthwhile for BCLT, but takes patience and resolution.

4. Statewide and Regional Collaborations

Creating a statewide partnership in Vermont may be less complicated than in other areas, because Vermont is a relatively small state. Larger states may need to divide into regions. BCLT believes a countrywide collaboration would be the ideal

scenario for both homebuyers and HomeOwnership Centers, where all NeighborWorks® organizations provide homebuyer education, postpurchase counseling and comparable loan products.

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Section 2. Prepurchase Homebuyer Education and Outreach

2 Prepurchase Homebuyer Education

Critical to successful home-ownership promotion efforts are buyers who understand the homebuying process and who are financially ready to assume home-ownership responsibilities.

Recognizing that families bring various levels of preparedness to the process, NeighborWorks® organizations provide a variety of homebuyer-education products. These range from individual counseling and fast-track, day-long homebuyer seminars to clubs that help families accumulate savings and improve credit. The elements of pre-purchase education and counseling that have proven successful in the NeighborWorks® network include an orientation session; fast-track workshops; homebuyers clubs; and individual counseling.



A combination of these methods usually proves to be the most effective homebuyer education. A group orientation is the most cost-effective way to introduce the organization's home-ownership services and products. Attendees can then self-select into fast-track workshops (for customers with minor obstacles to home ownership) or homebuyers clubs (for customers with substantial obstacles to home ownership, who need time to improve their credit and save for a down payment). Fast-track workshops and homebuyers clubs develop quality homebuyers in great quantity, which can significantly increase neighborhood home ownership and stability. Additionally, individual counseling provides the necessary personal attention that a customer needs to address his or her own issues.

Winning Strategies presented here illustrate approaches NeighborWorks® organizations are using in homebuyer education, as well as tools and techniques for reaching out to underserved groups of potential homebuyers. The Chicago case study shows how lenders worked with Neighborhood Housing Services of Chicago on a seminar series. The New York City case study illustrates the need for landlord training in markets where buying a house means assuming the dual roles of homeowner and landlord.

Allentown NHS Homebuyers Supermarket

OUTCOME: Allentown Neighborhood Housing Services (NHS) has an annual Homebuyers Supermarket, a day-long fair where consumers can get general as well as personalized information about buying a home.



BACKGROUND

Allentown NHS meets monthly, as part of a home-ownership committee, with representatives of the city and the redevelopment authority. The Homebuyers Supermarket was originally a concept that the redevelopment authority offered. Allentown NHS became and continues to be a cosponsor of the fair.

COMPONENTS

1. Exhibitors

Exhibitors have been title insurance companies; credit bureaus; real estate agents; other nonprofit organizations involved in counseling and property rehabilitation; real estate agents; banks; mortgage lenders; Fannie Mae; Freddie Mac; HUD; and the city code enforcement office. The city also has run a fair-housing booth. The premise is that anybody who is involved in selling homes is invited to exhibit at the fair.

One innovation to the homebuyer fair concept that Allentown NHS added was to have a booth for representatives of the school district, on the reasoning that quality of schools is often a factor in a family's home search. Having school system employees available to discuss the school resources, Allentown NHS thought, might help dispel negative misconceptions about Allentown public education.

2. Fees and Costs

The fair requires a \$225 registration fee, which includes professionally made booths, signs and advertising.

Registration fees have covered the costs of the homebuying fair. The redevelopment authority collects fees from participants and disburses them to cover expenses, such as decoration costs.

Lenders have donated money or savings bonds, which NHS has used to do hourly drawings at the fairs.

3. Location

Location space has been free. The third fair was held in larger facilities in a high-school gym.

4. Publicity

Lenders have provided funds for radio ads, which run the week prior to the fair. The local newspaper usually runs an advance notice. The day of the fair, a radio station usually broadcasts live from the fair and offers prizes.

To publicize the first fair, Allentown NHS offered houses in need of rehabilitation for \$1. More than 1,000 people lined up and attended the fair. Those who got the \$1 houses Allentown NHS encouraged to use the FHA 203(k) rehabilitation program; for those who couldn't use the 203(k) program, NHS packaged financing, using city and NHS loan products. These buyers also were eligible for NHS down-payment and closing-cost assistance of \$3,500. Twelve of the dollar houses were bought and rehabbed.

In the second year, Allentown NHS did not use the dollar-house publicity tool, but still had attendance at the fair of about 800 serious buyers who wanted good information.

5. Services

Allentown NHS has the fair laid out as a one-stop shop for homebuyers. The order of booths from the entrance to the fair is generally as follows:

1. Allentown NHS, which welcomes and directs attendees.
2. Representatives of credit bureaus do free credit reports on site.
3. Lenders do loan prequalifying.
4. Real estate agents provide information on properties. If an agent concludes that a

customer might not qualify to buy a particular property, the agent refers the potential buyer to one of the counseling organizations at the fair. If a property needs rehabilitation, the referral might be to those representing the local code-enforcement office.

5. Government agencies.
6. Counselors and property-rehabilitation nonprofits.

RESULTS

In the first year, the Homebuyers Supermarket had about 1,000 attendees. The second year's event drew about 800 people.

LESSONS

1. Partners

To help with the significant amount of organizational and detail work that homebuyers' fairs require, a sponsor should partner with three or four other organizations.

2. Publicity "Gimmicks"

When Allentown NHS elected not to offer again the dollar houses, which the organization characterized as a gimmick to help attendance, some second-year exhibitors were displeased. This was a disadvantage, though Allentown NHS saw the more serious buyers that the second fair attracted as an advantage over the less-prepared buyers who flocked to the dollar-house offer.

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Allentown NHS Jeopardy Game for Homebuyer Education

OUTCOME: To make homebuyer education more lively and fun, Allentown Neighborhood Housing Services has adapted television's Jeopardy game into its training curriculum. Using the same format as the show, students become contestants and match questions to the answers they select off the game board.



BACKGROUND

Allentown NHS carries out an extensive homebuyer education process in partnership with the Community Action Agency of Lehigh County. Three-day homebuyer education sessions are held five times a year. Usually about 25 to 35 potential homebuyers attend.

The Jeopardy game takes place at the end of the second day of training. The game gives instructors a way to see how much information participants retained from the training's first two days. This exercise also helps stimulate interaction within the group as trainees are grouped into teams and take turns answering the questions.

COMPONENTS

1. The Game Board

The Jeopardy board is made of two standard-sized poster boards held together by carpet tape. Cards held to the board by picture-mounting corners show the four categories of questions. Answers under each category are in pocket folders glued to the poster board.

2. Question Categories

The home-ownership Jeopardy game categories are:

- Shopping for a home;
- Obtaining a mortgage;
- Legal documents; and
- The closing process.

3. How to Play

As in the television version, contestants pick a category and then pick an answer to which they must provide a question. These answers are in the file folders and each file folder is labeled with a different dollar amount. For example, a contestant might choose the category "Legal documents" for \$10 and get the answer "the document that indicates ownership," with the right question being "what is a deed?"

4. Competing Teams

Trainees are formed into teams. The facilitator tries to make sure team members take turns answering questions so that everyone gets a chance. Teams compete; members of the team with the most points get the classic homebuyer education prize — a smoke detector.

LESSONS

1. Enlivens Learning

The home-ownership Jeopardy game is a simple yet fun way to enliven homebuyer education.

2. A Mnemonic Device

The Jeopardy game format helps participants retain words and concepts with which, until now, they were unfamiliar.

3. Other Applications

Allentown NHS has been pleased with the Jeopardy game results in homebuyer education and is therefore adapting the game for other uses. For example, NHS is using this format at board retreats to help members learn more about the organization's administrative policies.

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Asheville NHS Lunch and Learn

OUTCOME: Developed by the Asheville, North Carolina, Neighborhood Housing Services (NHS), Lunch and Learn is a quick introduction to homebuying done at the workplace.



BACKGROUND

Montford, the neighborhood in which NHS works, is one of the oldest in Asheville. Immediately adjacent to downtown, it has a diversity in racial makeup, income and housing stock. There are two major home-ownership issues:

- Gentrification is diminishing affordable home-ownership opportunities for working families.
- NHS and others need to pay attention to what happens to elderly homeowners' properties. Finding the next generation of working families is an important strategy for Asheville NHS.

COMPONENTS

1. The Program

Lunch and Learn is a 45-minute introductory session on buying a house that is designed to be done at a workplace, over lunch. The objective of Lunch and Learn is to pump people up about home ownership and to get them committed to the next step — a four-session homebuyer class that provides a more detailed exposure to the homebuying process.

2. Structuring the Program

Lunch and Learn was first developed for use with city of Asheville employees. The city was interested in employer-assisted home ownership and brought in the state Housing Finance Agency to do the training. Response to this training was weak.

NHS and the citywide Affordable Housing Coalition were contracted to restructure the training.

One result of the restructuring was an emphasis on personal family issues that affect home-ownership choices.

In 45 minutes, Lunch and Learn focuses on the following:

- the advantages of home ownership;
- the drawbacks of home ownership;
- credit issues and how they can be repaired; and
- working with real-estate agents.

3. Applications

The Lunch and Learn session held for city employees successfully drew public works and maintenance employees. All of those attending signed up for the more intensive training.

The Affordable Housing Coalition (AHC) approached Wilsonart Laminate, a large laminating company, with an offer to conduct Lunch and Learn and the four-week training for employees. Wilsonart asked for homebuyer training and contributed the requested \$35 per person. AHC conducted weekly sessions for third-shift workers as they came off their shift, around 8 a.m. Although sometimes a bit punchy, the workers had a high level of camaraderie and participation. NHS helped teach the classes.

4. Funding

Asheville NHS participates in the AHC, which the city and local financial institutions fund to provide systematic home-ownership education. This support covers basic costs, but specific employers are expected also to contribute to costs of both Lunch and Learn and the more extensive work-place training.

LESSONS

1. Site-Based

If an NHS wants to attract working people, going where working people are — the work place — makes sense. Doing a broad introduction to home ownership in the workplace is important, because it puts the training on the customers' turf. The

experience in Asheville suggests this helps increase active participation.

2. Starting with City Employees

City government, as a major employer, is a good place to start. The Lunch and Learn session the city held was well attended; employees responded very positively. Employees drawn to Lunch and Learn and ultimately to the homebuyer training sessions were the group that NHS wanted to reach: public works and maintenance employees, modestly paid but with stable employment.

3. A Light Touch

Lunch and Learn is meant to be an entertaining introduction to home ownership that furthers people's interest in homebuyer training. It is a customer-focused approach dealing with issues and perceived obstacles people may feel prevent

them from buying a house. It is a way of drawing people into more intensive training.

4. Employers' Self-Interests

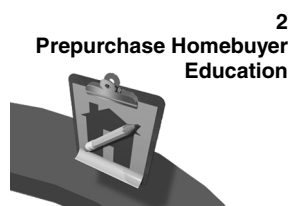
Homebuyer training was an easy sell for Wilsonart Laminate, which, as a company, understood the connection between home ownership and employee stability. The city of Asheville, a fairly progressive employer, also saw the value of bringing home-ownership education into the work place.

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Burlington Community Land Trust Web Site

OUTCOME: Burlington, Vermont, Community Land Trust (BCLT) has created a Web site, www.getahome.org, to provide information on BCLT home-ownership programs, and on each of five NeighborWorks® HomeOwnership Centers in Vermont. The Web site details programs and projects from each of the affordable-housing organizations participating in the statewide HomeOwnership Center collaboration.



BACKGROUND

Burlington Community Land Trust has been serving Burlington and its 40,000 residents since 1984. The organization was started with seed money from the city to promote affordable housing and revitalize lower-income Burlington neighborhoods. BCLT expanded in 1986 to serve all of Chittenden county, but continues to focus on specific Burlington neighborhoods. Special loan products are available for homebuyers in target areas, along with homebuyer classes and postpurchase counseling, which are available to all households.

BCLT recently became part of a statewide collaboration, NeighborWorks® HomeOwnership Centers of Vermont, to provide corresponding homebuyer products and services to Vermont residents. In a survey of BCLT customers, it was revealed that nearly 50 percent had Web access. The organization, therefore, decided that conducting outreach to current and potential customers via the Internet would be both economic and democratic. The “getahome” Web site is one technique NeighborWorks® HomeOwnership Centers of Vermont uses to provide up-to-date information on home-ownership programs in all 14 Vermont counties. Information is accessible on upcoming classes, current loan products and homes for sale.

The centers are in Burlington, serving the Champlain Valley; Lyndonville, serving the Northeast Kingdom; Montpelier, serving central Vermont; Springfield, serving southeast Vermont; and West Rutland, serving southwest Vermont. In addition to BCLT, other participating NeighborWorks® organization include Gilman Housing Trust, Rockingham Area CLT and Rutland West NHS.

The www.getahome.org Web site belongs to, and was developed by, BCLT, which is responsible for Web-site maintenance and ongoing development.

COMPONENTS

1. Web-Site Development

BCLT received funds from Neighborhood Reinvestment to hire a consultant to develop and maintain the Web site. BCLT specified and arranged facts to be included, and the consultant organized the information in a simple but detailed Web page. Currently, the consultant updates site information, but BCLT hopes to obtain training in maintaining the site itself.

2. Program Cost

BCLT budgeted \$5,000 to cover start-up and maintenance costs for one year, and is confident the amount will cover necessary expenses. Once BCLT staff begin providing Web-site maintenance, the cost is expected to decrease.

3. Web-Site Outline

The Web site provides information on BCLT’s current programs and products, as well as on other organizations collaborating in NeighborWorks® HomeOwnership Centers of Vermont. Presently, customers can use the site to register for homebuyer-orientation sessions. BCLT hopes to make the site even more interactive in the future. The goal is for customers to be able to register for orientation sessions, homebuyers’ classes and postpurchase education.

RESULTS

- The Web site is creating more-educated customers. Potential homebuyers are coming to BCLT more informed after visiting the “getahome” site.
- Having information on the Internet increases BCLT’s level of professionalism. By maintaining a distinctive home-ownership Web site, BCLT is seen as a proactive and contemporary organization with modern outreach options.
- The Web site is building teamwork and creating links among the organizations participating in the statewide HomeOwnership Center collaboration. Although the Web site provides information on each member’s program, no arrangement yet exists to share site maintenance costs or responsibilities. BCLT so far is entirely responsible for site expenses and obligations.

LESSONS LEARNED

- Marketing the Web site is important. A NeighborWorks[®] organization needs to inform its community the site exists, so that

homebuyers can take advantage of it. A Web site is cost effective only if customers use it.

- It is crucial to hire a consultant when creating a Web site. Hiring a professional resulted in a professional-looking site and timely project completion.
- Update the Web site often. It is very important to provide current home-ownership information. People are more interested in visiting a site regularly if its information is revised regularly.

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Fastrak Homebuyer Education at Chattanooga Neighborhood Enterprise

OUTCOME: Chattanooga Neighborhood Enterprise (CNE) designed and runs an extensive homebuyer education program, called Fastrak, for customers who are ready to move quickly to purchase a home.



COMPONENTS

1. Screening and Tracking

An important aspect of the CNE home-ownership process is that the organization takes a buyer through all of the steps of purchasing a home, start to finish and beyond.

When potential homebuyers call CNE, they are signed up for the next weekly orientation session and sent a follow-up notification of time, place and other details. CNE tries to make sure that callers are moved as soon as possible to orientation and then to appropriate homebuyer education, so that they can get a complete picture of home ownership's responsibilities before signing a sales contract.

CNE staff evaluate early on whether a potential buyer is knowledgeable enough to go into the eight-hour Fastrak class (most effectively done in two four-hour sessions). Depending on a customer's readiness, CNE might first do one-on-one counseling or recommend its Life Skills course, which is six sessions on household financing, smart shopping, strengthening relationships, home and car maintenance, personal growth and prepurchase homebuyer training. Life Skills leads into the Fastrak course.

2. Training Materials

More than 200 public, private and nonprofit organizations nationwide use CNE's standard-setting student and instructor guides, *Fastrak to Homeownership*. Fannie Mae has approved *Fas-*

trak, as have local, state and national government agencies.

CNE sells the *Fastrak to Homeownership* books at cost. CNE charges homebuyers a \$100 fee for its homebuyer education, on the reasoning that customers value more a service or product for which they have paid than they do an item that is free. This fee also can be financed with the home purchase.

Fastrak covers these topics: budgeting, underwriting and credit, finding a home, financing, the mortgage process and postpurchase subjects such as home maintenance as well as delinquency, default and foreclosure.

3. CNE's Home-Ownership Process

- A one-hour orientation is regularly offered on Wednesdays with morning and evening sessions, usually with about 30 attendees.
- Following orientation, CNE refers customers to a Fastrak class; one-on-one counseling; or the Life Skills course.
- CNE does a pre-qualification, determining what kind of house a customer can buy if they are mortgage-ready.
- If a customer attends an orientation session and is evaluated, CNE pulls a credit report on the customer within two days and then sends the customer a letter detailing immediate next steps.
- Originators do one-on-one counseling with customers who are ready to buy.

Once a customer finishes the Fastrak, CNE processes their loan application quickly, usually in less than three weeks.

4. Delinquency Intervention

CNE is a mortgage lender and therefore does loan originating, processing and underwriting. It

tracks the payments of its loan customers and does postpurchase counseling. If a customer is ten days late with a monthly payment, CNE mails a reminder card; at 15 days, CNE calls and offers counseling services and, beyond that, helps with a workout plan.

RESULTS

- In one fiscal-year period, 355 people went through Fastrak classes; 454 had homeownership counseling.
- Fastrak is a factor in the low delinquency rate of CNE mortgage loans, which is consistently at less than 2 percent. This rate is better than the national average for mortgage-lending delinquencies.
- Area lenders send customers to CNE for homebuyer education. The organization's education component recovers sufficient cost to be self-sustaining.

LESSONS

1. Educational Hurdles

CNE identifies budgeting as the most difficult subject for its Fastrak students. Technical items about the mortgage process are difficult but not as critical to master or as personally challenging as budgeting and credit issues.

2. Homeowner Confidence

As graduates of Fastrak, homeowners understand more about credit and the importance of meeting financial obligations. Because of their knowledge about banking and legal issues, they are less intimidated about asking questions and by the responsibilities of homeownership itself. This increases confidence and the likelihood of success in homeownership.

3. Postpurchase Counseling

Early delinquency and foreclosure intervention have proven very effective. Skills learned through Fastrak as well as in postpurchase activities such as preventive home maintenance are practices that customers learn to apply to day-to-day life on a continuing basis.

4. Advocacy

CNE stresses the importance of homebuyer educators and nonprofit intermediaries communicating to buyers that they are on the buyer's side. In the real estate transaction, the nonprofit is the only party that doesn't profit from the sale. Community development practitioners are more interested in the long-term process than in the sale itself. By extension, the nonprofit needs to stay engaged in the long-term relationship with the buyer and the neighborhood, and it needs to communicate that role to the buyer.

5. Demystifying a Complex Process

CNE points out that the curricula in high schools or in post-secondary education do not teach the subject matter Fastrak covers, so that most people have no frame of reference for homebuying. Many customers in the market CNE serves are first-generation homeowners. Or, they are potential homebuyers who disqualify themselves, assuming that homeownership is unattainable for them. CNE, however, points to the fact that it finances home purchase for many people moving directly from public housing.

6. Formula for Success

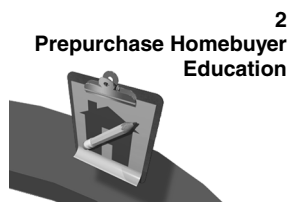
CNE's approach has created lending results that provide a solid foundation for sustained community development. Intensive underwriting criteria and careful educational work with borrowers, coupled with personalized servicing of loans, can produce an affordable housing mortgage loan as viable as any other. CNE believes that inappropriate lowering of underwriting standards, to produce volume, and lack of intensive homebuyer education risk higher delinquency rates.

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NHS of Chicago Radio Show in Spanish

OUTCOME: Neighborhood Housing Services of Chicago’s Spanish-language radio talk show, using the NHS of Chicago homebuyer-education curriculum, has been popular in helping immigrants and others unfamiliar with home ownership and financial topics.



BACKGROUND

The sounds of radio — music, conversation, news announcements, commercials — are omnipresent in many Spanish-language communities. An NHS of Chicago neighborhood director, who is Mexican-American, understood this as an opportunity to reach an underserved, Spanish-speaking market.

COMPONENTS

1. Discussion Topics

The NHS radio show has been tailored in subject matter to Mexican, Central and South American and Puerto Rican audiences. For instance, home-ownership topics important to Mexican community life may be getting Social Security numbers or co-signing a loan with a *compadre*. Other topics have been:

- Opening a checking account;
- Who should buy a house;
- What kind of house a particular household should consider buying;
- What lenders look for;
- Credit reports;
- Property inspections and occupancy limits;
- The importance, especially for buyers and owners who do not speak English, of using a bank rather than a broker when borrowing to buy a house or refinancing;
- Home-improvement loans;
- Keeping records.

2. BROADCAST TIMES

The NHS of Chicago show has had various time slots. Perhaps the most effective has been two Sundays per month, from 11 a.m. to noon.

The show has been structured as an interview, with an announcer asking questions of the NHS instructor, such as “Señora, can you explain a mortgage to me?” After a segment of this question and answer format, the two of them take calls from listeners.

3. Cost

NHS of Chicago has paid \$800 per month to broadcast the show. Paying for the time slot was preferable to previous NHS arrangements of accepting free air time, because it gave NHS more control over how the show is presented and its subject matter. NHS tries to negotiate a discount price on air time.

4. Sponsorship

The radio show has been supported indirectly by the corporate sponsors who give to NHS of Chicago.

RESULTS

Listeners call in from the Midwestern states of Iowa, Indiana, Michigan, Wisconsin and Kentucky, in addition to Illinois. This is testimony to the show’s popularity.

Airing of the show usually generates calls to NHS. Some shows have generated as many as 35 calls to the office of the neighborhood director who hosts the show and who will speak personally to listeners with a specific need or complex question.

LESSONS

1. Keeping It Simple

Listeners can call in with financial or home-ownership questions not directly related to the topic of that day’s show. However, if a question is complicated, the NHS announcer asks the listener to call NHS at a later date, for a more comprehensive answer.

2. A Knowledgeable Host

The host of a show — the NeighborWorks® representative who conducts the show on the air — needs to be someone who is not merely bilingual but fluent in Spanish or whatever language is being used. In addition, the host must be a person who thoroughly understands the subject matter. With a solid command of the language and the affordable-housing field, the host is likely to be more at ease in front of a microphone and able to explain complicated concepts, clearly, to an audience whose range of understanding of home ownership may be broad.

3. Guest Speakers

Guest speakers can be problematic. Finding guest speakers is difficult, as is deciding whether a particular speaker broadcasts well and is sufficiently fluent in Spanish. Also, the task of making sure the speakers get to the show will likely fall upon the NeighborWorks® organization's host. In addition, accepting speakers referred by businesses or corporate sponsors is fraught with potential prob-

lems, such as deciding which business' speakers to accept. The positive side of guest speakers is that they can be experts in a specific subject who add depth to discussion and variety to a program's tone and format.

4. Building Listeners' Confidence

A caller's discussion of a topic or problem on the air can give confidence to a consumer who, because of cultural or language differences, may not otherwise raise important questions during a real estate transaction.

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NHS of Chicago Seminar Sponsorship by Lenders

OUTCOME: By offering financial institutions the opportunity to sponsor its homebuyer seminars, Neighborhood Housing Services of Chicago recovered its homebuyer education costs.



BACKGROUND

In late 1991, U.S. Senator Alan Dixon held a press conference with NHS of Chicago at the site of a formerly vacant house that had been purchased, rehabilitated and sold to a family. This event generated substantial media attention; as a result, NHS received 4,000 phone calls. The homebuyer seminars initially grew out of the need to respond to interest in buying a house in Chicago and then grew into a revenue-producing program component.

COMPONENTS

1. Seminar Attendance

NHS of Chicago holds monthly full-day homebuyer education seminars at a hotel just outside downtown Chicago. Some of the seminars are conducted in Spanish. People register for the seminars by calling a toll-free number at an answering service with which NHS has contracted. After potential buyers attend, NHS gives their names to participating lenders. Each lender gets approximately five names of potential buyers.

2. Financial Institutions' Support

Initially, 17 lenders participated as full sponsors of the seminars at a cost of \$2,500 per quarter or \$10,000 annually. Being able to tap NHS homebuyer seminars is important to lenders, for various reasons. Several Chicago lenders were attempting on their own, and at great cost, to develop homebuyer education programs. Despite their efforts, they were failing to reach many people. One lender paid a consultant \$20,000 to be trained but also demographics about seminar participants. Approximately 85 percent of families attending the seminars are African-

develop a buyer-education program that drew five people. Another group of lenders wanted borrowers trained in order to get a Fannie Mae certificate. A third group of lenders was fairly passive and had no organized effort to increase its CRA lending activities.

When NHS staff described the response they were getting to the seminars, lenders encouraged NHS to do seminars for them. NHS developed the sponsorship model and invited only lenders who were already supporting NHS to participate. In addition to receiving referrals from the seminars, lenders could also send to the seminars their own borrowers, who could receive certificates indicating their participation.

LESSONS

1. Service to Borrowers

Lenders are willing to support efforts that yield potential borrowers meeting CRA criteria. The seminar model also provides a service to lenders who need training for their own customers.

2. Regular Schedule

Maintaining a consistent seminar schedule was important, so that they became regular, predictable events.

3. Answering Service

The use of the answering service to field calls and schedule people for seminars is an important management tool. NHS staff on their own would be hard put to manage this flow of customers.

4. Customer Accessibility

The seminars help absorb the demand for home-ownership information by giving families a clear point of entry into the system.

5. Demographic Reporting

Reporting back to sponsoring lenders is an important service that NHS provides. NHS provides consistent reports on not only how many people

American; approximately 13 percent are Latino. Average income is less than 80 percent of median income.

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Corvallis NHS Insider Tips on Homebuying

OUTCOME: Corvallis (OR) Neighborhood Housing Services (CNHS) has developed a unique training session as part of its homebuyer-education program, called “Insider Tips to Homebuying,” that teaches homebuyers how to find homes using non-traditional methods.



BACKGROUND

CNHS opened in 1991 with a mission to provide affordable housing for the city of Corvallis and its 50,000 residents. In 1999, the organization expanded to serve all of Benton County. CNHS owns and manages 75 low-income rental units, administers a homebuyer-education program and accompanies homeowners step by step through the homebuying process.

The biggest obstacle for buyers in Corvallis is the disproportion between housing costs and household incomes. The foremost issue is simply a lack of affordable housing. The average local income is \$53,800; the average single-family home sells for \$154,500. In addition, strong growth restrictions in Corvallis result in minimal land development in rural, as well as inner-city, areas.

Another obstacle for homebuyers is that buyer-representation by Realtors® is not as favorable as representation for sellers. Buyers represented by Realtors are typically steered to houses on the Multiple Listing Service (MLS). Realtors also tend to lead buyers away from properties that are not listed on the MLS, such as foreclosure sales, estate sales or houses “for sale by owner.”

Because Realtors work more thoroughly when representing the seller in a sales transaction, CNHS decided to reverse the process and identify methods buyers could use. By using these alternative methods, buyers can locate and pur-

chase homes for less money, by avoiding market competition and paying lower fees.

COMPONENTS

Homebuyer-Education Program. The homebuyers-education program at Corvallis NHS consists of four three-hour sessions. The first teaches participants about financing and credit reports. As homework, participants are asked to contact a title company and obtain a “listing kit” (or property profile) on a particular property. The “listing kit” is an informational, free report that provides property information and market comparisons. It gives homebuyers basic information on specific houses, plus average sales prices of comparable houses.

The second session examines the information acquired from the title companies and shows how to use it to find properties the homebuyers might be interested in. Methods that Realtors use to sell houses are explored, and the class discusses local transaction legalities and procedures. Buyers learn that to conduct their own market search, they first must clearly define their housing needs and desires. CNHS identifies all the players in the transaction and suggests where to go for services such as home and pest inspections, insurance, escrow services and water tests.

The third session ties the process together. Title and escrow information is reviewed, plus insurance packages, closing procedures, costs and fees.

The fourth session takes the class on home tours. Participants, CNHS staff and a local real-estate agent tour three or four vacant homes. They discuss inspection procedures and common questions. Participants learn how to look for structural defects that may not be obvious to an untrained eye. CNHS chooses houses that are close in price. Then, at the end of the class, each home is ranked on price versus value. Buyers thus learn how to distinguish between the two, and come to understand that the most-important factor in setting a property’s price is its value. By learning

how to determine the worth of a home, buyers are then able to make an appropriate offer.

Home-Search Tools. CNHS identified several methods that buyers can use to search for homes on their own. Participants are advised to use the resources available at title companies for identifying potential houses for sale. Buyers then market themselves to possible sellers in a neighborhood by creating personal fliers and letters describing their home-ownership needs and affordable-price range. Their name and phone number are listed at the bottom. They then distribute the fliers and letters, by hand or by mail, in the neighborhood where they want to live.

Homebuyers are encouraged to advertise themselves by using all marketing techniques that sellers use in advertising their homes for sale. Buyers can put ads in the real-estate section of the paper, place signs in their yard, or post fliers in various public spaces. Buyers can also contact lenders, attorneys and tax consultants about the home-purchase process and often know of available homes even before they arrive on the market.

Developing the Session. CNHS's homebuyer education coordinator was able to develop most of the session through his previous experience as a real-estate agent. Additional information was collected from local real-estate agents. Most local organizations will likely need to meet with area Realtors on local policies and procedures and marketing tactics.

Staffing. No additional staff were required for this training. The information was simply added to homebuyer-education classes already taking place.

Realtor Assistance. Often, when buyers find homes on their own, they still need assistance from a Realtor to help prepare the legal paperwork. Agents are often hired by the hour to help put together the required papers, and the fees are usually split between the buyer and seller.

RESULTS

- Buyers are saving thousands of dollars by finding homes on their own. Money is saved

because there is no Realtor commission. Plus, due to lack of competition, buyers generally get a lower acquisition price.

- Buyers are becoming more informed and are gaining a great deal of confidence. Participants in the homebuyer class are always very interested in learning alternative methods of searching for a home. Although some participants still choose to hire a Realtor, "Insider Tips to Homebuying" is helping buyers identify new and innovative ways to find the right house, even when working with a Realtor.
- The homebuyer class is growing very rapidly. It has more than doubled in each of the last two years. CNHS found that 30 to 40 percent of class participants were referred by friends or relatives. It believes the increase is due, in part, to the new and innovative advice provided for buyers.

LESSONS LEARNED

- Any local organization with a homebuyer-education program should include this information for buyers. CNHS has found it fulfilling to teach alternative home-search techniques. The organization continues to receive very positive feedback from class participants.
- CNHS has found that the actual market of sellers is three to four times larger than what is available through the MLS. For example, if the MLS has 1,000 homes listed, CNHS's experience shows that probably the owners of an additional 3,000 or more unlisted properties are also thinking of selling. Thus a very large portion of the home-sales market is often, unfortunately, overlooked.
- Know what services are available to homebuyers through title companies and other real estate-related businesses. Learn what they provide, what they charge, and how homebuyers can take advantage of these resources.
- Organizations need to consider relationships they already have with real-estate agents when creating this session. Many local organizations work closely with Realtors, and they should understand that creating "insider tips" may

raise perceived conflicts of interest with Realtors. Take the time to review your home-ownership program, and decide how to skillfully add “insider tips” to the training without damaging important real-estate partnerships. Realtors are likely to be more accommodating if they realize that adding “insider tips” does not eliminate them from the purchase process completely. There are still services (with fees attached) that Realtors can provide to a buyer. Explain the goals and intention of the program thoroughly, so Realtor support and acceptance can continue.

- Keeping track of how often buyers use “insider tips” to find a home is a challenge. CNHS knows that 59 households bought homes in 1999, but not how many of them

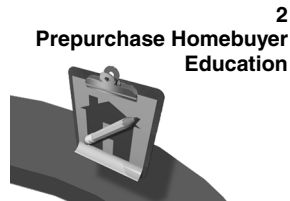
used unconventional methods. CNHS recently hired a staff person to track and record home-buyer-class participants. It hopes, as a result, to be able document the impact “insider tips” is having on home purchases.

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NHS of Great Falls Lunchtime Orientation to Home Ownership

OUTCOME: Neighborhood Housing Services of Great Falls, Montana, has developed a 45-minute orientation to home ownership that is given regularly at noon in the NHS office. The orientation gives a quick overview of the homebuying process and NHS programs and services. Although, on the surface, the orientation is a fairly simple device, it has proven to be an important tool in managing both the flow of interested people and the need for consistent information required to make the Great Falls home-ownership program successful.



BACKGROUND

Generating interest in home ownership in Great Falls gave NHS of Great Falls a higher profile as a resource for people wanting to buy homes. While this was certainly positive, there were disadvantages. Too much staff time was being spent on the phone explaining NHS programs, drawing time away from other program activities. NHS needed a better system for managing this process — a system that would save time, ensure that customers got consistent information and help customers select their next appropriate steps.

COMPONENTS

To manage this flow of customers with a small staff, NHS established a regular orientation session at noon every Wednesday in the NHS office. The session simply provides a brief overview of the home-purchase process.

NHS offers a homebuyers' club for people not yet ready to purchase a home. However, people are often reluctant to join such a club and make a commitment without more details. The orientation tells attendees about a range of homebuying options, including the homebuyers' club, before they are asked to make a commitment.

When a person calls NHS to find out more about home ownership, a staff person says NHS can help and asks if the caller can come to an orientation. The noon session is convenient for most, but if it is not, NHS arranges a one-on-one session. NHS sends a reminder postcard before the session. People who do not show up get additional postcards for several weeks.

The session's format is as follows:

1. What Is NHS?

Discuss NHS's mission with an emphasis on neighborhood revitalization, services area and services.

2. Why Home Ownership?

Present advantages and disadvantages of owning your own home.

3. What Do Banks Consider?

- Credit and exceptions to good credit (divorce and medical problems are major questions);
- Stable and verifiable income (issues usually raised are around seasonal employment and lay-offs); and
- Debt ratio: what it is and how it is determined (issues usually involve child support and what is counted under consumer debt). NHS uses a simple form for people to fill out, showing them how their monthly income is spent and how much disposable income they have available.

4. What Is Needed to Qualify?

Distribute handouts and explain:

- What an appropriate mortgage might be, given family income;
- Home-ownership programs of NHS and requirements for each;
- Description of homes NHS is building;
- Credit reports, where people can get them and how to deal with mistakes; and
- Homebuyers' club. (Those who are interested fill out a questionnaire.)

5. Question and Answer Session

RESULTS

NHS has held sessions in its office every other week, with one to 15 people and with an average attendance of six people.

LESSONS

1. Organization

The lunchtime orientation sessions have helped the NHS better manage the flow of families exploring home ownership. They have given the NHS a consistent tool for connecting people to the program and are a vehicle for directing people to the appropriate next steps.

2. Consistent Information

The orientation provides a mechanism for giving consistent information. Home-ownership counseling has nuances and variables, and these are best resolved when the information is focused and consistent.

3. Marketing

The orientation sessions have proven to be an effective marketing tool for NHS. Experience has shown that people initially are more willing to invest an hour in this kind of orientation than they are in signing up for a homebuyers' club. The orientations have also helped NHS showcase new homes it is building.

4. Referrals

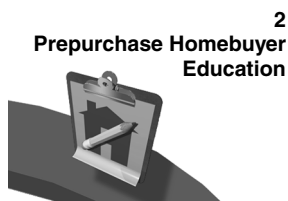
These sessions provide a resource for lenders and real estate agents by providing a place to which more marginal buyers can be referred.

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Interpreting Services of The Home Ownership Center, St. Paul

OUTCOME: The Home Ownership Center in St. Paul, Minnesota, trained interpreters in home-ownership essentials and terminology and offered those interpreters' names to housing providers for use in serving customers with limited English skills. The Home Ownership Center also offers homebuyer education classes in Spanish, Cambodian and Hmong. Northside Neighborhood Housing Services (NHS) is involved with The Home Ownership Center as a provider of homebuyer education.



BACKGROUND

Five major financial institutions — US Bank, Wells Fargo, TCF, Marquette Bank and Firststar — joined the Family Housing Fund, the State Housing Finance Agency and the cities of Minneapolis and St. Paul in creating The Home Ownership Center. With increases in lending to first-time homebuyers having spun off a variety of homebuyer education programs, The Home Ownership Center was a way to improve and standardize curricula and fund high-quality counseling and education in the Twin Cities.

COMPONENTS

1. Locating Interpreters

The Home Ownership Center located interpreters through the University of Minnesota, social-service agencies and community groups set up by and for particular ethnic groups. In Minneapolis–St. Paul, for instance, the Hmong-American Partnership and the Lao Family Community help new immigrants with employment, English as a second language and other issues. The Pacific Island and Southeast Asian Social Service Agency is another resource in those cities.

Religious institutions have been involved in helping immigrants adjust to communities and therefore can be a source of interpreters' names.

Names also may be available from professionals in the medical and legal fields.

2. Interpreter Training

Interpreters had 32 hours of homebuyer education instruction. In this setting, they received the regular subject matter but also had the chance to discuss vocabulary and usage. After working together to answer basic questions — for instance, “is there a word in your language for mortgage?” — interpreters could offer a better service in the marketplace.

3. Fees

Interpreters set their own fees. The center did administer, for local Realtors, a one-time program that paid for part of the cost of interpreting between Realtors and homebuyers.

4. List of Interpreters

The Home Ownership Center published a *Directory of Community Interpreters for the Mortgage and Real Estate Industry*, which included a chart of names, phone numbers and hours of availability for each person. The booklet also had a section on “Tips for Working with Interpreters.”

RESULTS

The Home Ownership Center provided homebuyer education and counseling in the following languages: Hmong, Spanish, Cambodian, Lao-tian, Vietnamese, Tibetan, German, Arabic, Haitian, Japanese, Russian, Indian (Asian), Romanian, Korean and certain African dialects. Over time, the center also had increased demand for sign-language interpreters.

LESSONS

Building a Referral Bank

Entities within communities that help newcomers assimilate are venues for finding interpreters. Staff of those organizations have a feel for who among their clients may have the inclination, education and bi- or multi-lingual capabilities to do interpreting. Generally, the Home Ownership Center found that interpreters may not come out of the first wave of immigrants of a particular nationality.

Over time, interpreters whom The Home Ownership Center trained in homebuyer education took on housing-related jobs such as prepurchase counselors, loan processors, real estate agents, title searchers and trainers.

This has eliminated to some degree the center's need for interpreters and has improved overall the services the center offers to customers who do not speak English. The center also offers homebuyer education classes in Spanish, Lao,

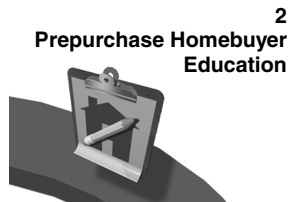
Cambodian and Hmong; an organization that partners with the center offers classes in Russian.

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Housing Resources of Columbia County's Link with Schools

OUTCOME: Housing Resources of Columbia County, NY (HRCC) publicized its home-ownership and home rehabilitation programs by asking four elementary schools to distribute flyers to a total of 1,500 students, who were asked to carry the flyers home. By using these local institutions as a vehicle for information, this Neighbor-Works® organization dramatically increased its customer base.



BACKGROUND

The HRCC service area is Columbia County, New York, a largely rural area. The housing stock is predominantly older, built, on average, 40 years ago, and not up to code. Some houses do not have functional septic systems or indoor plumbing.

COMPONENTS

1. Approaching School Districts

The HRCC home ownership coordinator wrote to each school district superintendent explaining the organization's services and programs, emphasizing its nonprofit status and requesting permission to distribute a flyer through the school. Each superintendent then received a follow-up phone call focusing on the concern that many people who needed housing services were unaware that help was available. HRCC emphasized that much existing housing stock, without rehabilitation, could threaten children's safety. Four out of the five superintendents agreed to allow the flyer to be distributed in the elementary schools.

2. Free Printing

The Housing Resources staff coordinator had the flyers printed at a state prison, which does free printing for nonprofit organizations.

3. DELIVERY AND DISTRIBUTION

The coordinator of the flyer project requested class lists and then delivered to the schools stacks of flyers for each separate class. Classroom teachers received a flyer for each student in the class, plus five extra. School staff said they were grateful that they did not have to count and distribute the flyers.

RESULTS

In the month after distributing flyers, HRCC staff received 50 percent more requests for assistance than usual. Requests came from flyer recipients.

- Of the 64 families that completed HRCC's homebuyer education course in the year after the school program, about half had received the flyer.
- Also in the year following the flyer distribution, HRCC had more than 350 inquiries about its operations, which was substantially more than the previous year. After the flyer, 22 families purchased homes and 42 families rehabilitated their houses. At least 15 of those rehabs and seven home purchases could be attributed to the flyer.
- HRCC still gets inquiries from flyer recipients, despite the fact more than a year has elapsed since the information went out.

LESSONS

1. Superintendents' Support

The school superintendents' support was key to gaining permission to distribute information in the schools. In securing this support, HRCC emphasized the importance of parents learning about HRCC services.

2. Time and Services

Prison systems may be a source of free or low-cost services for nonprofits. In addition to that service, one HRCC staff person spent about 12 hours getting the flyer written, printed and distributed, at minimal cost.

3. Reaching a Market

Marketing through the schools was an effective and cost-effective method of reaching young families who might either own houses needing repair or were renting and needed help to buy. The successful approach HRCC developed shows how schools can be a resource in promoting home ownership.

4. Name Recognition

The flyer distribution, combined with HRCC's good service delivery, brought HRCC name recognition and a more extensive reputation as one

of the area's most effective affordable housing nonprofits.

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Inglewood NHS Marketing Plan

OUTCOME: Inglewood Neighborhood Housing Services (NHS) used professional help and board support to create a marketing plan that dramatically increased program inquiries and home-ownership production and that raised INHS's profile with the city, in the private sector and with potential customers.



BACKGROUND

Inglewood, California, has many positive attributes but tends to lose its identity as one of many small cities ringing Los Angeles. The lack of a physical separation between cities; a mobile workforce; and an evolving ethnic population have made it difficult for INHS to become known to potential buyers and funders. With median income at \$29,000 and the median house price at \$170,000, Inglewood residents are faced with a big affordability gap between housing prices and what most modest-income people can afford to buy.

COMPONENTS

1. Expertise

INHS got a Neighborhood Reinvestment grant to hire a consultant, who helped conceptualize and write a market plan.

2. Recognizing Resources at Hand

Coincidentally, at the time when INHS was about to start its marketing plan, a business person on the board started a local magazine. INHS made a strategic decision to publish its newsletter quarterly in the magazine, later increasing frequency of publication to monthly. The city and the Chamber of Commerce also publish their newsletters in the magazine. INHS paid \$2,000 to be on the magazine's cover and felt the exposure to be worth the expenditure.

3. KNOW YOUR CUSTOMERS

As part of the marketing plan, INHS identified the following local market segments to pursue:

- Single mothers with steady employment;
- Working class families, English- and non-English-speaking;
- Moderate-income families who could be sold on the neighborhood, who could not afford to buy in Los Angeles.
- Real-estate agents, particularly those who do business with minorities.

4. Goals

- **To raise private sector support:** INHS set the goal of raising \$1 million, within a certain time frame. In setting this goal, INHS could look to lender support it already had, knowing that these lenders not only needed production but believed in INHS's mission. Although INHS ultimately didn't raise that amount, the goal-setting itself and the flexibility to adjust goals were important exercises.
- **To raise operating funds:** INHS identified business sectors in the area which, though untapped, INHS could reach with its message. These included commercial airline and air-freight companies; health care providers; unions and union pension funds; retailers; the nearby sports arena and casinos; home-improvement companies; insurance companies; and financial institutions.
- **To raise public awareness** of INHS fundraising, products and projects, as well as the Campaign for Home Ownership.
- **To get INHS on major TV shows:** INHS was featured on television three times in Los Angeles in the last year. Appearing on Spanish TV caused INHS's phones to "ring off the hook."
- **To secure media coverage of INHS's youth program.**

- **To do a beautification program**, which INHS did during NeighborWorks® Week.

5. Presence in City Government

INHS continued ongoing efforts to market itself to city government. INHS made itself known to the city council and attended its meetings, all the time stressing the leverage INHS brings: for every dollar invested, \$2.50 was leveraged. Later, INHS became administrator of three programs for the city.

City council meetings are on cable TV, so when an INHS representative or a council member speaks about INHS, it is on TV.

6. Marketing the Campaign

For the Campaign for Home Ownership, INHS's intent was to create several mortgage products that it could tailor to fit a potential customer. The object then was to create one marketing strategy that INHS could use to market all of its mortgage products as they became available.

INHS created the message "The Road to Home Ownership Is Easy With the MAP: Mortgage Assistance Program." From this, INHS now uses the metaphor of a journey in other materials as well.

The premier product was a mortgage loan packaged with a city-funded subsidy that provided up to 40% of a home's sale price for first-time, low-income buyers, in the city of Inglewood. Buyers completed a homebuyer education workshop and make a 5% down payment and a small loan-application fee that covered the appraisal and credit report.

SmartBuyers. INHS is part of the NeighborWorks® Campaign for Home Ownership and offers homebuyer education through Full Cycle Lending. INHS coined a name, SmartBuyers, for its homebuyer-education program to convey the message: "What does INHS do? It creates smart buyers."

Inglewood Family Housing Fund. INHS created this second-mortgage program, with assistance from another consultant Neighborhood Reinvestment recommended. The program was in-

tended in part as a write-down to prevent homebuyers' from having to pay for private mortgage insurance. The Family Housing Fund had the following components:

- A \$1 million loan pool, with five investors at \$200,000 each;
- 5% interest to NHS; 6.5% to borrower;
- Maximum loan: \$40,000;
- Each investor got six to seven first mortgages and 30 second mortgages;
- \$3,600 fee to NHS for lender to participate. Up front costs to NHS are \$2,000.
- Each time NHS funded a loan, it receives \$250, a feature built in so that the program would be production driven.

7. Public Relations

Advertising: INHS placed magazine ads and has made a video, which was on cable TV. INHS representatives have appeared on TV.

Public presentations: to churches, boards of Realtors, etc.

RESULTS

- In one year, program inquiries to INHS increased 529 percent.
- Also in that year, INHS did \$2.3 million in loans.

LESSONS

1. Marketing Line Item

INHS crossed the line of not paying for marketing, opting instead to operate by the maxim, "you have to spend money to make money." This was seen as an appropriate entrepreneurial approach for an organization that not only sees itself as a business but is a business, in terms of production.

2. Marketing Grant

INHS used Neighborhood Reinvestment funds to do its marketing plan, which created an impetus to actually finish the plan and then to start it.

3. Marketing Committee

Another motivating factor is accountability: INHS established a marketing committee that reports to the board and has a \$10,000 marketing budget. Designating an actual committee with a

budget helps ensure that stated strategies are carried out.

4. Valuing Volunteers

Its marketing committee also helps INHS use volunteers effectively. “If you try to have these marketing strategies done by staff,” the executive director said, “you’ll burn out your staff.”

5. Work in Progress

INHS views its marketing plan as “a living document” and continues work on unfinished segments of the plan. INHS also continues to cultivate media contacts who might do “human interest stories that will net you so much more than a paid ad,” the executive director said.

6. Name Recognition

INHS learned that an NWO has to know its market and design products accordingly. However, if people don’t know about INHS, they can’t use its loan products. Name recognition is key.

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NHS of the Inland Empire Home Maintenance Program

OUTCOME: Neighborhood Housing Services of the Inland Empire (NHSIE) provides four hours of preventive-maintenance instruction to potential homebuyers as part of their homebuyer-education classes.



The goal is to educate consumers on the importance of protecting their investment, while teaching how to properly maintain a home.

BACKGROUND

NHS of the Inland Empire opened in 1982 and is a chartered member of Neighborhood Reinvestment Corporation. Programs of the organization include down-payment assistance, housing rehabilitation, homebuyer education, lending, YouthBuild, community outreach and neighborhood revitalization.

San Bernardino is a city of 180,000 residents. NHSIE serves the city of San Bernardino, plus other small cities in the Inland Empire area of southern California, which includes San Bernardino and Riverside Counties.

COMPONENTS

Program Purpose. The purpose of incorporating this training into the homebuyer-education class is to guide buyers beyond home purchase, and present an overview of property upkeep. By stressing the importance of home maintenance at the start, buyers are encouraged to think about it before moving into their home. This helps them prepare for their upcoming responsibilities. The session also helps buyers anticipate and plan for expenses involved in home repair and preservation.

The Homebuyer's Class. NHSIE's homebuyer's class is a 16-hour training approved by HUD (Department of Housing and Urban Development) titled *HELP: Homebuyer Education* and

Learning Program. The class takes place over two, eight-hour Saturdays. The preventive-maintenance portion runs four hours, and occurs during the afternoon of the second Saturday. The first 12 class hours cover information on budgeting, insurance, selecting a real-estate agent, local lending and other homebuying topics.

Preventive Maintenance Outline

Maintaining Home Value. The session begins by discussing the need for and importance of home maintenance. Class members learn the importance of protecting their investment, how to maintain and increase the value of their home, and techniques for reducing owner expenses.

Slide Presentation. A slide presentation shows basic structural details of a home, including framing, foundations and roofs. The instructor explains the mechanical and structural systems, covering electrical service, heating and plumbing systems, venting and air conditioning, and the dangers of not maintaining these systems properly. Students also learn how to shut off utilities in an emergency and how to reduce monthly utility costs.

Home Inspections. Photographs are shown to identify what to look for when conducting a walk-through home inspection. The instructor discusses the benefits of hiring a professional inspector to give a nonbiased report on the house and its systems.

Home-Maintenance Overview. A 40-minute video from the *Home Time* series is shown titled "Preventative Home Maintenance." The video complements topics covered in class, and shows how simple it is to create a routine maintenance program for spring and fall chores and monthly safety checks.

Hands-On Tools Lab. The class is provided with basic tools to experiment with. Students are encouraged to get acquainted with the tools, so they know what to look for when shopping. The instructor covers how to properly use tools, where to buy affordable tools, and how to take care of

basic maintenance needs, such as fixing garbage disposals, clearing drains and pipes, servicing water heaters, patching holes in walls and hanging shelves on hollow walls.

Homeowner Resources. NHSIE educates consumers on do-it-yourself home-maintenance resources, including pamphlets, books, videos and Internet materials. Buyers learn when to tackle a project themselves and when to call a contractor. Students learn what kind of questions to ask when hiring a contractor, and how to check licenses, references and previous projects, and get good estimates.

Home Safety. One segment of the class is dedicated to home safety. It covers what to do in case of emergencies, and how to keep the home safe. Topics include earthquake preparation, the importance of smoke detectors, fire safety, state regulations regarding bars on windows, contending with lead-based paint and other home hazards.

Neighborhood Involvement. NHSIE emphasizes the importance of investing in the neighborhood by getting involved with neighborhood groups and local anti-crime partnerships. Homeowners learn they can help reduce blight by becoming responsible homeowners. NHSIE encourages class members to make a commitment to their new community and be proud of the neighborhood in which they live.

Program Materials. NHSIE provides an abundance of handouts, pamphlets and fliers created by staff, plus materials obtained from local lenders, real-estate agents, HUD, Fannie Mae and other housing associations.

Costs and Funding. NHSIE's homebuyer education classes are free to any interested buyer. Funds for the program are received from both city and county governments. The main cost of adding this section to the standard homebuyer-education program is staff time, support materials and photocopies. Volunteer instructors help alleviate some of the expenses, but the program still requires staff input to coordinate the instructors and organize the class materials.

RESULTS

- The preventive-maintenance portion of the class was added to the basic homebuyer's class two years ago. The course is held every other Saturday, in both English and Spanish.
- In 1999, 1,300 people attended NHSIE's homebuyer-education classes, with each class averaging 20 to 30 students.
- This is a beneficial program for both the buyer and the organization. Buyers are better prepared for the responsibilities that go beyond purchase and financing. NHSIE benefits from knowing their buyers have been exposed to the responsibilities of being a property owner, and most lending institutions feel that first-time buyers who know how to protect their investment are more dependable and committed to home ownership.
- The program receives very positive feedback. By the end of the class, students are exhausted but appreciative. There is considerable information to absorb and materials to read, but most buyers are happy to give attention to the practical matters of home maintenance.

LESSONS LEARNED

- This is an overview presentation only. There is only enough time to cover the basics of home maintenance. The objective is to generate awareness of owner responsibilities and the need to develop a routine maintenance plan. Any organization conducting a comparable program should not attempt to cover all the material thoroughly in four hours, but realize that the session is still worthwhile and motivating for buyers.
- It is important to provide good, pertinent handouts, but not overwhelm class members with too many materials. Handouts should be clear and concise and complement the information covered in class.
- The preventive maintenance overview should be included in every first-time homebuyer's class. There are many home-maintenance materials already in existence, and buyers love the information presented. An organization

can simply add the overview to the existing class.

- NHSIE is considering offering a postpurchase maintenance class in the near future. The organization plans to hold specific classes on window replacement, heater and filter cleaning, minor electrical work and other maintenance and improvement projects. The post-purchase classes would be available for any interested homeowner.

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Ithaca NHS City Housing Celebration

OUTCOME: Ithaca NHS coordinated a City Housing Celebration, with simultaneous open houses of 40 properties in the city of Ithaca that Realtors had listed for sale. Also during the celebration, NHS held a grand opening for its new Homebuyers Training Center.



BACKGROUND

As part of an ongoing effort to build stronger relationships with Realtors, Ithaca NHS held focus groups to help Realtors understand NHS programs and loan products. The idea of holding a city-wide open house was proposed by a Realtor during one of the focus group meetings. An open house seemed an ideal way to collaborate with Realtors while reinforcing how Ithaca NHS and Realtors complement one another's work.

The City Housing Celebration sought to accomplish three things:

- To reinforce Ithaca NHS's position as a housing agency helping area homebuyers;
- To create excitement about living in downtown neighborhoods;
- To increase visibility for the new Ithaca NHS Homebuyers Training Center.

COMPONENTS

1. CONSULTANT

INHS hired a Realtor as a consultant to coordinate the focus groups and implement the City Housing Celebration.

2. INHS HOMEBUYER TEAM

NHS staff involved in the first-time homebuyer program worked together to plan the event and coordinate work activities related to it.

3. OUTREACH

The consultant did outreach to Realtors and got feedback on how such a celebration could work.

An important aspect of her role was to get commitments from Realtors to hold open houses on the designated day and to coordinate an advertising campaign to promote the event.

4. PLANNING

The consultant worked with a group from INHS and the Ithaca Board of Realtors Public Relations Committee to decide on a name for the event and a day and time that would get the greatest turnout. A Sunday in May was chosen – Sunday, because it is a day that most people have free time available and May, because of the high level of activity in the local real estate market in the spring.

5. LENDER SUPPORT

NHS invited lenders to participate at the Training Center by staffing the event and providing information on their loan products and other programs. Each lender was asked to contribute \$150 towards the event, plus pay for the snacks that were provided at the Training Center.

6. MATERIALS

- NHS created financial fact sheets for each property that had an open house that day. These sheets included a sample loan package from INHS as well as detailed information on each house.
- The City of Ithaca Planning Department created a map of the city with stars indicating where the open houses were and a directory of their addresses and prices. The maps were available at the Training Center and at each of the open houses.
- A Power Point presentation about HomeBuyer Classes and their dates and times was composed and ran throughout the day at the Training Center.
- At the Training Center, NHS displayed materials and brochures about its programs.

7. MARKETING

The Realtors did most of the marketing for the event. They put two large ads in the local newspaper and promoted the event to their clients. The

local Time Warner cable television network, a frequently used advertising vehicle for local Realtors, donated technical assistance and advertising time to promote the event. NHS marketed the event by putting an ad on the Real Estate Channel and a public service announcement in the local newspaper; leaving leaflets at banks and real estate offices; distributing fliers at HomeBuyers Classes; and mailing fliers to previous HomeBuyer Class participants

8. Day of the Event

The newly remodeled NHS HomeBuyers Training Center was participants' first stop. At the Center, they could sign up for homebuyers classes; meet lenders; pick up maps indicating where open houses were; register to win door prizes; and grab snack bags consisting of drinks and chips. From there, participants ventured out and visited open houses on their own.

Door prizes were \$50 and \$25 gift certificates from local hardware stores and \$5 coupons towards HomeBuyers Education Classes.

9. COST

Realtors paid most of the expenses for the event, including most advertising costs. They also did most of the planning. The main costs to NHS were for the time of the consultant who organized the event; staff time; and advertising.

RESULTS

- The event was very successful in that there were 40 realtors involved, holding 40 open houses.
- Eight lenders provided financial support. Five were present at the training center to give out information.
- Approximately 40 people came through the Training Center that day and approximately 120 people visited open houses.
- Several months after the event, most of the houses that had been open during the event had sold.
- Realtors had many more people pass through their open houses than normal. They talked of

making the City Housing Celebration an annual event.

- Participants signed up for HomeBuyers Classes while NHS staff explained how it could help with the financing of a first home. A few people attending the event asked for mortgage loan information.

LESSONS

1. CUSTOMER TRACKING

NHS asked visitors at the Training Center to write their names and addresses on a sign-in sheet, but most of the Realtors did not keep track at the open houses. This made it difficult to send potential customers follow-up information.

2. TRAINING

All of the Realtors knew something about the NHS programs, but many did not know enough to provide accurate information to homebuyers. Providing better training to Realtors would help to inform both Realtors and their customers.

3. HIRE A CONSULTANT

Hiring a professional real estate agent as a consultant gave NHS legitimacy with other Realtors. Working with a well-known local Realtor provided NHS with an important liaison to professional Realtors and has made them much more receptive to NHS initiatives.

4. NEIGHBORHOOD MARKETING

In highlighting that city neighborhoods are attractive, the City Housing Celebration helped publicize to the community that there are plenty of housing choices in the city of Ithaca.

5. NEW PARTNERS

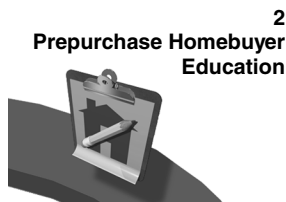
The City Housing Celebration strengthened INHS relationships with Realtors and built new partnerships.

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Ithaca NHS Marketing Campaign

OUTCOME: Ithaca, New York, Neighborhood Housing Services (INHS) designed a two-year marketing campaign to increase its home-ownership production and remake its public image.



BACKGROUND

Ithaca NHS opened in 1977 with a mission of revitalizing the city's downtown neighborhoods. All INHS programs focus on the city of Ithaca and its approximately 30,000 residents. However, to increase new homeowners in the city, INHS decided to market its homebuyer-education program to everyone, regardless of income or geographic preferences.

The desire to increase participation in INHS programs and change outdated perceptions of the organization, prompted INHS to seek funds for a marketing campaign. It received a grant from NeighborWorks® Campaign for Home Ownership 2002, to create and carry out a plan. The funds were to be available over two years, and INHS could apply them toward new and innovative marketing strategies. INHS shifted from its traditional in-house advertising approach to an outside agency for a professionally developed campaign.

COMPONENTS

1. Devising the Plan

In 1997, INHS hired a marketing consultant to help develop a comprehensive marketing plan. A team of INHS employees over several months helped the consultant create the plan. In a series of meetings, the group brainstormed marketing ideas, identified target markets, and determined which INHS products would be most interesting and beneficial. Messages and tools were then developed to reach the target markets. From these meetings, a homebuyer-team approach was developed. The homebuyer team consists of the INHS executive director, director of community

relations, director of lending services, homebuyer-education coordinator and loan associate.

2. Marketing Tools, 1999

INHS used several attractive print ads designed by Neighborhood Reinvestment Corporation. They were extremely well received and ran three times a week in the local newspaper. The ads and others also ran in the biweekly *Real Estate Journal*.

INHS hired a public-relations firm to design a new agency logo, and create television and radio ads. INHS wanted to shift from focusing on stories of new homeowners to something different and original. The new radio and TV ads were more professional, but also more subtle and impersonal. They were overly abstract and did not receive positive feedback from NHS customers. In response, INHS developed its own in-house radio ads, based on the print ads borrowed from Neighborhood Reinvestment.

The public relations firm remodeled INHS's brochures, letterhead and logo, which provided INHS with a distinguished and attractive new look. INHS staff were very pleased with this work. It also generated positive feedback from customers, Realtors® and lenders.

After a series of focus groups with real-estate agents and lenders, they and INHS staff organized and coordinated a City Housing Celebration, which was a "citywide open house." Local real-estate agents held 41 open houses throughout the city. At the same time, INHS held an open house in its new homebuyer-training center, providing maps and bag lunches to participants. Lenders were present at the training center with loan information for potential customers.

Ithaca has a local real-estate cable channel called the Market Place, which advertises homes, Realtors and lending options. INHS placed a small ad on this channel, identifying INHS as the place to go with homebuying questions.

INHS publishes its newsletter, *City Living, Ithaca Style*, three times a year. It promotes downtown Ithaca as a safe and affordable place to live and work, and is targeted to the general public. Eight thousand copies are sent out as an insert in the local newspaper; 800 copies are mailed to donors. It also is distributed to various locations around town.

INHS also prepares a one-page newsletter for lenders and Realtors, called the *Housing Quick News*. It describes INHS loan products and homebuyer programs, and is distributed to members of the Ithaca Board of Realtors.

INHS sends out general press releases for upcoming home-ownership classes and other community events. INHS has a very good working relationship with the local media, which is absolutely critical in having a successful marketing campaign.

3. New Strategies for 2000

In 2000, a Web-page designer was hired to help create a Web page for INHS as a new form of outreach. The intent is to reach a new population of computer-connected people. Staff did most of the work for the site by preparing the text and identifying layout details. The Web designer will arrange the site and build the page with the content and photographs provided by INHS.

INHS hired a film-production company to create three 30-second television ads about three families and their homebuying experiences. The company completed the work for a low cost and also made a substantial contribution to INHS. These ads are currently running on four local cable channels.

The entire marketing campaign for 2000 is based on three households telling their “stories.” Television, radio and print advertisements all focus on these households.

In an effort to reach potential donors, INHS became a sponsor of public radio. INHS is sponsoring two radio shows a week for six months.

INHS is running a 15-second ad in the local movie theatre. The ad consists of a picture of a

house with the words “Helping you find the home of your dreams.” It is geared toward a more moderate-income homebuyer.

4. Project Costs

INHS received \$50,000 from Neighborhood Reinvestment to conduct the two-year marketing campaign. The costs of TV, radio and print advertisements will vary, depending on the city and media corporations involved.

RESULTS

- INHS helped 73 buyers become homeowners in 1999, up from 48 the year before.
- The number of participants in INHS homebuyer classes and orientations increased, with more than 400 homebuyers in attendance in 1999.
- INHS completed 33 housing rehabilitation projects in 1999.
- The visibility of the organization has increased greatly since the marketing campaign began. The public is better informed of INHS programs and the population that INHS serves.
- In 1999, INHS raised \$105,000, \$10,000 more than the annual campaign goal. INHS believes this was due to more people knowing about the organization and its community activities.
- INHS is receiving referrals from Realtors and lenders. Lenders are contacting INHS to develop loan products and Realtors are referring potential homeowners to INHS’s homebuyers’ classes and loan programs. As customers come to regard INHS as the first place to go when looking for a home, lenders and Realtors realize the advantages of being involved with INHS programs.

LESSONS LEARNED

- It is very important to develop a good relationship with various forms of media. They are the foremost means to good and successful marketing.

- A precise marketing plan is a necessity. The plan must be well organized and include specific procedures. The organization must know who its target customers are, what materials are needed to conduct the campaign, and its approximate cost. INHS found that hiring a consultant to design the marketing strategy was vital for the campaign's success.
- INHS has learned that telling people's home-buying stories works. Personal stories are very powerful and inspiring to other potential homeowners.
- The organization needs to have a person put the plan into action and coordinate it; preferably an employee who is well-acquainted with agency programs. If there is no staff person available to conduct the campaign, a public relations firm or other professional can be hired to carry out the plan's components.
- It is important to have a good photographer and graphic artist. The photographer can either be a staff member or a hired professional. INHS hired both a professional photographer and graphic artist to work closely with staff.
- Be sure to work within the budget you have created. Know how much money is available, and use the funds as efficiently as possible.
- Run ads continually to get the message out to the public. The agency must constantly be in the public eye in order to heighten awareness. Create ads that are timeless and can be used over and over again.
- Use advertising resources from Neighborhood Reinvestment. They have outstanding materials that have proven to be very successful.
- Know your market. Pay attention to the types of customers that visit your organization. If a professional is hired to create the marketing plan, work closely with that person and incorporate ideas from staff members. Employees know best which programs and information customers are most attracted to.
- If a firm is hired to create advertisements, don't be afraid to end the contract if the ads are not well received or not working. It is a waste to continue unsuccessful advertising. When INHS customers revealed that the new TV and radio ads were too abstract and not attracting people to the organization, INHS stopped using these ads and created new ones.
- INHS found that customers, lenders and Realtors were attracted to different types of ads. Keep in mind when approaching different populations that each group may respond to something different.
- Find out which ads are effective by asking customers when they call, or during the initial contact, how they heard of your organization. Be sure to have staff members request this information and share the findings with the person in charge of marketing.
- If possible, have several employees involved in the campaign. It is important to get ideas and opinions from different people within the organization.
- If there are colleges or universities nearby, utilize the skills of their students for filming or Web development.

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Neighborhood Partners of Kankakee Homebuyers Clubs

OUTCOME: Neighborhood Partners of Kankakee, Inc., runs Homebuyers Clubs for prospective homebuyers who, in an initial NHS evaluation, are found to have credit and other financial issues to resolve before beginning the home-ownership process.



BACKGROUND

In 1991, Neighborhood Partners of Kankakee began using the homebuyers club model developed by MANNA, an affordable-housing non-profit and member of the NeighborWorks® network. Prior to this time, NP of Kankakee had recognized that, even by offering considerable financial assistance, it couldn't help certain prospective homeowners. Homebuyers clubs were a tool, potentially, for capturing these customers.

Homebuyer education is particularly important to NP of Kankakee because the organization uses funds from the state of Illinois and a Fannie Mae lease-purchase product to acquire properties with qualified homebuyers. Therefore, it is in the NP's self-interest to make sure that buyers are ready for home ownership.

The town of Kankakee has an area median income is \$42,500 for a family of four.

COMPONENTS

1. Length of Program

The running time of NP of Kankakee's clubs have evolved from the longer MANNA program, to an eight-session course, to be repeated three times a year. At the beginning of the cycle, NP's club coordinator gives members a schedule telling meeting dates and topics for the year. Members will attend one series and have completed the course.

2. Size of Club

Each club has about 12 to 15 members. Smaller size sets the stage for participants to be able to interact with and support each other. The club coordinator also needs to be able to communicate a willingness "to believe in the club members until they believe in themselves"; a small club allows members to see this commitment and lessens demands on the coordinator of maintaining it.

3. Curriculum

NP of Kankakee's Homebuyers Clubs cover traditional home-ownership subjects — budgeting, savings, credit, debt-to-income ratios, mortgage loans, taxes, insurance and closing. The coordinator brings in experts in particular fields to enhance classroom presentations. For example, the Kankakee Police Department has visited NP's Homebuyers Clubs to talk about personal and home safety and how to make a property a less likely burglars' target.

4. Materials

NP of Kankakee uses a Homebuyers Club manual developed by Neighborhood Reinvestment and MANNA, as well as materials collected over time from Freddie Mac, Fannie Mae, lenders and other NeighborWorks® organizations.

5. Evaluation

NP of Kankakee Homebuyers Club coordinator asks club members to evaluate their educational experience in the club and make suggestions for future clubs. The coordinator continues to compile an album of photos, dating to 1991, of club members who have graduated into homeownership.

6. Marketing

The Homebuyers Club coordinator has placed items in the local newspaper and public service announcements on radio and has visited other organizations to talk up the club concept. The club photo album is a marketing tool, communicating that home ownership is attainable for people from many backgrounds, neighborhoods and income levels.

7. COST

The Kankakee Homeownership Program has a salaried Homeownership Program Manager, partially offset by a \$10 charge to each Homebuyers Club member and to those who attend quarterly Homebuyers Seminars. These and other fees for counseling and loan closings are estimated to total \$7,000. Average cost of all homebuyer activity for each of the estimated participants is \$408.

8. Postpurchase

NP of Kankakee services its contracts and reminds club graduates that counselors are available to help if needed.

LESSONS

1. Keeping Track of Success

Because achieving homeownership can be a long-term process, documenting successes makes results more tangible for Homebuyers Club members, coordinators, NeighborWorks® organization staff and board members and funders. The photo album is a good vehicle for overcoming barriers and preconceptions about NHS and its customers and for demonstrating homeowners' successes.

2. Consistent Attendance

NP of Kankakee originally conducted the clubs as an ongoing activity, with members starting and ending as they became qualified for home purchase, no matter how much time that took. However, attendance by long-term members was not consistent, as they tended to lose sight of their goal. Therefore, club meetings will follow the planned eight-session outline. Club members can

miss one of eight sessions and still get a certificate.

3. Marketing

A NeighborWorks® organization needs to make its community aware of Homebuyers Clubs' availability by actively selling the program to churches, employers with large and small workforces and real estate agents. The Homebuyers Club coordinator or others promoting the club need to be aware of how the homebuying market might have changed and adjust their pitch accordingly.

One of the biggest sells, according to NP of Kankakee, is word of mouth of members and their friends and relatives. Good marketing, the coordinator says, will bring in "those who are still looking in the NP window."

4. Student Initiative

NP of Kankakee's experience has been that it could only go so far in bringing customers to Homebuyers Clubs. Applying, in day to day life, the principles and practice taught in the classes is up to the individual student.

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NHS of Kenosha Partnership with Gateway College in Homebuyer Education Classes

OUTCOME: Neighborhood Housing Services of Kenosha, Inc., offers a home-ownership education class through the official course curriculum offered by Gateway College, a local technical school.



This partnership has allowed the NHS to reach new audiences and to establish itself as the prime source of homebuyer education in Kenosha.

BACKGROUND

NHS of Kenosha serves three contiguous neighborhoods west of downtown Kenosha, Wisconsin, a city of approximately 80,000. These three neighborhoods contain the majority of houses affordable to the area's low- and moderate-income families. The NHS offers three main services intended to achieve its goal of neighborhood revitalization: homebuyer education; lending services for both purchase and rehabilitation; and technical services for rehabilitation.

NHS of Kenosha began its home-ownership education program in 1996 by offering monthly HomeBuyer Club meetings at the NHS office. They discovered that this method was too staff intensive for their staff of four to efficiently manage and began to look for ways to streamline and systemize this educational piece of their program. The NHS decided to conduct eight-hour introductory seminars at the NHS office about once every other month. During this period, staff believed that more customers would be attracted to the seminars if they were held in a place that offered better parking and classroom space.

Nearby Gateway College appeared to be a good match and the college was pleased to lend its space to a nonprofit. The NHS staff felt that holding it at the college caused participants to view the seminars more seriously as an educational

offering. Staff also believed that more people were comfortable attending an educational seminar at a traditional educational institution than they were at a private non-profit. After six months of holding the seminars at Gateway, the NHS approached the college about listing the seminar in their official course offerings.

After reviewing the course curriculum, materials, and resumes of the instructors, Gateway said they would be pleased to include the seminar in its continuing education department. The seminar is now offered six times a year.

COMPONENTS

- Gateway publishes a course catalogue listing the NHS homeownership seminar and handles registration. Course participants are charged a small fee (\$14) which is usually used to pay instructors. The NHS opted to have this money used to further publicize the seminar rather than to take an instructor's fee. Throughout the year, NHS staff meets with Gateway staff to suggest where to advertise the seminar.
- NHS conducts an eight-hour introduction to home ownership for first time homebuyers on six Saturdays throughout the year. NHS provides the instructors and the course materials. Gateway provides the classroom space, parking, coffee, and any equipment needed such as overhead projectors or flipcharts.
- The eight-hour seminar includes information on all aspects of the home purchase process including: getting a mortgage, working with a real estate agent, working with the credit bureau (including a gift certificate for a free credit report), and the importance of using a home inspector. The NHS also uses this opportunity to market the special financing options and technical assistance available through NHS and to talk about the NHS neighborhoods. The seminar closes with a panel of previous class participants who have

successfully bought homes through the NHS who tell their stories and answer questions.

RESULTS

- The NHS has established itself as the premier provider of home ownership training in Kenosha. Local lending institutions now refer customers to the NHS training instead of offering their own.
- Class size is now more predictable (about 25 per seminar) and students approach the course more seriously since they have had to formally register and pay a fee.
- The NHS has reached a new source of potential buyers for homes in their neighborhoods. Approximately one-third of the class participants are students from Gateway.
- The NHS has a tremendous marketing opportunity. About fifty percent of class participants buy homes in the NHS neighborhoods. Close to 25 percent buy through the NHS; there have been approximately 20 buyers since September 1997. The majority of those who buy through the NHS also rehabilitate the property, adding to the value of the housing stock in the target neighborhoods.
- The NHS has used the seminars as an opportunity to learn from the students what the obstacles are to buying a home in Kenosha and, in particular, in the NHS neighborhoods. The NHS has used this information to improve its programs and marketing efforts.

- Gateway College is able to expand its educational offerings and the number of students it reaches.

LESSONS LEARNED

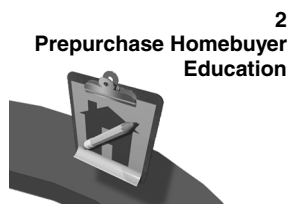
- A school is a perfect venue for offering educational services. The atmosphere sets the appropriate tone and expectations in attendees.
- Spending money on advertising (in the right places) does help. Word-of-mouth only works when you are already well established with a particular audience.
- Education and training are closely tied to marketing and public relations. Use this to your advantage.
- Information and learning flow both ways in a seminar. Take the opportunity to learn from your students what they think about your target neighborhoods, your services, and the obstacles to owning a home.

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Kensington-Bailey NHS TV Show

OUTCOME: Kensington-Bailey Neighborhood Housing Services (NHS), of Buffalo, New York, received significant publicity when the rehabilitation of an abandoned HUD home, which NHS had purchased for \$5,000, was broadcast on the local NBC affiliate.



BACKGROUND

Located on the east side of Buffalo, the Kensington-Bailey NHS service area is composed of largely homogeneous housing stock that is typically 65 to 75 years old. The population is about 68 percent African-American and 30 percent Caucasian.

COMPONENTS

1. Contacting the TV Station

NBC affiliate Channel 2 had already broadcast the rehabilitation process of one South Buffalo house when Kensington-Bailey NHS approached the TV station, with the help of a district council member, to propose that certain NHS properties be considered for its home-rehabilitation show. Channel 2 toured two NHS properties and chose a highly visible Parkridge Avenue property to be televised on the “2 Your Home” program.

2. Collaboration

The City of Buffalo provided \$40,000 in federal HOME funds that were used for the rehabilitation. Channel 2 acted as the general contractor and secured donations of labor and materials from area contractors and suppliers. NHS marketed and sold the finished home.

3. “2 Your Home”

Over the course of about one year, the 30-minute, Sunday morning show, called “2 Your Home,” broadcast the entire rehabilitation—from its beginning as concrete foundation and studs through its transformation to a three-bedroom house with two bathrooms and a modern kitchen.

4. Sale

Graduates of the Kensington-Bailey homebuyer education classes become members of the Homebuyers Club and, when possible, are given the first opportunity to purchase NHS properties. NHS sold the Parkridge Avenue property to a husband and wife who were club members. The couple bought the house for \$50,460, with a 30-year mortgage at 8.375% interest, financed by First Federal Savings and Loan of Rochester. The monthly payment, with interest, insurance and taxes, came to \$384.

Homeowner financing for the “2 Your Home” property was part of the University District Program, which is an NHS partnership with First Federal Savings and Loan of Rochester. Through this program NHS helps buy, rehabilitation and sell HUD properties, similar to the Parkridge Avenue home, to low- and moderate-income families. By making home ownership affordable to potential buyers in this area, the program is a means of stabilizing neighborhood property values. The partnership set goals of rehabilitating a total of 45 homes in two years.

RESULTS

- Because of the TV show, NHS got good publicity on a consistent and fairly long-term basis. Phone inquiries from potential homebuyers increased. NHS used this exposure to leverage transactions with suppliers, to receive discounts on high-quality products such as Pella windows.
- NHS has copies of each “2 Your Home” show for use in construction and homebuyer education.
- HOME funds used to finance the rehabilitation went into the NHS revolving pool to fund other activities.

LESSONS

1. Marketing

For a NeighborWorks® organization, media coverage is invaluable in providing name recognition

and opportunities for an NWO to demonstrate its capabilities.

2. Time of Possession

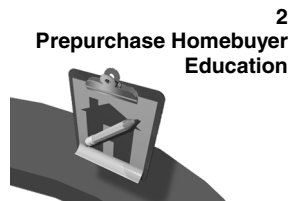
NHS has found that the shorter the time of possession of a rehabilitation property, the greater the profit, due mostly to utility costs. If possible, NHS prefers to presell the property so that the organization never owns the home. The Park-ridge Avenue property featured in the Buffalo TV show was an exception to this policy.

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Lafayette NHS Comprehensive Home-Ownership System

OUTCOME: Lafayette (IN) Neighborhood Housing Services (NHS) has developed a comprehensive home-ownership system that is able to accommodate a wide range of families who want to buy or learn more about home ownership.



NHS has also developed a \$500,000 line of credit from a local bank for acquisition, rehabilitation and resale or lease-purchase.

NEED

The Lafayette housing market is high-cost relative to other Indiana cities. As a result rents are high and, in fact, represent a housing cost equivalent to what many families pay as homeowners. Having a sufficient down payment is a major barrier to home ownership for families who have stable employment and sufficient credit. For other families, time on the job and certain credit issues are barriers to access. In carrying out its home-ownership work, the NHS wanted to provide options for a range of families, including the option of helping families recognize they were not ready to buy a house.

COMPONENTS

1. Counseling and Education Options

Every family interested in home purchase receives individual counseling. Families who understand the process and responsibilities move into loan prequalification and begin to look at homes for sale.

For people who are fairly ready but do not fully understand the process, NHS offers group housing counseling and/or education classes. The course consists of three two-hour sessions. Sessions cover the basics of financing, working with Realtors and maintaining a home.

The HomeBuyers Club is a more long-term educational process for families who have significant budget or credit issues.

2. Loan Product and Purchase Options

The major financing vehicle for families with smaller down payments is the Home Start Program. Home Start offers a first mortgage at 90 percent loan-to-value ratio from a lender pool and a second mortgage from a pool provided by the Lafayette Community Foundation and a grant from Neighborhood Reinvestment. The 90 percent first mortgage does not require private mortgage insurance. The lenders involved in the pool are willing to absorb any losses. The required down payment from the borrower is \$1,000.

Lafayette NHS is also actively undertaking a Lease Purchase Program. With a line of credit provided by Bank One, the NHS acquires vacant or distressed homes, rehabilitates them and offers them on a lease-purchase basis to families participating in the HomeBuyer Clubs. The loan to NHS is at 2 percent below market; the lease-purchase payment is at market rate. The difference minus administrative costs goes toward the down payment for the ultimate purchase by the family.

3. Management of Rental Property

NHS owns and manages 23 units and manages 17 units for other owners. Another 50 units are being developed by NHS using the Low-Income Housing Tax Credit Program. In this component, the NHS is providing affordable, quality rental housing and providing a mechanism for families, if they so desire, to move toward home ownership. NHS typically targets people who are good renters as potential homebuyers.

LESSONS

1. Clear Vision

In developing this system over time, the NHS was clear about not only what it wanted but what its customers did and didn't want. NHS looked at various models of homebuyer education and financing and developed what worked for them, adapting those models to the local market condi-

tions. For example, in structuring its first-mortgage program, NHS wanted to avoid private mortgage insurance and the additional costs it would impose on families. As a result, the lenders participating in the first-mortgage pool agreed to absorb any losses.

2. High Rate of Success

Delinquency has been kept low because a relationship has been built with the customer over time: If the customer is happy with the house, he or she will be satisfied with the payment.

3. Respecting Choices

When people go through the counseling process and decide home ownership is not for them, their decision is viewed as a positive outcome. People are making a choice based on good information and it is an acceptable choice to not buy.

4. Income Mix

The program is achieving a solid income mix in the neighborhoods it serves by providing a range of services to a wide range of families and different points of entry into home ownership.

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Lafayette NHS Decorator Show House

OUTCOME: Lafayette, Indiana, NHS has for three years had volunteers plan and execute the complete interior decoration of a selected house that LNHS has remodeled. The resulting “decorator show houses” usually are open for viewing during NeighborWorks® Week.



BACKGROUND

An LNHS board member thought of an LNHS decorator show house as an alternative to traditional, typically more lavish, decorator show houses. The LNHS version, too, would be a showcase, but one geared to homebuyers of modest means. In the first two years, LNHS did one house a year, but then attracted so many volunteers that it expanded to two houses in the third year. Also in the third year, one of the houses that LNHS decorators took on was large — a three-bedroom, two-bath house with a mother-in-law efficiency apartment. The homes are located in neighborhoods where LNHS is working.

COMPONENTS

1. Initial Remodeling

LNHS does total remodeling and a base coat of paint right before decorators come in. LNHS also does floor covering as part of the rehabilitation, unless a house has hardwood floors that can be refinished. In that case, LNHS refinishes the floors.

2. Volunteers

LNHS recruits ongoing volunteers during NeighborWorks® Week open-house events, when visitors tour the decorator show house. One recent volunteer decorator was a high-school art teacher, who hoped to have students design, choose colors for and decorate a room in a future LNHS decorator show house. In the program’s most recent year, about 20 volunteers worked on the decorator show house.

3. Mandatory Requirement

Professional decorating cannot be the vocation of any of the volunteers on the committee.

4. Planning

Decorators have an initial meeting in January. At this meeting, the head of the decorators’ committee might draw up a scenario as to who, demographically, might occupy the property and what their needs might be. For instance, one year the committee did a little-boy’s room decorated with bugs and walls painted to look like grass.

5. Budget

Also at the first committee meeting, the decorators learn what their overall budget and per-room budgets will be. Generally, LNHS has allocated \$4,000 for a large house and \$2,000 for a small one. Room budgets range from \$200 to \$700. The committee is charged with staying within its allotted budget, which decorators have accomplished by purchasing at flea markets, garage sales, second-hand stores and discount wallpaper and fabric stores. The budget is intended to cover wallpaper, wall and window treatments and towels — all of the furnishings in the house.

If committee members want to donate something from their homes, they must include the value of the donation to the decorating budget, so it accurately reflects the cost of the project.

6. Open Houses

During the NeighborWorks® Week open house, NHS decorators are present in each room. A framed list of itemized decorating costs and donations hangs on a wall in each room. Floors and carpets are covered with plastic.

RESULTS

- In the most recent year of LNHS decorator show houses, 500 people toured each property.
- During the tours, the decorator show houses that LNHS owns are for sale. Last year, the neighborhood mail carrier bought one of the homes. LNHS felt the purchase was eloquent

testimony that the neighborhood was better than it was perceived to be, for, after all, who knows a neighborhood better than its mail carrier?

LESSONS

1. Sticking to Budget

LNHS has been emphatic about volunteers sticking to their budget. Volunteers have tended to want to go out and get people to donate materials and furnishings.

2. Last-Minute Rush

Volunteers need to be prepared to work hard in the last three days before an open house. Because LNHS has had the show houses for a few years, two or three decorators on the committee have acquired experience and can help guide the proc-

ess. The decorating itself is usually done only at the last minute.

3. Furnishings Remain

LNHS leaves most of the furnishings in the homes, for the new owners. Generally, the furnishings are unique to the house.

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Neighborhoods Inc. of Battle Creek Outreach Strategies

OUTCOME: Neighborhoods Inc. of Battle Creek's outreach practices are integral to the organization's block-by-block home-ownership promotion. This strategy relies on staff organizers' close personal contact with residents as a means of identifying potential homeowners and neighborhood leaders, rehabilitating properties; assessing the conditions of the target neighborhoods; and maintaining new physical standards in designated neighborhoods.



BACKGROUND

Battle Creek has a population of 55,000. Its problems are not unlike those of other small cities — it has lost jobs, factories have closed, property values have declined. Showcase neighborhoods with great variety in housing stock have suffered from abandonment and negligence which, over years, spread into surrounding blocks, then neighborhoods, and ultimately throughout the city.

Neighborhoods Inc. has had steady support from the Kellogg Corporation and the Kellogg Foundation in implementing a buy-rehabilitate-sell-organize strategy that has revitalized three sections of town.

Innovations in neighborhood organizing, real estate development and lending continue to bring national recognition to Neighborhoods Inc.

COMPONENTS

1. Neighborhood Organizing Staff

The organizing staff are hired to be the leg people who help residents with work such as designing flyers for neighbors to distribute; finding price information for neighbors' ideas for block projects; and facilitating neighborhood meetings. Community organizers are out on their assigned blocks virtually every day, taking photographs,

checking ongoing property rehabs, noting problems that residents or Neighborhoods Inc. could address, and going door to door with questions. Another key activity of organizers is helping to convene neighborhood meetings.

2. Learning the Messages

Staff organizers learn and relearn the Neighborhoods Inc. messages by shadowing other staff members — often, the property rehabilitation staff — and at staff meetings held every two weeks. Organizers themselves learn to train residents in managing the neighborhood and sustaining positive change.

3. Block Projects

Early on in the restructuring of Neighborhoods Inc. in 1992, the Kellogg Foundation began funding “mini-grants,” up to \$5,000, for residents to do block projects of their own choosing, with the assistance of Neighborhoods Inc.

Other Neighborhoods Inc. supporters have funded mini-grants. For example, both the Kellogg Foundation and the local Miller Foundation awarded mini-grants for residents and Neighborhoods Inc., to create a new sign for a neighborhood elementary school and outdoor, concrete flower boxes for each class to plant and maintain.

Another mini-grant program was the Kingman Neighbors Lighting Project, an idea conceived at a meeting about neighborhood crime and safety. Residents agreed that better lighting might be a solution to crime and improved safety. They continued to meet and ultimately chose and installed brass light fixtures in their front yards and overnight lamps in their back yards, using mini-grant funds and dollars from a per resident co-pay. Residents who could not do installation themselves had services of an electrician.

4. Community Builders

Leadership training is as important to Neighborhoods Inc. as improving physical conditions and the real estate market — i.e., neighbors who have experienced success in solving problems on their blocks can emerge as successful leaders on larger

issues. Community Builders makes leadership accessible to residents by training them in skills such as conflict resolution, media relations, public speaking and presentation methods, community organizing and lobbying techniques. The program extends over seven weeks.

Staff organizers and home-ownership counselors are instrumental in drafting potential Community Builders participants from the pool of homebuyers participating in Neighborhoods Inc.'s pre- and postpurchase education and counseling programs.

RESULTS

Since Neighborhoods Inc. reorganized in 1992, its outreach strategies have helped the organization to:

- sponsor 250 block-based neighborhood self-help initiatives;
- conduct 70 leadership training programs;
- graduate about 100 Community Builders graduates, who have an alumni club and newsletter; and
- receive a \$100,000 planning grant from the Kellogg Foundation to study how to promote this program nationally, due to inquiries from other community-development corporations about replicating Community Builders.

LESSONS

1. Starting Small

The mini-grant program provides the building blocks on which Neighborhoods Inc. designs broader neighborhood revitalization strategies. When residents have joined in identifying and fixing a problem on their block, they have more of a stake in the neighborhood, which further motivates them to stay involved in solving problems and reaching out to neighbors.

2. Celebrating Success

The completion of a block project is also important to outreach. Neighborhoods Inc. encourages block-project participants to celebrate success with a gathering or shared meal. Celebrations may include uninformed residents who might be motivated to participate in a subsequent block effort.

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NHS of New Orleans HomeBuyers Club for Public-Housing Residents

OUTCOME: Neighborhood Housing Services (NHS) of New Orleans, in partnership with Tulane University, offered a 12-month HomeBuyers Club for public-housing residents. The program had two unique features: the use of former public-housing residents who have become homeowners as mentors, and a special individual savings plan pilot.



BACKGROUND

NHS of New Orleans offers a citywide home-ownership program that includes home-ownership education and counseling, construction management and lending services. In addition, the NHS has three target areas in which it provides additional neighborhood-revitalization strategies including significant real-estate development.

In past years, the public-housing authority (PHA) developments in New Orleans, which house close to 50,000 residents, have been poorly maintained and have had high levels of crime. In an unusual move aimed at improving the quality of administration, management of the PHA was taken over by Tulane University in May 1996. After Tulane became manager of the PHA, the NHS developed an ongoing relationship with the PHA. NHS began offering home-ownership seminars at different PHA developments. Despite the difficulties involved in moving from public housing into home ownership, the NHS has been able to assist at least six families to become homeowners.

As a result of the success of its previous efforts, Tulane University contacted the NHS about developing a homebuyers club geared specifically to PHA residents.

COMPONENTS

Mentors, savings plan. The HomeBuyers Club, which met once a month at the NHS office, had two unique components: (1) it employed six former PHA residents who became homeowners through the NHS as mentors for the program, and (2) it offered a pilot individual savings plan program through which participants received a \$3 to \$1 match for their individual savings toward a down payment and closing costs, up to a cap of \$1,000.

Funding from Tulane. Tulane University paid the mentors for the program. The school also funded the individual savings plan pilot, along with Neighborhood Reinvestment Corporation and a local bank, through a program of the Federal Home Loan Bank of Dallas. In addition, Tulane will paid NHS a fee to design and manage the HomeBuyers Club.

Recruitment. In recruiting members, NHS looked for public-housing residents paying \$300 or more per month for rent. To reach these residents, NHS used mailings and individual outreach by the mentors.

Course content. The curriculum was to be similar to that offered in the NHS's regular HomeBuyers Club, including discussion of budgeting, credit counseling and information on the homebuying process. Mentors were to attend monthly meetings to answer questions and tell their stories. They will also be available for phone calls between sessions.

Inspections and financing. NHS was to provide inspection services and special financing for participants in the program who are ready to buy homes.

LESSONS LEARNED

From its previous work with public-housing tenants, the NHS learned that, even if down-payment and monthly cost obstacles are overcome, tenants encounter significant personal obstacles to moving into home ownership. These obstacles include a lack of confidence that home

ownership is within their reach, and a fear that leaving public housing will leave them more vulnerable to homelessness if they lose their jobs. For many residents, public housing is a safety net. They do not have confidence in programs designed to help them move out of public housing.

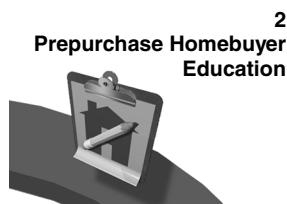
NHS hoped that the use of previous public-housing tenants as mentors would help increase the current residents' confidence in the program and allow them the opportunity to discuss their fears and obstacles with someone who has successfully overcome them.

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NHS of New York City Financial Life Skills Program

OUTCOME: Neighborhood Housing Services of New York City (NHS of NYC) teaches a Financial Life Skills course, a three-module, 15-week program developed with the help of an NHS Financial Life Skills Advisory Board, whose members are executives of financial institutions, corporations and a local university.



BACKGROUND

The Federal Reserve Bank of New York's Department of Regional Strategies did a feasibility study for NHS of NYC of how a program teaching basic financial and consumer skills might work in New York City. Although the study showed that financial literacy courses did exist, none of them led to home ownership. This was the niche the NHS was looking for. The organization began working toward creating a program that would precede prepurchase education.

COMPONENTS

1. Advisory Board

NHS of New York City convened an advisory board that would help shape the Financial Life Skills curriculum. It consists of representatives from the Dime Savings Bank of New York, MetLife, the Federal Reserve Bank of New York, the Federal Home Loan Bank and Fannie Mae. Advisory board members are senior officers at their respective organizations.

2. Curriculum

The program teaches basic financial and consumer skills in three modules of five classes each. Home ownership is the stated goal and endpoint of the classes — intended as an incentive for students to complete the course. Students who enroll may have expressed a desire to buy a home but are not yet ready for NHS of New York City's homebuyer education programs, such as HomeBuyers' Clubs. In most

cases, students lack savings, have credit problems, and do not know how to plan a budget or use a bank to their advantage. Therefore, the first module's topics are:

- How to Set Financial Goals and Achieve Them;
- Keys to Your Financial Health: Assets, Liabilities and Net Worth;
- Keys to Your Financial Health: Budgeting, Savings and Investing;
- What Banks Can Do For You; and
- How to Use Banks Wisely.

The second module is an in-depth look at credit, as well as discussions of insurance and taxes. The third module is consumer education, discussing the characteristics of a wise consumer; consumer complaints; renting versus home ownership; and buying a home.

Each two-hour session consists of a lecture and a discussion evolving from students' personal experiences.

3. Cost

Industrial Bank of Japan, Limited, covered costs of developing the Financial Life Skills curriculum with a two-year, \$20,000 per-year grant. The Federal Reserve Bank of New York helped edit the curriculum. The program is supported by the American Express Foundation.

4. Program Coordinator

NHS of New York City used a \$25,000 Neighborhood Reinvestment Corporation grant to hire a program coordinator. That staff person monitors and teaches the courses; engages instructors and volunteer experts; and markets the program using presentations, mass mailings and community advertisements.

5. Customer Tracking

NHS of New York City has a free two-hour homebuyers' seminar each week at its Homeownership Center, from which NHS can track seminar participants to the Life Skills course.

Individuals seeking to build savings with an Individual Development Account can enroll in the NHS program to satisfy IDA economic-literacy requirements.

6. Locations

NHS of New York City offers Financial Life Skills at its Homeownership Center in downtown Brooklyn and at its Citywide office in Manhattan. NHS also plans to offer the course from its seven neighborhood offices.

7. Cost Recovery

Chase Manhattan Bank wants to teach the NHS Financial Life Skills course in its branches in low- to moderate-income areas of New York City's five boroughs. The NHS program coordinator would teach some of the classes and recruit industry experts to speak as well. NHS of New York City charges \$2,000 for use of a module.

Students pay \$25 to participate in the Financial Life Skills course. The Financial Life Skills curriculum, along with other NHS of New York City curricula, will be available for sale to NeighborWorks® organizations and the general public. NHS markets its curricula to New York City

community groups, educational nonprofits, vocational schools and community colleges.

RESULTS

17 percent of Financial Life Skills graduates have gone on to one-on-one counseling for home ownership.

LESSON

Forming an Advisory Board. An advisory board does not have to be composed of high-level executives. Large banks have employees who train and educate people on banking issues. Foundations may have program officers who deal with education. Others who might be interested in serving on a board to advise on financial life skills are teachers and bank branch managers.

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NHS of New York City Landlord Training Program

OUTCOME: Neighborhood Housing Services of New York

City has developed a training program for owner-occupant landlords of two- to four-unit properties.



BACKGROUND

Like many larger cities New York has a number of two-, three-, and four-family properties, which have traditionally been owner-occupied. These offer affordable home-ownership opportunities as families use the rents to help cover their mortgage payments. Unlike traditional single-family homes, these properties also bring additional responsibilities in property management.

As a NeighborWorks® Full-Cycle LenderSM, the NHS of New York City saw the need to offer special postpurchase training to first-time homeowners who would also be first-time landlords. The need for the training was significant because:

1. Families, especially first-time homeowners who are purchasing two- to twenty-unit buildings, need education on how to become successful landlords and provide safe, decent and affordable housing for their tenants.
2. The city administration was placing a heavy emphasis on privatizing city-owned properties and more multiple-unit properties were available to first-time landlords.
3. Proper education will help potential landlords obtain private financing and undertake property purchases and rehabilitation.

As the NHS began to develop a curriculum for such training, Chemical Bank called the NHS and asked for assistance in providing landlord training.

The NHS did a few landlord-training seminars in kind for Chemical Bank as a way to field test the curriculum. The NHS and Chemical decided thereafter on an appropriate fee-for-service schedule and developed monthly seminars. The NHS has provided monthly seminars of 10 to 25 people and charges Chemical \$500 for each seminar. The NHS also provides landlord training for Chase Manhattan Bank at \$75 per family.

COMPONENTS

The training curriculum was designed to communicate some of the basic financial responsibilities of owning and managing a small rental property and maintaining good tenant relations. This curriculum was initially organized as follows:

1. Financial Responsibilities of Building Ownership

- Maintaining mortgage payments and avoiding foreclosure
- Maintaining vacancy and debt-service reserves
- The critical period — the first three years
- Energy savings and property maintenance
- Income tax benefits

2. Tenant Selection

- Screening tenants, credit reports, references, applications for loans
- Using leases
- Tenant education

3. Landlord-Tenant Regulations

- Housing Court
- Evictions
- Rent increases
- Code enforcement

4. Insurance Issues

- Fair Plan versus normal coverage by insurance companies
- Basic components in insurance coverage

5. Membership in Homeowner Association

The sessions are informal and provide lots of room for questions and discussion. In the Chemi-

cal Bank seminars, the NHS is joined by a representative from the bank, who focuses on landlord responsibilities to the bank. The NHS, in turn, focuses on the issues of tenant selection and screening, lease issues, and property maintenance. Each family attending the training receives a packet containing sample leases, a budget work sheet and an envelope for keeping receipts. With proper authorization from the tenant, landlords completing the session can order credit reports through NHS.

RESULTS

- Since October 1994, the NHS has provided landlord training to 167 owners. These ethnically diverse families were former tenants with no prior experience in being landlords. The average cost of properties they owned was under \$200,000 and commanded monthly rents of \$750 to \$900 for two- and three-bedroom units. This provides a significant income stream to help them retire debt. Very few of these buyers used Realtors in their purchase.
- Recently the NHS received a grant from the Industrial Bank of Japan (IBJ) Foundation for funding development of curriculum for landlord training. IBJ had been supporting some of the home maintenance curriculum development and saw this as a logical next step for renewed commitment. In this revised curriculum, the NHS will be focusing a great deal on the financial management for these small rental properties, including tax issues. The NHS will also be developing a curriculum for owners of five- to 20-unit apartment buildings.

LESSONS

- In markets where there are a substantial number of two-, three- and four-unit properties, these properties are often acquired by an owner occupant. The choice to buy this kind

of property has important implications for the new owner. For the new owner they are moving not only into first-time homeownership but also into the management of a small business. The NHS found a tremendous need and a strong interest in training for this kind of business.

- While this can be a complex area, the NHS has sought to keep the training simple and specific. Although most of the training was done in a group setting, there was substantial time allowed for questions and discussion.
- The NHS has developed a solid program in landlord training and is making continuous improvements based on feedback from trainees. The insurance counseling component has proven to be a very valuable piece in the training.
- By providing this training, the NHS is seeking to develop a long-term relationship with these owners, linking them to the ongoing stream of loan products and services that the NHS provides. The training is a way of helping owners anticipate future needs such as home — improvement loans, refinancing, emergency loans, insurance services. In this way, the NHS is expanding its customer base.

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Nuestra Comunidad Development Corporation Postcard Mailer

OUTCOME: Nuestra Comunidad Development Corporation, of Roxbury, Massachusetts, sends an informational postcard to 400 households each month. This regular mailer has helped Nuestra Comunidad achieve name recognition, promote its programs, and inform residents about how to get help from the organization itself as well as other entities.



BACKGROUND

Nuestra Comunidad (Our Community) Development Corp. formed in 1981 out of a social-service agency called La Alianza Hispana, to fulfill a need for community organizations that could help low- to moderate-income people, particularly homeowners, in Boston's Roxbury and Dorchester neighborhoods.

Nuestra Comunidad's mission is to provide housing opportunities to families; to assure continued affordability of housing; to reuse vacant land; to create jobs through economic development; and to involve community residents in the process of development.

Over time, however, many residents remained unaware of Nuestra Comunidad services. Many thought that, because of its name, the organization exclusively assisted Latinos, which is not the case. Nuestra Comunidad serves the entire community, which is one-third African-American, one-third African Islander (persons from Cape Verde), and one-third Latino.

1. Mailing List

Names of postcard recipients were gathered through personal contact and from *Banker and Tradesman*, a publication listing the names and addresses of new homeowners in the greater Boston area.

2. Cost

Sending postcards to the 400 households on Nuestra Comunidad's mailing list costs \$71: \$34 to print the cards and \$37 to send them using nonprofit bulk-mailing privileges.

3. Design

Each 5" x 8" postcard has virtually the same design, which helps readers find the monthly features on upcoming events, new services and valuable tips. Cards are distinguished from month to month by using different colors of paper. The cards usually have a paragraph describing Nuestra Comunidad and sections called "Don't Miss This" and "What's New."

4. Subject Matter

Previous items identified as not to be missed have been a county property tax abatement deadline and homebuyer education classes in Spanish. Upcoming events have been postpurchase counseling and landlord training classes.

"What's New" items have described:

- Affordable homes for sale by Nuestra Comunidad;
- Nuestra Comunidad's foreclosure-prevention counseling;
- Free energy analyses in which homeowners could receive up to \$30 of energy efficient materials;
- Grants and loans at zero percent interest for lead removal; and
- An announcement of the annual community clean-up and prizes for the cleanest street.

RESULTS

- The postcard has helped Nuestra Comunidad promote itself and explain its purpose, while helping to strengthen the sense of community in Boston's Roxbury and Dorchester neighborhoods.
- Certain information can help individuals dramatically. After reading that the organization provided foreclosure prevention counseling, an elderly woman who was experiencing fi-

nancial hardship called and received the assistance she needed to save her home.

LESSONS

1. Simplicity of Approach

A simple outreach method such as direct bulk mailing can promote the organization's goals and services and provide information to homeowners, at relatively low cost.

2. Consistency of Design

When sending postcards to homeowners, it is important to keep the design simple and consis-

tent so that recipients know exactly where to find specific information.

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Pasadena NHS Homebuyers Fair

OUTCOME: Pasadena Neighborhood Housing Services (NHS) has had two annual homebuyers fairs, co-sponsored by Pasadena City, that were successful in attracting significant numbers of attendees and business sponsors. For both fairs, NHS covered expenses and made a small profit by charging businesses for space.



BACKGROUND

Pasadena, California, has a population of 134,000, with Hispanic, African American and Armenian communities. The cost of living is high. Housing prices put home ownership out of reach for most people of modest means, with the average price for a three-bedroom, two-bath house at \$230,000. Area median income for a family of four is \$49,000. The City has down-payment and closing cost assistance for eligible buyers, in a variety of programs.

NHS held the first fair in connection with its becoming a part of HUD's National Partners in Homeownership initiative.

COMPONENTS

1. Planning

NHS had one month to plan for the first fair. A consultant to NHS, who manages its first-time homebuyers programs, did most of that planning with City staff. For the second fair, NHS had more planning time and the help of a part-time Americorp volunteer.

2. Marketing

For the first fair, Pasadena City did most of the marketing, which included erecting a large banner and funding a small mailing of fliers advertising the event. NHS wrote several press releases, which were published in citywide and local newspapers. Marketing for the second fair was a shared responsibility for the City and NHS, and

was done on a larger scale. Organizers erected two banners, sent out a large mailing and advertised on-site raffles with prizes donated by banks. Advertising named participating businesses. At both fairs, NHS asked attendees to complete name and address cards and sent each person information on upcoming homebuyers' classes.

3. Business Participation

NHS covered its expenses with fees: Businesses paid \$250 to participate in the fairs; banks, \$500. Nonprofits were eligible for reduced rates. NHS used the first fair's profits to pay for a segment of its homebuyer education course — bus tours of homes.

4. Prequalification

At both fairs, lenders did prequalification and provided information on the home purchase process, insurance, budgeting and other topics. At the first fair, NHS let each lender decide whether to pre-qualify prospective buyers on site. At the second fair, NHS directly encouraged pre-qualification and advertised that the first 50 attendees would be eligible to do homebuyer pre-qualification.

5. Bilingual Services

NHS made another change in the second fair by requiring, rather than requesting, businesses to have at least one Spanish-speaking staff person on site and to provide materials written in Spanish.

6. Physical Layout

Pasadena NHS is located in a former church with a large open area ideal for outdoor events. The second fair was held here. Participants rented booths and, on the night before the event, set up colorful canopies. NHS gave special attention to children's activities, such as face-painting and a moon bounce, to allow parents to take greater advantage of the information the fairs offered.

7. Workshops

Participating businesses provided speakers on housing issues at both fairs. At the first fair, volunteers spoke on general information of their

own choosing. At the second fair, NHS asked that participating businesses' speakers address selected topics, including first-time buyer issues, selecting a real estate agent and financial pitfalls. Workshops ran all day.

RESULTS

1. Attendance

The first fair attracted about 250 attendees and 15 business organizations, including real-estate agents, lenders and other nonprofits. The second fair had 18 business participants and about the same number of attendees.

2. Cost

Putting on the Pasadena NHS fairs cost between \$2,000 to \$2,500, in cash layout. Profits were about \$200.

LESSONS

1. Advance Planning

Planning a homebuyers fair is labor-intensive and needs to begin well before the date of the event. The workload is such that a group effort is important. NHS staff allowed much more time to plan the second fair than was available to plan the first.

2. MINI-COURSES

Offering mini-courses on specified topics, rather than generalized workshops, was an improve-

ment the second time around, based on an evaluation of the first fair. The mini-courses' specificity helped avoid duplication and addressed customers' needs more closely

3. Public Relations

The fairs are a good opportunity for a NeighborWorks® organization to cement relationships with lenders, the City and other partners. Holding the fair in the NWO's service area is beneficial in that it brings lenders to the neighborhood and attracts area residents.

4. Children's Activities

Devoting time and money to children's booths can be essential to a fair's success, because kids' activities can allow parents to participate more fully.

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NHS of Phoenix Homebuyers' Internet Resource Center

OUTCOME: Neighborhood Housing Services of Phoenix, Arizona, placed a computer station in the lobby of its HomeOwnership Center, and labeled it "Homebuyers' Internet Resource Center." The station is available for any NHS customer interested in attaining home-ownership information via the Internet.



BACKGROUND

NHS of Phoenix's HomeOwnership Center opened in April 1999. The organization serves the entire city of Phoenix, but targets low- and moderate-income households. The housing market in Phoenix is relatively affordable, but housing costs are rising, and purchasing a home continues to be a challenge for many families. NHS of Phoenix served approximately 700 customers in 1998, of which more than 100 became homeowners. Because most NHS customers do not have access to computers at home, NHS decided to create the computer station as a means to both educate its customers and also provide access to additional resources. NHS staff are available for assistance in negotiating the Internet, if needed.

Several programs are offered at the HomeOwnership Center, including pre- and postpurchase education, home-maintenance training, and delinquency counseling. A Homebuyers Club, a support group for customers who view home ownership as a long-term goal, also functions out of the center. A loan counselor and loan processor are stationed at the center to complete homebuyer counseling, loan origination and loan processing. The HomeOwnership Center also provides affordable homes, by constructing new homes and rehabbing homes for resale.

COMPONENTS

The computer station. The "Homebuyers' Internet Resource Center" houses a computer,

plus a desk, chair and printer. NHS customers can use the station any time during business hours and make copies of interesting items, at no cost to the customer.

Need. NHS of Phoenix believed a computer station with Internet access was a necessity in providing up-to-date resources for the community. The HomeOwnership Center is developing a library of print and video reference materials, which include topics on landscaping, budgeting and interior decorating. NHS felt it was essential to include Internet opportunities in this resource library.

Visibility for partners. Partners contributing at least \$25,000 a year to the HomeOwnership Center have an icon on the computer screen as a Web-site link. Bank of America, Bank One, Wells Fargo, Allstate Insurance, State Farm Insurance, the city of Phoenix and Fannie Mae each have Internet links from the center's computer station. Each link takes the customer to a page relevant to home ownership. Fannie Mae connects to a prequalification worksheet, the lenders link to mortgage information, and the insurance Web sites link to information on homeowners' insurance. This visibility is an excellent selling point for major partners of the HomeOwnership Center.

NHS of Phoenix has also highlighted local real-estate Web sites, which list properties and describe available houses. Homebuyers can customize a search, with number of bedrooms, price range, and preferred neighborhood, and receive a list of potential properties. NHS intends to highlight additional Web sites as they are encountered.

Cost and support. NHS of Phoenix decided to upgrade staff computers and included the customers' computer in the purchase. The "Homebuyers' Internet Resource Center" was part of the initial design for the HomeOwnership Center, and was in place for its grand opening. The media, as well as NHS partners and supporters, greeted the Internet resource station with enthusi-

asm. Start-up costs were covered by funds from Neighborhood Reinvestment Corporation, a Community Development Block Grant, the Community Development Financial Institutions program, and the city of Phoenix.

There is virtually no cost to maintaining the computer station. NHS of Phoenix already had Internet service, meaning the program's only operating expenses were for ink, printer paper, and routine maintenance. Upgrades to the Internet station will be made as improvements are made to other NHS computers.

RESULTS

- NHS of Phoenix has observed several results in providing the "Homebuyers' Internet Resource Center."
- Waiting customers appreciate doing something worthwhile. The computer provides NHS customers and class members with an interesting and educational pastime before a meeting or class.
- NHS has found the program a great tool in developing partnerships. Current and potential partners are happy to hear of the marketing opportunities through the program. The "Homebuyers' Internet Resource Center" is a great selling point, which NHS plans to use in partnering with future businesses.
- NHS of Phoenix has discovered it needs to promote the computer station with customers. Homebuyer-education classes need to promote awareness of the Resource Center and demonstrate how its use. NHS counselors can also assist clients in accessing information.

LESSONS LEARNED

- An Internet station is an inexpensive way to add an asset to a HomeOwnership Center. It is a great resource for customers, and most partners and staff welcome the additional marketing opportunity.
- Communicate to customers that the resource exists and teach them how to use it. Many NHS customers do not have fluent computer skills.
- Explain to customers that not all Internet information is trustworthy. A customer can complete a prequalification on line, but must know not to take the information literally. It is important for customers to understand that Internet sites can provide general information and a feel for a market, but cannot give exact numbers on a home's affordability or definitely determine whether a user will be approved for a loan.
- Keep track of the icons displayed on the computer screen. Too much information and clutter can overwhelm customers and make using the Internet seem more complicated than it is.

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Reading NHS Outreach to the Hispanic Community

OUTCOME: Reading (PA) NHS, in response to the demographic changes in Reading's Sixth Ward

neighborhood, has developed a multi-faceted outreach program aimed at helping Latino families achieve home ownership.



NEED

The Sixth Ward has experienced dramatic changes in population over the last three decades. In 1960, there were only three Latinos residing in the neighborhood. In 1970, that number rose to 458 and continued to increase to 967 in 1980 and to 1,400 in 1990. The NHS, with its focus on home ownership, needed to develop a specific marketing approach to reach these families.

COMPONENTS

1. Primary Obstacles

Along with the traditional obstacles that confront low-income families, Latino families faced a number of additional obstacles. These included:

- **Varying cultural traditions regarding home ownership.**

Latino immigrants moving to Reading included families from Mexico, Puerto Rico, Colombia and the Dominican Republic. While some of these subcultures have a tradition of ownership, others do not. Even those who have a tradition of ownership, such as Puerto Ricans, had owned homes requiring much less maintenance.

- **Savings behaviors that are outside normal financial institutions.**

Because of distrust or intimidation by the somewhat antiseptic atmosphere of banks, savings were often accumulated and disbursed through family and other informal networks.

- **Many families found the homebuying process mystifying**, often as a result of language differences.
- **Many families saw their presence in the mainland United States as temporary** and had a mindset of returning to their native land.

2. Outreach

The strategy evolved over time. There was a considerable amount of infighting among existing Latino organizations. People began turning to the NHS as a community resource. A positive, word-of-mouth network grew up around NHS.

NHS then undertook a variety of activities aimed directly at the growing Hispanic population. As staff changes took place, bilingual staff were added. NHS wrote articles for the Hispanic press and appeared at a number of housing fairs. NHS also has its own cable TV show which periodically was done in Spanish, and a bilingual staff person regularly appeared on Spanish TV talk shows. The then-director became increasingly active in other organizations, some of which brought him into contact with Latino leaders.

NHS also did a lot of work with lenders, educating them on alternative-savings issues and cultural attitudes around borrowing and credit. As a result, lenders have become more responsive to different borrower profiles. For example, along with the regular husband-and-wife borrowers, there are often borrowers who are mother and son or follow other patterns of extended families.

To increase knowledge about and access to the homebuying process, NHS has held regular lunch-hour presentations at the mushroom farms around Reading where many Latino workers are employed. This has helped generate interest in the structured homebuyer education the NHS offers. The NHS has developed a renters' rights pamphlet, and in the distribution of the pamphlet, the NHS connected to a potential market of new homebuyers. In order to address the issues of maintenance, NHS has also developed a series of postpurchase classes.

LESSONS

1. Inclusive of Leadership

In order to connect with the Latino community in Reading, the NHS worked not only with the formal leaders in that community but also with the informal leaders. NHS often engaged the informal leaders in activities like block clean-ups. Their involvement was critical in creating the positive word-of-mouth reputation.

2. Staff Recruitment

NHS strove to develop a staff that reflected the multicultural character of the community.

3. Lender Education

Understanding cultural issues around home ownership for Latinos was critical. This not only involved the relationship with families around savings and understanding the homebuying process, but also involved lenders as well. NHS accepted as part of its mission the education of lenders about Latino culture so that they could under-

stand what for them was a very different but positive lending situation.

4. Adapting NHS Loan Process

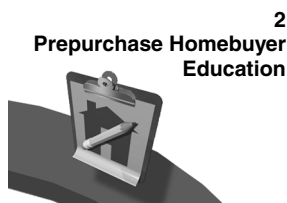
NHS has constantly re-evaluated its own loan policies with an eye toward streamlining the loan process and keeping it simple and understandable. The loan committee set up a subcommittee on policies and procedures to maintain this ongoing reassessment.

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Rochester Home Room City Living Resource Center

OUTCOME: The Home Room City Living Resource Center of Rochester, New York, is a resource center equipped with detailed print and electronic information on the tapestry of Rochester's neighborhoods, designed to encourage and educate people about city living. The Home Room also has extensive information on houses currently for sale in Rochester.



BACKGROUND

The Home Room City Living Resource Center has been in existence since 1998. It is a joint effort of three partners: the Landmark Society of Western New York, the Greater Rochester Association of Realtors® (GRAR) and the city of Rochester. The Landmark Society of Western New York has been serving Rochester and surrounding counties since 1937. One goal of the Landmark Society is to preserve historic buildings; another is to promote and sustain strong neighborhoods.

The Home Room was founded by the director of the Landmark Society, who was inspired by a similar program in Dallas, Texas, called Preservation Dallas. The director proposed creating a like program to Rochester city officials, who then helped establish the Home Room. The Home Room is located in the headquarters of the Landmark Society.

COMPONENTS

1. Neighborhood Information

The Home Room offers detailed information on Rochester city neighborhoods. A series of “neighborhood notebooks” has been created, with the help of several neighborhood associations. The notebooks give detailed information about neighborhoods’ housing stock, public parks, schools, businesses, plans for development, festivals and housing costs. There are 15 neighbor-

hood books available at the Home Room, each 20 to 50 pages long. Additional notebooks provide information on local schools, and general information about life in Rochester.

2. The Home Room Online

The Home Room’s biggest initiative is its Web site, www.thehomeroom.net. The site offers listings of all houses for sale on Rochester’s Multiple Listing Service (MLS). Buyers can search for houses using several features, including location, cost or number of bedrooms. There are pictures of most houses, and information on the year built, square footage, property and school taxes and lot size. GRAR updates the site weekly with information from the Multiple Listing Service, and provides all Web-site services and maintenance.

Two other features on the Web site are detailed maps of the city and mortgage calculators. A buyer can obtain written directions to each property for sale, or click on “locate on map” and obtain a detailed map. A simple mortgage calculator on the page calculates monthly mortgage payments, so buyers can determine if a home is affordable. The site also provides Realtor contact information and facts on the neighborhood and various architectural styles.

3. Partnership with City Paper

The Home Room has partnered with the *City* newspaper, a free, weekly in Rochester. For each issue, it publishes a half-page column on a house for sale. The column includes information on the purchase price, architectural style, taxes, the real-estate agent and the history of the home and neighborhood. A different author from the Landmark Society or the Home Room writes the article each week. *City* newspaper, in turn, provides free space and a photographer. The paper distributes 40,000 copies to various locations around Monroe County.

4. Continuing Education for Realtors

The Home Room conducts a real-estate course for Realtors called “Marketing Historic Houses Successfully.” Because real-estate agents in Rochester need to obtain continuing-education

credits, the Home Room decided to develop this course. It offers Realtors an opportunity to attain 15 accredited hours of instruction. The course is set over two days, with seven-and-a-half hours of instruction each day. It is held twice a year. The class consists of lectures from the course facilitator and guest speakers, a slide show on different forms of architecture, and two neighborhood bus tours. During the bus tours, the guide gives current and historical information about each neighborhood, and points out prominent architectural styles. The classes are usually held in November and March, which are convenient months for Realtors.

5. “City Living Sundays.”

The Home Room is also very involved in “City Living Sundays,” a series of home-ownership events that takes place in Rochester on four consecutive Sundays in March. (See *Winning Strategy* #117.) The mission of City Living Sundays is to market the city and promote home ownership. The Home Room coordinator is very involved in City Living Sundays’ planning and marketing committee, and attends the events to present information on Rochester’s neighborhoods and local homebuying resources. The Home Room also provides a large, readable map of the city, and hosts neighborhood bus tours for potential buyers.

5. Home Room on Tour

Several components of the Home Room are portable, so the coordinator can exhibit components of the room at outside events. Landmark Society employees have transported the room to both home tours and business expositions.

6. Home Financing

The Home Room provides information for buyers from local mortgage-lending programs, including Neighborhood Housing Services of Rochester, the Rochester Home Store, the Rochester Housing Council and the city. Because many organizations in Rochester already offered specialized financing for first-time buyers, the Home Room does not, and, instead, refers buyers to existing financial resources.

7. FUNDING

The city provides the largest amount of financial support for the Home Room. The Greater Rochester Association of Realtors provides additional funds, plus management and maintenance of the Web site. The Landmark Society provides office space and administrative support, and pays part of the program coordinator’s salary.

8. Cost

The annual cost of the program is approximately \$60,000, much of which is for advertising.

RESULTS

- The Home Room has greatly strengthened the relationship between the Landmark Society and local real-estate agents. The Home Room now works more closely with Realtors, and is involved with additional GRAR presentations and events. An outside office door allows Realtors to access the Home Room both before and after business hours, using an electronic lock box.
- The partnership among the Landmark Society, the city and GRAR has been very successful. The three organizations have complementary goals, and thus are able to assist and support the Home Room and each other. The Home Room has benefited remarkably from the diverse resources of each organization.
- Realtors are very pleased with the course “Marketing Historic Houses Successfully.” Agents are grateful for the opportunity to gain continuing-education credits, and also find the course interesting. The class has sold out the last three times it was offered.
- The Home Room recently received an award from the Preservation League of New York State for its historic and neighborhood-preservation efforts.
- During April 2000, there were 37,000 hits on the Home Room Web site. Since a person can visit the site more than once, this does not count the exact number of visitors. However, 37,000 hits is still a very good response. Approximately 500 people have visited the Home Room office since it opened, including home-

buyers, real-estate agents and other housing professionals.

- Home sales in the city have increased. Though the Home Room is not certain of its exact contribution to the increase, it does believe its efforts are helping promote city living and increase home ownership.

LESSONS LEARNED

- Providing detailed and interesting information on each neighborhood is a vital piece of this program. It is important to take the time to work with neighborhood leaders, brainstorm methods of promoting city neighborhoods, and determine how to get “neighborhood news” in the news. A positive relationship with neighborhood groups is a great resource for the program and is also an asset for each neighborhood.
- It is important to choose complementary components for the program. Having a well-rounded program has unquestionably helped make the Home Room a success. Hosting a class for Realtors, providing essential information for homebuyers in the office and on the Web site, and being strongly involved in City Living Sundays have helped make the program exceptional.
- It is important to be aware of other organizations with similar missions, and to not duplicate services. The Home Room does not provide financial opportunities for first-time buyers, for example, because of the many other lending resources available. In other cities, a like program may need to become more involved with financing.

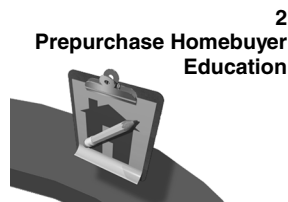
- It takes considerable time to coordinate all aspects of the program, meaning it requires the services of at least one part-time employee. The Home Room believes a full-time employee is more appropriate, but, depending on the organization’s scope of work and the employee’s work style, a part-time person could be sufficient.
- Because of technical difficulties, the Home Room’s portable computer is not being used to its full potential. It is a great idea to have the computer for home-ownership events. However it requires extensive effort from staff. For a portable computer to be worthwhile, staff must know how to use it and maintain its components.
- In order for this type of project to be a success, the program and its services must constantly be advertised. The Home Room spends a tremendous amount of time and energy marketing itself, with ads, articles and information in various locations with high homebuyer traffic.

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Neighborhood Housing Services of Rochester's City Living Sundays

OUTCOME: Neighborhood Housing Services of Rochester, New York, is part of a citywide, annual housing event, called "City Living Sundays," which provides extensive home-purchase information and opportunities for potential homebuyers.



BACKGROUND

NHS of Rochester (NHSR) opened its doors in 1979 to serve very specific city neighborhoods. In 1990, its focus expanded to include the entire city of Rochester and its 235,000 residents. NHSR follows the NeighborWorks[®] Full-Cycle LendingSM model, providing homebuyer education, pre- and postpurchase counseling, affordable financing and housing rehabilitation. NHSR also administers a mini-repair program and a neighborhood-revitalization program.

City Living Sundays is a collaborative effort involving Rochester housing organizations, the city of Rochester, local lenders, real estate agents, the Landmark Society, the Rochester City School District and neighborhood associations. The mission of the program is to promote city living. It consists of a series of one-day home-ownership events that are held on four consecutive Sundays in March. Rochester is divided into quadrants, and one event takes place in each quadrant.

COMPONENTS

The Event. City Living Sundays was founded by the president of Rochester's city council, who then invited the Landmark Society of Western New York and the Greater Rochester Association of Realtors[®] (GRAR) to partner with the city. A range of businesses and organizations participate, such as Neighborhood Housing Services of Rochester, lending institutions, real estate agents and neighborhood associations. Visitors are informed of home-buying services and organizations in each neighborhood, as well as general home-purchase and financing information. Lend-

ers provide mortgage prequalifications; a one-hour homebuyer seminar is conducted; and Realtors hold open houses at properties for sale in the quadrant. The event takes place from noon to 3 p.m.; the open houses are from 1 to 4 p.m.

Each of the four events is held at an area school. Businesses are provided with space to display information and materials. The Home Room City-Living Resource Center supplies a computer so visitors can view homebuying information online. Realtors post descriptions and photographs of each open house on a bulletin board. Neighborhood bus tours are available, complete with tour guide, to describe neighborhood histories, assets and historical markers. The bus tours have been part of the program for the past two years.

Organization Committee. A committee was formed by the president of city council to organize and market the event. Members of the committee are bankers, real-estate agents, city employees, neighborhood associations, city school districts and the Landmark Society. The committee comes together each year, before the event, to organize the business participants, plan the day's agenda and create a marketing strategy.

Primary Supporters. The primary sponsors are lending institutions; nine participated in 2000. Other supporters are the Greater Rochester Association of Realtors, Wegmans and Chase-Pitkin. A majority of the advertising is conducted by GRAR, with some additional help from the city.

NHSR's Role. NHSR provides home-financing alternatives and education for potential homebuyers. NHSR distributes program information and invites buyers to visit its office. Buyers are then referred to the appropriate NHS department to receive assistance in mortgage financing, credit counseling or homebuyer education.

Program Costs. Program costs will vary from city to city. In Rochester, lenders cover a majority of the expenses, but the city and real estate agents also provide funds. The primary cost is advertising. Other expenses include refreshments,

program handouts and homebuying materials. Space for each event is donated, and staff costs vary, depending on the organization's involvement in planning the event.

RESULTS

City Living Sundays is in its eighth year, and extensive advertising has helped it grow markedly in size and familiarity. People now look forward to the event each year, because of the benefits it holds for each participant. Buyers obtain much-needed help and information, sellers meet potential buyers, and lenders, Realtors and other professionals in the housing industry find potential customers. In 1999, attendance from all four quadrants reached 650. In 2000, it rose to approximately 1,000.

Various agencies and businesses are involved. Not only do lenders and Realtors attend, but also housing organizations and neighborhood associations. NHS of Rochester has participated for four years. The number of participating organizations increases each year. City Living Sundays has become a fantastic networking opportunity for each organization involved.

LESSONS LEARNED

- It is important to have a solid, core group of Realtors and lenders help organize the event and encourage other Realtors and businesses to get involved. If Realtors view the program as an opportunity to benefit their business and community, program interest also will be generated in other housing professionals.
- Holding the event at a school has proven very helpful, not only because of the centrality of the location, but also because schools play a part in informing potential homebuyers of the event. At the event, school employees provide information about the school and its programs.
- NHSR hopes to be more involved in the events' homebuyer seminar. Currently, the Greater Rochester Association of Realtors conducts the seminar, so it is presented mainly from the Realtors' point of view. NHSR hopes to contribute information that Realtors exclude, plus add a different perspective of the homebuying process.

- The first event of the series always has the largest turnout. Attendance decreases each week thereafter, but it is still important to hold one event in each quadrant. It is important that this opportunity be convenient and accessible for all residents, including those who lack transportation or are looking in a particular neighborhood.
- Consistency is another important factor. City Living Sundays always takes place in March, and homebuyers and businesses are now able to anticipate it. The timing is important, because after April, most professionals in the housing industry are too busy to contribute the necessary time and energy.
- There must be funds available for a marketing plan. It is crucial that the marketing campaign be professionally done, especially during the first few years, to create a positive and professional attitude around the event.
- Strong and committed partnerships are also essential. Partners should commit to and accept responsibility for particular pieces of the program; it is too great an undertaking for any single organization to coordinate on its own. Any local organization thinking about this type of program needs to solicit support from all the organizations and businesses that might contribute to and benefit from it.

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NHS of Rochester Training for Trainers

OUTCOME: Neighborhood Housing Services of Rochester, New York, conducted an eight-hour, one-day, “Train-the-Trainer” seminar that was intended to increase the effectiveness of volunteer instructors making presentations to adults in NHSR homebuyers’ classes.



BACKGROUND

NHS of Rochester was incorporated in 1979 to provide safe and affordable housing to low- and moderate-income households. The agency focuses on the entire city of Rochester, which has a population of 240,000, and runs an extensive homebuyer-education program plus home-maintenance training. NHS of Rochester organizes and facilitates all the homebuyers’ classes, but does not teach every element of the program. NHSR brings in lenders, Realtors[®], house inspectors, attorneys and insurance agents to instruct class participants on various topics.

NHSR holds one eight-hour “FastTrack” homebuyers’ class each month, usually on the second Saturday. Six or seven homebuyers’ clubs are held each year; they meet once a month for eight months. NHS of Rochester connects with approximately 300 people a year through its homebuyers’ classes. An average of 30 professionals in the homebuying industry teach at these classes.

NHSR decided it would be beneficial to provide a general “Train-the-Trainer” seminar in order to assist trainers with their presentations. The class was held from 9 a.m. to 5 p.m. on a Friday. Friday was agreeable because professionals were able to attend the training during work hours, and not have to commit to a full volunteer day. The goals of the seminar were to help trainers feel more at ease when presenting materials, teach methods and styles of training, explain how adult

students learn, and demonstrate how to make a presentation more interesting.

COMPONENTS

1. Source of Funds

NHS of Rochester wrote a proposal to Neighborhood Reinvestment Corporation, requesting funds to host the “Train-the-Trainer” seminar. The request covered the cost of hiring a consultant to conduct the training, plus the cost of materials, snacks, beverages and lunch for the class.

2. Outreach

NHSR reached out to all the professionals who volunteer and teach portions of the homebuyers’ and maintenance classes. It began by sending “save-the-date” cards. Then, follow-up letters were sent, asking trainers to call and confirm their attendance. Staff, in the end, contacted trainers who still had not responded.

3. Training Topics

The training focused mainly on presentation styles and methods, and gave advice on teaching adults. It did not cover programmatic subjects. Participants learned how to make presentations interesting, and participated in several hands-on, practical activities. Toward the end of the day, the class was divided into groups and given case studies. The groups then made presentations using the skills they had been taught.

4. Training Space

NHS of Rochester approached Lake Avenue Baptist, a local church, and asked to use a large classroom to conduct the seminar. Space was needed that had room for participants, materials, flip charts and class presentations.

RESULTS

- Approximately 30 volunteer trainers attended the seminar.
- Trainers who attended were very excited and enthusiastic after the class. Each participant had a very positive experience and acknowledged how pleased they were with the training.

- NHSR is seeing changes in presentation methods used by volunteer trainers. Trainers are visibly taking more time to prepare, and seem more comfortable presenting information and materials. Trainers are using the skills they learned in class, which make presentations more entertaining and interesting. The seminar clearly helped and encouraged trainers to become better presenters.
- Homebuyers'-class participants are interested in the presentations made by volunteers. The presentations are organized and interesting, which results in satisfied class participants.

LESSONS LEARNED

- NHSR hopes to host a "Train-the-Trainer" seminar at least once a year, so that new volunteers can participate, and previous participants can obtain new information. The training needs to be regularly modified and updated, so volunteers will benefit from participating each year. It is important for NHSR to reiterate important information, but also to present new training methods and information to maintain volunteer interest.
- Conduct a general "Train-the-Trainer" seminar each year, but add another segment covering each programmatic topic. An additional segment on each subject would ensure that each homebuyers' class is presented with similar information, plus communicate to each trainer exactly what NHSR expects to be covered. Each trainer needs to offer the same general homebuying information, but can provide brochures or fliers regarding the trainer's own, specific programs.
- NHSR needs to develop its own "Train-the-Trainer" curriculum, in the event that future funds are not available to hire a Neighborhood Reinvestment consultant.
- NHSR realized it was difficult for several volunteers to commit for an entire day. In the future, NHSR may conduct "Train-the-Trainer" seminars over two half-days.
- Only one NHSR staff person had been assigned to the training, to coordinate and organize presenters, materials and food. NHSR discovered that additional staff should have been available.
- This type of training includes numerous hands-on activities, such as using flip charts and making presentations. It is important to provide a location that has enough space to keep the group comfortable.
- A steady source of funds is needed to hold regular training sessions,. Adequate funding would ensure that NHSR could hold seminars once or twice a year, as well as provide specific instruction on each topic.
- Providing lunch for an all-day class is definitely a necessity.
- Promote the seminar early. NHSR sent out the first advertisements for the class two months in advance. Volunteer trainers are professionals with very busy schedules, and they should be notified of upcoming events as early as possible.

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Rural Opportunities Housing Corp. of Indiana Spanish-Language Homebuyer Program

OUTCOME: Rural Opportunities Housing Corp. of Indiana, an Indianapolis-based affiliate of Rural Opportunities Inc. of Rochester, New York, a NeighborWorks® organization, has developed an extensive home-ownership program specifically for the Spanish-speaking community.



BACKGROUND

Rural Opportunities Inc. is a multistate nonprofit organization, founded in 1969, and dedicated to the development of communities, families and individuals through an array of comprehensive services and programs.

ROHC of Indiana's home-ownership services are available to approximately 1 million residents who dwell in the city of Indianapolis and the surrounding counties. The office opened in 1991 to help local farm workers find low-cost, satisfactory housing. In 1997, it implemented two new home-ownership programs, one in English and one in Spanish, to broaden its help to residents seeking affordable housing.

In Indianapolis, the Hispanic community has grown 500 percent over the past several years. Many immigrants have minimal banking experience, are uninformed of credit-bureau practices, and are intimidated by the banking and lending process.

ROHC created "Comprando Casa" to educate the community on lending procedures and homebuying options. It provides one-on-one counseling and homebuyer education in Spanish. It also conducts an in-depth marketing strategy, specifically targeted to the Spanish-speaking population.

COMPONENTS

Outreach and Marketing. Word of mouth is the most powerful method of outreach with the His-

panic community. ROHC therefore began by developing a solid relationship with community leaders from churches and local businesses, who were able to identify potential buyers. ROHC then contacted buyers to organize a one-on-one meeting, either at their home or a nearby community center. During the initial meetings, the program coordinator collects intake information and explains ROHC programs and services. The meetings are similar to homebuyer orientations, but are held one-on-one, rather than classroom-style.

Homebuyer Education and Loan Assistance.

The program coordinator leads a homebuyer seminar in Spanish, once a month. The seminar covers all essential information on homebuying, and provides participants with comprehensive written materials. Buyers then participate in one-on-one counseling to work on credit issues and financial obligations. ROHC helps buyers utilize the services of real-estate agents, and accompanies them to loan applications, home inspections and closings to provide support and translation.

Hispanic Homebuyers' Fair. ROHC coordinated an all-day homebuyers' fair, which took place at the Hispanic Community Center. Lenders, Realtors® and other housing professionals attended and provided current home-ownership information. Prior to the event, ROHC conducted a seminar to provide businesses with tips on reaching the Spanish-speaking population, taking into consideration cultural and linguistic marketing methods. The goal of the training was to help businesses provide useful and appropriate information for buyers, which would also make it more comfortable for buyers to approach industry professionals. ROHC recruited numerous volunteer translators to be present at the fair, to translate for households with minimal English-language skills.

Program Cost. The cost of running "Comprando Casa" is approximately \$40,000–\$45,000 a year. This includes the program coordinator's salary,

plus marketing-campaign expenses and educational and program materials.

RESULTS

- 40 new homeowners were created in the past three years. Ninety percent of them were very-low-income, and most believed beforehand that home ownership was entirely out of reach.
- Approximately 200 people have attended the Spanish-language homebuyer classes since the program began.
- 150 potential homebuyers attended the Hispanic homebuyers' fair, along with 20 lenders and real-estate agents.
- "Comprando Casa" is having a great impact on the community. Hispanic families are buying better homes and moving to newer, more-diverse neighborhoods. Their children are performing better in school. Creating cross-cultural neighborhoods is helping Hispanic families feel more linked to a broader American culture.
- The seminar for lenders and Realtors® before the home-ownership fair has had long-term effects. Housing professionals are still using marketing techniques they learned in the seminar. They now are aware that the area's Spanish-speaking population is an untapped market with significant homebuying potential.

LESSONS LEARNED

- Skillful outreach and marketing strategies are vital. The primary method of outreach should be locating Spanish-speaking leaders in the community, and building solid, trusting relationships with them. They are the greatest means of contacting potential homebuyers.
- Conducting one-on-one orientation meetings slows the buying process, but is necessary in building trust in the community. Once good rapport has been developed, information spreads by word of mouth.
- Conventional advertising methods typically do not work with this population. ROHC con-

ducts official marketing campaigns only during large events. But it routinely distributes fliers to locations in the Spanish-speaking community, such as churches, grocery stores, community centers and locally owned businesses.

- A Spanish-language homebuyers' program needs at least one full-time staff person to fulfill program responsibilities (not including fundraising). The amount of funding and time required will depend on the size and needs of each community.
- Have solid funding in place before implementing a program. It is very important that funds not be depleted before the program reaches self-sufficiency. Ask funders to commit to at least two years, so the program has time to evolve and stabilize. ROHC obtained financial assistance to cover start-up costs, but funding has fallen behind and the program currently isn't able to cover the cost of a full-time coordinator.
- The program coordinator must be fluent in Spanish, and also be culturally sensitive. The coordinator must be able to teach in Spanish and know common homebuying terms.
- This program requires a great deal of hand-holding. Translations will be needed for appointments with real-estate agents, bankers, attorneys, insurance representatives and inspectors. Required support may be more intensive than anticipated, so be prepared to be patient with customers as well as community leaders.

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Rutland West NHS, NeighborWorks® HomeOwnership Center of Vermont Homebuyers' Class Scholarship Cards

OUTCOME: The Rutland West HomeOwnership Center in West Rutland, Vermont, developed a “scholarship card” so participating lenders and Realtors could refer customers to the center’s homebuyers’ classes free of charge. The program, initiated to help increase class participation and heighten the center’s visibility, was offered as a partnership opportunity for financial support as part of Rutland West’s development efforts.



BACKGROUND

Rutland West NHS was founded in 1986 and serves a community of approximately 62,000 county residents. The HomeOwnership Center opened in 1996. The center is connected with approximately 15 lenders from surrounding communities and saw an opportunity to enhance relationships with lenders and Realtors by starting the scholarship-cards project. Rutland West hopes that by involving lenders and Realtors in the homebuyer-education program, businesses and potential homebuyers will regard the HomeOwnership Center as a stop of choice, rather than a last resort.

COMPONENTS

1. Program Origin

The “scholarship card” project began in the last quarter of 1998. Normally, class participants are required to pay \$25 a household to attend homebuyers’ classes. During the project’s first three months, the HomeOwnership Center provided lenders with cards for free. The lenders, in turn, gave the cards to potential homebuyers to redeem at class. Once the project gained momentum, the HomeOwnership Center invited Realtors to join as well.

After the introductory period, businesses were asked to pay \$25 for each scholarship card. The HomeOwnership Center now requests lenders and Realtors to purchase cards in blocks of 10, but remains flexible to what may be appropriate for a particular business. Early in 2000, the HomeOwnership Center will increase the class’s cost to \$50 a household. Class participants will still be able to obtain a \$25 scholarship card from a lender or Realtor, but then must pay the remaining \$25 themselves. The higher fee will enable the HomeOwnership Center to pull in-house credit reports (which will allow more timely follow-up), plus allow class members to obtain a credit score. The HomeOwnership Center has also found that participants value classes more when they pay for them.

Once a supporting business pays for the cards, it holds them until a customer attends a class. Then the lender or Realtor is contacted, and the card is sent to the HomeOwnership Center. This ensures that a card is used by a person actually attending a homebuyers’ class.

2. Conducting outreach to businesses

HomeOwnership Center staff made several presentations to businesses in conjunction with Rutland West’s development efforts, but most outreach was done informally. HomeOwnership Center staff visited business offices to explain the program and ask lenders and real-estate agents to use the cards. Meeting face to face proved to be the most successful method of persuading businesses to participate.

3. Request payment for scholarship cards

Asking businesses to purchase scholarship cards raises their regard for homebuyers’ training. Businesses are careful to distribute the cards only to people who are serious about purchasing a home and attending a class. Businesses take the scholarship cards seriously because they have paid for them. Through this program, the HomeOwnership Center is gains payment for business referrals.

4. Refer potential class members to scholarship-card holders

When a customer registers for a homebuyers' class, the customer is referred to their lender or Realtor for a scholarship card. This motivates the customer to connect with a lender or Realtor, plus motivating lenders and Realtors to have scholarship cards on hand for potential clients.

RESULTS

- At the start of the project, 40 percent of lenders participated. As awareness grows, the scholarship cards are becoming more popular, and lender interest is increasing.
- Class participation has increased 25 percent. This is a direct result of lenders and Realtors sending referrals to the HomeOwnership Center with scholarship cards.
- The customer base is becoming more balanced. No longer does the class consist only of customers who have financial or credit problems. The HomeOwnership Center is reaching homebuyers from near-mortgage-ready to long-term. This is helping to modify perceptions that the HomeOwnership Center only assists low-income or non-bankable homebuyers.
- The project is raising the business community's awareness of Rutland West's scope of services. Lenders and Realtors are often surprised to learn the range of Rutland West's programs and customers.

- The project has increased Rutland West's credibility with businesses. Lenders and Realtors act with growing confidence in referring customers for HomeOwnership Center education and counseling.
- The scholarship-card project is proving a good source of income.

LESSONS LEARNED

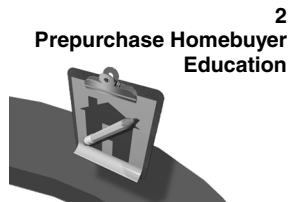
- Keep communications flowing between the HomeOwnership Center and the business community. Follow-up with lenders and Realtors to keep the project moving and encourage use of the scholarship cards.
- Outreach is vital. Make visits and remind businesses to purchase and use the scholarship cards.
- Anticipate project costs. The only expense is creating the scholarship cards. However, if an introductory phase provides cards free of charge, then anticipate the foregone income during that period.

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San Diego NHS Homebuyers Fair

OUTCOME: San Diego Neighborhood Housing Services, Inc. (NHS) organized a homebuyers fair and reaped many benefits. The fair was a valuable marketing tool, positioning NHS as a leader in affordable housing, and creating and cementing relationships with lenders, real-estate agents, business owners and public officials. About 125 attendees were prequalified for home ownership. A small profit was realized.



BACKGROUND

San Diego NHS works in a neighborhood, developed at the turn of the century, known as City Heights, Mid-City or East San Diego. It has a diverse population of approximately 73,000 that is 30 percent Hispanic, 22 percent African-American, 30 percent Caucasian, and 18 percent Asian. An estimated 25 percent of these people are unable to speak functional English. Last year, a local politician asked NHS to take over a homebuyers fair, begun the year before as a city-sponsored event. NHS eagerly accepted the offer.

COMPONENTS

1. Planning

Planning for the fair became a priority for NHS. The event's March date left only a few months for preparation. NHS formed a committee to organize the fair and assigned duties such as marketing, entertainment and site preparation. In addition:

- Committee meetings, held twice a month beginning in December, followed a structured agenda.
- Minutes were taken to clarify job assignments and progress.
- A consultant was hired part-time to raise funds, coordinate different components of the fair, and prepare meeting agendas.

2. MARKETING

NHS marketed the homebuyers fair with the theme, "You Too Can Own A Home...Come See How." The executive director wrote several articles about the upcoming event for neighborhood papers and took out paid ads in these papers, receiving a discounted price. HUD funded fair advertisements in the area's daily paper. Choosing prominent locations, NHS displayed three banners in the city. In as many ads as possible, NHS displayed its logo. Twelve major sponsors each gave \$2,500 and were named on banners and included in advertising.

3. Business Participation

NHS wanted as many businesses as possible to have fair booths. Some of these were lenders or businesses with which NHS already had a relationship. Many were contacted through a newspaper data base. In most cases, businesses, financial institutions, real estate and title companies and others were eager to have a booth at the fair. The cost of having a booth ranged from \$30 to \$150, depending on type of business and whether it was for-profit or nonprofit. Because of the population's linguistic diversity, NHS focused on contacting minority business and others with multi-linguistic capabilities.

4. Prequalifying

NHS prequalified potential homeowners at the fair and introduced them to homebuyer counseling. NHS and the district council member sponsored a drawing and awarded two \$4,000 down-payment assistance grants.

5. Color-Coding

NHS organized fair canopies by color to match the type of business: red for real estate agents, blue for mortgage companies, white for nonprofits and striped for on-site homebuyer counseling.

6. Festive Atmosphere

NHS tried to make the fair festive and fun to attract and keep consumers' interest. For this purpose, they purchased a gross of balloons in "corporation green" and white and tied them to the different canopies.

7. National and Local Speakers

Government officials spoke on housing issues. These included Mark Weiss, special assistant to HUD Secretary Henry Cisneros and San Diego Housing Commission Executive Director Elizabeth Morris.

RESULTS

The homebuyers fair:

- Had 65 businesses participants;
- Had 500 attendees;
- Pre-qualified 125 people for home ownership;
- Awarded down payment assistance;
- Made a \$3,400 profit for NHS;
- Helped NHS forge new relationships and further existing ones with politicians, business leaders and residents;
- Helped establish San Diego NHS as a local leader in affordable home ownership.

LESSONS

1. Benefits

Homebuyers fairs can:

- make a small profit;
- raise awareness of a NeighborWorks® organization through increased marketing; and
- directly promote home ownership.

One key to success was working with different parties in mutually rewarding ways.

2. Naming a Patron

Involve a prominent politician as a patron, if possible. Linking his or her name to the event can boost community response and attendance. It can also be beneficial for public officials to be perceived as home-ownership advocates.

3. LOGO

The NeighborWorks® organizations' logo should

get prominent display on all advertising, linking the NWO with the fair.

4. Organization

A well-planned event is important and requires a focused and structured organizing committee. Consultants also can be valuable in organizing an event.

5. Outreach to Business

Encourage as many businesses as possible to buy space at the fair. Outreach to minority business and those with multi-lingual capabilities is often important to effectively serve fair attendees who are potential customers.

6. Cost Recovery

Charge participants for space and encourage further financial support of the fair. For example, San Diego NHS rewarded donations of more than a certain amount with a guarantee that the donor's name would be displayed on all fair advertising.

7. Prequalifying and Counseling

A homebuyers fair is a good place to reach many people for prequalification for home ownership; to begin homebuyer counseling; and to offer down-payment assistance.

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Neighborhood Housing Services of Toledo Weekly Television Segment

OUTCOME: Neighborhood Housing Services of Toledo, Ohio, partnered with a local NBC-TV affiliate to contribute regular weekly on-air segments on home ownership and home maintenance to the affiliate's weekday morning lead-in to the network's Today Show. The segments, called "Your Home," have been appearing for more than a year, and have significantly raised NHST's community profile.



BACKGROUND

NHS of Toledo was founded in 1977 and initially concentrated on the Old West End neighborhood. NHST has since expanded twice to include East Toledo and the Southside. NHST opened a NeighborWorks® HomeOwnership Center in 1999. NHST services include pre- and postpurchase counseling, purchase and rehabilitation lending, new home construction and house rehabilitation, promotion of energy efficiency and home-improvement classes.

NHST began its weekly "Your Home" TV segment in September 1999 in an effort to reach more customers and build a base of nontraditional customers. Through the segment, NHST is able to speak directly to thousands of local households on home ownership and related topics.

COMPONENTS

NBC 24 Objectives. NBC 24, in a 1999 move to build a stronger image and increase market share, established a 90-minute, local, weekday morning show, for airing prior to the network's Today Show. The show premiered on Labor Day. In preparation, NBC 24 identified and researched its target audience. The primary viewers turned out to be female, 20-40 years old, and with children. They were most interested in topics surrounding hearth and home. As a result, NBC 24 featured

local and national news and weather, mixed with special segments on education, day trips, health, pets, cooking, home ownership and home improvement. NHST convinced the station that it would be the best source for covering the home-ownership and home-improvement segments.

"Your Home" Specifics. "Your Home" segments are broadcast Thursdays as live, in-studio interviews or taped in the field, then edited into "packages." Each segment is three to five minutes long and followed by a full-screen graphic listing NHST contact information.

"Your Home" Topics. Typical "Your Home" topics include steps to home ownership, home-improvement information, home-maintenance and home-repair information, how-to pieces, purchase financing and rehabilitation financing.

NHST Board, Partner Roles. NHST involves its board members and business partners in "Your Home" segments. This keeps the segments interesting, and helps build stronger relationships in the business community. Partners can be incorporated by inviting an insurance agent, for example, to cover homeowners insurance, an expert from a home-materials store to talk about choosing carpeting, or a mechanical contractor to discuss seasonal maintenance and cleaning and tuning furnaces.

NHST Program Cost. The costs to NHST are minimal. Expenses include staff time to coordinate and carry out the TV segments, and occasional refreshments or materials for NBC 24 staff.

RESULTS

- The "Your Home" segments have provided NHST with enormous marketing benefits. NHST could not afford to buy as much air time. The average cost of a 30 second commercial in Toledo is around \$75. In one year, NHST received nearly 200 minutes of air time in "Your Home" segments. If NHST had purchased that much time, it would have cost ap-

proximately \$30,000, plus production costs. Such access to air time is priceless to NHST.

- In addition to the weekly “Your Home” segment, NBC 24 also covers media events and stories NHST suggests, and airs them during the station’s 6 p.m. or 11 p.m. news broadcasts. The station has also helped NHST tape and produce, at greatly reduced fees, two public-service announcements and education videos about Energy Star[®] homes.
- Inquiries about NHST housing assistance have increased significantly over the past year because of its “Your Home” and TV news exposure. In the year ending October 2000, NHST received over 300 calls prompted by TV coverage. Some has generated no phone calls, but some has generated as many as 80 calls a day. NHST had placed no paid TV commercials during the year.
- In addition to promoting NHST, the “Your Home” segments also are promoting NHST board members and partners who participate.
- NHST’s “Your Home” segments are providing valuable home-related education to thousands of viewers, even if they never visit NHST for additional services. The segments are reaching nontraditional customers and educating thousands of households that would not be touched through other forms of marketing. NHST is also developing greater name recognition among area businesses who are potential partners.
- The “Your Home” segments are part of a TV news program, and that implies a higher level of credibility than a purchased commercial or even a public-service announcement.

LESSONS LEARNED

- NHST added a full-time marketing manager in 1998, which resulted in regular media coverage of special events and strong relationships with several newspapers and television stations. Because of these relationships, NHST became a credible media resource on home-ownership topics, energy efficiency, home improvements and central-city revitalization.

The challenge was to turn these occasional opportunities into a regular segment or column. NHST’s strengthened media relations certainly helped build the opportunity with NBC 24.

- Remember that a weekly TV segment requires new ideas each and every week, and that they need to be skillfully prepared, discussed and taped. A weekly TV segment is a big commitment, and should not be taken lightly. Planning for and respecting a news crew’s time is very important in sustaining the partnership and programming.
- Be credible, honest, fair, direct and thorough. Be media friendly and realistic. Follow through on commitments, and follow up even when you think the job is done.
- Be sure to thank members of the media after every event. Letters of appreciation are good, but a tray of cookies or other food is even better. It’s also fairly inexpensive, especially compared to the saved marketing costs.
- When negotiating for a regular media segment, suggest advertising contacts to the station. Remember that the goal is a partnership that is mutually beneficial. In Toledo, Home Depot places a commercial adjacent to the “Your Home” segment every week.
- Occasionally, invite media staff to become involved in projects personally, rather than only covering them as news. NBC 24, for instance, helped paint a selected family’s home. The station’s reporters loved being able to say they were not only reporting the story, but also involved in it and cared about neighborhood revitalization.

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Utica Neighborhood Housing Services Tell-A-Friend Contest

OUTCOME: Utica, New York, Neighborhood Housing Services has developed a simple yet effective way of managing word-of-mouth marketing through the Tell-A-Friend contest. Tell-A-Friend provides a small incentive for clients who tell their friends and acquaintances about the NHS homebuyer education program. Tell-A-Friend has proven to be an effective marketing tool bringing into the program substantial numbers of families with a high level of commitment to participating in homebuyer education.



BACKGROUND

Utica is a small city of 75,000 people in central New York state. It has a significant minority population. Forty percent of Utica's residents are African-American and 10 percent are Latino. The city has an old housing stock with sale prices in the older parts of city ranging from \$15,000 to \$60,000.

The NHS provides individual homebuyer counseling and a series of two concurrent 20-hour homebuyer education classes. In addition, the NHS has an Alumni Club which meets once a month, often as a kind of house-warming at the home of people who have successfully completed the homebuyer education courses.

COMPONENTS

The operation of the Tell-A-Friend contest is very simple. At various points during the 20-hour homebuyer seminar, participants are encouraged to refer their friends and acquaintances to the NHS. As new clients come into the NHS, they are asked how they found out about the program. If they found out from a previous participant, that information is recorded on the file card that is maintained for each participant. Every six months the cards are reviewed and the participants receives a prize. The prizes are gener-

ally excess premiums from financial institution (e.g. toaster-ovens, clock radios etc.)

RESULTS

The Utica staff reports that those who are referred through Tell-A-Friend are more realistic in their expectations, more willing to work on credit and savings issues, and more willing to follow up than customers referred from other sources or from general publicity. The NHS staff feel that because these customers have heard about the training from a peer, they have a better sense of what they are getting into and are influenced by a certain amount of peer pressure.

LESSONS

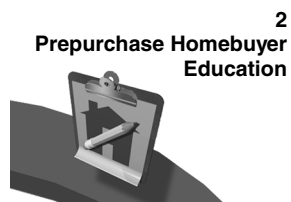
1. Tell-A-Friend is an example of how word-of-mouth marketing, so important to many NeighborWorks® organizations' home-ownership efforts, can be intentionally encouraged and managed.
2. Tell-A-Friend is a simple, no-cost approach to marketing using the existing resource of customers who have participated in the training.
3. Participation in the Tell-A-Friend contest seems to have a benefit to the people referring as well as the people referred. Beyond winning prizes, staff report that recruiting new participants reinforces the sense of accomplishment for those who have already participated.
4. Tell-A-Friend has been the most effective marketing tool for Utica, producing not only a lot of customers but also bringing in a more motivated customer.

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NeighborWorks® HomeOwnership Centers of Vermont– Northeast Kingdom Corporate Sponsors for Homebuyer Training

OUTCOME: The NeighborWorks® Home-Ownership Centers of Vermont-Northeast Kingdom, in Lyndonville, has developed partnerships with area lenders to enhance community-building and strengthen the first-time homebuyer base. Lenders have become corporate sponsors of the center's homebuyer-education program and home-maintenance classes.



BACKGROUND

The mission of NeighborWorks® Homeownership Centers of Vermont-Northeast Kingdom is to expand affordable housing opportunities. The organization provides financial assistance, but mainly focuses on homebuyer education, technical assistance, delinquency intervention and foreclosure prevention. The center began in 1996 as part of a Vermont Housing Finance Agency pilot. The center's parent organization, Gilman Housing Trust of Newport, became a chartered NeighborWorks® organization in 1997.

In 1998, four Vermont organizations became one statewide home-ownership center, NeighborWorks® HomeOwnership Centers of Vermont, under Neighborhood Reinvestment's HomeOwnership Center program. The Lyndonville center serves a three-county area of 2,000 square miles in northeast Vermont with a population of 60,000. The area is the most rural and impoverished region in the state.

Besides Lyndonville, other centers are in Burlington, serving the Champlain Valley, Montpelier, serving central Vermont, Springfield, serving southeast Vermont, and West Rutland, serving southwest Vermont. In addition to Gilman Housing Trust, other participating Neighbor-

Works® organization include Burlington CLT, Rockingham Area CLT and Rutland West NHS.

COMPONENTS

Solicit Corporate Sponsors. The NeighborWorks® Homeownership Centers of Vermont-Northeast Kingdom sent letters to all local lenders in April 1999 soliciting sponsors for its monthly homebuyers-education classes. The center asked lenders to pay \$500 for each class the lender sponsored. The \$500 fee was to come from the bank's marketing budget – as opposed to its corporate-giving program.

The letter explained the homebuyers-education program and how banks could both assist the HomeOwnership Center and also benefit from becoming a sponsor. Also outlined in the letter were costs for lenders and marketing opportunities, along with a reminder that involvement in the program fulfilled Community Reinvestment Act requirements. The center also offered to review the program with a lender's auditors if needed.

Follow Up. Once lenders had received the letters, the HomeOwnership Center contacted lenders to sponsor a particular class. Additional outreach was directed at lenders who didn't respond initially, or when the center had a scheduled class that had no sponsor. Center staff explained to lenders what was expected of them at a homebuyers-education class, and asked them to bring information regarding their individual programs. Lenders then attended the class they were scheduled for.

Identify Lender Marketing Opportunities.

Sponsoring classes is a great marketing opportunity for lenders. When sponsoring homebuyers-education classes, for example, a lender is featured by the center in its monthly advertising program. All ads for the class highlight the sponsoring lender. Marketing strategies include fliers mailed to local real-estate offices, radio and newspaper ads, and ads on the local cable-TV

channel. Lenders are invited to display their banner at the class, and send a representative to share information with the class. Furthermore, lenders are encouraged to bring mortgage applications, loan information and other marketing items, such as pens, mugs or note pads.

Homebuyer-Education Classes. The center hosts one homebuyer-education class a month. The class lasts eight hours and is held usually on the last Saturday of the month. The sponsoring lender is allotted the first 30 minutes, to talk about its programs and the importance of homebuyer education. Lenders also help put together ads and give technical assistance.

RESULTS

- Five lenders have become involved in the program: Passumpsic Savings Bank, Lyndonville Savings Bank, Community National Bank, Chittenden Bank, and Banknorth Mortgage Company.
 - The center has obtained corporate sponsorship for every homebuyer-education class since the first letters were sent in April 1999, plus one home-maintenance class.
 - The center is receiving customer referrals from banks; lenders are regaining customers after sending them to the center for homebuyer education.
 - The number of educated homebuyers has increased, plus both the center and its lender-partners are experiencing an increase in loan customers.
 - Lenders are learning more about statewide financing and the variety of products available for homebuyers, including from the U.S. Agriculture Department's Rural Development Service. Lenders are often surprised to learn of the range of loan products and programs available for low- and moderate-income households.
 - The partnerships are generating revenue. The \$500 sponsorship fee is covering marketing and advertising costs for the center.
- Class members are receptive to and appreciative of having a lender representative at class.

LESSONS LEARNED

- Corporate sponsorship has been very successful because lenders see the positive effect of homebuyer education for customers. Customers are coming to the banks prepared, organized and mortgage-ready.
- Invite lenders to attend a training session before agreeing to sponsor a workshop, so they become familiar with what the training entails. NeighborWorks® organizations should provide a lenders-only training once a year to give them an overview of the class and to identify current programs and products.
- Developing the corporate-sponsorship program was not difficult, once the HomeOwnership Center established the training programs' effectiveness to lenders. The center learned that asking for financial assistance resulted in positive responses; lenders were enthusiastic about becoming involved. Because the homebuyer-education program was already well established, lender participation was reasonably uncomplicated.

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Section 3 Flexible Loan Products

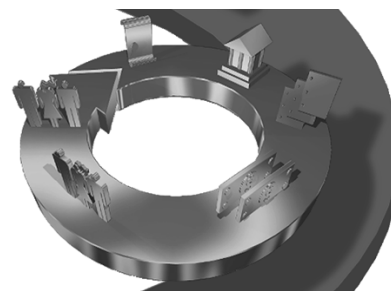
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Section 3. Flexible Loan Products

3 Flexible Loan Products

The NeighborWorks[®] experience shows that flexible loan products can help open the window of opportunity of home ownership for more families. Coupled with a NeighborWorks[®] organization's involvement through the full cycle of home purchase, these loans have proven to be sound investments.



Buyers in neighborhoods and markets that NeighborWorks[®] organizations serve often require flexibility on two fronts. They may need down-payment assistance and flexibility in underwriting. Properties need repair; often, that repair requires financing that may be affordable to the buyer but that sends the property above appraised value.

Recognizing existing financing barriers, NeighborWorks[®] organizations have crafted flexible first- and second-mortgage products, down-payment assistance products and other financing tools to stimulate home purchase. Most often, local lenders have collaborated in developing these products. Others partnerships are with local governments and state housing finance agencies.

In the past, lenders hesitated to make loans to lower-income families, because these loans could not be sold on the national secondary markets. This has changed. Freddie Mac and Fannie Mae now purchase special mortgage products offered through the NeighborWorks[®] Campaign for Home Ownership 2002. The insurance industry also has expanded its criteria through the Campaign by providing property casualty insurance and mortgage insurance that allows for higher loan-to-value ratios.

Additionally, the NeighborWorks[®] network has its own secondary market, operated through Neighborhood Housing Services of America (NHS). NHS purchases first-mortgage loans as well as second- and third-mortgage, special-needs loans (for rehabilitation, down-payment assistance and minor repairs). These loans then are sold to investors to ensure continuing local liquidity by NeighborWorks[®] organizations' revolving loan funds.

Anchorage NHS Home Affordability Program

OUTCOME: The Anchorage Neighborhood Housing Services (ANHS) Home Affordability Program (HAP) is an example of an innovative partnership between a NeighborWorks® organization and a State Housing Finance Agency. In this case, the Alaska Housing Finance Corporation (AHFC) provided a \$5 million line of credit to ANHS to create a comprehensive home-ownership program.



BACKGROUND

In the late 1980s, the Anchorage housing market fell into a downward spiral. Property values plunged 40 percent to 60 percent, accompanied by an increased foreclosure rate. Home ownership declined from 59 percent to 51 percent. The city's older neighborhoods were hit hardest. With properties available at lower prices, ANHS and AHFC saw an opportunity to increase home ownership among modest-income families.

AHFC had a surplus of funds and was able to issue mortgage-revenue bonds that produced a first-mortgage product with an interest rate of 5 percent. This product generated \$70 million in first mortgages in Anchorage alone, boosting the home-ownership rate to 52 percent.

ANHS, given these opportunities in the market, moved more directly into home ownership and the development of a Full-Cycle LendingSM approach. In a little more than a year, ANHS closed 75 loans. ANHS also began looking at ways to work more directly with AHFC.

Given Anchorage housing-market conditions, ANHS developed an approach that tried to achieve three important policy objectives:

- To provide a first-mortgage financing source for low-income families earning 80 percent or less of median income;
- To increase home ownership in certain distressed neighborhoods by encouraging home purchase for buyers of varied income levels, as part of a mixed-income strategy;
- To offer home-ownership opportunities to individuals with special needs, such as people with disabilities, mental illness or AIDS.

AHFC completed a \$400-million refunding of tax-exempt bonds that had been issued at higher interest rates. In so doing, AHFC was able to arbitrage funds, earning a point spread on the outstanding obligation. With this arbitrage, the Agency could provide a new source of affordable housing funds.

ANHS applied to AHFC through its Loans to Sponsors Program, asking for \$5 million to create the HAP. These funds would be available as a line of credit over five years and could be renewed subject to performance.

PRODUCT

The HAP had three basic loan products that reflect policy objectives outlined above.

1. Citywide mortgage loans, to bridge the affordability gap, to individuals earning low and moderate incomes, below 80 percent of median.

Applicants would have access to a variety of first-mortgage products from local lenders as well as the FNMA, FHLMC and NHTSA products of the NeighborWorks® Campaign for Home Ownership. In addition, second mortgages would be available through HAP with a fixed rate of 3 percent. Payment of principal would be deferred for the first five years, with monthly payments of principal and interest amortizing over a 20-year period. The maximum loan amount for the second mortgage was \$30,000.

These second mortgages were designed to help potential buyers bridge the affordability gap. Because of high rents in Anchorage, modest-income families generally pay almost half their income for housing, leaving little to none to save for a down payment. This component of HAP was developed to supplement a modest down payment and to increase borrowing power.

2. Loans for acquisition of one- to four-unit properties by individuals and families with incomes of up to 140 percent of the area median, in five targeted neighborhoods with low rates of home ownership.

This was also a second-mortgage product designed to be used with a variety of first-mortgage products available through ANHS. It was structured in the same way as the citywide component. It could be used for purchase-rehabilitation; in this case, the upper limit of the second mortgage would be \$50,000.

ANHS concentrated on neighborhoods with declining home-ownership rates, to provide an incentive for home purchase. By raising income eligibility to 140 percent of median income, ANHS provided for an income mix in these distressed neighborhoods, contributing to long-term stability.

3. First-mortgage loans for acquisition of single family homes by eligible special needs applicants with incomes up to 100 percent of area median income.

In this component, ANHS is partnering with Anchorage Housing Initiatives Inc., a consortium of local housing and social service providers to a population of individuals developmentally disabled, mentally ill, or suffering from AIDS. For those individuals deemed ready to assume the responsibilities of home ownership, ANHS would provide mortgage financing for purchase and for rehabilitation.

LESSONS

1. Extended Negotiations

Despite the availability of funds and an existing program framework, the Loans to Sponsors Pro-

gram, the negotiations to implement HAP took a full year. Working out details of the program necessitated a good deal of back-and-forth communication. The lesson here for NeighborWorks® organizations interested in developing a similar approach is to be persistent and tenacious.

2. Using Available Resources

A second lesson is to get good advice. ANHS used the services of a public finance attorney to understand the arbitrage features of AHFC's bond refunding. ANHS also used a consultant recommended by Neighborhood Reinvestment Corporation for development of the loan products.

3. Fannie Mae Input

In much the same way, NHS of Anchorage solicited Fannie Mae's advice in setting up the transaction. NHS asked for Fannie Mae's input on documents for the first- and second-mortgages, so that the first mortgages generated under the program would be saleable. In addition, Fannie Mae agreed to purchase loans made to borrowers with up to 140 percent of area median income, if borrowers purchased homes in neighborhoods that the local municipality declared blighted. Fannie Mae renewed the Municipal Assembly's language for appropriateness.

4. Political Support

Organizing political support for the application was important. The Anchorage Municipal Assembly passed a resolution approving the five target neighborhoods as specific target areas and, in so doing, raised the application's political profile. ANHS also submitted letters of support from both community organizations and from agencies that were part of Anchorage Housing Initiatives.

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NHS of Baltimore Bank Tandem Loan Product

OUTCOME: Three local lenders and NHS of Baltimore developed a successful tandem loan product for purchase/rehabilitation. Under this program, the local lenders provide a 75-percent first mortgage and NHS provides a 25-percent second mortgage. NHS has also developed a tandem product with city and state rehabilitation funds.



BACKGROUND

NHS found that many of the homes available for sale in its target areas required rehabilitation, for which no usable, conventional purchase-rehabilitation loan product was available. To fill this gap, the NHS was using its revolving loan funds for these loans when possible and needed to find a way to leverage its funds.

In addition, the NHS found that potential buyers were hesitant to purchase properties that required rehabilitation. NHS needed to find incentives to make buyers interested in these properties. The tandem loan program was a way to encourage buyers to purchase and rehabilitation a property by offering financing terms that compared favorably to conventional terms offered elsewhere on “as-is” properties.

The tandem bank loan program has also allowed NHS to take care of problem properties. These properties are in need of substantial amounts of work and require individuals with incomes above the low- to moderate-income guidelines required for use of government funds. NHS needed to find mortgage financing that was not restricted to low- and moderate-income families.

COMPONENTS

1. Start-Up

The program was first developed jointly by NHS staff and a lender board member from American National Savings Bank, F.S.B. This was a natural partnership because an American National president was one of the founding fathers of NHS of Baltimore. This partnership is an old and strong one. Later, First National Bank of Maryland and Maryland National Bank asked to be included in this program. NHS has members from both of these lenders on its board.

Since NHS had a successful track record of making purchase-rehabilitation loans from its revolving loan fund, the board had confidence in NHS’s ability to operate a tandem program.

2. Requirements

As with other NHS purchase and purchase-rehabilitation products, the customer is required to have \$500 down and an additional \$500 at the time of settlement. In addition to this \$1,000, the customer pays the bank’s application fee, a credit report fee and an appraisal fee, which total approximately \$360.

3. Process

A potential customer visits one of the NHS neighborhood offices and fills out a request-for-service form. The customer receives prepurchase counseling from the neighborhood housing counselor, who orders a credit check while the customer is still in the office. The housing counselor determines the customer’s affordability. A preliminary rehabilitation assessment is also done to determine a ballpark figure for the amount of work required.

Based on the amount of funds needed, the customer’s affordability, the tandem bank’s rate and underwriting standards, NHS determines what portion of the loan NHS will fund and what portion of the loan the bank will fund. The bank normally funds 75 percent of the purchase and rehabilitation amount in the form of a first mortgage. NHS funds the remaining 25 percent as

well as the settlement cost in the form of a second mortgage. The 75/25 percent split can be adjusted if needed due to appraisal problems, affordability, or other issues. NHS may take a larger portion of the loan at a lower interest rate or may defer a portion of the loan if deferred funds are available. The bank portion of the loan is at market rate and the NHS portion varies from 4 to 9 percent, depending on the specific case.

Once it has been established that the customer will get this type of financing, the NHS housing counselor contacts the bank. At this time the housing counselor also submits the request for service to the central NHS office for submission to a rehabilitation specialist so that the type and amount of work needed on the property may be determined.

The bank's representative makes an appointment to meet with the applicant at a time and place that is convenient to the customer, usually at one of the NHS offices. The bank and NHS then both process the customer's application through their agencies.

NHS takes its portion of the loan to the NHS loan committee for approval, contingent upon approval of the bank's loan. Upon approval of the NHS loan, the customer receives a commitment letter stating terms, conditions, amount of the NHS loan and a contingency referring to the approval of the bank's loan. The bank also sends out a commitment letter once its loan is approved.

Upon the customer's acceptance of the loan, NHS schedules a simultaneous settlement with a title company for both loans. The bank secures its loan with a first mortgage, and NHS secures its loan with a second mortgage. (If needed, as noted above, NHS may provide some financing as a deferred loan if funds are available and if what the customer can afford warrants such a loan.)

The NHS does not charge any fees for this product since it receives significant operating contributions from the lenders and its CDBG contract with the city covers these services.

4. POST-SETTLEMENT

If there is a rehabilitation escrow amount for work to be performed following settlement, the bank escrows these funds and releases them based on a predetermined draw schedule. All work is inspected by the NHS rehabilitation specialist, and funds are only released upon the homeowner's and the rehabilitation specialist's approval. Upon completion of rehabilitation work, the bank and the buyer receive copies of the close-out documents.

The bank and NHS each service their own loans. They continue to work together during the life of these loans regarding collections, tax bills, etc., if problems occur.

5. Other Tandem Products

NHS also works with the city of Baltimore and the state of Maryland to provide tandem loans for purchase and rehabilitation. Under these programs NHS provides the purchase funding and the city or state provides the rehabilitation financing under low-interest loan programs with various terms and repayment options. NHS has done over 100 loans of this type.

LESSONS

1. Leverage

This is an excellent way to leverage NHS's revolving loan funds.

2. Portfolio Lending

The conventional lender must be willing to do portfolio lending, something not every lender is willing to do.

3. Early Contact

To expedite a loan, NHS of Baltimore has found that the conventional lender must be brought in to begin their processing early — at the same time as NHS if possible.

4. Length of Contract

This product requires a 90- to 120-day contract rather than the traditional 45- to 60-day contract because of the two processes and the rehabilitation component. This can cause problems when working with real-estate agents.

5. LENDER CONFIDENCE

Careful management and good communication with the conventional lender during the rehabilitation period is important to keep the lender's confidence level high.

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NHS of Baltimore Closing-Cost Assistance Program

OUTCOME: Neighborhood Housing Services (NHS) of Baltimore Closing Cost Loan Program (CCLP) provides low-interest loans to homebuyers who lack sufficient assets to pay settlement costs.



BACKGROUND

With the introduction of Fannie Mae's Community Home Buyer product, NHS of Baltimore sensed a new reality on the lending scene. Some lenders were accepting a lower down payment with borrowing allowed but with no clearly recognized source of those borrowed funds.

As rates dropped, NHS began to look at ways to increase its lending volume and capture new buyer demand for the NHS neighborhood. Although NHS had historically referred people to banks, lenders did not see the organization as a source for conventional loans. NHS saw a need to define itself as a source for conventional borrowing.

At the same time, the city of Baltimore was developing a down-payment assistance program for middle-income borrowers, for homes priced at \$60,000 and above. NHS saw an opportunity to create a similar product for lower-priced houses in the neighborhood, for more modest-income borrowers. Out of this context, NHS developed the Closing Cost Loan Program (CCLP).

COMPONENTS

1. Eligibility

To be eligible for a CCLP loan, a borrower must:

- Be 18 years of age or older;
- Have a total gross income within the program income limits;
- Intend to occupy the property as a primary residence;

- Be able to afford to repay the CCLP loan; and
- Receive a lender's commitment for a first mortgage on the property.

2. Income Limits

Borrowers must meet Community Development Block Grant (CDBG) income guidelines for Baltimore, as follows:

1 person.....	\$27,650
2 people.....	31,600
3 people.....	35,550
4 people.....	39,500
5 people.....	42,700
6 people.....	45,850
7 people.....	49,000
8 people.....	52,150

Limited funds are available to those over CDBG income limits.

3. Minimum Cash Contribution

The borrower's minimum cash contribution varies depending on the financing requirements of the first mortgage.

4. Terms of Loan

- Interest rate: 5 percent
- An amortizing payment of up to 10 years
- A maximum loan of \$5,000
- A minimum loan of \$500
- Recording as a second mortgage lien on the property being financed
- Promissory note, when applicable

5. Eligible Properties

Eligible properties are located in the geographic areas established by NHS. While this product was targeted at NHS neighborhoods, it is also available in certain surrounding neighborhoods.

6. Settlement Expenses Included

- Fees or premiums for title examination, title insurance or similar expenses
- Fees for preparation of a deed, settlement statement or other documents

- Payments owed at the time of settlement for property taxes or hazardous insurance coverage
- Escrows for future payments of taxes and hazard insurance
- Notary fees
- Credit report fees
- Appraisal fees
- Transfer and recordation taxes and fees
- Mortgage insurance fees or premiums
- Loan discount points and origination fees
- Required down payments

7. Application Process

- Borrower applies for mortgage with participating lender.
- Participating lender sends tracking forms to NHS.
- Tracking forms accepted by NHS from participating lenders and processed simultaneously with the first mortgage.
- Within 24 hours of receipt of the completed NHS approval form and other documentation (e.g., the application and credit report) from the lender, NHS reviews the CCLP loan.
- Upon approval and issuance of commitments for the first mortgage and CCLP loan, settlement is scheduled.
- Lenders are responsible for origination and processing of both loans.
- Lenders are responsible for underwriting and closing the first-mortgage loan.
- NHS prepares and sends to lender or title company, required documents for closing the CCLP loan (simultaneous with first mortgage).
- Lenders are responsible for sending post-closing package to NHS.

8. Acceptable Loan Products

- If the first mortgage is a FHA or CDA (State Housing Finance Agency) loan, the CCLP loan is in the form of a secured second mortgage.
- If the first mortgage is a VA or conventional loan, or underwritten through the Community Home Buyer program, the CCLP loan is in the form of an unsecured note.
- Loans are processed in accordance with the underwriting guidelines applicable to loan

products. Down-payment requirements are governed by the loan product the borrower uses.

The NHS CCLP loan process is designed to be as streamlined as possible. The first mortgage lender underwrites and discloses both the first and the CCLP. NHS funds the loan at closing and services the loan. This process allows NHS to fund loans within 24 hours and without additional staff.

The source of funds for the CCLP came from the NHS revolving loan fund (RLF), which included foundation grant monies, funds from Neighborhood Reinvestment Corporation, and recycled CDBG dollars. The Baltimore RLF is a mature loan fund and generates substantial repayments which were used to fund this product.

Initially, the program was marketed to real-estate agents, but shortly after its inception NHS asked the participating lenders to market this product to their real estate contacts. This gave lenders a new way to increase their value to real-estate industry partners.

At first, CCLP was available in NHS neighborhoods only. Soon after the product was introduced, NHS expanded its use into a kind of secondary turf of neighborhoods adjacent to those initial areas. This gave NHS a way of affecting those neighborhoods through home ownership without developing a full-scale NHS program.

Lenders participating in CCLP are:

- American National Savings;
- Atlantic Residential Mortgage Corp.;
- First National Mortgage Corporation;
- Homewood Federal Savings Bank;
- Household Bank;
- Inland Mortgage Co.;
- Maryland National Mortgage Co.;
- Mercantile Mortgage;
- National Bank Community Development Service;
- PNC Mortgage Corp.;
- Provident Bank of Baltimore; and
- Signet Mortgage Corp.

RESULTS

In CCLP's first year, 59 buyers were assisted with closing-cost loans totaling \$203,000. This leveraged another \$3.5 million in conventional first-mortgage money.

LESSONS

1. Leveraging Conventional Lending

CCLP has been a way to leverage conventional lending. It was designed for straight purchase of homes not in need of rehabilitation. NHS has other products for rehabilitation.

2. Efficiency in the Private Market

As a product for making close deals work, with lenders doing the underwriting and disclosing, CCLP uses the private market very efficiently.

3. Range of Customers

In developing this product, NHS recognized its multiple tiers of customers — lenders, the city, real-estate agents and homebuyers. NHS designed CCLP to increase NHS's value to those various customers. For example, CCLP complemented the city program by focusing on a lower-income market niche.

4. BENEFITS TO NHS

By spreading out resources in a number of small loans, CCLP minimizes risk for NHS. It also is a way for NHS to increase its lending volume and enhance its image to conventional lenders as a value-adding organization .

5. Fringe Neighborhoods

CCLP is a good tool for fringe neighborhoods where maintaining the level of home ownership is important but where a full-scale NHS program is not feasible.

6. Secondary Market

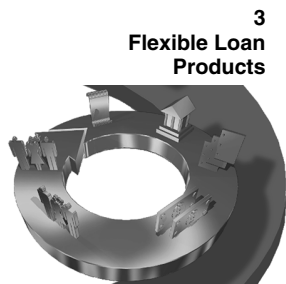
CCLP loans are also marketable to Neighborhood Housing Services of America, so that the pool of funds can be replenished.

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Boise NHS 100 Percent Financing Pool

PRODUCT: Boise Neighborhood Housing Services (Boise NHS) developed a \$2.3 million loan pool that offers 100 percent financing for qualified homebuyers. NHS acted as a loan originator and packager.



NEED

Over several years, Boise saw a dramatic increase in the cost of housing, with the median sales price rising from about \$70,000 to \$108,000. This made home ownership more difficult for the customer base traditionally served by Boise NHS.

Boise NHS had been financing home ownership in tandem with local banks. The banks would purchase 90 percent of the loan, and the NHS would provide a 10 percent second mortgage loan from the NHS revolving loan fund. As the program expanded citywide, there was an increased demand on the revolving loan fund. Boise NHS quickly ran out of money and needed lenders to purchase 100 percent of the loan.

Lenders involved with the NHS saw this as an opportunity to make CRA-eligible loans. Participating banks agreed to purchase 100 percent of each loan without the use of mortgage insurance. Loans would be originated by the NHS and packaged according to agreed-upon underwriting criteria. After closing, the loans would be held in the lender's portfolio.

PRODUCT FEATURES

Eligible families needed to have an income less than 80 percent of the median income of Boise. For a family of four, this meant an income of no more than \$33,050. Borrowers had to be creditworthy. In this area, Boise NHS had some flexibility. In terms of job tenure, for example, one year on the same job was acceptable. Clients

who had had bankruptcies could be considered if the bankruptcy had been discharged for at least 18 months. Clients with judgments must have had them satisfied for at least three months in order to be considered eligible. Acceptable debt ratio was approximately 31 percent for housing expense and 42 percent overall.

Eligible properties had to be in Boise and brought to code compliance. Proceeds from the loan were available to make necessary repairs. The maximum allowable purchase price was \$70,000. Repairs could be added to this \$70,000 as long as the appraised value was there and the buyer could still qualify for the higher loan amount. All properties had to be either owner-occupied or vacant at the time an offer was accepted, unless the existing tenant was the purchaser.

LOAN PROCESS

The process was initiated by a request from a customer, who was sent an application, guidelines of the program, and a checklist of required documents. Based on that information and a credit report, the client was prequalified by the NHS loan program manager. The loan committee determined the amount the NHS will loan. The customer then found an eligible property, wrote up an earnest money agreement and brought it back to the NHS.

This action on the part of the customer triggered the rehabilitation services of the NHS. The property would be inspected by both the NHS construction specialist and a housing inspector from the city of Boise to determine what code violations needed to be repaired. After a work write-up was prepared, bids were solicited from licensed and insured contractors. An appraisal was ordered, reflecting both the as-is value and the value subject to the completed repairs. Boise NHS would loan up to 100 percent of the appraised value.

The loan was then reviewed by the loan committee. Upon approval, documents were prepared and the loan was closed. Construction begins and is monitored by the NHS. When work

was completed, Boise NHS and the city housing inspector would make a final inspection to ensure all code-related work had been completed.

Buyers usually needed about \$1,200 in cash to close the loan. Boise NHS got an Affordable Housing Program (AHP) grant from the Federal Home Loan Bank for closing-cost assistance that allowed NHS to make small closing-cost grants of up to \$700 for qualified homebuyers.

LESSONS

- The experience of Boise NHS in providing 100 percent financing with a current zero delinquency rate is evidence that with the right approach near-bankable families can become successful homeowners. A critical factor of success is that properties are purchased in compliance with the local building code so that early repair problems can be avoided.
- The commitment of the lender partners to Boise NHS and this program in particular cannot be overestimated. The lenders saw an opportunity through the NHS to connect to a market they were having difficulty reaching on their own. Because they had been involved with the NHS and had confidence in the program's ability to produce, they were able to stretch to accommodate the need for 100 percent financing.

- Because prospective buyers needed to be pre-qualified by the NHS to participate in the program, local real estate agents had to be educated about the program's advantages. Real estate agents who saw this program as an opportunity for certain buyers were encouraged to send those buyers into the NHS office before was made an offer.
- While this particular loan product offers tremendous opportunities for homebuyers, just having this product available does not ensure success. Boise NHS acknowledged the difficulty in finding contractors to do small repairs and the effort required to get bids back in a timely manner. The ability to manage the construction process that the NHS brought to the picture helped connect buyers to these lending resources.

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Burlington Community Land Trust Duplex Home-Ownership Program

OUTCOME: Burlington, Vermont, Community Land Trust (BCLT) has developed a Duplex Home-Ownership Program that helps buyers build assets and make home ownership more affordable.



BACKGROUND

BCLT has existed since 1984 and serves a population of approximately 40,000 residents. Several BCLT programs serve the entire county of Chittendon, but most programs concentrate on specific neighborhoods in Burlington.

Burlington is a college town experiencing a shortage of rental units. Due to the lack of available units, rents are very high, with three-bedroom apartments costing about \$1,200 a month. High rents are making it difficult for long-term residents to afford housing in Burlington. Moreover, a gap between average incomes and home prices makes purchasing a home difficult. The median income for a family of four is \$52,300, while the median cost of a home is \$150,000.

In the enhanced-enterprise community, a primarily low- and moderate-income neighborhood of Burlington, the home-ownership rate is 35 percent. To increase home ownership and make buying more affordable in this area, BCLT created the Duplex Home-Ownership Program. The goal is to educate consumers and provide a viable option for owning multifamily homes.

COMPONENTS

Partnership. BCLT initiated a partnership with the city of Burlington, since one of the city's main goals is to facilitate owner-occupied housing. The two entities have worked closely to-

gether on various programs in the past, making this partnership easy to cultivate.

Program Summary. To make a duplex purchase affordable, BCLT provides funds to apply towards the down payment: \$5,000 from the city and \$5,000 from BCLT's revolving loan fund. BCLT funds are available for households at or below 100 percent of the median income. City funds are available for households at or below 80 percent.

An additional option exists for households between 80 and 100 percent, making them eligible for the entire \$10,000. If the buyer agrees to qualify using a tenant's income, the buyer can then apply for the city's \$5,000. The tenant needs to be at 60 percent of the median income or below, and the owner must abide by rental caps prescribed by the U.S. Department of Housing and Urban Development (HUD). By agreeing to these guidelines, a buyer above 80 percent of the median can use all available funds, plus help a family in need (saving the renter about \$200 a month). The buyer is also required to collect occasional statistical information from the renter.

The loan, for either \$5,000 or \$10,000, is deferred at 0-percent interest. It is due and payable when the owner sells the property or moves out and rents the second apartment to another family. Households above 80 percent, who receive funds from the city, must repay the loan if they do not observe the HUD rental caps.

The program holds a restriction on the purchase price. Buyers are allowed to purchase homes up to \$137,000. This level is based on the Vermont Housing Finance Agency's maximum purchase price.

Loan-to-Value. Loans made through the Duplex Home-Ownership Program are allowed to be at 100 percent loan-to-value (LTV). Because such a high LTV is allowed, many banks are not able to participate, leaving only a few local lenders to

assist BCLT. Involved lenders provide the remainder of the loan amount.

Qualifications and Conditions. The customer needs to be a first-time homebuyer, and the house needs to be in the city of Burlington, within the enhanced-enterprise community. Buyers must hire an independent home inspector, and go through BCLT's standard purchase process. The buyer attends a one-hour homebuyer orientation, an eight-hour homebuyers workshop and a four-hour duplex workshop. Customers also must participate in one-on-one counseling, and create an individual homebuying plan.

Duplex Workshop. The duplex workshop provides information on the responsibilities of owning a multifamily home and becoming a landlord. Buyers learn how rental units affect their affordability, discuss landlord and tenant laws, and observe how to budget for extra maintenance expenses (e.g., two furnaces and water heaters rather than one). BCLT also informs customers of emergency money available through the city for rehabilitation or painting projects. Financing options and city code requirements are discussed. The workshop is open to the public.

Funds. BCLT created a revolving loan fund with grants from Neighborhood Reinvestment Corporation. City funds come from community development block grant (CDBG) and HOME funds.

Cost. There are substantial costs to this program, primarily for the loan fund and administrative demands. Buyers are required to pay fees, which help offset costs, but do not fully cover them. Beyond the loan pool, program expenses include: advertisements, staff time conducting classes and counseling, lunch for class participants, binders for each household, and Fannie Mae home-ownership books.

RESULTS

- The Duplex Home-Ownership Program began in April 2000. Thus far, many buyers have shown considerable interest. In the months before the pilot workshop, phone calls to BCLT doubled, resulting in 60-or-so calls a day. BCLT believes the high volume was due to press coverage of the program.

- BCLT usually holds one homebuyer class a month, but due to the increased amount of interest, conducted two classes monthly throughout the spring.
- The first duplex class was filled to capacity, with 40 people in attendance. A second class was to be held in August.
- One buyer was to close in July, and three others were looking for duplexes.

LESSONS LEARNED

- Adapting from renting to owning is very difficult in itself. Going from renting to owning plus being landlord is an enormous change. It includes a great deal of responsibility, and may cause apprehension for a buyer. It is extremely important to help buyers with this process.
- For households who choose to use tenant income to qualify for city funds, collecting information from renters can be a challenge. Tenants need to be informed that in order to earn their low rental rate, they must agree to provide certain statistical information for the lending agency. The incentive is a rent cap that is approximately \$200 a month less than the average rent in the city.
- BCLT feels it is beneficial and important to have this buying option for customers. The product may not be used as often as others, but buyers can regularly gain from this option, which helps to expand home ownership. By having a solid duplex program in place, an organization can continue with its leading programs, and utilize this option when needed.
- Involve the local media to make starting the program an event. But be prepared for an increase in customers. BCLT wanted to have customers attend the homebuyer class prior to the duplex class, but did not have enough room for all the interested households. Since all customers were not able to attend the homebuyer class first, many basic purchase questions arose during the duplex class. BCLT recommends announcing the new program, then waiting several months before starting a

duplex class, so all interested households have time to attend a homebuyers' class first.

- The duplex class could easily run more than four hours, but it is important not to make buyers jump through too many time-consuming hoops. Be careful not to frustrate customers with a process that is too complicated or expensive.

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FHA 203(k) Program at Chattanooga Neighborhood Enterprise

OUTCOME: Chattanooga (TN) Neighborhood Enterprise (CNE) is an approved lender for the Federal Housing Administration (FHA) 203(k) program and has used this program as a developer of properties for its lease-purchase program and for resale.



NEED

FHA 203(k) may be an attractive program tool for a NeighborWorks® network organization seeking to acquire and rehabilitate troubled properties because it provides financing for purchase, rehabilitation and related costs with a limited down payment.

COMPONENTS

1. What is FHA 203(k)?

FHA 203(k) provides long-term loans to finance both the acquisition and rehabilitation of one- to four-unit residential properties. To provide funds for the rehabilitation, the mortgage amount is based on the projected value of the property with the work completed, taking into account the cost of the rehabilitation. In order to minimize risk to the mortgage lender, the mortgage loan is eligible for endorsement by HUD as soon as the mortgage proceeds are disbursed and a rehabilitation escrow account is established. At that point, the lender has a fully insured mortgage loan.

FHA 203(k) is available to individual purchasers, nonprofits and for-profit developers.

2. What are maximum mortgage amounts?

To determine the maximum mortgage amount, 203(k) requires both an as-is appraisal and an appraisal of value after rehabilitation. The value is defined as the lesser of:

- the as-is value before rehabilitation plus the cost of rehabilitation; or

- 110 percent of the expected market value upon completion of the work.

Owner-occupants and nonprofits can borrow up to 97 percent of either of the above values. Investor owners can borrow up to 85 percent of the same HUD estimate of value. Nonprofits are not limited to a specific number of properties. Investor-owners, however, can rehabilitation no more than seven units at a time.

3. What is the application process?

- The network organization locates a property, does a feasibility analysis, and executes a sales contract.
- The organization locates an FHA 203(k) lender. CNE is an FHA-approved lender for its county. There are several national FHA 203(k) lenders, for example, Malone Mortgage in Dallas.
- The organization submits two sets of architectural exhibits that include an existing plan, the proposed plan, description of materials, work write-ups and draw request, and inspection report.
- The lender requests the HUD case number and the assignment of a plan reviewer, appraiser and inspector.
- The plan reviewer visits the property to ensure that it is acceptable.
- The appraiser performs two appraisals: as-is and final.
- HUD or a lender approved by HUD as a direct endorser reviews the application and appraisals to determine the maximum insurable amount. Following this review, a conditional commitment establishes the maximum insurable mortgage amount for the property.
- The lender prepares a firm commitment application, and the local organization provides information establishing its ability to repay the loan.
- A firm commitment is issued and a closing takes place. At the closing, the borrower and the lender execute a rehabilitation loan agreement which lays out how funds will be disbursed from the escrow account. Following

the closing, the lender submits copies of the mortgage documents to the HUD office for mortgage insurance endorsement.

- Construction begins, and work is inspected by a HUD-approved inspector. Up to four construction draws plus a final draw are made, and work is completed.

LESSONS

Using the 203(k) has both positive and negative aspects. The positives include:

- FHA 203(k) allows the NeighborWorks® network organization, as developer, a low down-payment source for funds to develop properties.
- The network organization has a variety of options with 203(k). It can rehabilitation and re-sell, use in a lease-purchase, keep for rental, or have a qualified family resume payments.
- The organization can include in the financed amount up to the first six months of loan payments, so they don't have to come out of pocket.

The negatives include:

- The process is cumbersome. The FHA schedules require detailed work write-ups and a list of materials, as well as detailed construction draw schedules.
- In some regions, it may be difficult to find lenders that participate in the 203(k) program. CNE is an FHA-approved lender. There are, however, some national lenders offering the 203(k) program.
- There are certain minimum amounts that must be expended and certain items included in the rehabilitation. These may drive up costs beyond what the market will bear.

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NHS of Chicago Family Housing Fund

PRODUCT: The Chicago Family Housing Fund is a first- and second-mortgage loan pool, primarily aimed at financing purchase-rehabilitations. It was also designed from the beginning with a cost-recovery mechanism to allow NHS to recapture a significant portion of the costs required for buyer development, loan underwriting and construction management.



BACKGROUND

Through the Family Housing Fund, NHS of Chicago is attempting to address an unmet need — funds for purchase and rehabilitation of one- to four-unit properties in low- and moderate-income neighborhoods. Several important criteria needed to be met to ensure program success. Funds had to be flexible enough to meet the needs of a particularly sensitive market — first-time homebuyers. The program also needed to be flexible enough to do substantial rehabilitation, which might exceed appraised value. At the same time, the loans produced needed to be saleable on the secondary market.

COMPONENTS

1. Development

The core leadership in developing this program was provided by three lenders and NHS of Chicago staff. This working group discussed NHS experience in making purchase-rehabilitation loans, the difficulties and high costs private lenders had experienced, and some possible options. A loan-participation pool of first and second mortgages with a specific cost-recovery mechanism was developed.

The core leaders called together a number of lending institutions to explore this option. The reaction of those lenders was positive. They were

asked to commit both to the first mortgage pool and the second mortgage pool. The amount of the first pool was \$5,000,000. The second mortgage pool was \$800,000. Commitments are listed in the chart below.

<i>Lender</i>	<i>1st Mortgage Pool</i>	<i>2nd Mortgage Pool</i>
1. Lasalle Lake View	\$500,000	\$100,000
2. Korea First	500,000	—
3. St. Paul Federal	500,000	100,000
4. Household	500,000	100,000
5. Bell Federal	500,000	—
6. Harris	500,000	100,000
7. Northern Trust	500,000	100,000
8. LaSalle Northwest	500,000	—
9. Comercia	500,000	—
10. Lake Shore	500,000	—
11. Chicago City	—	100,000
12. Liberty Federal	—	100,000
13. Standard Federal	—	100,000
	\$5,000,000	\$800,000

Shares in the Family Housing Fund were made available as of June 15, 1993, and closed on August 1, 1993, with 10 investors in the first mortgage pool and eight in the second mortgage pool.

2. Process

The fund provides families interested in buying and renovating a one- to four-unit property with a 75 percent LTV (loan-to-value) first mortgage at a market rate and a second mortgage that can go up to 110 percent LTV at 4.5 percent for 15 years. The buyer is required to provide a down payment of three percent. The city of Chicago provides a subsidy of two percent for closing-cost assistance for CDBG-eligible families. Proceeds of both the first and second mortgages come from the participation commitments of the

lenders investing in the fund. A loan committee drawn from those lenders approves the loans.

A buyer applies to the Family Housing Fund usually with only an offer to purchase in hand. NHS staff assist the buyer in developing the loan package and scope of work. The job is then bid out to qualified contractors. Upon receipt of bids, the final loan package is prepared and then reviewed by the Family Housing Fund loan committee for approval.

NHS advances funds required for closing. When the amount of loan proceeds outstanding reaches a certain point, a capital call is made to the investors to fund the loans. When construction is complete, loans are offered for purchase to the lender investors. Lenders, in a specific order, can then purchase whole loans and servicing. They then have an HMDA-eligible loan, which they can sell on the secondary market or hold in portfolio.

3. Cost Recovery

NHS of Chicago looked at actual costs of doing purchase-rehabilitation loans. When all costs were factored in — buyer recruitment and development, loan packaging and underwriting, and construction management services — the cost was approximately \$4,200. Most lenders were not making purchase-rehabilitation loans because they were expensive. The one lender that was active in purchase-rehabilitation lending reported a cost of about \$10,000 per loan.

While lenders during the development process acknowledged the NHS costs were reasonable, it was unlikely that any one lender could subsidize those costs per loan to NHS. As a result, a pool idea was considered.

The cost-recovery model used in the Family Housing Fund has three components:

- Fees to lenders paid on a quarterly basis to participate in the Family Housing Fund. Each lender participating in the first mortgage pool pays the NHS \$1,000 per quarter. Those lenders participating in the second mortgage pool pay \$500 to NHS per quarter. This supports the basic lending infrastructure.

- Fees to lenders on a per-loan basis. Lenders pay \$200 each for first mortgages and \$55 each for second mortgages.
- Fees to borrowers. Borrowers pay one point on the first mortgage and \$200 on the second mortgage. Borrowers are also assessed a construction-project management fee on a sliding scale based on the amount of rehabilitation. The average fee is \$1,500. These fees can be built into the loan amount.

This fee structure is illustrated here:

Quarterly fees to the fund

- First mortgage pool:
10 lenders @ \$1,000 per quarter
\$40,000 per year
- Second mortgage pool:
8 lenders @ \$500 per quarter
\$16,000 per year

Per-loan fees

- First mortgage pool:
10 lenders @ \$200 per loan
\$2,000 per loan
- Second mortgage pool:
8 lenders @ \$55 per loan
\$440 per loan

Customer fees

- First mortgage: 1 percent
- Second mortgage: \$200
- Construction management fee: \$1,500 (average)

LESSONS

1. Purchase-Rehabilitation Experience

In the community-lending environment in Chicago, the development of a purchase-rehabilitation product filled a special need. The experience of lenders with purchase-rehabilitation lending on their own was generally an unsuccessful one, with high costs and very modest results. As a result, lenders had substantial interest in the Family Housing Fund.

2. Breaking Down Costs

The cost-recovery strategy used in the development of the fund enabled the cost of doing pur-

chase-rehabilitation lending to be shared among a number of lenders. This strategy recognized the basic costs in maintaining a lending infrastructure. Hence, quarterly fees were charged for the privilege of being part of the fund. At the same time, fees were charged on a per-loan basis to cover those costs related to the specific loans. Costs were also passed on to the borrower. By breaking these costs down and spreading them among the investor lenders, they were easier to accept.

3. Accounting for All Costs

A critical first step in the cost-recovery strategy was knowing what the costs were. These costs included not only specific loan costs but the costs of buyer recruitment and development.

4. HMDA Reports

As an added value for the lenders investing in the fund, NHS provides HMDA-formatted loan reports.

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NHS of Davenport Raffle for Perfect Payment Record

OUTCOME: Neighborhood Housing Services of Davenport, Iowa, held a raffle during its annual Community Unity Festival for NHS loan customers who had made every loan payment on time for a year. The winner received \$200 toward their next home- or rehabilitation-loan payment.



BACKGROUND

NHS of Davenport opened in 1981 and works to promote and preserve home ownership among the 90,000 diverse residents of this Mississippi River-front city. NHS offers customers Full-Cycle LendingSM, providing homebuyer education, purchase and rehabilitation lending and pre- and postpurchase counseling. The organization also became a Community Development Financial Institution (CDFI) during summer 2000.

NHS holds a Community Unity Festival each year to recognize the organization's accomplishments and celebrate affordable housing. NHS wanted to encourage loan customers' attendance, and thus created the perfect-payment raffle.

COMPONENTS

The Festival. The Community Unity Festival is an annual event sponsored by NHS that involves many local agencies and organizations. Police officers sponsor bicycle-safety training and give away free helmets to children. Officers also set up a baseball-throwing booth and use their radar guns to measure the balls' speed. The Fire Department gives truck rides, and ambulances exhibit vehicles and supplies. The event includes live music, free food and informational booths set up by other local nonprofits. The festival takes place during National Fair Housing Week, which usually occurs in June.

Outreach. Each year, a festival invitation is sent to NHS loan customers. In 2000, NHS added a raffle ticket at the bottom of the letter. The ticket, good for any customer who had made every loan payment on time for a year, could be deposited at NHS' festival booth and become part of a drawing for \$200 off the winner's next monthly loan payment. The drawing was to be held at the end of the day. The prize could be used for either a rehabilitation or home loan. For most NHS customers, \$200 would cover at least half a month's payment.

To further advertise the raffle and festival, NHS informed new customers at each closing. In addition, loan customers who made payments at NHS's office (about 85 percent of them) were also reminded of the events.

Raffle Purposes. The reasons for creating the perfect-payment raffle were not only to increase attendance of NHS loan customers at the festival, but also to reward the winner for performing as a responsible homeowner.

At the Event. NHS's loan officer, who knew each customer and their payment record, was stationed at the booth. Customers did not need to stay for the drawing, but did need to have stopped personally at the booth to drop off their raffle ticket and confirm their eligibility.

Cost. For the first year, NHS underwrote the cost of the prize, which amounted to \$200. There were no other related costs.

RESULTS

- NHS currently holds 113 mortgages. Forty-six borrowers attended the festival and participated in the drawing. The winner was a young couple, who were extremely excited about winning.
- The raffle was fun, exciting and very well received by NHS loan customers. Customers found it helpful and appreciated being recognized for performing well. NHS received

praise from both community members and borrowers for giving back to their customers.

LESSONS LEARNED

- The prize needs to be substantial enough for people to find it worthwhile to participate. Customers need to see the value of paying their mortgage on time, plus the value of attending the festival. NHS hopes to raise the amount of the prize in the future to a full monthly payment.
- NHS believes the raffle could be an ongoing incentive, and hopes to expand the program by raffling turkeys around Thanksgiving and perennials during the spring. NHS will reserve the largest prize, the monthly loan-payment assistance, for customers who make one full year of on-time payments.
- This is a very simple program to operate. Any organization could feasibly duplicate it. Very

little staff time was needed. NHS simply modified its annual invitation letter. The only added cost was the \$200 prize. Tying the event to the NHS's annual festival seemed to work well, but is not completely necessary. An organization could link with any local community event, or simply hold the raffle on its own.

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NHS of Hamilton Loan Product Development

OUTCOME: Neighborhood Housing Services of Hamilton (NHS), Ohio, developed an innovative loan product with a group of lenders. As this product developed, certain changes were made with an eye towards cost recovery for NHS.



BACKGROUND

Hamilton is a city of 60,000 near Cincinnati. It has old housing stock and a number of disinvested, deteriorating neighborhoods. A group of business leaders and government officials identified the need to stabilize these areas and focused in particular on access to credit in those neighborhoods. When the NHS was begun in 1992, the local Hamilton Community Foundation provided a commitment of \$300,000 for a revolving loan fund and \$106,000 in operating support.

Initial outreach in the target neighborhoods to generate interest in home-improvement loans made apparent the real interest of local residents in home purchase. In response to this interest, NHSH began to develop a home-purchase lending strategy. With the help of Neighborhood Reinvestment, NHSH developed a loan product designed to increase home ownership.

COMPONENTS

The loan fund committed to NHSH by the Hamilton Community Foundation was designed for short-term lending and bore an interest rate pegged at the six-month treasury bill rate plus one-half percent. The NHS negotiated with local lenders to develop a first mortgage product.

Under the terms of his agreement, NHSH would originate the first mortgage from the pool of foundation funds. After a period of seven to nine months, the loan would be taken out by the lender. Written agreements were executed with

the lender to provide permanent financing, if the portfolio was performing at the time of take-out. During this time, NHSH could only provide \$40,000 for each loan. Risk was managed by homebuyer education, servicing and collection policies, and continued hand-holding of the client if necessary. The lender did not have any risk until the loan was seasoned and the loan assignment was executed. This enabled NHSH to utilize the short-term funds made available by the foundation and the resources of local lenders to create a product for home ownership.

From involvement in the NeighborWorks® Campaign for Home Ownership, NHSH became more aware of the potential to recover costs and renegotiated its agreement with the participating lenders. The lenders agreed to fund at closing. In this renegotiated product, NHSH charged a 1.5 percent origination fee to the customer, 1.5 percent to the financial institution and a \$500 processing fee. Initially, the lenders raised questions about the legality of paying a fee, but the opinion issued indicated this was appropriate since NHSH was originating and not just referring loans. The lenders participating in this program did not require private mortgage insurance and the maximum loan-to-value ratio allowed was 98 percent.

NHS of Hamilton was also a recognized community housing development organization (CHDO) under HOME regulations. Initially, NHSH was allocated \$28,000 funds for a down-payment and closing-cost assistance loan program. These initial funds leveraged over \$400,000 in permanent financing. NHSH was allocated another \$28,000, which then leveraged an additional \$800,000 in first mortgages. Initially, the city government was skeptical of the NHS's ability to deliver and created what was viewed as obstacles to accessing these funds. The city now is a strong partner of NHSH, which has been recognized as one of the most productive CHDOs in Ohio.

LESSONS

1. The NHS was able to change its primary focus from a home-repair lender to a home-ownership lender because it allowed the mar-

- ket to dictate the service mix. Through outreach, the NHS found a greater interest than expected in home-purchase loans and structured its activities accordingly.
2. While the NHS was developing a solid system of managing loan origination, it recognized that success was based on getting money out into the neighborhoods. Since over 40 percent of the population of Hamilton is Appalachian, the NHS was particularly aggressive in attempting to reach this population through personal contacts, neighborhood meetings and board representation.
 3. The NHS has been very conscious of the need for the program to be perceived as business and not a social service. Some nonprofits in Hamilton had been criticized for lack of oversight, and the NHS has sought to present itself as highly accountable.
 4. While the city government was skeptical at first of NHS and put certain obstacles in the way of the organization's accessing resources, the NHS continued to work with the city until there was a better understanding.
 5. As the NHS became more aware of cost-recovery opportunities, they were incorporated into negotiations.

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Housing Development Corporation of Clinch Valley's Affordable Housing Program in Rural Communities

OUTCOME: Housing Development Corporation of the Clinch Valley, working with rural lenders in the Oak Ridge, Tennessee, area, has developed a successful home-ownership program based on a specially crafted second-mortgage loan product.



BACKGROUND

Housing Development Corporation (HDC) of the Clinch Valley opened in 1992 with a mission of restoring buildings and houses in Oak Ridge, Tennessee. It began by working with organizations such as counseling clinics and the housing authority to rehabilitate buildings and create shelters for their clients. In 1998, HDC began a home-ownership program with Full-Cycle LendingSM, providing purchase and rehabilitation lending, counseling and homebuyer education.

HDC's service area encompasses the city of Oak Ridge (population 27,000) and four surrounding counties. Oak Ridge is the area's largest town. The total population of the service area is approximately 120,000. Each community is extremely rural, some with only 200 residents. Building a home-ownership program in rural areas can be a great challenge, but HDC has been very successful. It has shown that rural communities as well as larger cities can benefit from affordable lending.

COMPONENTS

Loan Product. HDC provides a simple second mortgage of up to 20 percent of the purchase price. Consumers can borrow between \$1,000 and \$16,000, based on their needs, to assist with the down payment and closing costs. They are required to come up with 3 percent of the pur-

chase price. HDC has established a loan pool with 10 local banks that hold the first mortgages.

Marketing Strategies. HDC has employed basic marketing techniques to advertise the program. Its loan officer began by literally hitting the road. She visited lenders and Realtors[®], introducing herself and the program, and leaving program information. Marketing could not be done from HDC's office. In these very rural areas, it is imperative to travel and meet potential partners face to face. After connecting with lenders and Realtors[®], HDC began reaching out to consumers by visiting community centers, churches and other gathering places, and posting information. Real-estate agents recruit most borrowers by simply knowing about the product and introducing customers to it and HDC.

Lender Recruitment, Commitment. After contacting each lender individually, HDC hosted a luncheon in September 1998 for all potential lender-partners. Contracts were available at the luncheon for the banks to sign, committing them to the program. Ten banks attended, and each signed. They agreed to contribute to the loan pool between \$50,000 and \$100,000 apiece. The contracts are renewable each year, and thus far every lender has continued its commitment.

HDC Funding. HDC gains program income by selling the second mortgages to Neighborhood Housing Services of America, then paying off the loan and re-borrowing from the bank at the market rate. Neighborhood Reinvestment supplied an initial \$50,000 grant to implement the program. HDC holds the grant in its loan-loss reserve.

Program Costs. Routine expenses include program staffing, materials, loan-pool costs and advertising. Expenses related to working in rural areas include renting office space in each community, transportation and increased staff time.

Employer-Assisted Housing Program. HDC also is part of an employer-assisted housing pro-

gram in Oak Ridge, and it, too, has helped increase the number of homebuyers. Three local companies encourage their employees to live in town by providing \$500 grants toward a down payment. HDC matches this with an additional \$500 grant. Police officers currently use the program most. But with 15,000 people who commute to work, there is much room for growth.

RESULTS

- This program has had amazing benefits for the community. It has been very rewarding for HDC to see the program flourish in such a challenging environment.
- The program has helped every participant: HDC, customers, Realtors[®] and lenders. Customers and Realtors[®] pursue the product because of benefits to the buyer. Smaller banks pursue the program because they need help providing first mortgages. Previously, many banks were not able to make loans to lower-income families, as the banks lacked the means to help households with only limited funds for a down payment and closing costs.
- The program has experienced incredible growth. Within less than two years, HDC has closed \$832,567 in second mortgages, creating 121 new homeowners. When including the bank amounts, the program is responsible for more than \$3,638,317 in mortgage lending.
- In addition, HDC is working closely with 280 other customers to help them become mortgage-ready. They need help building savings or repairing credit.
- The program has helped create stability with lending and real-estate partners. Awareness of HDC services has increased in surrounding communities, and businesses are becoming better acquainted and more trusting of HDC services. HDC continues to create more partnerships with lenders, Realtors[®] and residents, as the organization gains recognition and news of the program spreads.
- The EAH program has had considerable impact on the community. It has encouraged lower-income, rural families to move into Oak

Ridge, get out of the rental cycle, and purchase an affordable home. Some very nice homes have been created, and schools, infrastructure and other facilities are being helped.

LESSONS LEARNED

- When working with a rural population, the program guidelines and contact person need to be very versatile. The right staff person is most important. Staff needs to be able to establish a level of trust with a sometimes-doubtful and -challenging population. This includes not only residents but also bankers. Both can be quite apprehensive and uncertain of outside influences. Lending in rural communities is very different than in larger cities. Often, it more conservative Staff needs to stay positive and work around these different attitudes to make a program work.
- Realize that education levels of residents may be quite low. The staff loan officer or homebuyer-educator needs to be adaptable, and able to work at all levels. Some residents need help with such basics as opening a bank account, keeping a checkbook, and learning about credit reports. Staff needs to be flexible, empathetic and patient with the needs of each customer.
- Ask area lenders and real-estate professionals what is necessary from their view to provide affordable housing in the area. Then create a product based on their needs. In the area around Oak Ridge, lenders needed up to 20 percent mortgage assistance in order to help first-time buyers. Therefore, HDC created a program to suit those needs. It is equally important to keep the process for partners simple and uncomplicated.
- When beginning this type of program, approach real-estate agents and lenders first, and create a good, trusting relationship. Make yourself visible and available to lending and real-estate partners and potential customers. Be willing to travel. Some participants are reluctant to, and some simply do not have the means of traveling even to nearby towns.

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Inglewood NHS Use of HOME Allocation as Second-Mortgage Funds

OUTCOME: Inglewood Neighborhood Housing Services (INHS) developed a partnership with the City of Inglewood. Through this partnership, NHS used HOME funds for second mortgages. INHS also used the Los Angeles County Mortgage Credit Certificate (MCC) as an additional tool to expand the window of affordability.



BACKGROUND

Inglewood, California is a city of 113,000, surrounded on three sides by the City of Los Angeles. It is adjacent to Los Angeles International Airport and is the location of the Forum and the major race track. The population is 60 percent African-American and 36 percent Latino. Many of the families in Inglewood work in surrounding areas of Los Angeles. The median house price in Inglewood is \$170,000. The median income is \$29,000, a figure that underscores the affordability gap.

NEED

To increase home ownership in Inglewood, some kind of subsidized second-mortgage product was needed. The City of Inglewood determined that it could use its allocation of HOME funds to further a policy objective of home ownership for low- and moderate-income families. When the City issued a Request for Proposal (RFP) for an entity to administer the City's first-time home buyer program, which included a second-mortgage component sourced from HOME funds, INHS was one of four organizations that responded to the RFP. It was ultimately selected.

NEGOTIATIONS

The City and INHS worked together on setting the partnership of the program. Initially, the City wanted a fixed amount of second- mortgage sub-

sidy based on family size. This would have resulted in families of five or six receiving a subsidy of \$70,000. INHS argued for a more modest use of subsidy so more people could access modest housing. The City accepted this plan.

INHS and the City worked to make HOME funds more flexible by requiring both a pay-back of the second mortgage in full at the time of sale and a share of any appreciation. By not forgiving the second mortgage, INHS avoided the restriction on homebuyers, if they sold the house, of selling only to a HOME-eligible applicant. Without this requirement, more customers can use the second mortgage.

INHS chose the lenders that participated in the program. At first, the City had attempted on its own to solicit lenders for the program. INHS felt the City was out of the loop in knowing which lenders were active in the Inglewood market. INHS successfully convinced the City to allow it to choose the lenders.

The fact that INHS had access to the second-mortgage subsidy allowed the organization to create other tools with conventional lenders. INHS initially used the NHTSA first-mortgage product in tandem with the HOME funds, stretching the subsidy dollars further. When the NHTSA funds were depleted, INHS made a deal with several local lenders on a first-mortgage product to be used again in tandem with the HOME funds. This was significant because it recovered INHS costs. INHS received 1-1/2 points plus a \$300 processing fee for packaging first mortgages for these lenders.

When the parameters of the HOME-funded second-mortgage program were set, INHS had access to a second-mortgage pool of \$1.5 million and also received \$123,000 from the City for administration. A second funding provided \$622,000 in seconds and \$83,000 in administrative funds.

COMPONENTS

Under the guidelines of this program, assistance was provided to qualified first-time homebuyers in the form of an equity participation loan, secured by a second deed of trust. The amount available was the minimum amount required to make an eligible property affordable to a particular household.

Eligible properties were single-family homes and condominiums with a maximum appraisal value of \$201,900.

The maximum subsidy was the difference between the amount of loan for which a borrower could qualify, based on income, and a sales price not to exceed 35 percent to 40 percent of the qualifying loan amount. The maximum subsidy would not exceed \$50,000.

A borrower's income determined the subsidy. Any borrower earning less than \$35,000 per year was eligible to receive up to a 40 percent subsidy loan. Borrowers who earned more than \$35,000 could receive a subsidy loan up to 35 percent. Borrowers needed to have a 5 percent down payment; 2 percent of that could be a gift.

An example of how this worked is as follows:

A borrower earns \$30,000 per year and qualifies for a loan of \$67,653. The 40 percent subsidy is \$45,103. The maximum qualifying loan amount is \$112,756. A five percent down payment, in addition to the loan amount, determines the prequalified sales price of \$118,393.

The second trust deed had no monthly payments of principal and interest. However, when the property was sold, the homebuyer had to repay to the City the principal amount; a percentage of the appreciation, less costs of sale; and any home improvement made. The percentage of appreciation owed to the City was equal to the percentage of subsidy. For example, if the subsidy was 35 percent of the purchase price, the amount owed would be the principal and 35 percent of the appreciation.

Homebuyers were required to take INHS homebuyer education classes, covering topics such as

budgeting and credit, funding a home, mortgage financing, and protecting the investment after purchase.

In order to open even further the window of affordability, INHS would package with the loan an application for the Los Angeles County Mortgage Credit Certificate Program (MCC). The MCC gave the homebuyer a federal tax credit each year. For households at 80 percent of median income or below, the credit was equal to 20 percent of the annual interest paid on the first mortgage. This amount was subtracted dollar for dollar from the homebuyer's federal income-tax liability. For INHS, the net result of the MCC was that families could afford slightly more house, which helped expand their possible choices.

LESSONS

1. Privatizing a Government Program

This is a good example of how a municipal government privatized a program and, in so doing, enhanced its effectiveness. The City of Inglewood, instead of directly administering its home-ownership program, went outside the bureaucracy and solicited a third-party administrator. In addition, the City worked in a positive way with INHS to shape the parameters of the program, making it more effective.

2. NHS Lender Selection

The fact that INHS was allowed to select lenders to participate had two important implications. First, it involved lenders who had been working with the neighborhood and with INHS. Secondly, because INHS had access to the second-mortgage funds, it was able to use those funds to create better first-mortgage products and to set up a system for delivering homebuyers and recovering costs.

3. Managing Response

INHS was not prepared for the deluge of phone calls it received when their program was announced. They quickly adapted, though, setting up a dedicated phone line that explained the program and invited people to an orientation.

4. NEED FOR EDUCATION

Greater engagement with potential customers reinforced the need for and importance of home-buyer education. It is important not to assume people know a lot about buying a house. As a result, while the subsidy was attractive, it by itself did not create a market of qualified, capable homebuyers. That market needed to be developed through education.

5. Word of Mouth

As INHS began serving customers, word of mouth was the most effective marketing tool. Local real-estate agents also became more aware

of the program and played a major role in bringing in customers.

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Ithaca Neighborhood Housing Services and Credit Union Create Individual Development Accounts

PROGRAM: Ithaca Neighborhood Housing Services (NHS) is a partner in a program by Alternatives Federal Credit Union, of Ithaca, N.Y., to offer Individual Development Accounts (IDAs) for low-income people to use in saving to buy or repair a home, undertake higher education or start or expand a small business.



BACKGROUND

With a special designation as a community development credit union, Alternatives serves lower-income customers. As such, it was chosen to be one of 13 participants in the Downpayment on the American Dream Policy Demonstration, a \$15 million, six-year pilot to promote asset-building for low-income people. The pilot is coordinated by the Center for Social Development at Washington University in St. Louis and the Corporation for Enterprise Development, of Washington, D.C. The program is funded by 10 grant-making organizations, including the Ford; Fannie Mae; Joyce; Levi Strauss; John D. and Catherine T. MacArthur, and Charles Stewart Mott Foundations.

Among the other 12 participants in the demonstration is the Central Texas Mutual Housing Association, a NeighborWorks organization.

In addition, the Assets for Independence Act (AFIA) is a federal law, enacted in 1998, that establishes a five-year IDA demonstration program, through the U.S. Department of Health and Human Services. AFIA received a \$10 million appropriation for fiscal year 1999, to be awarded to nonprofit organizations on a competitive basis.

COMPONENTS

1. The IDA at Alternatives Federal Credit Union (FCU)

A participant who has entered the IDA program must complete money management classes and agree to start saving regularly. Savings go into an Alternatives FCU account over a flexible period of one to four years. The length of that period is driven by the amount of match money that a saver can earn under the program, which is a maximum of \$500 per year. An individual's savings is matched 3 to 1.

Under the Alternatives IDA, if a participant deposits \$500, it will be matched with an additional \$1,500, for a total of \$2,000 in savings.

Per month, adult participants must save a minimum of \$20 per month for at least one year, before qualifying for matching funds. Individual savings earn 5 percent interest per year.

2. Youth Component

The Alternatives program has 20 slots for youth participants and will match their savings for the purposes of saving to buy or repair a home; starting or expanding a small business; or for pursuing higher education. In the first year of the program, youth participants had chosen to save for education. Young people must save a minimum of \$10 or a maximum of \$100 per month for one year, to qualify for matching funds.

Alternatives FCU has a youth credit union, with a branch located in a middle school.

3. Eligibility

To be eligible for an IDA at Alternatives Credit Union, family income must be 150 percent of poverty level or less. For those interested in home ownership, family income may be 200 percent of the federal poverty level. Total value of property and assets must be less than \$20,000. Family income eligibility requirements apply to youth participants.

Those receiving public assistance are eligible to open an IDA and will not have their assistance reduced because of IDA savings.

4. Economic Literacy Program

Participants are required to complete a money management and economic literacy program, in which they learn about developing a spending plan, credit and the economics of everyday life.

Eight course sessions, often with guest speakers, and assigned homework follow these topics:

- Introduction to Money Management and Economic Literacy;
- Spending Plans and *Affluenza*, a PBS film;
- Savings and Asset Accumulation;
- Cash Flow and Record-Keeping;
- Understanding Credit;
- The Big Picture—Macroeconomics;
- Economic Indicators;
- “Money Wise, Money Whys” Finale.

The curriculum is intended to proceed as if it were the development of an individual’s savings plan, asking along the way “how do you reach your goals through asset accumulation?”

4. Homebuyer Education

Ithaca NHS is providing homebuyer education for IDA savers and, when they are ready to buy a home, may help with financing. Participants are required to complete homebuyer classes before accessing their IDA funds. Alternatives Credit Union also has mortgage products for low-income buyers.

5. Pay-out

Savers notify the credit union when they have reached their savings goal. The money saved plus the match is paid directly to the vendor, i.e., a lender, school or other assisting organization.

6. Funding

The Corporation for Enterprise Development will match individual savings plus the local match, up to \$500 yearly, per account.

The credit union is doing a fundraising campaign to raise the rest of the match amount. One opportunity for funders is to sponsor an IDA account.

7. Taxable Income

The Internal Revenue Service is reported to be making a determination of how IDAs will be taxed.

RESULTS

The Alternatives IDA program has 100 slots. About 90 were taken in the program’s first year. Of these participants:

- 50 were saving for a home;
- 25 for post-secondary education;
- 16 for micro-enterprise development;
- 12 of the youth program’s slots were filled.

Some participants are Section 8 recipients.

In one year:

- Participants had saved more than \$23,000 at Alternatives FCU;
- Matching funds came to more than \$67,000.

LESSONS

1. Peer Support

IDA savers’ success relies to some extent on peer support, or pressure. Although many may think the concept is a good one, they may not have the discipline to save. Getting together to hear about others’ successes or struggles is important.

Beyond the money management classes, Alternatives FCU has monthly continuing education sessions (previously called “peer support group”). These classes are organized around specific asset goals and include topics such as taxes, investing, holidays and planning for the future.

2. Macroeconomics

Alternatives FCU coordinators say that, for IDA participants, understanding the part they play in the economy and how the economy influences their daily lives is empowering. Hence the classes’ emphasis on macroeconomics. Demystifying the economic indicators and other terms in the business news helps people turn around feelings of disenfranchisement or exclusion, to assume a more positive stance.

3. Policy-Making Stance

Economic literacy and continuing education instructors stress to students that the IDA program is a part of the asset-building pilot

— the idea being that the students are helping set policy that will affect other people, a broader community, and that they, as pilot participants, are part of a chance to change not just their own lives but the lives of others as well.

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Internet Resources

Corporation for Enterprise Development:
www.cfed.org

The IDA Learning Network:
www.idanetwork.org

Center for Social Development:
www.gwbweb.wustl.edu/Users/csd/

Alternatives Federal Credit Union:
www.alternatives.org

Lafayette Neighborhood Housing Services HomeRenew Loan Product

PRODUCT: Lafayette NHS developed a loan product, called HomeRenew, designed for purchase and rehabilitation of one- to four-unit properties. It featured a 90 percent first mortgage from a pool of lenders, a down payment as low as \$1,000 and a flexible second mortgage to fill the financing gap.



BACKGROUND

Lafayette is a city of 48,000, in Tippecanoe County, Indiana, with a population of 150,000. Lafayette has low unemployment but the prices of lower-cost housing has risen 37 percent in the last five years, straining the affordability of homes for families of modest means.

To respond to this growing unavailability of affordable housing, Lafayette NHS initially developed HomeStart, a low down-payment mortgage pool for purchase transactions. Recognizing the need for a purchase-rehabilitation loan product, NHS used the NHTSA product and explored FHA's 203(k) program. While 203(k) seemed most effective if the organization was the borrower and developer, it was more cumbersome and costly in individual borrowers fees.

Lafayette NHS went to lenders that participated in HomeStart and gave them an option for a pooled purchase-rehabilitation product. They accepted the proposal, made the necessary commitments and HomeRenew was created.

COMPONENTS

1. 90 Percent Loan-to-Value Mortgage

HomeRenew offered a 90 percent loan-to-value first mortgage for 30 years, at market rate. This loan came from an \$800,000 pool raised from seven lenders: Bank One Lafayette, Lafayette Savings Bank, Lafayette Bank and Trust, Hunt-

ington Bank, Union Federal Savings and Loan, Salin Bank, and NBD.

Lenders committed to a share of the pool and deposited their commitments up front in an account in the name of NHS. Loans were made from this account to borrowers. NHS serviced the loans and submitted monthly payments to lenders based on their level of participation in the pool. NHS received the interest from the bank account to offset operating costs and collected a fee for servicing the loans. Private mortgage insurance was not required for the first mortgage.

2. Low Down Payment

For borrowers earning less than 80 percent of median income, the minimum down payment was \$1,000. For borrowers with more than 80 percent of median income, minimum down payment was 2 percent of total acquisition cost.

3. Flexible Gap Financing

To make up the difference between the 90 percent loan-to-value first mortgage, the down payment, and the purchase price and closing costs, NHS offered a flexible second mortgage at varied rates and terms to meet customer needs. This second mortgage came from any of three sources: HOME funds, the NHS Revolving Loan Fund, and a special grant from the Greater Lafayette Community Foundation, for lending. The Foundation allowed Lafayette NHS to sell those loans to NHTSA, further leveraging the funds.

HomeRenew had a number of requirements. Borrowers had to be below 80 percent of median income in untargeted areas and could be up to 100 percent in designated areas. These requirements were designed to help achieve economic integration helping lower-income families move to areas not traditionally considered low-income and encouraging families of higher income to move to areas where families earning lower incomes live.

The loans were for purchase-rehabilitation but could be used for refinance-with-rehabilitation for borrowers under 80 percent of median, with

no cash out to the borrower. All loans had to have a minimum of \$5,000 in rehabilitation.

Borrowers had to meet qualifying ratios of 28 percent housing debt-to-income ratio and a 36 percent overall debt-to-income ratio with exceptions on a case-by-case basis. Borrowers pay a \$300 non-refundable application fee and additional expenses relating to inspections, processing and closing.

NHS staff performed the initial inspections and prepared feasibility studies and cost estimates. Qualified contractors did the work, which Lafayette NHS had to approve.

LESSONS

1. Understanding the Market

The Lafayette NHS executive director highlighted the importance of designing the product to meet the needs of the market an NWO is trying to reach. NHS spent a fair amount of time looking at other products, including 203(k), and concluded they could not be adapted whole-cloth to Lafayette. The best, most appropriate features of each were combined and crafted into something that fit Lafayette's local market needs.

2. Building on Success

HomeRenew is an example of how Lafayette NHS built on processes that were already working. Local lenders were successfully participating in the HomeStart pool for home purchase. Their six-year experience of working with Lafayette NHS made setting up HomeRenew easier.

3. Purchase-Rehabilitation Loan Management

Managing a purchase-rehabilitation loan product is complex. Real estate agents and time sensitive contracts add pressure to the process. An organization needs to map the internal flow of duties so that the purchase-rehabilitation can be managed well.

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CDC of Long Island Turning Government Housing into Home Ownership

OUTCOME: Sixteen single-family houses, which historically had been used to house Army personnel at a Nike missile base, were purchased by Community Development Corporation of Long Island (CDC-LI) for a rent-to-own program for families enrolled in HUD's Section 8 Family Self-Sufficiency program.



BACKGROUND

CDC of Long Island is a private nonprofit organization that has been in existence for 32 years. The agency began by developing and managing low-income rental housing, and now administers the largest Section 8 housing program in Suffolk County. CDC-LI provides Section 8 rental subsidies to help make housing more affordable to approximately 1,700 households.

CDC-LI works with households at or below 80 percent of the median income. Many of its clients are seniors, disabled individuals or single-headed households. In addition to the Section 8 program, CDC of Long Island also manages an island-wide Weatherization Assistance Program. CDC-LI has a community development lending department from which it makes loans of up to \$150,000 to small businesses.

The Shoreham Homes rent-to-own program was made possible because CDC-LI submitted the highest bid for the Army's surplus property. CDC-LI purchased the buildings with a commercial loan from European American Bank. It used its own funds to cover the cost of rehabilitating the houses.

At the time of purchase, CDC-LI set the sale prices of three-bedroom houses at \$85,000. Two-bedroom houses were to sell for \$80,000. The

price included a \$25,000 second mortgage, which is non-amortizing and is forgiven if the buyer maintains the house as the buyer's principal residence for 10 years. The 3-percent down payment, plus closing costs, are paid from the buyer's own funds. Each family rents its home until it is financially able to purchase.

COMPONENTS

1. Program Participants

CDC-LI recruited Section 8 tenants enrolled in the Family Self-Sufficiency (FSS) program to participate in the project. Most participants were attending school, and the thoughts of buying a home and withdrawing from public assistance were very exciting. This project was not only going to make these families homeowners, but also require them to become independent from a program that had sustained them for a long time.

2. Selection Committee

CDC-LI formed a selection committee comprised of the president of the CDC, the executive vice president, Section 8 program director and FSS program manager. This group evaluated which families would be part of the project. The families who wanted to participate were required to meet with the committee, compose an essay describing why they wanted to be a homeowner, provide satisfactory rental references, and have decent, repairable credit.

3. Monthly Meeting

Program participants met monthly as a group with CDC-LI staff. During these meetings, the basics of homebuying were discussed, as well as the fears and responsibilities that accompany independent living. Once participants moved into their homes, topics shifted to neighborhood-building, home maintenance, budgeting, and credit repair.

4. Additional Program Support

Each household enrolled in the First-Time Homebuyer Club sponsored by the Federal Home Loan Bank of New York. This program matched

participants' savings, \$3 to every \$1. Participants applied these funds towards the down payment and closing costs on their home. Additionally, the FSS program provided families with an escrow account, which also could be used toward home-purchase expenses.

5. Staff

The vice president at CDC-LI was in charge of the project. She spent 40 percent of her time coordinating and facilitating it. She organized the monthly group meetings, and met with every individual in the program on a regular basis. The program coordinator was responsible for preparing each family for both independent living and home ownership.

RESULTS

- Thirteen of the 16 houses have been sold since the program's inception.
- Ten of these 13 households were the first in their family to buy a home.
- All homebuyers had incomes less than 50 percent of the area median.
- The program coordinator organized the monthly meetings for three solid years. Once there were more homeowners than renters, however, residents realized they no longer needed CDC-LI, and formed a neighborhood association. Residents now lead the meetings themselves. The group concentrates on prevailing neighborhood issues, such as speeding, noise and safety. The neighborhood association has become completely self-sufficient, and often conducts community projects. It applied for, and was granted, funds to carry out neighborhood-beautification projects. It challenged homeowners' tax assessments and won reductions from the Town of Brookhaven Assessor.
- Mortgage payments came in at, or below, what residents previously had paid in rent.
- This program has created several changes in the neighborhood. The houses are located in a middle-class community, and community residents were slow to accept new neighbors

who, until recently, had been on public assistance. The CDC-LI housing program brought ethnic and economic diversity, which ultimately has helped the community. The school district developed an orientation for all new families in the neighborhood, and, for the first time ever, conducted district-wide, cultural-diversity training.

- Participants in the program have become over time integrated into the community. Residents are involved in the PTA and neighborhood groups, and are making new friends. The project has had great social and economic impact. Previous Section 8 recipients are now homeowners. They have become self-sufficient. They are paying their own taxes and taking care of their own properties. Their children are doing well in school, and many now are planning to go to college.

LESSONS LEARNED

- People are no longer eligible for Section 8 rental assistance once they purchase a home. This is an important factor to remember, not only for its financial implications, but also because the program coordinator will need to help families alleviate the feelings of dependency they may have acquired while part of the Section 8 program.
- This type of project requires a considerable amount of time to implement, develop and complete. It also takes time to develop a good working relationship with each participant. It is vital for the organization to stay closely connected with the residents, for as long as needed.
- Meet monthly as a group. Also, meet one-on-one with each family. This is the best method of creating competent and responsible homeowners. The sponsoring organization must commit to creating good homeowners, and educate residents on such topics as simple home maintenance techniques, avoiding credit trouble, and creating and following a budget.
- Know the savings and financial-assistance programs in your area, and help eligible families enroll. Participants in CDC-LI's FSS pro-

gram are part of several financial-assistance programs. They have made home ownership doable.

- Program staff must keep in mind that they are wearing several hats simultaneously. Be mindful of the program goal, and keep roles separated as you proceed forward.
- The organization must help families adjust to their new surroundings. Help residents remember that it takes time to fit into a neighborhood and work through funding or other program obstacles.
- It is vital for the program facilitator to have had a social-work background and to have excellent interpersonal skills. The facilitator needs to be able to empower participants, help them problem-solve and deal with frustrations and emotions, and be knowledgeable of the homebuying process.
- Teach participants how to be resourceful when it comes to home maintenance. Encourage participants to bring a list of issues or questions, so staff can help them deal with problems that arise.
- Encourage participants to get involved in activities outside their immediate neighborhood, such as church events or PTA meetings. It is

important for residents to be involved in several aspects of the community.

- Not all families will succeed. During the first year of CDC-LI's project, two families opted out. Families that are not ready or appropriate for home ownership will typically self-select out of the program. After the two families opted out of CDC-LI's program, CDC-LI marketed the houses to first-time homebuyers outside the FSS program. The buyers needed to be income-qualified and to participate in homebuyer counseling.
- This type of project can be a risk, but with risk comes the potential for great reward for families and the community. Organizations should pay close attention when such opportunities arise, and be prepared to invest the necessary funds or lose the opportunity.

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Manchester Neighborhood Housing Services Loan Program with State Housing Finance Agency

OUTCOME: Manchester, NH, Neighborhood Housing Services, Inc. (NHS) and the state housing finance agency (HFA) developed an innovative loan product, providing 70 percent first mortgages and second mortgages up to 120 percent of loan-to-value.



BACKGROUND

Manchester, like many Northeastern cities, experienced a real-estate boom in the 1980s, with a substantial amount of speculative purchase. Once that activity declined, market values dropped.

The neighborhood NHS serves is made up of predominantly small multifamily (two- to 12-unit) buildings. Manchester-area residents have some of the lowest incomes in New Hampshire. The population is primarily white but with a growing population of Hispanic and Asian immigrants. Because market values are depressed and the population is low income, significant obstacles stand in the way of financing home purchase and rehabilitation.

COMPONENTS

1. NHS Approach

NHS determined that a major need was a flexible mortgage product that would be aggressive in applying rental income to affordability indices and would be able to finance purchase-rehabilitations that exceeded appraised value.

The HFA had assisted NHS on two larger-scale development initiatives, and the HFA director served on the NHS advisory board. NHS sought to capitalize on these relationships and began discussions with the HFA about what was needed.

2. Product Development

Recognizing the particular lending issues inherent in increasing home ownership in the neighborhood, NHS and the HFA determined that the source of loan money needed to be flexible. Designated resources to fund the loan product were loan repayments on mortgage revenue bonds issued prior to 1982.

The New Hampshire HFA, like most HFAs, issued tax-exempt mortgage revenue bonds in the late '70s. In 1982, federal legislation began to restrict what HFAs could do with mortgage revenue bonds. As mortgages that originated from earlier bond issues were paid off, HFAs had a choice to pay off the bonds or reinvest the proceeds. What evolved in Manchester was a strategy in which the HFA reinvested proceeds to create a first-mortgage program.

3. The Product

To compensate for appraisal problems in purchase-rehabilitation, a 120-percent loan-to-value product was developed.

Specific components were:

- A first mortgage of up to 70 percent loan-to-value funded by the HFA at 6³/₈ percent for 30 years, with no requirement for private mortgage insurance. The HFA committed \$1 million to this first mortgage pool.
- A second mortgage pool at 5 percent for 20 years, funded by the HFA out of general fund reserves, together with contributions from seven local banks. The seconds can go up to 120 percent.
- Debt ratios of 33 percent for housing cost and 41 percent for total debt.
- Net rental income (75 percent of gross rent) may be applied to reduction of principal, interest, tax and insurance.

4. Cost Recovery

The HFA pays NHS a contract fee of one percent for originating mortgages under the program. NHS also charges the borrower two percent of

construction costs as a construction management fee.

RESULTS

For first mortgages, \$200,000 was committed; for second mortgages, \$160,000. In addition, the program secured a HOPE 3 grant for acquisition and rehabilitation of local government and FDIC properties. A local bank issued a \$500,000 credit line to NHS at prime, for acquisition and rehabilitation of local government and FDIC properties.

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Neighborhood Housing Services of New Haven Development Loan Pool

OUTCOME: Neighborhood Housing Services (NHS) of New Haven, Connecticut, has created a loan pool that has enabled the program to expand the direct development of distressed properties for home ownership.



BACKGROUND

After a period of escalating property appreciation and speculation, the real-estate market in New Haven collapsed rapidly in the early 1990s. Prices fell to less than 50 percent of what they had been at the peak of the real-estate boom and there were extensive bank foreclosures. Abandonment increased rapidly, making the neighborhood vulnerable to further decline.

When the market had been more stable, NHS had embarked on an infill new construction program. Upon completion of the last phase of 32 units, the NHS board began to reflect on what would be an appropriate next direction for the program. Given increasing abandonment affecting the neighborhood, the NHS shifted away from treating eye-sore vacant lots with an infill strategy toward treating vacant buildings through an affordable home-ownership strategy. While NHS had accumulated some capital from the new construction project that could be used as equity, a source to finance predevelopment and construction was needed if NHS were to create the impact necessary to stabilize the neighborhood.

COMPONENTS

NHS of New Haven developed its pool sequentially. It built upon an initial commitment and expanded to the point where it is now able to do several properties at a time.

The pool was established with a \$250,000 revolving line of credit from the Greater New Haven Community Loan Fund. This loan was for a one-year term at 8 percent and allowed the NHS to acquire the first three properties. While NHS had a solid track record as a developer, the difficult market conditions made 100 percent financing impossible. Therefore, NHS was required to have 25 percent equity for acquisition and hard construction costs, plus all soft costs. It also was required to have one of the three properties sold before it could acquire additional properties. After the first year, NHS was able to renew its credit line for an additional year.

One year into this development activity, NHS approached a local bank and set up a similar line of credit for \$250,000 at prime plus 2 percent with similar terms. This was subsequently renegotiated for \$350,000. A second local bank, New Haven Savings Bank, committed another \$250,000. A year later, Shawmut Bank came on board for another \$400,000.

NHS found that the proceeds remaining from the infill new construction, which were used as the initial equity, were being depleted. In many cases, sales needed to be subsidized with development funds because the cost of development exceeded the sales price. Since NHS was being strategic in its acquisitions, it would occasionally need to acquire buildings that were key to that strategy even though they required subsidy. Equity of \$250,000 was raised from another revolving line of credit — from Neighborhood Housing Services of America — and NHS of New Haven borrowed \$200,000 from its revolving loan fund to provide additional equity for the development effort.

RESULTS

In two and a half years, NHS used \$1.45 million of revolving credit in acquisition, rehabilitation and resale of 21 buildings.

SELLING POINTS

Although NHS had a track record as a developer, market conditions made construction financing difficult; at the same time, while there were numerous bank-foreclosed properties, getting to those properties was difficult. This led to development of a negotiating strategy on two fronts — acquiring the buildings and obtaining the financing.

Initially, the buildings were difficult to acquire at prices that could accommodate rehabilitation and sale. NHS was generally offering 25 percent of the outstanding mortgage balance, and banks were not accepting those offers. After a period of time, however, as the real-estate-owned inventories began to grow, the lenders began to accept NHS's determination of appropriate offering prices. NHS offering prices typically were determined by working backwards from NHS's sense of what the market could bear for a rehabbed building, plus the cost of rehabilitation required. The main selling point was the benefit to the lender in getting the property out of its inventory.

The selling strategy to the lenders in obtaining the credit lines revolved around these points

1. Track Record

The organization had been successful in development. It had just completed a \$2.5 million new construction project and had been successful in building a track record. NHS also had a reputation in the marketplace as a producer of high-quality housing products at an affordable price. Even in a distressed market, NHS-developed buildings were being sold on word-of-mouth recommendations from satisfied customers.

2. Equity

NHS had equity it was willing to put up along with the requested debt.

3. Quality Rehabilitation

NHS was committed to high standards in rehabilitation. It was willing to invest the money in producing a high-quality product that could attract buyers even in a soft market. NHS took lenders on tours so lenders could see for themselves what this quality looked like.

4. Access to Financing

NHS had access to financing products that could expand the window of the potential market.

LESSONS

1. Building on Relationships

Development of this lending pool was an ideal way of using a partnership to increase the amount of conventional lending in a neighborhood threatened by increasing abandonment. By building on existing lender relationships, NHS was able to introduce a new way for banks to participate in revitalizing the neighborhood.

2. Paperwork

In negotiating with banks for this revolving line of credit, NHS found that there was a wide range of standards regarding paperwork complexity, ranging from user-friendly to difficult. NHS expected more standardization in requirements and gravitated toward less cumbersome products.

3. Rampant Foreclosure

NHS made substantial progress in raising these resources but often found that with each step forward in turning around a few buildings, the increasing rate of foreclosures pushed efforts back two steps. On one block the NHS initially targeted, there were three vacant buildings; NHS did two. The block had seven boarded-up buildings a year and a half later.

4. Inventory

In carrying out this acquisition, rehabilitation and resale strategy, effective disposition of properties was important. NHS had to be careful not to have too many rehabbed but unsold properties in its inventory, since this can substantially increase cost.

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Neighborhood Housing Services of New Haven and Yale University Homebuyer Program

OUTCOME: In the Yale University Homebuyer Program, the university is provided grants to its employees of \$2,000 per year for ten years, to help them buy homes in designated New Haven neighborhoods. This was in addition to a “bonus” incentive of \$4,000 in the first year to cover closing costs and possibly moderate home rehabilitation.



BACKGROUND

Connecticut lost population for three consecutive years in the 1990s. New Haven, Hartford and New Britain are among the nation’s poorest cities, yet they are surrounded by some of the nation’s wealthiest suburbs.

Yale’s home-ownership program first phase far surpassed the university’s expectations of attracting 50 potential homeowners when, ultimately, 227 university employees took advantage of this new benefit.

The first phase was like the second in that it provided the same annual payments of \$2,000 for ten years, but phase one did not offer the closing-cost and rehabilitation assistance “bonus.” Both phases have a two-year duration.

Neighborhood Housing Services of New Haven Inc. (NHS) has accessed the Yale program for some of the families it has helped into home ownership.

COMPONENTS

1. Eligibility

The program was available to any Yale University employee who was:

- A faculty member with a minimum one-year appointment of 50 percent or more of full-time, or a permanent staff employee scheduled to work 20 hours or more per week.
- A household could receive only one benefit, even if more than one Yale employee was a member of that household.
- Participants had to commit to own and reside in the home purchased for at least two years from the closing date.

2. Properties

A participant had to buy and occupy a single-family, two- or three-family home or condominium in a designated area of six neighborhoods. Of all of the city’s declining areas, these were the neighborhoods that are closest to Yale and to downtown.

3. Homebuyer Education

Homebuyer education was encouraged but not required. Yale worked with the city and with nonprofits to conduct classes but viewed these sessions first as a marketing tool for attracting first-time homebuyers and secondarily as a counseling tool to get purchasers through the home-buying process.

4. Marketing

In addition to homebuyer education classes, the university did neighborhood-based housing fairs to attract homebuyers and educate them about important activities in a designated neighborhood, such as community policing. These events also offered open houses and tours of rehabilitated properties. For fair-related and general publicity about the home-ownership program, Yale used its employee bulletin and direct mail to employees living in the city and outlying zip codes. These mailers showed housing prices and different scenarios, by income level, for monthly payments.

5. FINANCING

For home financing, participants in the program could go to any bank they choose; the university provided an informational sheet with lenders' names and interest rates. Employees buying through the Yale program also often took advantage of city and state home-financing assistance.

6. The New Haven Initiative

Yale's home-ownership promotions were a component of the Yale's New Haven Initiative, a series of projects and financial investments that included:

- \$2 million for the recent \$7.6 million renovation of a retail district near campus;
- \$12.5 million for the Ninth Square project, a \$108 million retail and residential development on four downtown blocks; and
- Family Campus Initiative, a partnership with the New Haven Public Schools.

RESULTS

1. Homebuyers Assisted

In the first two years of the program, 227 Yale employees purchased homes in New Haven, entailing a \$4 million financial commitment from the university.

2. Buyer Profiles

- 35 percent of buyers were from Yale's clerical and technical staff;
- 32 percent were from the faculty;
- 22 percent were management and professional staff;
- 11 percent were service and maintenance employees;
- Two-thirds were first-time homebuyers;
- About half were women.

3. Citywide Impact

More than half of the single-family homes purchased in the city of New Haven since the program began were bought by Yale employees through the university's Homebuyer Program. Most of these properties sold in the price range of \$50,000 to \$100,000.

4. Economic Spin-off

Property taxes paid on homes purchased during the first 18 months of the Yale Homebuyer Program totaled about \$500,000.

LESSONS

1. Homeowner Feedback

Design of the program's second phase came about through interviews with phase one homeowners, as did the added \$4,000 bonus and the importance of making that bonus available up front, when needed.

2. Refining Focus

The first phase allowed home purchases city-wide, but the university decided to narrow its efforts to neighborhoods closer to its campus. Although some criticized Yale for trying to gentrify its own back yard, the university at the same time was responding to pressure to demonstrate a commitment to revitalizing the town where it makes its home. Yale has developed a neighborhood revitalization strategy: to sprinkle new homeowners block by block, thereby pulling up property values and encouraging investment in surrounding properties.

3. Easy Sign-up

In designing the program, the university identified as one of its main goals ease of enrollment in the program. Signing up and receiving the benefit is supposed to be "absolutely easy" for employees. The program is unique in its simplicity, its administrators say.

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NeighborWorks® Partnership with New Mexico Mortgage Finance Authority

OUTCOME: The New Mexico Mortgage Finance Authority (MFA) has teamed up with NeighborWorks® organizations in New Mexico in issuing a \$5 million mortgage revenue bond. This unique partnership has produced the lowest interest rate to first-time homebuyers in the MFA's history.



BACKGROUND

NHS of Santa Fe was successful in using the first-mortgage product offered by Neighborhood Housing Services of America (NHS) in late 1994. Because home prices are so high in Santa Fe, any reduction in interest rate can help families qualify to become homeowners. When the interest rate on the NHS product was raised, NHS looked for an alternative pool of mortgage money that had some of the same flexible features as the NHS product; could be managed locally; and would be priced attractively. NHS approached NHS and the discussion focused on how NHS and NeighborWorks® organizations could participate more directly in mortgage revenue bonds (MRBs), which have traditionally been a source of affordable financing for first-time homebuyers.

While state housing financing agencies regularly issue mortgage revenue bonds, what made this particular issuance special was the value-added of NHS. NHS and NHS of Santa Fe were able to approach the MFA with an investor, Allstate Insurance, who would purchase the bonds at an attractive rate below the current tax-exempt rate and who would accept the kinds of flexibility in the end product NHS needed in its market. NHS, from its experience on the NHS mortgage product, also had a relationship with First Security Bank, which was an approved MFA and

FHA lender. These experiences positioned First Security well with NHS, NHS and the MFA to participate in the local bond program.

PARTNERS

Understanding this transaction requires understanding the roles and self-interests of the various partners. Such an analysis also reflects how NeighborWorks® Full-Cycle LendingSM acts as a credit enhancement. The partners in this transaction were:

1. The MFA. The MFA issued the bonds and underwrote the loans for compliance to the requirements of a tax-exempt bond issue. MFA was interested in greater involvement with nonprofits and in developing a product that could be used across the state of New Mexico. Because of previous experience with NHS of Santa Fe, the MFA saw the NeighborWorks® organizations as a good potential partner. The MFA saw the buyer education and assistance through the loan process as benefits NHS could bring to getting tax-exempt money to lower-income families.

2. Allstate Insurance Company. Allstate was the investor, i.e., the company purchased the bonds at a rate slightly below the tax-exempt rate. This transaction would not have happened without a private placement investor willing to invest in this type of bond. In return, Allstate received a highly secured, low-risk investment.

3. The lender. The lenders were the financing partners. They received the loan applications and supporting documents, such as credit reports and appraisals, from NHS and made the loans.

4. NHS. NHS had two important roles in this transaction. NHS brought Allstate into the transaction. Allstate had been a significant, long-time investor in NHS and had also invested in municipal tax-exempt issues. NHS also purchased the loans originated by the lender, bundled them into groups and swapped them for Freddie Mac mortgage certificates. These instru-

ments, backed by Freddie Mac, were sold to the MFA and pledged against the bond issue.

5. Freddie Mac. In this transaction, Freddie Mac swapped Triple A guaranteed Mortgage Credit Certificates for a group of loans.

6. Trustee. Every tax-exempt bond issue had a Trustee whose primary role was to make sure the various participants were carrying out their respective roles. The monthly payments made by borrowers and collected by NHTSA were ultimately remitted to the Trustee — in this case, a bank.

7. Private Mortgage Insurer. In this case, mortgage insurance was provided by PMI and protected the lender, the MFA and the investor against loss.

8. NeighborWorks® Organizations. NeighborWorks® organizations marketed the program, prepared loan packages to submit to NHTSA, and in some cases provided down-payment assistance. The participating NeighborWorks® organizations in this transaction were NHS of Santa Fe, NHS of Albuquerque, and Tierra Del Sol of Las Cruces, New Mexico. The Full Cycle LendingSM services these NeighborWorks® organizations provided help produce solid, prepared borrowers, which lessened risk to all of the partners. In return, the NeighborWorks® organizations got an attractively priced, first-mortgage product with flexible underwriting that addressed their customers' needs.

PRODUCT

The product that emerged from these negotiations provided first-time borrowers a 30-year fixed-rate mortgage at 6.4 percent, the lowest rate in the 20-year history of MFA. The loan had a loan-to-value limit of 95 percent and up to 105 percent on home purchase and rehabilitation loans. The borrower was required to provide a minimum of 2 percent as a down payment and could borrow the remaining 3 percent for down payment and closing costs. The program allowed a 40 percent overall debt-to-income ratio and required no cash reserves. Co-signers were allowed. The program is for families at or below 80 percent of the area median income.

PROCESS

NHTSA described the steps in the process in a brief fact sheet. Summaries of those steps may be useful to an understanding of this transaction.

1. An investor is identified who wishes to purchase a Mortgage Revenue Bond (MRB) backed by NeighborWorks® organizations' loans.
2. NHTSA, the investor, and the issuer (the Housing Finance Agency) negotiate the size, pricing and organization period for the MRB. In this transaction, Allstate made some concessions on rate, making the end product more marketable for the NeighborWorks® organizations.
3. The issuer and the investor decide on pricing and timing of the MRB. Legal documents are drawn which include
 - Bond Purchase Agreement (between the HFA and the investor);
 - Master Loan Pooling and Servicing Agreement (between the HFA and NHTSA);
 - Trust Indenture (between the Trustee, usually a local bank; the investor; and the HFA);
 - The Official Statement (issued by the HFA and describing the transaction).

Once these documents are executed and the bonds priced, the rate to the borrower is set, as is the origination period — usually 12 to 18 months, but no more than three years.

4. The bonds are sold to the investor. The cash proceeds from the sale are held by the Trustee who invests them in a secure high-yielding investment such as a Guaranteed Investment Contract (GIC).
5. The NeighborWorks® organization markets the program and begins to assemble loan packages. The loan process is similar to the NeighborWorks® organization/NHTSA First Mortgage process, although some additional documentation is required:
 - Certification of borrower's eligibility as a first-time homebuyer;
 - Buyer and seller affidavits for eligibility;
 - Recapture provisions in the note.

6. The prepared loan package is sent from the NeighborWorks® organization to NHSA. NHSA sends sufficient information to the HFA to verify that the borrower is qualified for an MFA loan in terms of first-time eligibility, income level and geographic targeting.

7. NHSA purchases the loan and services it. NHSA warehouses the loans until a sufficient pool is available to swap with Freddie Mac or Fannie Mae for a Participation Certificate backed by the loans.

8. NHSA sends the Participation Certificate to the Trustee. The Trustee then sells the GICs and pays the cash proceeds to NHSA. NHSA continues to service the loans and remits payments to the Trustee.

9. Semi-annually, the Trustee, from loan payments and the interest earnings on the GIC, pays interest on the bonds and passes principal payments to the investor.

LESSONS

1. NHSA Role

Without NHSA's involvement, this financing would not have been possible. Along with bringing in Allstate Insurance as the investor, NHSA played a valuable role in negotiating the transaction and providing loan servicing.

2. History with MFA

NHS of Santa Fe over time had built a relationship with the MFA. NHS had provided homebuyer education and counseling on an earlier

MFA mortgage revenue bond, and had helped lower-income Santa Feans access those funds. They then provided homebuyer counseling for the MFA in certain rural areas of New Mexico. This experience, along with the successful participation in the NHSA First Mortgage Program, helped position NHS of Santa Fe to approach the MFA and move the relationship to a higher level. If this relationship had not been established around small successful projects, participation in the bond program would not have been likely.

3. Other HFAs

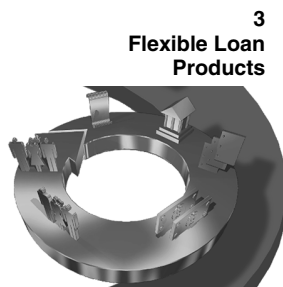
While this particular effort captured some real opportunities, it is important to recognize that housing finance agencies in many states may already be offering products that cannot be matched. For example, Anchorage NHS developed with the state Housing Finance Agency a creative use of proceeds from a bond refunding. (See *Winning Strategy #49* on Anchorage's participation with its state HFA.)

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NHS of New York City Closing Assistance Support for Homebuyers (CASH)

PRODUCT: Neighborhood Housing Services of New York City has developed a program called Closing Assistance Support for Homebuyers (CASH) to help homebuyers meet the out-of-pocket expenses of purchasing a home in New York City.



BACKGROUND

Several circumstances contributed to development and growth of CASH. As an early member of the NeighborWorks[®] Campaign for Home Ownership 2002, NHS of New York City sought to leverage that status around resources and program development. Secondly, NHS prepurchase counseling work showed that many potential purchasers fell just short of required cash for down payment and closing costs. Finally, the issue of higher rates of loan declination among minorities was prominent and of concern to financial institutions. These circumstances all contributed to NHS's effort to develop a closing-cost assistance product that could help lenders serve markets they were having difficulty reaching on their own. NHS also sought to develop a product that could be delivered without excessive administrative costs.

STRUCTURE

In CASH, a consortium of five financial institutions — Bankers Trust, Chase Manhattan, Chemical Bank, Bank of Tokyo, and Banco Popular — provided a loan of \$500,000 at 2 percent to NHS of New York City. NHS loans the money to borrowers at 6 percent and pays the consortium back. Bankers Trust acts as the lead lender in this consortium and manages the funds. The lenders also put up a \$5,000 collection account to cover potential delinquencies. Fuji Bank

has provided operating support to NHS for the CASH program.

PROGRAM REQUIREMENTS

Borrowers' income should not exceed 150 percent of median income. For a family of four, the income limit is \$62,550. Borrowers also must have successfully completed a mortgage counseling program, which is offered through the New York Mortgage Coalition (of which NHS is a member) or through the banks participating in CASH.

CASH loans are available on one- to four-family homes, cooperatives and condominiums.

- For homes and condominiums, borrowers must have a minimum down payment from savings of 3 percent of the purchase price; for cooperatives, 8 percent of the purchase price.
- First-mortgage loans on homes and condominiums can have a loan-to-value ratio of up to 95 percent; for cooperatives the maximum loan-to-value ratio is 90 percent.
- For homes and condominiums, the maximum debt-to-income ratios are 38 percent/40 percent; for cooperatives, the ratios are 33 percent/38 percent.

Maximum CASH loan size is \$15,000 with an interest rate of 6 percent and a term of between one and eight years. The average loan size has been approximately \$8,500. Average family income has been \$45,000.

HOW CASH WORKS

CASH was designed to be a program that could be administered simply. All documents related to CASH are standardized form documents, for quick preparation. The CASH loan itself is secured with a UCC filing statement, which eliminates some paperwork needed for mortgages. Underwriting of the CASH loan is done by the primary lender; CASH is processed simultaneously with the first mortgage.

Steps in processing a CASH loan are:

1. Buyers do mortgage counseling and are pre-qualified for a loan. Borrowers then apply for a first mortgage at one of the lenders participating in CASH. If they require down-payment or closing-cost assistance, the lender refers them to NHS.
2. The buyer and the NHS counselor fill out and sign the CASH application and submit it to the bank with the loan package.
3. The bank underwrites the application and issues a conditional commitment. This conditional commitment and the completed CASH application are faxed to NHS.
4. NHS issues the CASH loan commitment, the homeowner signs at NHS, and the CASH commitment is faxed back to the bank.
5. The bank tells NHS the closing date, which is always a seven-day minimum.
6. NHS prepares the CASH closing documents and a check, which are then sent back to the bank.
7. The closing takes place.

LESSONS

1. Meeting Bank Partners' Needs

CASH has proven to be an efficient tool for banks to expand their home-ownership lending. CASH is helping participating banks find a market of moderate-income buyers who are close to conventional borrowers, but who lack sufficient funds for closing costs. CASH is structured so

banks can use it for customers who approach them directly.

2. Unanticipated Costs

In negotiations about the CASH program structure, Bankers Trust required NHS to provide a letter of opinion on NHS's financial soundness. This added unanticipated costs to the program's development.

3. Debt in Back-End Ratio

In the negotiations, NHS sought to have the borrower debt associated with CASH counted in the back-end ratio. Since the CASH loan is not secured with a mortgage, this point was accepted. By counting the CASH debt in the back-end ratio, more families were likely to qualify.

4. Building Client Base

NHS views CASH as not only helping families buy homes, but also as a means of building a client base for home-repair activity at a later date.

5. Administration

The objective of developing a useful loan product with minimum administrative burden for NHS seems to have been met. Time spent processing a CASH loan is generally around three hours total.

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NHS of Reading Home Ownership Program (HOP)

OUTCOME: Neighborhood Housing Services (NHS) of Reading, Pennsylvania, developed an approach to financing home ownership that successfully leverages their revolving loan fund (RLF). This effort, the Home Ownership Program (HOP), provides an attractive 100 percent financing option for lower-income families.



BACKGROUND

Fifty-eight percent of Reading's population meets the HUD definition of low- and moderate-income and 30 percent of the housing stock is characterized as being in need of major repair. The early 1980s brought about a dramatic increase in the city's minority low-income population, primarily in the Hispanic community. Relatively low housing prices presented substantial opportunities for home ownership.

In the late 1980s, NHS financed home purchase with 100 percent loans from its revolving loan fund, producing only three or four new homeowners per year in the Sixth Ward target area. The loan fund was depleted quickly in this way, and the banks supporting NHS were reluctant to capitalize the fund.

What changed the situation was a Community Reinvestment Act (CRA) challenge to one of NHS's member banks seeking to acquire a bank in another state. Since the NHS director served on the bank's CRA committee and the bank needed a mechanism to make loans to low- and moderate-income borrowers, NHS presented the bank with an approach that both helped the bank and gave the NHS a new lending resource. Once this product was developed for one bank, NHS was successful in getting commitments from

other banks. HOP was expanded beyond the initial target area to be a citywide program.

COMPONENTS

HOP tries to eliminate major barriers for lower-income homebuyers by providing down-payment assistance and funds for property repair.

1. 100 Percent Financing

Through HOP, participating lenders provide a 90 percent first mortgage with no points, documentation fees or mortgage insurance. NHS provides a tandem 10 percent loan from the revolving loan fund with a flexible fixed rate and terms for down-payment assistance.

2. Qualification

Buyers are required to split a \$275 application fee with the bank. NHS's portion (\$125) equals the user fee; the bank portion pays for credit report and appraisal. Buyers must have a minimum of \$1,500 to cover closing costs, must have two consecutive years of employment history, and must qualify for the loan in terms of credit-worthiness and ability to repay the loan. The housing expense-to-income ratio may not exceed 33 percent and the total expense-to-income ratio may not exceed 38 percent.

3. Properties

Eligible properties must be one- to four-unit buildings, have a sale price not exceeding \$40,000 and must comply with city building codes. If buildings are not in compliance, NHS works with the new buyer to prepare specifications and bids for the rehabilitation work. NHS then helps the buyer access the city's PRIDE program, a low-interest rehabilitation loan program. In most cases, the seller pays for and makes the repairs.

4. Loan Processing

NHS made arrangements for lenders to process both their own first mortgage and the NHS's second mortgage, increasing the efficiency of HOP and doubling production.

5. REFERRAL AND APPROVAL PROCESS

Loans are sent to the lenders on a rotating basis unless a specific bank is requested by the client. If the lender approves the first mortgage, NHS approves the second based on predetermined underwriting guidelines set by the NHS's HOP Committee.

RESULTS Through HOP, NHS of Reading financed 69 home purchases in one year. Of these:

- Eighty-four percent of the families were African-American and/or Hispanic;
- Average annual income of buyers was \$19,800; and
- Monthly housing payments average \$338.

Along with increasing home ownership, NHS served markets traditionally underserved by financial institutions.

LESSONS

1. Understanding Partners' Needs

Development of HOP is an example of NHS recognizing the needs of its lender partners and working to meet those needs through product development. NHS has an aggressive outreach and marketing program in Reading and has a solid connection to the growing Hispanic community. This adds value to lender efforts to reach low- and moderate-income markets.

Along with satisfying lender partners' needs, HOP adds value to the city in a policy effort to create home ownership.

2. Advantages of Citywide HOP

In expanding commitments for HOP, the NHS was required to take its home ownership efforts citywide. This made NHS more productive in general and has created a new resource. It also helps in the NHS's corporate fund-raising strategy since the program covers a wider area.

3. Formalizing the Program

In implementing HOP, NHS struck a balance between the lenders who, with increased CRA pressure, were interested in widespread use of this product, and residents on the loan committee, who were more conservative in their loan approval decisions. What was initially a fairly informal agreement between the lenders and NHS had to become a more formal program with mutually agreed-upon underwriting guidelines.

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Neighborhood Housing Services of Richmond Partnership with Richmond Redevelopment and Housing Authority

OUTCOME: NHS of Richmond, Virginia, has developed a partnership with Richmond Redevelopment and Housing Authority (RRHA) to finance home-purchase loans and rehabilitation for RRHA's low- and moderate-income households moving from subsidized housing into home ownership.



BACKGROUND

NHS of Richmond has been in existence since 1981, and, since 1994, has served the entire Richmond population of 195,000 residents. In its citywide approach, it focuses more on lending. In 1998, NHSR established a NeighborWorks® HomeOwnership Center and uses the Full-Cycle LendingSM model, providing extensive pre- and postpurchase counseling, as well as low-interest loans to qualified homebuyers.

In February 1999, the city told RRHA that additional mortgage capital was needed for the RRHA program, and that funding sources needed to expand to provide it. RRHA approached NHSR for help because the two organizations had had a successful working relationship for 10 years. RRHA proposed that its homebuyers be sent through NHSR's mortgage program. After many meetings and negotiations, the organizations developed a program that allows RRHA customers to use NHSR's first-mortgage program. RRHA limits eligible homes to specific low- or moderate-income neighborhoods, and limits participating homeowners to earning no more than 80 percent of the area median income.

The partnership has created an opportunity for both organizations to increase production of first-time homebuyers. Both RRHA and NHSR include all participating customers in each agency's

statistics. The result is an attractive outcome for both organizations.

COMPONENTS

Program Outline. Before the partnership, RRHA customers would obtain mortgage loans through local lenders. RRHA was responsible for every aspect of the process, from rehabilitating the house and finding a buyer, to providing part of the mortgage and servicing the loan. Through the partnership, the procedure begins with RRHA obtaining a house to be rehabilitated. RRHA then identifies a potential buyer, who is directed to NHSR for financing. The customer attends an NHSR homebuyer-education class, receives pre-purchase counseling, and then applies for an NHSR low-interest loan. RRHA is primarily responsible for completing the rehabilitation on the home, but receives help from the NHSR rehabilitation staff. The completed rehabilitation needs to meet both organizations' standards, so the two staffs work together on fulfilling all requirements.

The partnership began in early 1999. The two organizations met several times to discuss the program's development before sending the first customer through the process. It took approximately nine months to develop program goals and guidelines, and to designate duties for each organization. The partnership needed to create a process that would fit both organizations and avoid any negative impact on customers. The program strives to minimize the number of meetings with customers, avoid duplicating services, and share information among RRHA, NHSR and participating customers.

Program Success. The most important factor in creating a successful partnership was for both organizations to invest sufficient time and energy to learn the details of each other's program. When two agencies work together with the same customers, each organization has to be consistent and knowledgeable about the other. It was essential, for example, that RRHA be acquainted with

NHSR's lending guidelines and procedures. NHSR, in turn, needed to understand RRHA's process for identifying homes and homebuyers, as well as its rehabilitation procedures.

Another factor was NHSR's high-caliber program and staff, including exceptional construction-management employees. NHSR's construction-management staff oversees the rehabilitation conducted by RRHA, and helps keep projects on track. Rehabilitation staff also work closely with potential homeowners on rehabilitation goals and accomplishments.

A final factor was NHSR's use of Neighborhood Housing Services of America's mortgage product, which gives NHSR the most-competitive interest rates in the community. NHSR is able to offer flexible lending through NHSA, an element in the NeighborWorks® system. RRHA is able to combine funds from its sources with NHSR funds and create an affordable mortgage for homebuyers. Because NHSA strives to develop long-term homeowners, it provides flexible products that allow RRHA to use grant monies and other funds in combination with NHSR loans.

Ongoing Collaboration. NHSR and RRHA have had several meetings to solidify their partnership and finalize program guidelines. The two organizations meet monthly in an ongoing dialogue that is vital to the program's success. Discussions typically cover such topics as guidelines, changes, achievements and obstacles.

Cost. There is little added cost for NHSR to take on additional customers from RRHA. NHSR staff time must increase to process the growing number of customers, but this expense is recovered through fees built into the mortgage processing.

RESULTS

- Three new homeowners are currently in NHSR's pipeline as a result of the partnership. Each is in the counseling process; homes have been identified; and the buyers are applying for NHSR loans.
- The partnership will reduce RRHA loan-processing time. Typically, it takes RRHA at

least nine months to close a loan. The collaboration with NHSR will shorten the process by at least three months.

- The program will help move people out of subsidized housing and into home ownership, helping the new homeowners build assets and community bonds.
- The partnership has strengthened the relationship between NHSR and RRHA, as well as the relationships with participating local lenders and the two agencies.
- RRHA is able to use NHSR loan products for qualified customers, while saving RRHA's small amount of lending capital for even higher-risk customers. This results in more homeowners being helped, and RRHA being able to focus on lower-income homebuyers.
- Banking partners are pleased with the two agencies' partnership. Having both organizations use common procedures appeals to their lending partners. Lenders are comfortable with both NHSR and NHSA procedures, and the partnership is helping them increase production and minimize risk.
- Through the partnership, NHS of Richmond will create 80 new home loans each year.

LESSONS LEARNED

1. RRHA is more flexible with some credit issues, such as bankruptcies, for example. All organizations in a partnership need to decide how to respond to differing standards and guidelines in order to collaborate successfully.
2. Developing a mortgage program in conjunction with another organization is a process. It can be difficult for an organization to let go of responsibilities and allow another organization to take over. It is important for the participating organizations to be well-acquainted, and understand each other's methods and guidelines. All staff need to know whom to contact with questions or information.
3. Developing this type of partnership takes time. Each organization needs to be patient

and allow the partnership to grow. Partners need time to absorb information and adapt to procedural changes. Programs and products transform and evolve, so flexibility and understanding are important throughout the project's evolution.

4. Open communications are vital. Partners must be informed of the needs and issues of each agency. Staff must be open-minded and know their organization's limitations.
5. Always keep the program goal in mind, especially when obstacles arise. Minor issues may need to be addressed, but they should be considered part of a larger process and kept in perspective.

6. Keep discussions positive. It takes time to get comfortable with change and with a new partner. Each agency may need to talk about negative perceptions and resolve those issues, but the overall atmosphere should be kept positive.

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Rural Opportunities Inc. Affordable Housing Finance Alliance

OUTCOME: Rural Opportunities Inc. participates in the Affordable Housing Finance Alliance, a housing strategy sponsored by Freddie Mac.

Freddie Mac, Mortgage Guaranty Insurance Corporation (MGIC), and Rural Opportunities Inc. are working together to increase home ownership among low- to moderate-income rural residents, while also striving to make the homebuying process less complex and costly.



Qualified loans are then sold to Freddie Mac without reserve, providing lenders additional capital for more loans. This combination allows the program to be financially self-sufficient, affordable for homebuyers and appealing to lenders. Alliance lenders are Chase, City Bank, Fleet, M&T and Ulster Savings Bank.

ROI can access several loan products through the alliance, including the Freddie Mac/NeighborWorks[®] program and Freddie Mac's standard "Affordable Gold" products.

USDA Rural Development also offers loan programs in conjunction with the alliance, such as the Guaranteed Rural Housing Program (GHRA). GHRA loan products are provided through particular lenders and offer below-market rates to low- and moderate-income households.

BACKGROUND

Rural Opportunities Inc. (ROI) was started in 1969 to address the housing needs of farm workers and low-income families. ROI began in Rochester, New York, and expanded to cover Puerto Rico and five other U.S. states: Pennsylvania, Ohio, Michigan, New Jersey and Indiana. ROI's home-ownership program began in 1994, and aims to strengthen communities through rural development and service activities. In 1999, Rural Opportunities Inc. helped 220 families purchase a home and provided education to 1,500 households.

The Affordable Housing Finance Alliance was instituted in 1997 as a comprehensive approach to increase home ownership in ROI's six states. The alliance has been operating in New York for eight months, and has recently been made available to ROI's other states. The program includes extensive pre- and postpurchase homebuyer counseling and special training for lenders. The objectives are to bring more housing opportunities to rural areas and help lenders connect with homebuyers who, otherwise, may not qualify for loans. ROI is responsible for outreach and counseling to homebuyers plus loan origination and processing. MGIC is responsible for underwriting, using standard underwriting procedures.

COMPONENTS

Program Purpose. Members of the alliance, including lenders, local nonprofits, state and local governments, local developers, home builders and real-estate brokers, want to bring affordable housing opportunities to rural areas. The objectives are to provide financing solutions to homebuyers, and prepare borrowers for home ownership.

Alliance Features. The Affordable Housing Finance Alliance concentrates on the following housing affordability issues:

- making connections among housing organizations to create an uncomplicated process for homebuyers;
- simplifying the outreach process for lenders, by having ROI pursue outreach with potential customers;
- producing loan products geared towards low- and moderate-income households that do not involve excessive risks or restrictions;
- generating a broad customer base, to help the program be self-sustaining; and
- offering loan-origination fees no higher than for traditional loan products, making the program attractive to both lenders and borrowers.

Loan Process and Products. Lenders offer Freddie Mac mortgage products that require a homebuyer to have \$1,000 of the homebuyer's own money or two percent of the home's value for a down payment. The remaining three percent can come from grants, gifts or unsecured loans. Families are counseled using the Neighbor-Works® Full-Cycle LendingSM process, where homebuyers receive prepurchase education and counseling, plus postpurchase support to help resolve any delinquency issues that may arise. Applicants are required to participate in a minimum of eight hours of prepurchase counseling.

Program Self-Sufficiency. One method the alliance is using to create a financially self-sufficient program is requiring lenders to pay for membership and fees. This provides a sustainable method of cost recovery. Like a business relationship, ROI performs a service for the bank and, in return, is compensated for its services. ROI essentially acts as a broker for lenders and is paid for its assistance in facilitating the mortgage process.

The program is assisting traditionally underserved markets, helping to generate a growing loan volume. Pursuing a high loan volume is another factor helping to achieve a self-sufficient program, plus making the program attractive to lenders.

Training for Lenders. The alliance is training lenders to work with the program. Lenders learn how to identify potential customers who may qualify if they participate in ROI's prepurchase counseling programs. Training lenders is essential in that it decreases applicant denials, and helps to identify potential program participants. The alliance teaches lenders to identify good customers and encourages lenders to refer challenging applicants to the program rather than to decline them. ROI provides lenders with substantial program information so they can inform and direct potential homebuyers to ROI.

Marketing and Resources. Freddie Mac is committed to the alliance and has made financial contributions towards program start-up costs. Freddie Mac has also made marketing and public relations resources available to the program, and has arranged for ROI to take advantage of several

marketing strategies. The marketing campaign for the alliance, "Expanding the Dream," includes camera-ready artwork for print advertising, direct mail, posters, brochures and newsletters. Freddie Mac has also developed public-service announcements, press releases and radio commercials for the program.

The alliance also provides ROI with an opportunity to take advantage of loan performance-analysis resources. The chance to utilize this resource will be extremely helpful for ROI, as it then will be able to effectively demonstrate which loans perform best.

RESULTS

- 54 percent of families receiving ROI loans received alliance home-purchase products in 1999.
- Previously inaccessible loan products are now available to ROI homebuyers and the loans are easier to process. The program allows ROI to originate loans without having to go to several banks. This channeling of loan products through one source is making the process less cumbersome.
- Involvement in the Affordable Housing Finance Alliance gives ROI leverage. Freddie Mac and the other partners in the program have prestige and influence, which affects ROI in a positive way when applying for grants or preparing reports. The stature of the organizations involved in the alliance helps the group operate effectively.
- ROI is recovering certain costs, which is unusual for many nonprofit housing agencies. Fees received from lenders are providing ROI with a great revenue source.
- The program benefits families. The homebuying process is much easier for customers with this program. Applicants are not steered to the bank until the loan is approved, which creates peace of mind for customers. There is no duplication of paperwork, which makes the process seamless and much less intimidating from the homebuyers' perspective.

LESSONS LEARNED

1. Staffing

Employ staff members who have lending experience. The alliance is involved in many technical aspects of the lending process, thus it is important to have educated and competent staff. The local NeighborWorks® organization also needs to provide effective and suitable training.

2. Freddie Mac Partnership

Working with Freddie Mac was less complicated than expected. Partnering with Freddie Mac was fairly easy considering the size and intensity of the organization. ROI wants to expand its loan program even further, because of continuing difficulties reaching very-low-income families, but is pleased with the products the alliance provides.

3. Benefits to Freddie Mac

The alliance helps Freddie Mac. Freddie Mac needs to fulfill requirements designated by Congress, and the program helps accomplish these requirements.

4. Start-up Time

Start up of the program has taken more time than ROI anticipated. ROI expected the program to be up and running within a year, but the process stretched out for 18 months. ROI believes that program start up may be more efficient if the sponsors focus on one area at a time, rather than starting the program system-wide. Holdups and obstacles are inevitable when starting a new program, and participating organizations should be prepared for delays and difficulties.

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Rural Opportunities Inc. Savings Incentive Plan

PRODUCT: The Federal Home Loan Bank (FHLB) of New York's First Home Club matched with \$3 every \$1 that an eligible family deposited in a special First Home Club account. The combined funds then went toward down-payment and closing costs for buying a home.



BACKGROUND

Banks regularly refer to ROI mortgage-loan applicants who have not qualified for conventional financing. In 1994, the Monroe County Community Development Administration told ROI about the First Home Club. After teaming up with First Federal Savings and Loan as the required applicant bank, ROI became a sponsor of First Home Club and the applicant bank got its first round of funding for the program.

For each of the first two years of its involvement in the program, First Federal received approximately \$500,000 in FHLB Affordable Housing Program (AHP) funds. These went to First Home Club and to a mortgage buydown program operated in conjunction with First Home Club.

COMPONENTS

1. First-time homebuyers received up to \$5,000 in matching funds under the incentive program. To be eligible, homebuyers' household income had to be 80 percent of the local median income or below.
2. Eligible families were those who did not qualify for a mortgage loan under standard underwriting guidelines but were creditworthy based on flexible, non-traditional underwriting.
3. Eligible families were required to open a First Home Club savings account with the applicant

bank — in this case, with First Federal Savings & Loan. Families could use the First Home Club savings account only for the systematic deposit of savings for down payment on a home purchase.

4. Families attended a NeighborWorks® Campaign for Home Ownership 2002 counseling course. Instructors and curriculum that ROI uses are certified by the Campaign.
5. Families were expected to make monthly deposits to their First Home Club Savings Account for long enough to accumulate a down payment and to finish counseling. This period was generally expected to be at least six months.
6. When the applicant institution certified that a family had completed the required home-ownership counseling, the family became eligible to have their First Home Club Savings matched at a ratio of three to one, up to \$5,000.
7. Financial institutions also could apply to the Federal Home Loan Bank to use AHP funds for closing-cost assistance and writedowns of mortgage interest rates or mortgage principals.

Mortgage Buydowns

Rural Opportunities, after working with families to determine what price of house and how much debt each one can carry, offered a pro-rated forgivable loan at zero percent interest for up to 30 years, to make monthly payments affordable.

The FHLB could forgive loans up to ten years but required that the AHP loans be affordable for 30 years. Therefore, ROI put in a second deed of trust to make the loans affordable for 30 years.

If, over the 30-year life of the loan, the homeowner sold to a family that did not qualify under low-income guidelines, the seller would owe a pro-rated share of the ROI subsidy amount. If the homeowner sold to another family that did qualify as low-income, the seller would not owe any share of the loan.

LESSONS

1. Program Guidelines

ROI learned in its first year of First Home Club participation that the FHLB's program guidelines were not always firm. Guidelines had in fact changed between the beginning and end of the year. ROI learned from that the importance of having clear guidelines up front. The FHLB of New York asked ROI for suggestions of possible program changes.

2. Collaboration with FHLB

Working with the FHLB was a good experience because the FHLB had a commitment to making First Home Club work, according to ROI. This was evidenced by the FHLB assigning staff and resources to the program.

The FHLB of New York received approval of its request for an annual transfer of \$1 million in AHP funds to the First Home Club program. This was intended to make First Home Club available to a greater number of potential first-time homebuyers

3. Program Expansion

ROI is expanded its First Home Club to include Genesee County and applied again for funding

with First Federal Savings and Loan. The FHLB awarded \$320,000 for that First Home Club program. ROI applied to Neighborhood Reinvestment Corp. for funds to subsidize the expansion.

In Monroe County, ROI had HOME funds backing the program.

4. Effectiveness of Incentive

ROI rates First Home Club as a good incentive program because it has relatively few rules and is not daunting to homebuyers. All that is required of the homebuyer to receive the matching funds is to set up a savings account with the applicant bank.

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Rutland West NHS Home-Ownership Lending Products

PRODUCT: Rutland West Neighborhood Housing Services (NHS) successfully developed a line of credit with a local bank and is participating in Neighborhood Housing Services of America's (NHS) Forward Commitment Program. This case study describes how these products evolved as components in a NeighborWorks® Full-Cycle LendingSM strategy.



BACKGROUND

Rutland West NHS is a countywide program serving Rutland County, Vermont. The housing market in rural Vermont is soft. The area's economy was hit hard by the recession in the early 1990s. Most of the families NHS serves have incomes at 60 percent to 90 percent of the area's median, which translates into annual incomes of \$16,000 to \$28,000. House prices generally range from \$50,000 to \$70,000.

Rutland West NHS has slowly evolved an approach to home ownership that capitalizes on several opportunities. With an initial focus on owner-occupied rehabilitation, the program, on a case-by-case basis, helped a few families buy homes. Gradually, NHS began to help more homebuyers, occasionally experimenting with other models such as the community land trust and Farmers Home Administration Section 502 loans.

PRODUCT DEVELOPMENT

Rutland West NHS became more involved with home-ownership lending and approached Vermont National Bank. The bank had initiated a Socially Responsible Banking Fund to make investments in agricultural development, small business development, the environment, education and affordable housing. While the fund had attracted \$30 million in deposits in two years,

there was some difficulty in getting the money out. Rutland West opened a \$500,000 line of credit with the fund.

Having access to this line of credit enabled NHS to expand its home-ownership interventions and use its underwriting criteria in exchange for full recourse on all loans. Rutland West absorbed all the risk associated with borrowed funds as a trade-off for the use of flexible underwriting standards. For example, loan-to-value ratios as high as 95 percent were allowed without private mortgage insurance. Also, given the hard economic situation in the region, irregular work histories and credit problems with verified explanations were acceptable.

Since this portfolio performed well, Vermont National Bank expanded the line of credit, diminished the resource requirements and lowered the cost of funds. The terms were extended to \$1.25 million at 7 percent for three years. NHS assigns an 8 percent cash reserve to the bank along with all the mortgages made. Loans originated through this line of credit are structured as three-year adjustable rate mortgages (ARMs) with a maximum one-point fluctuation at the change date, not to exceed three points over the life of the loans.

NHSA PRODUCT

The NHSA Forward Commitment Program is an effective product to serve both the needs of NHS clients and the organization's risk-management objective. In 1994, Marble Bank signed an agreement with NHS and NHSA to close up to \$750,000 in first mortgages. Under terms of the agreement, loans are packaged by NHS, closed by Marble Bank and serviced for approximately 45 days, then sold without recourse to NHSA.

The borrower pays NHS one point as an originator fee at closing; NHSA pays NHS a \$500 packaging fee. The product is particularly attractive in the Rutland region since it allows purchase with rehabilitation and refinance with rehabilitation.

NHS uses both of these products regularly. The NHSA product is viewed as a first-choice prod-

uct. If the borrower is unlikely to be eligible for the NHTSA product or is rejected, the Socially Responsible Banking Fund line of credit is used, since its underwriting criteria are more flexible. For example, if a client is creditworthy but has a spotty work history, that loan would more likely be originated out of the line of credit.

LESSONS

1. Building Confidence

In negotiating the initial agreement with Vermont National Bank and its Socially Responsible Banking Fund, NHS assumed that Home Mortgage Disclosure Act and Community Reinvestment Act requirements would make the bank eager to negotiate a deal favorable to NHS. Because NHS had minimal home-ownership lending experience and because no precedent existed locally, the organization was somewhat at the mercy of the bank. Rutland West won the bank's acceptance of NHS's underwriting standards and, as a result, was able to make good loans that would not have otherwise been made.

2. Back-up Product

In setting and achieving objectives for home-ownership production, it was important for NHS to have a back-up product behind the NHTSA product. In this case, the more flexible back-up product was the Vermont National Bank line of credit.

3. Cost Recovery

In these loan agreements, NHS attempted to recover some of its operating costs. It charges one point to the borrower in addition to any charges made by the lender. On loans involving rehabilitation, the NHS assesses a 15 percent construction-management fee. This fee can be less when a borrower is managing his or her own rehabilitation work.

4. Postpurchase Work

NHS stresses the importance of postpurchase counseling as an important component in its Full-Cycle LendingSM approach. Rather than viewing postpurchase counseling and foreclosure intervention as program add-ons, the NHS sees the whole range from prepurchase counseling through postpurchase counseling as integral to strengthening its loan underwriting.

5. Using Caution with Credit Line

Once the Vermont National Bank credit line proved successful, the bank increased the loan amount. NHS exercised caution in keeping the credit-line amount manageable and in capping NHS's potential liability.

6. Increased Exposure

As the program grew, it gained the attention of real estate agents who referred clients to NHS.

7. Attention to Systems

Two years ago, NHS could not have foreseen such an increase in the volume of home purchases and its access to a \$1.25 million line of credit. This growth has required attention to the NHS lending system and an ongoing review of loan policies.

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Salisbury Neighborhood Housing Services IDA Program

OUTCOME: Salisbury, Maryland, NHS has developed an Individual Development Account (IDA) program to help people with credit and high-debt issues pay down their debt and save money toward home ownership. The IDA program expects members to save \$10 a week for two years; Salisbury NHS matches the savings two-to-one at the end of each year. At the end of two years, participants will have saved \$1,000 and will receive \$2,000 from SNHS, making a total of \$3,000. Money in the account is then available for a down payment on a home.



BACKGROUND

Salisbury NHS opened in 1994 to revitalize neighborhoods in three target areas and promote home ownership. The population of Salisbury is 30,000, and each year SNHS serves approximately 500 people from the community. Salisbury NHS provides homebuyer training, resident-leadership training, the IDA program, a revolving-loan and rehabilitation program, a closing-cost assistance program, and pre- and postpurchase counseling.

The IDA program at Salisbury NHS started in September 1998. SNHS applied for and received start-up funds from Neighborhood Reinvestment Corporation to apply toward the program's matching-money and administrative costs for one year. Salisbury NHS became one of 10 pilot IDA programs initiated by Neighborhood Reinvestment in conjunction with the Corporation for Enterprise Development (CfED), a leader in the IDA field. CfED organizes conferences, presents best-practices and coordinates IDA program funds. Any organization interested in organizing an IDA program should contact CfED or visit

Web sites such as www.cfed.org or www.idanetwork.org.

COMPONENTS

1. Program Requirements

Members of the IDA program are required to save \$10 a week for a year. The money is deposited into a savings account at one of two banks that SNHS has partnered with. In addition to building savings while in the program, members also work on paying down debt and paying off existing collections. SNHS helps members create a budget and stay within its guidelines. After a participant has saved for a year, SNHS doubles the amount in the bank account (up to \$500) and deposits the match into the same account. If a member saves more than \$1,000 in two years, the matched amount from SNHS remains a total of \$2,000.

The bank partnerships developed when Salisbury NHS sent letters to several institutions in the community asking support for the IDA program. SNHS described the program, asked for interest rates and requested that fees and requirements for minimum balances be waived. The two banks that responded were First Shore Federal and Bank of Maryland.

IDA program participants meet monthly, for two-and-a-half hours. During meetings, members discuss success stories and any issues or problems encountered that month. Group members clip discount coupons to share at meetings. They report on participating in community projects, and announce upcoming volunteer opportunities. The monthly meetings provide opportunities to give and receive support regarding issues and obstacles, plus discuss members' goals and achievements. The group also brainstorms fundraising ideas, to help build monetary assets for the program.

Each member is required to meet with the housing counselor at Salisbury NHS monthly to review personal financial issues and budget or credit problems. This allows members an oppor-

tunity to receive encouragement as needed and discuss confidential personal issues.

IDA members are required to complete one volunteer project a quarter. SNHS suggests volunteering in community-oriented activities such as neighborhood cleanups or feeding the homeless.

Program participants are required to participate in Salisbury NHS's homebuyer training before buying a home.

Each member is required to attend Salisbury NHS's resident-leadership training, once homebuyers training has been completed.

2. IDA Program Provisions

When participants register for the program, an agreement is signed that designates the IDA savings for home purchase. Members may withdraw money in case of an emergency, but the bank must receive the member's signature plus the signature of SNHS's housing counselor. Members who withdraw money for emergencies must replace it as soon as possible to remain in the program. Members who leave the program are not eligible for matching funds, but are entitled to the money they contributed.

3. Fundraising

During the program's first year, Salisbury NHS established fundraising strategies to ensure its continuation once start-up funds were depleted. SNHS sends fundraising letters to organizations, and the housing counselor visits potential donors. Donations to the IDA program are obtained from several sources. Salisbury NHS appeals to churches and church congregations. A local PTA allows SNHS to place a donation jar at its meetings. The Department of Social Services donates \$5,000 to the program, plus referring clients as potential IDA members.

4. Member Recruitment

SNHS reviewed old files to identify previous loan applicants who might be appropriate for the IDA program. Most members are loan applicants who were denied due to extensive credit and savings problems.

5. Member Summary

Currently, 12 households are in the program. Of the 12, one is a single male, one is a couple, and 10 are female-headed. Most participants are high-school graduates; several are still in school. Members work either part-time, full-time, receive social services, or combine sources. All members are very-low-income, with incomes ranging from \$9,000 to \$13,000 a year.

6. Program Coordinator

SNHS does not currently employ a full-time IDA coordinator. Instead, SNHS's housing counselor also leads the IDA program. The housing counselor spends approximately 25 hours a month coordinating and facilitating the IDA program, but feels it could easily utilize a full-time employee.

7. Cost

The program's principal cost is staff time. Substantial time and energy are required to coordinate and facilitate the meetings, carry out fundraising activities and conduct counseling sessions. Other expenses include training materials, resource books and office supplies for fliers and mailings.

RESULTS

1. There are 12 participants in program.
 - One couple saved \$900 in a year.
 - Three households did not reach \$500 this year, but remain part of the program and continue to save.
 - Eight households saved at least \$500.
 - Two households completed homebuyer training.
 - One household completed resident-leadership training.
 - One household plans to purchase a home by summer 2000.
 - Several households are now debt-free and focusing exclusively on building their savings.
 - All members continue to work on credit and budgeting issues.
2. Program members are participating in community projects. Members have volunteered at the Life Crisis Center, a neighborhood block

party, church functions and neighborhood clean-ups.

3. The program is inspiring members to stay involved in community projects. Program members are taking it upon themselves to get involved in neighborhood activities and community organizations.

STRATEGIES FOR SUCCESS

- Recruit appropriate participants for the program. Enlist members who are eager to become homeowners and determined to conquer financial obstacles.
- Hire the right person as IDA coordinator. It is essential to have a dedicated, assertive and resourceful person to oversee the group and help it function.
- Hire the IDA coordinator full-time. Managing the program is time-consuming. There are evening and weekend meetings, fundraising activities, one-to-one counseling sessions, outreach programs, and overall managing tasks. Accomplishing program objectives and doing the job well take time.
- Connect with partners who are stakeholders in the community. Support from Neighborhood Reinvestment as well as aid from the Department of Social Services, churches and banks have been critical to the program's success.

- Allow the program to evolve. It takes time for a group to develop unity and trust.
- Anticipate that several initial members may exit the program after a time, leaving more-committed members in place.
- Do not allow obstacles to stand in the way of progress. Complications are inevitable, and it is important to identify problems and solutions. Include staff members and program participants in discussing and resolving program issues.
- Conduct outreach to potential donors in person. Bring suitable materials and leave a reference packet. Explain the program in detail and provide specific expectations, so partners and donors feel prepared and informed.

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Salisbury Neighborhood Housing Services Employer-Assisted Housing Program

OUTCOME: Salisbury Neighborhood Housing Services helped to design a state-sponsored employer-assisted housing program, Live Near Your Work, which it now operates in three targeted neighborhoods.



BACKGROUND

Salisbury NHS (SNHS) works to revitalize three older neighborhoods in the city of Salisbury, MD. An important part of the organization's strategy is to increase home ownership rates, by developing more qualified buyers through education and training, and by making homes for sale in SNHS neighborhoods more competitive with special financing and marketing.

In 1997 Salisbury became one of the six pilot sites testing a state initiative, Live Near Your Work, in which the state government and local employers match a homebuyer's down payment in targeted neighborhoods. Salisbury NHS, which helped design the initiative, operates the program for the state in the three NHS target neighborhoods.

The pilot study will last one year. If it is successful, additional money will be requested from the state legislature to continue the program. Salisbury NHS received \$25,000 from the state to implement the program there. The first employer to sign up for the program, Salisbury State University, has set aside \$10,000 for the program, which will allow ten of its employees to utilize the program.

COMPONENTS

1. A homebuyer chooses a house in a designated neighborhood and contributes \$1,000 of his or her own money toward the purchase. The

homebuyer's employer matches that with an additional \$1,000 as does the NHS and the state of Maryland — adding a total of \$3,000 to the purchaser's own savings. The state money is a grant and the employer and NHS match are five-year forgivable loans.

2. The NHS offers special loan products to buyers, including below-market rate mortgages, additional down-payment assistance, and significantly reduced closing costs.
3. Participants do not have to be first-time buyers and there are no income or purchase price restrictions. Through another program, there are additional matching funds available up to \$5,000 for purchasers with incomes below 80 percent of the area median income. This helps SNHS serve an economically diverse customer base.
4. Each employer determines its selection and eligibility criteria. Salisbury NHS provides promotional material and informational sessions as needed. Individual employers also market the program to their employees.

RESULTS

1. Since the program's inception in July 1997, eight employers have signed up for the program in Salisbury, including Salisbury State University, two banks, a local hospital and several neighborhood-based businesses.
2. Eight employees have bought homes through the Live Near Your Work program.
3. As a result of working together on this program, Salisbury State University has become more aware of other SNHS efforts in the Camden neighborhood and has joined the NHS in other neighborhood projects such as clean-ups. The NHS and the university now have an ongoing dialogue on potential neighborhood projects and planning issues.

LESSONS LEARNED

- Educational institutions have a self-interest in the health of the community in which they are located. Nonprofits working in the neighborhood can benefit greatly by taking the time to let the educational institutions know what they are doing and suggest ways they can work together. The potential for sharing resources and expertise grows over time and in ways that are not always obvious at first.
- Special programs such as Live Near Your Work can encourage families, who otherwise

would not have considered it, to look into the possibility of home ownership.

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Neighborhood Housing Services of Savannah Sale of Home Loans to NHTA

OUTCOME: Neighborhood Housing Services (NHS) of Savannah, Georgia, was the first NeighborWorks® organization to sell loans originated from HOME funds to Neighborhood Housing Services of America (NHTA). This helped provide an infusion of loan capital to the city and NHS.



COMPONENTS

Although NHS had sold loans from Community Development Block Grant (CDBG) funds, some initial obstacles appeared when a sale of HOME-originated loans was contemplated. It appeared that the first and second mortgages being originated from HOME funds could not be sold to NHTA. When HOME funds are disbursed to a local participating jurisdiction they are disbursed into a HOME trust fund. Repayments on those HOME funds are required to go back into the trust fund.

To overcome this obstacle, NHS and the city worked cooperatively on a creative plan. NHS originated first and second mortgages from HOME funds and assigned those loans to the city of Savannah. The city then sold those loans to NHTA, and the proceeds from that sale went back into HOME funds allocated to NHS by the amount represented by the loan sale.

In this scenario, NHS assigned to the city of Savannah \$400,000 of first and second mortgages originated with HOME funds. The city announced its interest in selling those loans and, following appropriate procurement procedures, was required to solicit potential purchasers of this

portfolio through a competitive bid process. Since the loans originated were outside the parameters of typical secondary market purchases but were typical of NHTA purchases, NHTA was the successful bidder. The city then sold those loans to NHTA and put the proceeds back into the HOME trust fund and then increased its HOME allocation to the NHS by \$400,000.

LESSONS

1. City Government as Partner

The foundation of this approach was a strong relationship with local government. The city of Savannah saw an opportunity not only to help NHS but also to expand its own use of HOME funds through this innovative loan sale.

2. Infusion for HOME

The loan sale provided a large cash infusion for the city's HOME program instead of a smaller stream of individual payments over time.

3. Flexibility of Partners

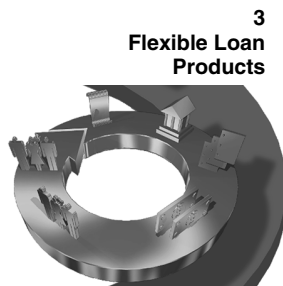
As the NHS of Savannah director said, "A lot can be accomplished if you think things through." The city, NHS and NHTA were flexible and creative in their approach to the problem of selling HOME-originated loans. Their ability to work together resulted in a groundbreaking solution that can be replicated in other cities where a NeighborWorks® organization uses HOME funds for lending.

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Syracuse Neighborhood Housing Services Line of Credit

OUTCOME: Syracuse Neighborhood Housing Services (NHS), Syracuse, NY, was able to obtain a source for 80 percent first mortgages and 20 percent and over second mortgages.



BACKGROUND

Syracuse NHS needed a second-mortgage source to assist buyers with lower down payments on purchase-rehabilitations in situations where the project cost might exceed the appraised value.

COMPONENTS

1. Requests

Syracuse NHS first approached Chase Manhattan Bank with an open-ended request for 30-year first mortgages, a line of credit, and second mortgages for between 80 percent and 100 percent of appraised value. The bank agreed to the first mortgages and the line of credit but declined on the seconds.

Solvay Bank is a smaller bank with one location in downtown Syracuse and one in the suburbs. A representative from Solvay had been recruited to serve on the NHS board. The bank was looking for CRA-type lending opportunities and was presented with this one.

2. Product

- Solvay said it would do first mortgages at 80 percent loan-to-value (LTV).
- The bank would provide an unsecured line of credit at 4 percent to NHS.
- From this credit line, NHS would originate seconds at 6 percent to the buyer.
- Solvay would then buy that second mortgage from NHS in six months and would either hold it or sell it to Neighborhood Housing Services of America (NHSA).

- Buyers would be required to put down a minimum of \$500.
- Solvay would do five loans as a start; the average second was estimated to be \$8,500.

3. The Approach

The Solvay NHS board member brought the president of the bank to the NHS office. They toured the neighborhood, and the bank officer was impressed with the quality of NHS's work. The president was given a two-page description of this product. The next day, a bank loan officer sat down with the NHS loan packager and reviewed a file showing a typical borrower and the completeness of NHS loan-packaging work. At first, Solvay wanted to use the two-page description as an agreement; the NHS wanted to use the NHSA agreement but found it too lengthy. Initially, this program was done with no written agreement.

4. Selling Points

The selling points were:

- Keeping it small (at five loans) at the beginning, with a maximum exposure of \$50,000. This way, the bank didn't have to jump in with both feet.
- Putting the bank at no risk of turning down applications, since NHS packages and underwrites the loans and reviews them with the lender before actual applications are made to the lender.
- Having direct access to the bank's decision-maker and having the lending officer from Solvay in the initial meeting about typical borrowers.

The most difficult selling point was the recourse provision. However, given the small size of the initial deal and NHS's ability to use the credit line to buy back a loan, this obstacle was overcome.

5. How does the program work?

- A potential borrower comes into NHS and fills out an application.
- NHS does a credit check and verifications.

- NHS faxes the applications and background information to the bank; the bank determines if it will buy.
- The borrower comes back into NHS office and meets with a bank loan officer.
- The NHS loan committee reviews the loan.
- The day before closing, NHS draws funds down into a checking account for the loan amount and makes disbursements.

LESSONS

1. Small Test

This is a good product for a local small bank. A small test was prudent in order to get the bank involved.

2. Lender Confidence

The lender has to have confidence in the loan-packaging capacity of the organization to be convinced to become a partner. This approach demonstrated to the lender that capacity was there.

3. Applicability

The product is a useful tool for purchase-rehabs with LTV problems and for borrowers with small down payments.

Syracuse NHS Line of Credit Program Description and Pro Forma

Advantages of Program

1. CRA, HMDA Value

The bank will get CRA credit for making a commercial loan or business line of credit to NHS. Once it buys loans, it will then get a dot on the HMDA map. Because NHS makes the origination decisions, the bank will not experience any loan declines.

2. Reduced Rate, Credit Risks

Because the bank will buy loans at an average yield above prime, its rate risk is less than if it were only earning 4 percent.

For the bank, credit risk is also reduced because NHS will season the loans for at least six months. The bank will only buy loans with a good payment record.

3. Customer Base Expansion

Because the bank will service the loans after the loan has been seasoned by NHS, the bank will have the opportunity to add to its customer base for other banking services. The bank will have the opportunity to gain new depositors, consumer loan clients, etc.

4. Reduced Costs

Because NHS will process and fund all loans, the bank will have no overhead for loan origination costs. Because loan servicing costs are greatly reduced by economies of scale, the bank's cost of servicing will be a lot less than NHS's costs, helping to reduce the cost to the borrower.

5. Lower Fees

NHS charged a flat processing fee for each loan application, which can be incorporated into the loan amount. For loans that involve rehabilitation, NHS also charged a construction management fee (based on a percentage of the construction amount) in order to recover its costs of writing the scope of work, assisting the owner in the bidding process, managing construction draws and making construction inspections.

6. Potential for Secondary Market Sales

The bank will be able to sell the loans, with recourse for a period of time, to Neighborhood Housing Services of America (NHTSA) as long as the sale proceeds go back into the program. If a loan sold to NHTSA becomes 90 days delinquent, the bank must repurchase or replace the loan.

PRO FORMA

Example of purchase price of property with rehabilitation, if any, and closing costs.

Down payment (owner's cash)	\$ 500
Bank mortgage \$45,000 (80%)	36,000
Second mortgage	8,500
TOTAL PROJECT COST	\$45,000

Mortgage Data

\$36,000 at 7% for 25 years	\$255/month
8,500 at 6% for 10 years	95/month
Estimated Taxes	115/month
Estimated Insurance	30/month
TOTAL	\$495/month

Example of affordability: \$495.00 PITI is affordable to a family with \$21,214.00 annual income with less than \$142.00 in monthly debts.

Five Loans

First mortgage	\$180,000
Second mortgage	42,500
TOTAL	\$222,500

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West Side Neighborhood Housing Services Down-Payment Assistance Program with Local Catholic Parish

OUTCOME: A down-payment loan program of West Side Neighborhood Housing Services (NHS) is funded in part with a \$50,000 grant from Our Lady of Loretto (OLOL), a neighborhood Catholic parish in the West Side NHS target area.



BACKGROUND

The West Side neighborhood is an ethnically diverse community of whites, African Americans, Hispanics, Native Americans and Vietnamese. Housing stock is primarily single-family and two-unit properties. In recent years, a significant number of formerly owner-occupied properties became investor-owned and undermaintained. NHS focused on increasing owner-occupancy through home-ownership promotion. Helping families overcome down-payment obstacles is an important component in this approach.

COMPONENTS

1. Down-Payment Assistance

West Side NHS will loan a portion of the down payment and/or closing costs to lower-income buyers of houses on Buffalo's West Side. Each buyer must have at least \$500 of his or her own funds and be able to support mortgage payments. NHS provides prepurchase counseling to buyers and will loan up to \$5,000 for down-payment and closing-cost assistance. After purchase, NHS continues to provide budget counseling and can assist owners wishing to make repairs and improvements. The NHS loan committee determines loan terms; the rate is from one to five percent and the repayment is from five to 15 years.

2. Funding

The program is funded with CDBG funds, a grant from Neighborhood Reinvestment, money from

M&T Bank and, most recently, a grant from Our Lady of Loretto Church. Money from the church is used to assist those buying properties within the Catholic parish, which covers about one-fifth of the NHS target area.

3. Selling Points

The parish, which was bequeathed \$50,000, and, like NHS, was concerned about adjacent neighborhoods, originally planned to buy, rehabilitate and resell problem buildings. An NHS board member introduced the NHS executive director to a group of pastors working on neighborhood issues. Because of this connection, the OLOL pastor perceived NHS as a resource. NHS suggested an alternative way of investing the \$50,000 — making small down-payment assistance loans with M&T Bank to families buying within the parish boundaries.

The NHS executive director presented this idea to the parish council. A major selling point was that by participating in down-payment assistance, the church could positively affect many more families and buildings, and leverage more than \$2 million. The response was enthusiastic. The NHS executive director designed the specifics.

4. Use of Church Funds

- Borrowers must meet certain income guidelines. Loans from the OLOL averaged \$1,200 with an interest rate between one to five percent and a term between five and 15 years (determined by need).
- Buyers must select a property within parish boundaries, but they need not be parish members.
- The OLOL loan is used with M&T Bank, which offers a portfolio loan product providing primary financing and partial closing-cost financing.
- If down-payment assistance is necessary, it is advisable to include the contingency of receiving an NHS loan in the purchase contract.

- After the purchase agreement is signed, the buyer brings in required information (listed below).
- NHS loan committee makes a decision within three weeks of receiving the application.
- When NHS approves the loan, a draw-down of funds is requested from OLOL. The funds are placed in a special projects account and accounted for in a separate ledger.
- When funds are distributed at the loan closing, a thank-you letter is signed by the new homeowners and sent to national and local elected officials.
- NHS services each loan. Repayments are applied toward additional OLOL loans. A statement concerning OLOL funds is sent monthly.

5. Required Borrower Documents

After the purchase agreement is signed, the buyer brings in the following information:

- Completed West Side NHS application;
- Signed contract on the house;
- Tax records (1040s) for past two years;
- Proof of present salary;
- Proof of credit worthiness; if no formal credit history is available, rent receipts or utility payment receipts are required.

RESULTS

In a year's time, the West Side NHS Down-Payment Assistance Program helped 73 families buy homes. Of those, OLOL funds assisted 12 families. In addition:

- 32 percent of the properties have changed from investor-owned status to owner-occupancy.
- 29 percent of the buyers earn less than 50 percent of median income (e.g., maintenance workers, factory workers, health care workers).
- 45 percent earn 50 percent to 80 percent of median income (e.g., office workers, food service workers).
- 26 percent earn 80 percent to 115 percent of median income (e.g., teachers, police officers).

- 25 percent are female heads-of-household.
- 40 percent of the families represent a minority.
- Altogether, the 73 families had 103 children.
- Sale prices clustered in the \$38,000 to \$62,000 range; average down-payment loans ranged between \$3,000 and \$5,000. The OLOL loans, averaging \$1,200, ranged from \$190 to \$3,373.

LESSONS

1. Leverage

A group of pastors was familiar with NHS and saw it as a resource. NHS convinced the parish that, instead of directly buying and rehabilitating, a down-payment assistance program could leverage modest resources and produce a greater impact. In this way, small down-payment assistance loans are helping to leverage a large amount of home-ownership activity.

2. Common Interests

While most urban congregations do not have surplus resources, they often are concerned about their surrounding area. The West Side NHS approach links those concerns about neighborhood stability to NHS's interest in promoting home ownership. The interests of both the parish and NHS are met. In this specific example, a fairly modest resource goes a long way.

3. Thank-You Note

Having the new buyer sign a thank-you letter to elected officials who make resource-allocation decisions is a nice touch. Because this thank-you is part of the loan process, it does get written.

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Section 4 Property Services

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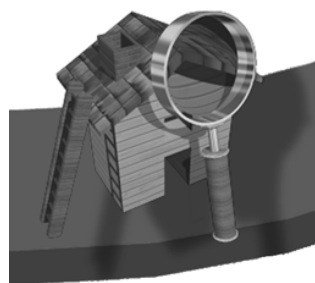
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Section 4. Property Services

4 Property Services

NeighborWorks® Full-Cycle LendingSM property services focus on property inspections, housing rehabilitation and construction management. The goals include a code-equivalent house, whose ongoing maintenance is affordable, and a maintenance-savvy homeowner.

Local NeighborWorks® organizations, in most instances, provide technical assistance, including property inspection and construction management, to assure that a purchased property is rehabilitated to high-quality standards.



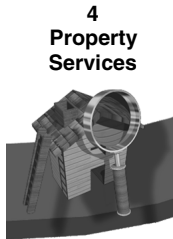
Property inspections emphasize a standardized prepurchase inspection to ascertain housing conditions and renovation needs, performance standards for interior and exterior renovations, and cost estimates for bringing a house up to local standards.

In addition, buyers are made aware of maintenance and repair issues related to becoming homeowners, including reasonable assurances that ongoing maintenance will be within affordable levels.

In the end, property purchase and rehabilitation services must pass the ultimate test of customer satisfaction.

Chicago Home Safety Partnership

OUTCOME: The Chicago, Illinois, Home Safety Partnership provides residents of city neighborhoods with safety education, home inspections, and loans to reduce insurance losses due to fire.



BACKGROUND

Since its founding 25 years ago, Neighborhood Housing Services of Chicago, a NeighborWorks® organization, has fostered strong partnerships with the insurance industry. They were readily drawn upon when a 1997 study by the Insurance Research Council cited fire as the greatest peril affecting communities in the city. NHS, in response, created a task force that brought together people from the insurance industry, the Illinois Department of Insurance, NHS, the fire department, the mayor's office and others.

The task force decided to focus on three areas of fire prevention: safety education, inspections and money. Safety education, it was hoped, would make neighborhood residents more aware of hazards and ways of preventing them. Construction specialists, who were already working with homeowners on rehabilitation projects, could help identify and evaluate hazards. Affordable loans could help residents fix identified problems. Out of this grew the Chicago Home Safety Partnership (HSP).

In addition, NHS of Chicago was selected to participate in Neighborhood Reinvestment's National Insurance Task Force Loss-Prevention Partnerships program. The program, led by State Farm, Travelers and Nationwide, among other national partners, is an effort to help low- and moderate-income homeowners prevent avoidable damage and reduce financial losses from fire, water, high wind or theft. Other participating cities are Charleston, Denver, Richmond, St. Louis

and the borough of Staten Island in New York City.

The Chicago HSP's programs (including its loan fund) are available citywide, but its marketing and outreach efforts focus on the communities served by NHS of Chicago's 10 neighborhood offices.

COMPONENTS

Education. Because Chicago is so big, NHS originally thought about doing a large public awareness campaign, but decided, instead, that the most effective way to get its message across would be a grassroots approach. It looked at what an NHS neighborhood office was doing in a particular community and linked its efforts to that. This led to Chicago HSP's "adopt-a-neighborhood" approach. In it, partners were asked to link up with local NHS offices, and work with them on developing annual plans that would incorporate the home-safety program into their overall effort. Insurers agree to work with a local office during National Fire Prevention Week, NeighborWorks® Week, and at local community fairs and events.

The HSP created brochures that illustrated the causes of fire and methods of counteracting these perils. Other marketing strategies include door-knocking, an 800-number for information about the partnership and NHS, billboards, and home-safety and insurance workshops.

Identifying and Evaluating Perils. One very effective tool the Chicago HSP created is a home-safety evaluation instrument. It helps homeowners identify potential fire and safety hazards and also notes whether they have smoke and carbon monoxide detectors. It is now a standard part of NHS of Chicago's housing rehabilitation program.

Residents who complete the home-safety evaluation are given smoke detectors, which staff also has on hand whenever surveys are distributed or homes are being evaluated for possible rehabilitation.

Loans. Not only can the construction specialists identify safety issues, they also can recommend a low-interest loan from the Chicago HSP's Home Safety Loan Fund. It provides funds for targeted improvements, including the upgrading and/or replacement of electrical, heating and safety systems. The Chicago HSP has \$2 million in loan capital. NHS of Chicago estimates it can make 300 loans with this level of capital at 5 percent for seven years, if the loan is under \$3,000, and 15 years if it is larger. Residents must have household incomes below 120 percent of the area median and a debt-to-income ratio of 40 percent (45 percent with compensating factors). Loan applications are reviewed and approved weekly.

RESULTS

As of October 2000, the Chicago Home Safety Partnership had conducted more than 300 home safety evaluations, made 64 loans worth \$621,000, and distributed more than 5,000 smoke alarms and other safety devices.

LESSONS

- Having insurance companies participate from the beginning, at every level, to structure the Chicago HSP went a long way toward creating buy-in and ownership.
- Make sure all interested parties come to the table as partners. This enables a task force to get a full range of perspectives on an issue. Encourage all partners to listen carefully to and consider seriously ideas they might never have come up with themselves.

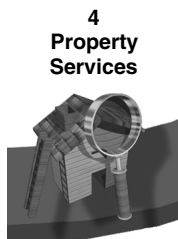
- Numerous benefits result from having insurers get involved at the local level, and not just with the loss-prevention effort. Insurers bring many skills, and their involvement has many tangible benefits for the local neighborhood offices.
- Linking insurers to neighborhood offices helps partners see the program in action and progress being made.
- A real challenge is marketing the home safety evaluations and getting residents interested in them. A key task is overcoming residents' fears the program will turn them in to the building department or their insurance company.
- Have flexibility. Adjustments are likely over time to meet the needs of the neighborhood and the residents it was intended to serve.

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The HomeOwnership Center of Greater Cincinnati Project-House Program

PROGRAM: The HomeOwnership Center of Greater Cincinnati, Ohio, is offering the Project House program, in which residents in homebuyer-education classes also perform hands-on rehabilitation in a selected house, which they then may be eligible to buy through an NHS lottery.



BACKGROUND

The HomeOwnership Center of Greater Cincinnati had offered for several years a water-damage prevention and repair class. Because students often graduated from the course asking how they could learn more, The HomeOwnership Center decided to break the class into two discrete segments and offer an advanced-level rehabilitation class. The HomeOwnership Center then decided to look at developing a house where students could learn home-maintenance in a more direct way by doing hands-on work. Project House is the product of this expansion.

COMPONENTS

1. 100-Level Classes

A 101-level class focuses on what causes water damage; the extent to which water can damage a house; and the costs of deferred maintenance. The most important message students get from the discussion, according to HomeOwnership Center staff, is that being alert to water damage is essential to protecting the investment in a home. To that end, homeowners should practice specific measures, such as stopping leaks, repairing plumbing and cleaning gutters. Also in the 101 class, State Farm presents information about homeowners insurance.

A 102-level class provides hands-on instruction in how to repair and prevent water damage. Instructors tell participants to wear old clothes.

Students do caulking and dry wall and take apart and fix a toilet that is running or leaking. This class meets at The HomeOwnership Center's Project House. The 101 and 102 classes repeat every month.

2. 200-Level Classes

More advanced 200-series classes actually fix the Project House, doing plumbing or tile work in a bathroom. Several 200-level classes run every month — about two to four times a month, depending on construction specialists' availability.

3. Instructors

Four construction specialists on The HomeOwnership Center staff teach the rehabilitation classes.

4. Acquiring Project House

The HomeOwnership Center of Cincinnati acquired its first Project House through a deed in lieu of foreclosure from the heirs to the property. The HomeOwnership Center had held a first-position mortgage from the original owner through the Center's rehabilitation loan program. The balance-due passed to the heirs, but they did not want the house. Because the house was in a good location and not in especially bad shape, The HomeOwnership Center offered to transfer the deed to Center in lieu of foreclosure. The heirs accepted.

After working with the numbers, The HomeOwnership Center realized that it would actually save money to write off a portion of the mortgage, rehabilitation and sell the house, rather than face the mortgage write-off from a sheriff's sale in a foreclosure. The city of Cincinnati, a funding partner in the rehabilitation loan program, agreed to write off a portion of the mortgage and wait for the balance from the proceeds of the sale. The HomeOwnership Center, meantime, holds the title to Project House during its one-year rehabilitation.

5. Lottery

Participants in Project House or other Home-Ownership Center homebuyer-education classes may enter a lottery to buy the redeveloped home. As a condition, they must qualify for the Center's first-mortgage financing offered as part of the sale.

6. Sales Price

The starting price of the house will be its after-rehabilitation appraised value. Donations, such as funds from HomeOwnership Center supporters, materials from suppliers and volunteer labor, were solicited to help offset costs and lower the sales price.

7. Cost of Classes

State Farm Insurance Company and the city of Cincinnati pay for the Project House classes. For participants, the classes are free. The program is advertised citywide.

RESULTS

In a year's time, 119 people participated in various HomeOwnership Center home-repair workshops.

LESSONS

1. Better Instruction

Having an actual house in which to teach home repair has been more effective, in terms of instruction, than doing model repair at the Center's office. The program also is much easier to administer. For instance, set-up time for a workshop is more reasonable at Project House, because HomeOwnership Center instructors can simply unlock the property and use the tools on-site. When the workshops were held in the Center

office, too and materials had to be stored off-site. Also, office operations were affected by the workshops' side effects, such as drywall dust.

2. Repeat Business

Having the actual rehabilitation ongoing gave class participants more of an incentive to come back and learn more skills. The 200 level series is popular because people can actually tackle bigger problems, as well as learn when to call a contractor.

3. Leadership Role

Some 200-level participants have been so involved in some aspects of the rehabilitation that Center construction specialists have made them temporary foremen for a selected activity, such as laying tile. This gives residents a taste of leadership, with construction specialists supervising.

4. Marketing Tool

Project-House is a tool for marketing the NeighborWorks® HomeOwnership Center and for encouraging community residents to participate in home-repair workshops. Project House is another way for The HomeOwnership Center of Cincinnati to get its name out in the community.

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Neighborhood Housing Services of Davenport Partnership with Local Hospital to Preserve Housing

OUTCOME: Neighborhood Housing Services (NHS) of Davenport, Iowa, and a local hospital created a partnership to salvage homes that would be demolished during a planned hospital expansion.



BACKGROUND

NHS of Davenport opened in 1981 and works to promote and preserve home ownership among the 90,000 diverse residents of this Mississippi River-front city. NHS offers customers all components of NeighborWorks® Full-Cycle LendingSM, providing homebuyer education, purchase and rehabilitation lending and pre- and postpurchase counseling. The organization also became a Community Development Financial Institution (CDFI) during summer 2000.

In 1999, Genesis Hospital in Davenport planned an expansion to become a health center and heart institution. With this expansion, several homes needed to be removed from the construction site. Neighborhood residents, concerned at losing valuable housing stock, approached NHS to discuss salvaging the homes. NHS proposed that the hospital donate the homes to help preserve local housing, and the hospital agreed.

COMPONENTS

The Houses. Seven houses needed to be removed from the site where the hospital planned to build. Three smaller ones were moved to a new, in-town subdivision. The other four, however, were too big to move or fit down the street. They had to be demolished, but NHS salvaged materials such as trim and doors.

The Subdivision. For the three smaller homes, NHS found a large L-shaped site that belonged to the widow of a local real-estate agent. The site

had been vacant for 17 years. The land was purchased and divided into three house lots. This created NHS's first housing subdivision within the city.

The Move. The homes were relocated with help from a local company, Goodwin House Moving. Goodwin House Moving was responsible for jacking each house up, placing it on wheels, moving it down the street and lowering it onto its new foundation.

NHS Role. NHS did a majority of the work for the project. Staff prepared the houses by emptying each one, anchoring movable parts, and building foundations at the new subdivision. NHS coordinated required insurance, worked with neighborhood groups, and coordinated with local utility companies to move utility lines. Once the houses were settled on their new foundations, NHS completely rehabilitated each one, adding new mechanicals such as plumbing, electrical and heating systems to each.

Cost. Moving each house cost between \$10,000 and \$12,000. Moving utility lines ranged from \$3,000 to \$19,000. Additional expenses were time of rehabilitation staff and construction materials. There were also minimal legal fees associated with creating the subdivision.

Funding. Program funding came from various sources. Neighborhood Reinvestment Corporation granted \$7,500 for predevelopment services. NHS used its revolving loan fund for construction and rehabilitation costs. Significant donations were received from two organizations: \$50,000 from the Scott County Regional Authority, and \$50,000 from a private family foundation. NHS hopes to recover much of the funding through the sale of the homes, and use it to fund future projects.

RESULTS

- Within seven months, two of the homes had been sold to first-time homebuyers, who

closed in September 2000. Rehabilitation on the third house was scheduled to finish shortly thereafter.

- The program drew an abundance of attention to NHS of Davenport; so much so that several months later, a local museum donated four more houses. NHS moved each of the four to lots in its target neighborhood. They are currently being rehabilitated, and will be ready for sale in spring 2001.
- In total, NHS has rescued seven homes, for sale to first-time buyers.
- The city has changed demolition policies as a result of these projects. It now requires that demolition projects leave a clean site, rather than filling in a foundation. The city has also begun consulting with NHS before demolishing homes. For example, in a nearby flood zone where homes needed to be cleared, NHS was granted right of first refusal, plus the right to salvage materials. NHS house-moving projects have added to the city's options, creating a new alternative for preserving valuable housing stock.
- The hospital project greatly raised local awareness of NHS. All forms of media were reporting on the project, including television, radio and the local newspaper. Several new corporate partners have emerged, including the hospital and the local museum. The project helped raise the bar on NHS activities and abilities, increased visibility of the organization, and promoted project partners.
- Neighborhood residents were very happy with the project. Residents were thrilled that the houses were preserved, plus enjoyed watching the house-movings take place. During the moves, people sat on their porches, watched the houses roll along, and cheered as each went by.

LESSONS LEARNED

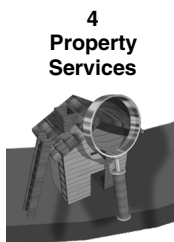
- Make sure there is ample time to complete the project. Both the hospital and the museum had construction deadlines, putting pressure on NHS to move the homes in haste. This created difficulties for NHS. It would have preferred moving the homes during warmer weather, and needed more time to coordinate the projects. Negotiate the longest timeline possible, in order to find the most suitable site, organize all the players, and thoroughly prepare for the move.
- Review everything twice, and make sure all involved parties are ready the day of a move. During NHS' third house-moving, one utility company did not arrive at the site on time. This delayed the move, and cost NHS a significant amount of money, as each participating company was billing by the hour. It is important to avoid rushing the project, but to move quickly and smoothly, even so.
- Conduct open houses once the homes have been relocated and rehabilitated. NHS showcased its homes in conjunction with a community festival, which was a great way to market the project.
- This was a totally new experience for NHS staff, who found the project nerve-wracking, but also invigorating. Staff felt good about the work done and are proud now to be considered experts in the community.

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Fifth Ward Community Redevelopment Corp. Cottage Homes

OUTCOME: Fifth Ward Community Redevelopment Corporation, of Houston, built and sold 80 homes to low-income buyers, acting as general contractor; originating mortgage loans; and providing homebuyer education, down payment and closing cost assistance within 125 days of initial contact with each potential buyer.



BACKGROUND

With an area median income of \$7,600, the Fifth Ward is one of Houston's poorest neighborhoods. Fifth Ward CRC serves the ward's six square-mile area, although Cottage Home buyers can be from any area. The Cottage Homes program serves people who are working at least 40 hours per week and earning between 50 percent and 60 percent of area median income.

COMPONENTS

1. The Cottage Home

Cottage Homes are wood-frame houses with up to four bedrooms. A two-bedroom home is 710 square feet; a three-bedroom house is 996 square feet; and a four-bedroom home is 1,144 square feet. Cottage Homes have amenities such as landscaped front yards, fenced back yards, mini-blinds and security systems. Cottage Homes prices range from \$38,000 to \$42,000. Mortgage payments can be as low as \$260 per month.

2. Costs

The cost of building each Cottage Home was about \$38 to \$41 per square foot, which includes land costs. Fifth Ward CRC has provided as much as \$15,000 per home for down payment, closing cost and other assistance.

3. Financing

Support came from HOME funds; grants from the City of Houston; and Federal Home Loan Bank grants of up to \$5,000 per house. In addition, the organization received a \$50,000 grant from Neighborhood Reinvestment Corporation

and \$75,000 through the Fannie Mae Home Team Partnership, a cooperative effort involving Fifth Ward CRC, Fannie Mae, and the Houston Rockets basketball team. Fifth Ward CRC used the Home Team grant as a revolving loan fund, for interim construction financing.

Fifth Ward CRC was general contractor for the Cottage Homes and helped homebuyers with financing. With its own \$1 million loan fund a pool generated by USAA Insurance Company's social investment program, Fifth Ward CRC originated loans with below-market interest rates.

4. Qualifying for a Mortgage

The process was straightforward. Fifth Ward CRC personnel sat down with potential homeowners and determined where they were in the homebuying process. Fifth Ward CRC gave home seekers a personalized Recipe for Home Ownership, which informed potential buyers of how ready they were to buy a home; how long the process of preparing for home ownership might be for them; and specific steps required of each prospective homebuyer. Fifth Ward CRC asked customers who needed comprehensive assistance and education to participate in its homebuyer counseling and education program.

5. Building the Cottage Home

After home seekers had qualified for financing, they selected the lot, floor plan and elevation, and colors for their Cottage Homes. Then Fifth Ward CRC built the home. After homeowners moved in, Fifth Ward CRC encouraged them to attend postpurchase counseling. The entire process from when the customer would first have approached Fifth Ward CRC to when the new homeowner moved into the house took about 125 days.

RESULTS

In a one-year period, Fifth Ward CRC:

- built 80 single-family homes;
- counseled more than 400 customers; and
- subcontracted approximately 50 percent of Cottage Homes work to contractors in the neighborhood.

LESSONS

1. Cutting Postpurchase Costs

Cottage Homes amenities, such as landscaped yards and window blinds, relieved new owners of expenses associated with moving into a new house. This was an important feature in keeping home ownership affordable to people of modest means.

2. Cutting Building Costs

Fifth Ward CRC was general contractor, thereby saving funds that contractors would have charged as fees. By not having to pay construction fees, Fifth Ward CRC could pass these savings on to its customers in the form of a lower home-purchase price.

3. Marketing

Initially, Fifth Ward CRC relied on word of mouth to attract homebuyers. But when the or-

ganization wanted the program to grow, it began to intentionally market the program, ultimately reaching more potential buyers.

4. Diversity of Product

Cottage Homes can be either one- or two-story houses and can have two to four bedrooms, depending on how much space buyers need and how much they can afford. Offering choices in design has appealed to and met the needs of more customers.

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Ithaca Neighborhood Housing Services Mini-Repair Program

OUTCOME: Ithaca Neighborhood Housing Services (NHS) ran a successful program that provides free labor for minor home repairs. This service was available to elderly, low-income homeowners; disabled people; and female heads of household of very limited means. Because of its popularity, the Mini-Repair Program was a major asset in raising funds for other INHS programs.



NEED

The Mini-Repair Program at its inception was designed specifically for elderly homeowners as a way to keep them in their homes, which usually were older structures and often in need of only minor repairs. Writing up bids for such small jobs was not cost-effective. The mini-repair program was a cost-effective way of keeping the community's elderly people safely in their homes, while minimizing cost to the wider community of more expensive institutional care.

The popular program grew to have a full-time staffer and to receive more requests for service than it can meet.

COMPONENTS

1. Customers

The Mini-Repair Program's clientele is 85 percent to 90 percent women. Of these, most are 62 years of age or older and living alone. Some are handicapped. One-third of the program's customers are minorities. Sixty percent are frail, disabled, at risk, or simply can't do certain things for themselves. To be eligible to receive free labor, an individual can have an income of up to \$14,800 per year; couples can have \$16,900 in annual income.

2. Funding

In its initial years, the Mini-Repair Program got funds from the Community Development Block

Grant (CDBG) small cities program. The Mini-Repair Program since then has not been funded by CDBG. Because it was so successful initially, the board incorporated the program into the INHS operating budget.

For the past 15 years, the program's funding has come from a variety of public and private sources. Through Tompkins County and the New York State Office of Aging, INHS is reimbursed about \$7,000 per year for labor for the program.

The Mini-Repair Program receives funds from the Gannett Foundation and the Tompkins County Foundation. The Feldman Fund, created from a bequest from an estate, pays for materials for repairs when needed. An anonymous donation provides a lock fund to cover costs of installing deadbolt locks and other home-security devices for female heads of household. Both of these funds were privately initiated. INHS also got a one-time grant from Cornell University to provide smoke detectors through the repair program.

3. Personnel

The program is administered with one full-time position. Beyond actually doing repairs, this person must also be good with people. For many customers, the mini-repair contact becomes an important networking source, providing information about property-related issues, health services, prescription costs and other matters. The program also uses volunteers who may be referred by the Service Corps of Retired Elderly (SCORE); Green Thumb; Cornell University; or the area justice system.

4. Services

Mini-repairs include tasks such as repairing steps or windows; installing handrails, deadbolt locks, smoke detectors or other safety devices; insulating; minor painting, plastering, electrical or plumbing work; minor roof work; and minor code repairs. An eligible household can get up to five workdays of repairs per year.

The Mini-Repair Program does not do exterior painting or siding; extensive painting or plumbing or electrical work; or jobs that require more than two full days of labor. When extensive repairs are needed, INHS will refer qualified, affordable contractors or possibly help with a loan.

5. Service delivery

INHS provides all labor free of charge. Customers pay for materials. When a customer cannot pay for materials, INHS covers those costs from the repair program's endowments.

When a customer calls to request service, the program coordinator assigns a priority to the request, in terms of how urgently the repair is needed and in terms of the Mini-Repair Program's overall demand, which is usually high. The coordinator then meets with the customer, beginning what often becomes a continuing customer relationship as needs for future repairs arise. The program coordinator may keep tabs on a property to anticipate potential problems when a homeowner might not.

6. Lending products

Through visits to homes, the Mini-Repair Program representative sees other needs that might be met and may suggest particular financing to meet homeowners' needs.

Working in conjunction with Tompkins County, INHS can get funding for larger rehabilitation jobs from the New York State Restore program and from HUD's HOME program. In applying for HOME funds, INHS has been able to demonstrate need through documentation of the Mini-Repair Program.

7. Service area

Citywide. Total population is approximately 30,000.

8. Marketing

Ithaca NHS does not advertise the Mini-Repair Program. Word of mouth, through friends, seniors' publications and through the area's solid senior-citizen network, has made the program well-known. Newspaper articles also have highlighted its work.

RESULTS

The Mini-Repair Program coordinator gets about 200 requests a year, and actually works on more than 100 houses a year, visiting each house twice, on average.

LESSONS

1. Keep It Simple

The program representative, in first meeting with a customer, does not ask for an application or income verification; does not do an inspection; or use a checklist. The idea is to keep the contact simple and informal, to put the customer at ease. The INHS staff person then decides which customers need help first.

2. Fundraising

INHS does not have difficulty raising funds for the Mini-Repair Program. In fact, the INHS executive director and the development staffer, in raising funds in the community, get more money than they need for this program. In a ripple effect, the Mini-Repair Program bolsters INHS's reputation as a community lender able to tailor loans to individuals' needs.

3. Cost recovery

As part of the repair program, INHS charged \$10 per hour to do repairs for people whose incomes exceed the program's stated limits.

4. Collaboration

When another nonprofit started to do a similar program, the two organizations got together and decided that INHS would offer the program citywide and the other nonprofit would do the rest of the county. Ultimately, they both received funding from county government.

5. Community Service

In addition to its stated work of doing repairs, the Mini-Repair program is also, for many of the elderly homeowners it serves, an important connection to the outside world. The program's work occasionally involves care-taking beyond the realm of home repair to simple social services and assistance.

6. Avoidance Costs

The community benefits from the Mini-Repair Program on several levels. Costs are reduced be-

cause older residents can avoid institutional care while staying in a home that is well-maintained. Moreover, consistent and responsible home maintenance prevents property deterioration and abandonment. The overall cost of the program is low, given the services it provides that are above and beyond simple home repair.

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Kalamazoo Neighborhood Housing Services Home Ownership Program

OUTCOME: The Kalamazoo Home-Ownership Program (HOP) is a comprehensive, purchase-and-rehabilitation lending program that has turned around city neighborhoods and attracted ongoing support from lenders.



BACKGROUND

Kalamazoo Neighborhood Housing Services (KNHS) is a private, nonprofit corporation dedicated to rebuilding Kalamazoo's neighborhoods. The organization has existed since 1981. Through a unique partnership with other housing professionals, the city of Kalamazoo, and neighborhood associations, KNHS helps households enter into home ownership, rehabilitate their homes and improve the quality of life in their neighborhoods.

HOP was designed in 1989 to accomplish three goals: (1) stabilize neighborhoods; (2) provide for simultaneous purchase and rehabilitation of substandard housing; and (3) provide affordable mortgages for low- and moderate-income buyers. It focuses on increasing owner-occupancy; lending against projected post-rehabilitation value, and developing favorable terms and a low down payment.

COMPONENTS

Program Partnerships. HOP began as a partnership of KNHS, the Local Initiatives Support Corporation (LISC), seven local lenders and two neighborhood associations. The partnership has since expanded to include several other organizations. KNHS administers the program; LISC provides financial support; and the participating lenders provide first-mortgage financing.

Lending Details. Local lenders provide financing at 90 percent of a property's post-

rehabilitation value. In lieu of traditional private mortgage insurance, KNHS created a \$400,000 loss-reserve fund, which functions as an insurance policy for lenders. KNHS provides a soft second mortgage to cover the difference between the banks' first mortgage and up to 120 percent of the post-rehabilitation value.

HOP loans are intended to function as market-driven, conventional real-estate transactions. KNHS completes the loan application, packaging, underwriting and home inspections, and prepares rehabilitation-cost estimates. An appraisal is completed, and the loan package is submitted to the HOP loan committee, comprised of representatives from the participating banks, LISC and KNHS. At closing, rehabilitation funds are escrowed. KNHS staff supervise rehabilitation, licensed contractors complete it. Each HOP home is rehabilitated to KNHS standards.

Lender Briefing. KNHS hosts a "Breakfast Briefing," to which all area lenders are invited. The meeting includes a welcome and program overview, followed by a "perspective on partnership," given by a participating lender. The purpose, history and future of HOP are given, and time is set aside at the end for questions. Monthly meetings follow this briefing, with roundtable discussions occurring at KNHS. Additional "lender briefings" are held when the loan pool needs refunding (every few years). Program refinements are made as it advances and grows.

Applicant Requirements. All HOP customers are required to attend two home-purchase workshops (FastTrak), as well as complete pre- and postpurchase counseling. Potential customers who need work on overcoming obstacles, such as insufficient savings or a poor credit history, are required to attend the Home Buyers Club. HOP income limits are set at 115 percent of the area median. Buyers are required to have a \$1,000 down payment as well as the first year's homeowner's insurance premium.

Marketing. Realtors® have become a significant marketing device for HOP, bringing clients and proposed properties to the KNHS office. KNHS also markets the program through its Web site, Homebuyers Classes and standard literature. Every eligible customer that fits program guidelines is made aware of the HOP option.

Funding. Program funding comes from the city's Community Development Block Grant funds, LISC, Neighborhood Reinvestment, local foundations and others.

RESULTS

- Over 541 units have been purchased and rehabilitated in the central-city neighborhoods of Kalamazoo.
- The average customer's income is 78 percent of the area median.
- Sixty-two percent of the 97 most-recent loans have been made to minorities; 45 percent have been made to single, female-headed households.
- When HOP began, several central-city neighborhoods were in decline, with decreasing property values and housing stock and increasing crime rates. HOP began in the Vine and Edison neighborhoods, and, because of its early success, spread to seven others. The early successes made it easy to convince HOP partners to expand the program. It was obvious to partners that HOP was effective in accomplishing its goals of increasing home ownership, improving city housing stock, and providing affordable mortgage financing to lower-income residents.
- After 11 years of HOP, the demand to live in these neighborhoods has risen, and the supply of housing for sale has dramatically decreased. In some neighborhoods, the supply of available housing is less than 10 percent of the 1989 level.
- HOP has stimulated additional rehabilitation investment by other owners in the participating neighborhoods. Property values have increased and continue to rise. These neighbor-

hoods are increasingly becoming neighborhoods of choice, and are increasingly being seen as good places to conduct business.

- In 2000, 10 local lenders set aside a record \$10 million to fund this program for the coming years.

LESSONS LEARNED

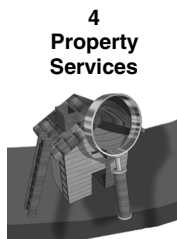
- The Kalamazoo Home-Ownership Program has served as an excellent mechanism for KNHS to meet its goals of moving underserved households into home ownership, thereby promoting neighborhood revitalization.
- In addition, it has provided an outstanding opportunity to connect with the lending community, as new loan pools are assembled and depleted on a regular basis. Lenders truly respect KNHS as a nonprofit housing organization that conducts business in a professional and ethical manner. Banks that normally compete for customers work together for the betterment of the community through this program.
- Substantial time is required to assemble a loan pool (the most-recent, \$10-million pool had been in process for nine months). Legal departments need to sign off at each separate entity. Be sure to realize that this is a lengthy process. It takes considerable time to put committees and products together.
- The HOP partnership clearly demonstrates the power that shared vision, shared commitment and shared risk can have in transforming neighborhoods and communities.

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Neighborhood Housing Services of Los Angeles Fannie Mae– Authorized Construction Administrator

OUTCOME: Los Angeles Neighborhood Housing Services (NHS) has been designated a Fannie Mae construction administrator for Los Angeles County. As such, NHS is a resource for any lender using the Fannie Mae products that require rehabilitation.



BACKGROUND

NHS of Los Angeles, like most NeighborWorks® organizations, provides extensive construction services to loan clients, including preparation of specifications and cost estimates, managing the bid process and supervising construction. Local lenders, who were interested in using Fannie Mae products, had no construction staff of their own and had experienced some construction problems, encouraged NHS to apply to Fannie Mae to be a designated construction administrator.

COMPONENTS

The application to Fannie Mae was fairly simple. NHS sent along the computer program of construction specs and forms that the staff uses, a sample package of specs, letters of support from financial institutions, and basic background on NHS mission history and financial background NHS of Los Angeles. The application was submitted to the Fannie Mae Affordable Housing Division and approved.

RESULTS

NHS provided construction services to lenders. For this, NHS was allowed to charge \$250 plus 5 percent of the construction cost for a full range of construction services. The average fee to NHS

was been in the \$1,500 range. NHS also packaged the basic building inspection service and charges \$100 for the inspection and a report.

A bank NHS works with connected the NHS to real estate companies for prepurchase inspections. In addition, NHS promoted this service to other nonprofits that may lack construction staff. NHS's major motivation in embarking on this path, especially with lenders, was to introduce its second-mortgage loan products.

LESSONS

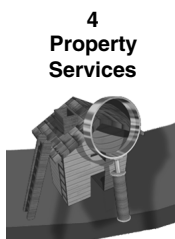
1. This approach illustrates how NHS began to see its construction department as a profit center by packaging those services, securing Fannie Mae approval, and developing a base of potential customers NHS also saw this as an opportunity to expand its use of loan products.
2. NHS was supported in this effort by lenders who provided letters of endorsement to Fannie Mae and in one case helped the NHS connect with real estate agents.
3. Although these services were originally packaged for lenders, NHS saw other potential users and is marketing its services to them.

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Neighborhood Housing Services of New Haven Acquisition of Abandoned Properties with Investor-Owned Tax Liens

OUTCOME: Neighborhood Housing Services (NHS) of New Haven, Connecticut, has created a program to recapture for affordable home ownership scores of abandoned houses across the city that had become ensnared in a seemingly exitless financial limbo for the investors holding tax liens on them.



BACKGROUND

NHS opened in 1980 to provide home-ownership and neighborhood-revitalization services to the city of New Haven. New Haven's population is approximately 120,000. The areas served by NHS consist of mostly low- and moderate-income neighborhoods. Most city homes are 80 to 100 years old, and many are vacant and in poor condition.

NHS provides Full-Cycle LendingSM services including homebuyer education, housing rehabilitation, and rehabilitation and purchase lending. Rehabilitation services are targeted and limited to selected neighborhoods but the home-ownership program operates citywide.

In 1995, the city began selling delinquent tax liens as a means of obtaining additional revenue. Property taxes had increased dramatically following a reassessment in 1991, and the mayor was determined to devise a strategy for increasing revenue without raising taxes. The tax-lien sale was successful, but investors soon realized they would have difficulty selling the houses if they foreclosed on their liens. The result was about 200 properties left abandoned and unused.

Because no foreclosures had occurred, titles were still vested in owners who had long-since disappeared. Many of the tax liens exceeded \$15,000, and the investors' chances of collecting them were virtually nonexistent. Because the cost of

foreclosing and paying off the remaining outstanding taxes often exceeded a property's value, the investors frequently declined to foreclose. It appeared these properties would remain abandoned forever.

COMPONENTS

The Program. NHS developed an exit strategy for the investors, who own tax liens on hundreds of the city's abandoned houses. A contract was devised that would, among other things, provide a financial incentive for investors to initiate foreclosures, and then immediately sell the properties to NHS when title vests in their names.

The Investors. During the mid-1990s, an investment company in New Jersey purchased hundreds of the tax liens in bulk. Buying such tax liens opens a number of opportunities for turning a profit. For example, investors, by statute, receive 18 percent interest on the taxes they are able to collect. If the investors can get the responsible parties to pay in full or enter into a repayment arrangement, they make a profit. Or, if they can't collect from the responsible parties, but there is equity in the property, then the investors can foreclose, sell the house and still make a return on their investment.

In New Haven's case, the investors decided that since the cost of foreclosure and subsequent disposition of the properties would exceed what they would make on the sales, they would not foreclose. In addition, banks and other lien holders had no remaining equity interest in the properties, and the city could not foreclose on the tax liens that had not been sold to the investors. The result was a situation that seemed almost impossible to repair.

Program Costs. NHS selected 12 houses that were likely to make suitable home-ownership opportunities, and analyzed the back taxes on each. Since all subordinate liens would be wiped out in a foreclosure, NHS calculated the more-recent tax liens that the investors did not own, but

which would still be owed the city when the houses sold. To this figure, NHS added estimated legal fees for conducting the foreclosures, and a nominal incentive to the investors. The end result was NHS paying, on average, \$15,000 a house. The combined total was \$180,000, of which \$120,000 would go to the city, \$30,000 to the investors and \$30,000 to the attorneys.

Role of NHS. NHS proposed this arrangement to the investors; they agreed. NHS will renovate each property it acquires, then sell the houses to first-time homebuyers. NHS's home-ownership activities are not limited to specific neighborhoods, so it can acquire properties citywide.

Attorneys and Legal Process. In New Haven, the investors use a single city law firm. NHS's initial offer not only included an acquisition price, but also a key provision that NHS would take title on the day each foreclosure was completed. This provision removed the investors' liability for maintaining the houses, lead paint issues and public ostracism as "slumlords."

RESULTS

- NHS is in process of securing 16 properties through this process. An initial 12 are being acquired through a package deal with the investors. NHS has since secured contracts on four additional properties.
- Foreclosure proceedings were initiated immediately, and NHS began taking title in January 2001.
- Even though the investors are recapturing only a small fraction of what they initially paid (as compared to transactions in other cities), they are happy to be free and clear of these difficult properties. The investors chose to cut their losses by accepting the nominal return that NHS promised.
- NHS created a "win-win" process that can be replicated by it or other nonprofit or for-profit developers, working to rehabilitate housing in New Haven.

- NHS will use this program for the bulk of the houses in its 2001 affordable-housing development program.

LESSONS LEARNED

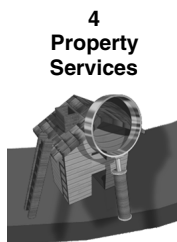
- Investors respond to financial incentives. Initially, the investors chose not to foreclose because of the cost of foreclosing, and the liability and exposure of owning. But, by not foreclosing, they faced the likelihood of never seeing any return on their purchase. NHS made the investors an offer that provided them with at least some return.
- Creating a functional partnership with attorneys and investors is a reasonably straightforward process. It is, however, important to explain the procedure thoroughly, both verbally and on paper. Investors will often listen to the opinions of their attorneys, so take the time to develop a good relationship with them and be clear and concise about how the process will work.
- The investors in this case were widely seen as villains, who had prevented the rehabilitation of many properties in New Haven. NHS's program has helped the investors salvage at least a portion of their reputation. The community has finally seen them taking positive steps that will help the affordable housing market.
- NHS's executive director was the organizer, developer and point person for this program. The sensitive nature of the negotiations made him the best person to assemble the overall plan. Creating the concept took significant time, but the overall process was fairly simple and not overly time-consuming.

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New York City Water Loss–Prevention Program

OUTCOME: Neighborhood Housing Services of New York City (NHS) addresses water damage prevention in five low-income neighborhoods in the borough of Staten Island through its Water Loss–Prevention Program.



BACKGROUND

NHS of New York City in 1994 gathered insurance companies, existing customers and representatives from the New York State Department of Insurance to talk about problems relating to safety and insurance in urban neighborhoods. As a result, NHS formed an Insurance Services Program that helps meet the property and casualty needs of New York City residents.

In 1999, NHS was selected to participate in the national Loss Prevention Program established by Neighborhood Reinvestment's National Insurance Task Force. The program, led by State Farm, Travelers and Nationwide, among other national partners, is an effort to help low- and moderate-income homeowners prevent avoidable damage and reduce financial losses from fire, water, high wind or theft. Other participating cities are Charleston, Chicago, Denver, Richmond, and St. Louis.

NHS of New York City decided to focus on water losses since a study by the Insurance Research Council found that water was the most prevalent cause for loss in New York City, accounting for 34 percent of all claims and 17 percent of dollar losses.

COMPONENTS

Education Seminars. NHS offers a three-part education course every month that covers the causes and prevention of water damage, homeowner's insurance coverage for water damage, and what to look for in a home when assessing risks. NHS developed a course workbook with an

instructor's manual to ensure that course objectives are met.

Home Inspections. Home inspections conducted by an NHS construction specialist are offered to graduates of the education course. The inspections focus on two areas: preventing water losses, and ensuring the house meets code requirements of the city's Department of Housing Preservation and Development (DHPD).

Home Improvement Loans. If the construction specialist finds improvements are needed to reduce the risk of water damage, the customer is eligible for a low-interest loan. Through a partnership with DHPD, using CDBG loan funds, qualified customers are eligible for a 4-percent loan up to \$30,000, payable over 15 years. Eligibility includes an income no higher than 80 percent of the area median. For work to bring a house up to code, other NHS funds are available at 8 percent.

If customers are over-income for DHPD funds, then NHS qualifies them for a loan with other NHS funds. Currently, NHS has \$13.1 million available for lending.

RESULTS

As of November 2000:

- 107 persons had completed the three-part education course.
- 67 home inspections had been completed.
- One customer had received a loan.

LESSONS

- Strong administrative practices and credibility with neighborhood residents are essential for operating a successful loss-prevention program.
- Take time in selecting a target area. In this case, it was important to choose one with a high percentage of home ownership, since renters often do not have the incentive and/or

means to take preventive measures to reduce losses.

- When developing a job description, it was decided to seek an NHS insurance coordinator who had marketing skills as well as a license from the state insurance department (or who was working toward a license). Since the coordinator also is responsible for the educational seminars, state licensing increases credibility and ensures a consistent knowledge base.
- Finding appropriate space for the education seminars can be difficult. One suggestion is that whichever insurance company presents the seminar could host it that month.
- To keep participants involved in all three seminars, they need to be as stimulating and varied as possible. Useful strategies include videos and hand-outs, encouraging discussions and questions, providing one-on-one time with insurance agents (to discuss specifics of participants' policies), and providing food.
- Participants' evaluations provide excellent feedback that NHS has used in refining the

seminars and contemplating future programs, such as hands-on repair workshops.

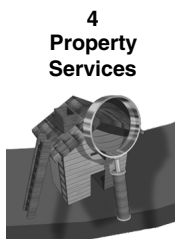
- Developing relationships and a partnership take time. NHS gets substantial support from the insurance industry, and not just on insurance-related programs. People give not only their money but also their time and expertise, and that helps NHS in developing new strategies and programs.
- It is surprising what course participants didn't know about their insurance coverage. This lack of knowledge could have led to serious misunderstandings.
- One benefit has been that course participants are now aware of other NHS services.

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NOAH Program to Rehabilitate and Market Foreclosed Properties

OUTCOME: NOAH (Neighborhood of Affordable Housing) has developed an efficient approach to recycling troubled properties, particularly properties in the Fannie Mae and Freddie Mac inventories of foreclosed properties. By getting to these properties quickly and using a discounted price arrangement, NOAH can save them from further deterioration and, at the same time, provide a way for families to move into home ownership. Using a variety of approaches, NOAH turned around 35 foreclosed properties.



BACKGROUND

NOAH is an eight-year-old community development corporation working in East Boston, in an area adjacent to Logan International Airport. The neighborhood was initially Irish and Italian and is now heavily populated with Asian and Central and South American immigrants. NOAH staff reflect this diversity, speaking among them Italian, Spanish, Portuguese, Vietnamese and Khmer. Homebuyer classes are conducted in Spanish and Vietnamese.

Four years ago, NOAH began to focus on home-ownership promotion as a strategy for stabilizing the neighborhood. When the Boston real estate market was hot in the mid-1980s, investors became interested in East Boston, but when the market had a downturn, many of these properties went into foreclosure. Most of the foreclosures ended in one of three places — Fannie Mae, Freddie Mac or East Boston Savings Bank.

At first, NOAH's strategy was to buy and rehabilitate the worst properties. Although this approach helped address some of the most egregiously deteriorated buildings, it required substantial subsidy. NOAH then used purchase-rehabilitation financing to help families buy homes and do their own rehabs. This approach,

however, was difficult with first-time, first-generation homebuyers.

To reach an appropriate scale for turning around these foreclosed properties quickly, NOAH focuses on properties that need modest repairs. With a special discount purchase arrangement with Fannie Mae and a useful method of financing, NOAH has found a way to effectively reduce the inventory of vacant buildings.

COMPONENTS

Many of the foreclosed properties in East Boston are "triple deckers," which are three-family dwellings, usually with small apartments. To accommodate larger families' needs and still provide rental income for the new homeowner, NOAH has, on many occasions, converted these properties to two units, with a spacious two-story owner's apartment and a smaller rental unit. This provides spacious living quarters and a monthly rental income of anywhere from \$400 to \$750, depending on the apartment's size.

NOAH's approach to these foreclosed properties was facilitated by an agreement between Fannie Mae and NOAH. Fannie Mae offered properties to NOAH at a 15% discount off their regular market price. NOAH got access to properties as early as possible in the process, for inspection and for preparation of specs and cost estimates. If these costs were in line with the acquisition price and the ultimate sale price, NOAH agreed to acquire the property and could take title to it immediately after Fannie Mae took it into its inventory.

NOAH had financing pre-arranged with Bank of Boston. This product provided a loan to NOAH of up to 95 percent of a property's value after improvement, for purchase and rehabilitation. Fannie Mae agreed to purchase these loans.

In addition, this product allowed a one-time assumption, a feature used in marketing the properties to eligible first-time home buyers. The buyer was allowed to assume the mortgage, and made a 5 percent down payment to NOAH.

Typical acquisition costs for NOAH were in the \$40,000 range, with rehabilitation costing generally \$40,000 to \$50,000. Carrying costs generally ran around \$10,000. NOAH included a \$5,000 developer fee in the sales price and also received a fee of \$2,500 from Fannie Mae for counseling the buyer of the foreclosed property.

Most buyers' incomes were 65 percent to 80 percent of median income. They typically worked in Boston hotels or at the airport and have accumulated savings for a down payment.

The main obstacles to home ownership for these families were knowledge about the homebuying process and lack of established credit. NOAH helped overcome this barrier through home-ownership training.

Income from the properties' rental units helped these buyers. The loan to the buyer is underwritten in such a way that 75 percent of the gross rent of the unit is applied against principal and interest, making it easier for families to qualify. Often, units are rented to family members.

Rents range from \$400 to \$500 for one-bedroom units; \$500 to \$600 for two-bedroom units, and \$700 to \$750 for three-bedroom units.

LESSONS

1. Subsidy Issues

NOAH, in trying to turn around East Boston's foreclosure situation, is treating properties not in need of extensive work. NOAH still tackles, on a strategic basis, buildings needing more extensive

repair, using whatever subsidy is available. Because subsidies were limited, however, NOAH needed to develop an approach requiring little subsidy, to more broadly address the foreclosure problem.

2. Legal Issues

Developing this program took a long time. Legal issues around recourse between the bank, Fannie Mae and NOAH contributed to the delay. NOAH was able to provide a guarantee to the bank for its loan.

3. Speed and Efficiency

This effort required a high level of efficiency to be effective. Because NOAH got into the properties early to determine costs and get bids, work could begin as soon as the properties are transferred.

4. Marketing

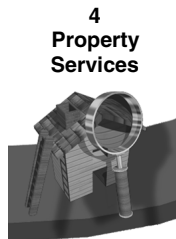
NOAH also marketed the properties early. Although the buildings were unrepaired, potential buyers can look at other examples of NOAH rehabs. NOAH had been successful in marketing these properties.

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Neighborhood Housing Services of Savannah Affordable Housing Opportunity Auctions

OUTCOME: Neighborhood Housing Services of Savannah (NHSS) joined with local banks and the city of Savannah, in two consecutive years, to rehabilitate and sell a total of 85 houses at two affordable-housing auctions. In the first auction, 33 houses sold for approximately \$2 million. In the second auction, 52 houses sold for about \$3.8 million.



NEED

The city of Savannah had, in the early 1990s, begun to look to homeownership as a way of revitalizing its urban neighborhoods, where 1,500 houses were boarded over and many more were substandard. When the city requested proposals on how to dispose of some of its properties in these neighborhoods, NHSS used experience it had gained assisting with an RTC auction to successfully propose selling the properties at an auction for first-time homebuyers. The second auction grew out of the successes of the first. All told, hundreds of people participated, showing residents' strong interest in home ownership and neighborhood investment.

THE PROCESS

1. For the first event, the NHS bought 21 vacant properties and sold them at the auction with 14 city-owned properties.
2. For the second event, the NHS acquired 30 properties and sold them at the auction with 20 city-owned properties.
3. The NHS rehabilitated the properties for both auctions, using a line of credit; community development block grants (CDBG); HUD HOME and HOPE 3 funds; and funding from Neighborhood Reinvestment Corporation.

4. The NHS contracted with an auction firm to do advance work, run the auction and administer the sales process.

5. The NHS and local banks did preliminary pre-qualification of potential buyers. Participating lenders then issued prequalification certificates to income-eligible people. The waiting lists for each auction were formidable:

- In the first auction, more than 150 people were prequalified; 65 participated.
- In the second auction, more than 400 people were prequalified; 155 participated.

6. In the weeks prior to the auctions, the NHS, the city and the auction firm held several public forums and buyer awareness previews for pre-qualified buyers and real estate agents. Open houses of most properties also were held.

7. Successful bidders made a \$500 deposit on the day of the auction. The NHS offered down-payment and closing-cost assistance, second mortgages and deferred loans to assure affordability.

8. After the auctions, the NHS executive director and the loan administrator worked one-on-one with purchasers, assembling and verifying information necessary to qualify for financing.

9. The NHS used a completed auction property as auction headquarters, allowing potential buyers to see a finished product when they came in to be prequalified. In addition, a local furniture company loaned furnishings to help turn another completed property into a model house.

10. Auction properties included five houses that the NHS moved from the path of a roads project. The county donated the houses to the NHS; the city donated five lots on which the houses were relocated.

SPECIFIC COMPONENTS

1. For the first auction, Wachovia Bank of Georgia provided an unsecured \$300,000 revolving line of credit for acquiring properties and for financing property rehabilitation after the auction.

2. Also for the first auction, Wachovia made mortgage loans to 12 lower-income borrowers, using customized loan products the bank developed to meet individual borrowers' needs. The bank combined a private first mortgage with a HOME- or HOPE-funded second. The first mortgage was about 50 percent loan to value.

3. For the second auction: Wachovia Bank of Georgia took the lead in forming a consortium of nine local lenders that provided a \$1.25 million line of credit, at prime rate, for purchase and rehabilitation of the '94 auction properties. Wachovia provided about 10 percent of the first mortgage loans and administered the line of credit.

4. Wachovia initiated an arrangement to sell first mortgages to Neighborhood Housing Services of America, through NHTSA's first mortgage non-recourse lending program. Twenty mortgages have been funded; four other loans have been sold with recourse to NHTSA.

5. The city of Savannah provided federal HOME and CDBG funds for second mortgages and forgivable grants (after 15 years' residency) to cover borrowers' financing needs over and above first mortgages. The city used its CDBG funds under the "slum-blight" objective to allow for assistance of buyers above low- to moderate-income guidelines. This was a key factor, because the community had asked that NHS try to attract a diverse group of buyers.

CHALLENGES

Financing presented particular difficulties:

- A key challenge was getting financing for properties for which the combined rehabilitation and purchase costs exceeded neighborhood market values, conventional loan terms and lower-income borrowers' mortgage-carrying capacities.

- Because a line of credit was used to develop property, the NHS had to get private mortgages to repay the banks' funds. Applicants who could not qualify for bank mortgages had to be declined. Had the NHS developed the property with public funds, the development funds could have been rolled into permanent financing.

The prequalification process needed improvement overall, to ensure bankable bidders. The NHS suggested:

- Contracting with a mortgage broker to do prequalification.
- Issuing certification letters to potential bidders within three days of prequalification
- Completing prequalification activities a week before the auction, to ensure that all bidders get their certification letters well in advance of the auction.

Prescreening of contractors. When construction on auction properties was delayed, auction buyers became frustrated. And, with a line of credit, construction delays added to development cost, because of interest. Therefore, the NHS was hampered in reducing the line of credit balance and in planning for a future auction. The NHS suggested:

- Setting a 90-day post-auction deadline for completion of work on auction properties.
- Developing a working capital fund to assist smaller contracting companies in completing work on auction properties.

Rehabilitation. Properties rehabilitated for the second auction were larger and more substandard than in the first auction. More gut rehabs were done, and items were replaced that previously might have been repaired. Overall, higher quality standards resulted in higher construction costs. Also, gut rehabilitation has resulted in fewer warranty problems and customer call-backs.

Taxes and liens. Some properties acquired for the auctions had taxes and liens on them. The

NHS has been able to have those forgiven through a land bank authority, but the actual process of having these taxes and liens abated has at times been difficult.

LESSONS

1. Target block strategies.

- For the first auction, the NHS's strategy was to acquire the one house on a targeted block that would turn the rest of the block around. But because the properties were scattered, the effects of revitalization were muted, and not concentrated.
- For the second auction, the NHS used a model block program. Several auction houses were clustered on each model block. The NHS redeveloped the new homeowners' houses; worked with a community housing services agency to make sure rental properties were improved; and worked with the city to get new sidewalks, paving and grants to do painting. The idea was that when new property owners came onto the block, the block was like new, and healthy enough to cause spin-off investment.

2. The NHS's partnership with Wachovia was a catalyst that helped transform what was a traditional, charitable, city-funded nonprofit into an efficient, entrepreneurial, market-driven organization that is compensated for its services. The NHS's operating budget has grown from about \$100,000 to \$418,000; 60 percent of it is from fees for services. The NHS received a 10 percent developer's fee on auction properties; underwriting and origination fees for NHSA loans; and some loan-servicing fees for NHSA loans. The NHS tries to operate as a business that is focused on production and results.

3. Of the 50 families that prequalified and bid on homes in the second auction:

- 88 percent were African-American;
- 72 percent had incomes below \$30,000;
- 16 percent had incomes between \$30,000 and \$39,000;
- 12 percent had incomes above \$40,000.

4. Savannah NHS recommends having a development strategy for each property. The strategy would identify a target market, then redevelops the property to appeal to that market. For example, an historic property that would appeal to an above-income buyer should be approached as a restoration that preserves details that would appeal to that market.

5. The NHS identified ways construction costs might be controlled:

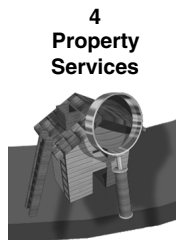
- Require line-item cost estimates and analysis of reasonable costs for all projects. The number of properties the NHS had to bid at once presented difficulties in getting these estimates;
- Avoid expensive layout modifications;
- Avoid gut rehabilitation.

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St. Louis Home-Safety Partnership: Fire Loss-Prevention Program

OUTCOME: NHS of St. Louis, Missouri, in conjunction with insurance partners, the city of St. Louis and others, operates a fire loss-prevention program in 10 neighborhoods. The program includes education, home safety evaluations, and loans for all income groups.



BACKGROUND

Neighborhood Housing Services (NHS) of St. Louis has a comprehensive insurance-services program that runs under the direction of a 28-member committee assisted by an insurance coordinator. Its services include a speakers' bureau, policy-interpretation workshops for consumers; referrals to insurance agents, a hotline and case mediation.

In 1999, NHS became a pilot site in the National Loss-Prevention Partnerships Program, an effort spearheaded by Neighborhood Reinvestment's National Insurance Task Force. The program, led by State Farm, Travelers and Nationwide, among other national partners, is an effort to help low- and moderate-income homeowners prevent avoidable damage and reduce financial losses from fire, water, high wind or theft. Other participating cities are Charleston, Chicago, Denver, Richmond, and the borough of Staten Island in New York City.

Fire was chosen as the peril to address in St. Louis. Although the Insurance Research Council's 1997 study found that wind and theft were the most-frequent losses in St. Louis, the greatest dollar losses came from fire.

Ten neighborhoods were selected. They are clustered around — and include — two target neighborhoods served by NHS.

COMPONENTS

Educational Courses. The St. Louis Fire Department conducts two-hour educational seminars

for neighborhood associations, schools and church groups throughout the entire St. Louis area. The seminars explain how to survey a home for fire safety hazards, maintain electrical and heating appliances, plan a fire escape route and operate a fire extinguisher.

This component is open to residents citywide, not just in the 10 selected neighborhoods. Moreover, landlords and renters, as well as homeowners, are encouraged to participate.

Home Safety Evaluations. Participants in the seminars are given home safety evaluations they can use in assessing safety problems at home. Once a homeowner fills out an evaluation, the homeowner can contact the NHS insurance coordinator about a loan to correct problems. If the homeowner has difficulty with the self-assessment, the homeowner can contact the NHS construction department for assistance. Loans are available only to residents of the 10 neighborhoods.

Home Safety Equipment. All seminar participants are given a fire extinguisher and a smoke detector with batteries. In addition, participants from the 10 neighborhoods are also eligible for up to \$300 in credit from NHS toward purchase and installation of a hard-wired smoke detector and a carbon monoxide detector.

Home Safety Loans. With safety problems identified, an owner can apply for a home improvement loan to finance repairs or upgrades. Home safety loans are offered by NHS of St. Louis and UMB Bank to homeowners of all income levels in the 10 neighborhoods.

Applicants with incomes at 80 percent or less of the area median are eligible for 0-percent loans up to \$10,000 for a term of five years. Seventy-five percent of the loan is forgivable, with payment required on only 25 percent. The minimum loan is \$1,000. These loans include repairs and upgrades related to fire loss prevention. If the house has code problems unrelated to fire risk,

NHS can refer the homeowner to another loan program it operates for the city.

Homeowners with incomes between 81 and 115 percent of the median are eligible for home improvement loans through UMB Bank. They are at 2 percent for five to seven years. The maximum is \$10,000, the minimum \$1,000.

Above 115 percent of the median, homeowners can apply for similar loans through UMB Bank at 4 percent.

RESULTS

As of November 2000:

- Ninety neighborhood residents had attended fire-safety seminars.
- Fifteen applicants were in the loan process (none had closed).
- Twelve residents had signed up for hard-wired smoke detectors.

LESSONS

- When people from different disciplines and backgrounds are working toward a common goal, it is important for everyone to make a concerted effort to understand the objectives, concerns and pressures on the different partners.

- All partners need to fully comprehend contract obligations and the restrictions on various funding sources. Partners must understand who is in control of what and why. This information should be reviewed on a regular basis to avoid misunderstandings.
- It is essential to have a fundraising plan for supporting a program beyond its initial pilot period. Cultivating new partners needs to be part of the work plan from the beginning.
- It is important to follow standard procedures in meetings and have a quorum rule on decisions.
- The key piece of the loss-prevention program is education. It goes both ways: The insurance industry learns about neighborhoods and housing stock it might otherwise not have been familiar with. Residents, for their part, learn about preventing losses and better-insuring their homes.

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NHS of Toledo Energy-Efficient Affordable Housing

OUTCOME: Neighborhood Housing Services (NHS) of Toledo, Ohio, is creating Energy Star®-rated houses that, with the help of the U.S. Department of Energy, are 30-percent more energy efficient than required by law. NHST was motivated by an analysis prepared by the Alliance To Save Energy that concluded lowering utility bills by 25 percent would enable an additional two million Americans to become homeowners.



BACKGROUND

NHS of Toledo has been revitalizing central-city neighborhoods since 1977 through an innovative spectrum of services, including pre- and postpurchase counseling, lending, new home construction, rehabilitation, promoting energy efficiency, and home-improvement classes. NHST determined that providing energy-efficient housing also needed to be included. NHST took a comprehensive look at how the quality of homes could be improved for all families.

An Energy-Star home is 30 percent more energy efficient than homes built to meet model energy codes. The homes cost less to operate and finance. Lenders have recognized the value of Energy-Star homes and are providing special mortgage programs with lower interest rates, larger debt-to-income ratios and reduced closing costs.

An Energy-Star home is affordable. NHST believes energy efficiency is a feature that lower-income families cannot afford to live without. In June 1999, NHST built the first Energy-Star modular home in the state of Ohio. The Cape Cod-style home is 1,700 square feet and includes a full, insulated basement, four bedrooms and 2½ baths. Natural gas heat and hot water for one year are estimated to cost the homeowner \$250 or less. Energy-efficient appliances and lighting are also incorporated into the design.

COMPONENTS

1. Benefits

The benefits of making a home energy efficient include increased comfort, improved indoor air quality, reduced consumption of natural resources, reduced pollution, improved safety, and lower utility bills and maintenance costs. Additionally, area home builders and consumers are being educated about the benefits of energy efficiency, and learning that building energy-efficient homes does not need to raise costs.

There are other benefits for homebuyers in energy-efficient housing. Lenders recognize energy-efficient housing as a lower risk, and so are providing mortgages that offer lower interest rates and closing costs. Appraisers also recognize the value of energy-efficient homes. A study published in the *Appraisers Journal* shows that energy-efficient homes appraise at \$29 higher for every dollar saved in a year, compared to similar homes constructed without energy efficiency in mind. These benefits are valuable to any homebuyer, but especially to those of limited means.

2. Energy Efficiency and Affordability

Home builders do not need to choose between energy efficiency and affordability. With help from the Department of Energy and Building Science Corporation, the Energy Star modular home constructed by NHS of Toledo was redesigned to incorporate energy efficiency without increasing costs. NHST accomplished this through a combination of alternative building materials and construction techniques. For example, when windows are upgraded and additional insulation is installed, the heating system can be downsized and the duct runs can be shortened with no net increase in construction costs. Other compromises and efficient building techniques were identified with the help of Building Science Corporation.

3. Use Available Resources

NHST provides weatherization services to low-income families in the county through the state-funded Home Weatherization Assistance Program. This program includes heating-unit repair

or replacement, insulation installation, air-leakage sealing and appliance replacement. The same training and technology used in this program are also being applied to new home construction projects undertaken by NHST.

NHST received technical assistance from the U.S. Department of Energy (DOE). DOE provided information, engineers and architects, and supported media events celebrating the construction of the new modular home. NHST is now working with DOE on redesigning two site-built homes to meet Energy-Star standards.

RESULTS

- One new Energy-Star home has been built as part of an 18-unit redevelopment in a NHST target neighborhood. The home received a great deal of attention during the construction process and was sold before construction was complete.
- Ground breaking for two new site-built homes took place in October 1999. These homes will also meet Energy-Star standards.
- NHST has received recognition for the first Energy-Star modular home from city, state and federal government officials, other NHS organizations and community development corporations. The governor of Ohio proclaimed and celebrated energy-efficient affordable housing in conjunction with National NeighborWorks[®] Week. Barbara A. Sisson, an associate deputy assistant secretary with the Department of Energy, was also present for the ribbon-cutting celebration.
- NHST has become a leading educator on energy efficiency in new home construction. Sessions are held quarterly and have contributed to a new publication about energy-efficient housing authored by Steven Winter. NHST presented a session at a DOE national conference regarding partnerships and energy efficiency in affordable housing. NHST is also a resource for local media on home improvements, energy efficiency and home ownership.
- Through this project, NHST capabilities were demonstrated to the community, staff and

board members. NHS of Toledo is now recognized as an expert in energy efficiency. Approximately 15 energy ratings are performed each month for homeowners and builders, and the service has become a significant source of revenue for the organization. NHST is also working with two area builders to redesign home plans and increase energy efficiency.

LESSONS LEARNED

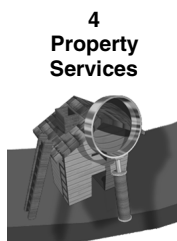
- Use available resources. Contact regional and state Department of Energy offices for assistance. This relationship was the key to NHST's success in the project.
- Educate staff and board members thoroughly on project goals and requirements. Failure to understand the goal or value of a project can result in confusion and frustration. It is important for staff to endorse projects of their organization.
- Involve stakeholders. Government officials, utility companies, mortgage corporations and product manufacturers all have an interest in seeing projects of this nature succeed.
- Be flexible. Plans frequently change throughout a process, and versatility is essential for the success of a project.
- Celebrate. By spreading the word about the value of energy efficiency, consumers are better educated and able to make more-informed buying decisions. Communicate that your local NeighborWorks[®] organization is a progressive organization, striving to improve the quality of life for all area residents.

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Neighborhood Housing Services of Toledo Home-Ownership Service Delivery System for Rehabilitation Loans

OUTCOME: Neighborhood Housing Services of Toledo has adapted the NeighborWorks® service-delivery system for home ownership and applied it to NHS home-rehabilitation loans.



BACKGROUND

NHS of Toledo was established in 1977 to serve specific, target neighborhoods in Toledo, Ohio, whose population is 325,000. NHS recently became certified as a Community Development Financial Institution (CDFI), and now supplies lending to all of Toledo, though the organization still concentrates on its three, original, target neighborhoods.

As a member of the NeighborWorks® network, NHS of Toledo provides Full-Cycle LendingSM, including homebuyer education, home-maintenance training, purchase and rehabilitation lending and pre- and postpurchase counseling. NHS began applying the service-delivery system to rehabilitation loans in August 2000.

COMPONENTS

NeighborWorks® Service-Delivery System.

Neighborhood Reinvestment developed the home-ownership service-delivery system to accompany its Full-Cycle LendingSM program. The NeighborWorks® service-delivery system involves a series of specific steps to prepare potential buyers for home purchase. The steps include outreach techniques, a one- or two-hour motivational and informational orientation, completion of a personal profile for tracking purposes, one-on-one counseling, homebuyer education, application, processing and closing procedures and, finally, postpurchase education and services. The model is widely used within the NeighborWorks®

network for home purchase, but is seldom used specifically for rehabilitation lending.

Program Incentive. NHS of Toledo requires each loan applicant to provide a \$100 nonrefundable application fee. As NHS received numerous rehabilitation-loan applications, it found that many homeowners were later denied a loan, thereby losing their \$100 fee. The process was not responding to the homeowners' rehabilitation needs, nor was it helping households locate affordable loans. Most loan denials were due to poor-credit history. NHS knew the service-delivery system worked well for home-purchase loans, and, therefore, decided to apply it to rehabilitation lending. For its rehabilitation-loan customers, NHS developed a one-hour orientation, a personal profile, and special pre- and postpurchase education classes. It also began requiring two or more one-on-one consultations before application.

Rehabilitation-Lending Process. Now, when a potential rehabilitation-loan client phones NHS, they are referred to the one-hour, rehabilitation-loan orientation. After the orientation, households wishing to continue the process are asked to fill out a personal profile. An individual counseling session is set up, and the customer either brings a copy of their credit report to the meeting, or NHS orders a report for them for a fee. At the session, an NHS loan officer determines if the customer is ready for application. If they are, an appointment is scheduled to complete the application and begin the rehabilitation-loan process. If not, NHS helps them create a plan to remedy their credit issues and become qualified. The loan counselor helps each household troubleshoot, and invites them to return and apply again when their credit issues have been resolved.

Once an application is completed, it goes to the NHS loan committee for review. Upon approval, the customer is required to attend a rehabilitation class. Once the course and application requirements are completed, the loan closes and reha-

bilitation can begin. Approved loan customers are then invited to attend NHS's home-maintenance and improvement training through Home Depot University or the Anderson's Academy.

Orientation. During NHS's "Rehabilitation Home-Improvement Orientation," participants are informed of NHS programs and lending tools. The instructors discuss NHS's approach to rehabilitation lending, and identify loan requirements, such as the application fee, verification of income and required inspections. NHS covers the loan-committee review, emphasizing that the committee makes lending decisions based on each applicant's financial analysis. NHS identifies documents that customers need to bring to application, and explains that approved clients are required to attend the rehabilitation class. NHS then gives a brief overview of the class.

After attending the orientation, people typically self-select into or out of the program. Orientations are held every three weeks, once in the morning and once in the evening.

Personal Profile. The personal profile provides NHS with basic demographic information on each potential loan client, including details on income, spending and credit. Each potential customer agrees to participate in credit analysis or counseling to see if a loan is feasible and affordable.

Rehabilitation Class. During the rehabilitation class, NHS describes closing procedures and the documents each customer will sign. NHS instructors cover contractors, licensing and construction payouts, and participants are informed of their roles and responsibilities as an NHS loan customer. Each household receives a book, "Keeping the Dream Alive," published by Neighborhood Reinvestment, and the chapters on home maintenance, record keeping and being a good neighbor are covered in class. Rehabilitation classes are held monthly, once in the morning and once in the evening. NHS's development specialist and HomeOwnership Center manager instruct the class.

Cost. The main cost of the program is staffing. Two NHS staff maintain the overall program and conduct the trainings, each contributing at least 15 hours a month. An NHS loan officer counsels each potential customer and takes loan applications. The loan officer contributes a minimum of five hours a month, but the time varies depending on the number of applicants. Additional costs include copies of "Keeping the Dream Alive," purchased from Neighborhood Reinvestment, workshop materials and handouts. The books cost \$22 each, of which loan customers pay \$10 at closing, helping NHS recover a portion of the cost.

RESULTS

- As of October 2000, NHS had held six orientations, with a total of 47 attendees. Most participants had credit issues to resolve before application.
- Three people had applied for rehabilitation loans, one of which was recently approved.
- No rehabilitation classes had been held, because the program was too new.
- Both the orientation and rehabilitation classes are free. The only cost for participants is the \$10 fee for "Keeping the Dream" at closing.
- NHS has partnered with Consumer Credit Counseling, and provides space for it one day a week in the NHS office. In exchange, CCC is a presenter at the homebuyer classes on credit and credit issues. Individuals needing long-term, additional counseling are referred to CCC.
- The four-page personal profile performs a multipurpose role. The first page is used as a service request for CDBG tracking. Staff also use the form to determine customer eligibility for other NHS programs, to refer households to NHS services and resources and for NHS tracking purposes.

LESSONS LEARNED

- NHS has found that holding rehabilitation orientations close to home-purchase orientations makes it easier for staff to remember and pre-

pare for each. NHS conducts home-ownership orientations and home-improvement orientations on successive days. Class schedules that are consistent and close together are easiest for staff to manage, it seems.

- NHS feels this systematic approach is critical, as it helps potential customers know what to expect. It is important for loan customers to realize that a lending relationship is in fact a partnership. Customers borrowing money understand it is their money they are borrowing, and a shared responsibility. Each customer needs to be closely involved with their rehabilitation project, and work with the rehabilitation specialist. If an NHS stresses that rehabilitation loans involve a partnership between the borrowers and the NHS, customers are less likely to blame NHS for project obstacles, and to feel more a part of the process.
- Instructing potential rehabilitation-loan customers simultaneously saves time for NHS, and saves money for many of the households. Many applicants who approach NHS are not ready for a loan. This program helps customers save their application fees and helps NHS become more efficient.

- Using a systematic approach to rehabilitation lending has been excellent thus far. When an organization attacks a problem using a well-organized and logical approach, it is easier for staff to stay focused, be consistent and efficiently serve more people.
- It is important to develop follow-up procedures. Bring every potential customer back and help them work through financial obstacles. Deter customers from turning to predatory lenders, if they are not able to obtain a loan right away. Emphasize that loans with high interest rates and fees will not alleviate their problems. In contrast, such loans will create even more problems, especially if the borrowers' credit issues are not repaired.

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Section 5 Postpurchase Counseling and Services

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Section 5. Postpurchase Counseling and Services

A critical ingredient in NeighborWorks® Full-Cycle LendingSM is postpurchase counseling and services. Beyond financing assistance, homebuyers often need assistance in understanding their home's maintenance needs. Especially in markets experiencing economic downturns, NeighborWorks® organizations offer early intervention to help prevent problems that, when left unchecked, can raise the threat of default and foreclosure.



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By building partnerships between lenders and lower-income communities, the Full-Cycle LendingSM system adds value to both the lender and new homebuyer. Homebuyers have a connection to a local resource for questions and advice, not available from most lenders. This service creates economic benefits for lenders and borrowers. Families finding themselves in financial trouble, fearing they cannot maintain their mortgage, can turn to their NeighborWorks® organization. By helping families avoid foreclosure proceedings, massive cost savings for lenders and borrowers are produced.

There are several components to foreclosure costs, including the interest payments lenders lose, deferred-maintenance expenses, taxes, legal fees, and, as the property is finally sold, broker fees and closing costs. The value of these expenses can be estimated based on the assumption shown in the table below.

Borrowers counseled by NeighborWorks® organizations who subsequently avoid foreclosure result in significant cost savings for families and lenders compared to borrowers foreclosed upon. For 100 typical families, for example, more than \$2 million in costs are saved (see table).

Benefits of Foreclosure Prevention	
Average House Price	\$78,200
Months Since Mortgage Origination	36
Outstanding Mortgage	\$74,494
Months from 90 Day Delinquency to Disposition	5
Equity Lost	(\$3,760)
Attorney, Title, Transfer Fees in Disposition *	(\$2,502)
Broker Commission (6%) for Disposition/Sale	(\$4,692)
Deferred Maintenance/Renovation Incurred Before Sale*	(\$6,256)
Lost Interest During Delinquent/Default Period	(\$2,195)
Property Taxes, Hazard Insurance	(\$821)
Total Costs	(\$20,227)
Number of Foreclosures Prevented	100
Total Equity Saved for Buyers/Owners	\$376,018
Total Costs Saved for Lenders	\$1,646,668
Grand Total Saved by Avoiding Foreclosure:	\$2,022,686

* Based on U.S. Housing and Urban Development analysis of FHA Disposition data, 1996.

Case studies here include home maintenance training in Queens, New York; home maintenance service in Minneapolis; foreclosure prevention in Rutland, Vermont; a tool-lending program in Hamilton, Ohio; and a partnership in Toledo with Home Depot to provide maintenance training.

Loan Delinquency Control System of Chattanooga Neighborhood Enterprise

OUTCOME: Chattanooga Neighborhood Enterprise (CNE) in Chattanooga, Tennessee, has kept delinquency on home-ownership loans low through a systematized collection process.



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BACKGROUND

As CNE's home-ownership program grew in scale and CNE retained servicing on second mortgages, managing a portfolio of what grew to 850 second mortgages became more of an issue, as did delinquency control.

COMPONENTS

1. Homebuyer Counseling

Every homebuyer is required to participate in at least the eight-hour fast-track homebuyer training course. This provides an opportunity to address issues of budgeting and the financial responsibilities of home ownership.

2. Quick Follow-Up

Homeowners know CNE realizes their payment is overdue because of this process:

- At 15 days, if payment is not received a reminder call is made to the borrower.
- At 20 days, a reminder is sent to the borrower and a follow-up phone call is made.
- At 25 days, an additional call is made.
- If, at 30 days, payment has not been received, a field visit is scheduled.

- Following this house visit, a plan is determined on a case-by-case basis to secure repayment.

Calls and visits generally are service-oriented and helpful. Depending on customer response, the approach becomes more strict. If customers are nonresponsive, a range legal actions can be taken.

This system for follow-up is made easier by loan servicing software called LoanBase. This software provides a list of who has not paid and provides room for noting specific action. The staff person who posts payment does calls and visits for those loans under 90 days.

LESSONS

1. Communication

React quickly. Don't assume people will correct on their own. Communicate at short, regular intervals — phone calls, letters, visits. Finally, react in a friendly but consistent manner, recognizing that the "squeaky wheel gets the grease."

2. Organizational Viability

Remember that NeighborWorks® organizations need to get repaid if they are to remain viable and continue to serve other people.

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Neighborhood Housing Services of Chicago Foreclosure Intervention

OUTCOME: Neighborhood Housing Services of Chicago reduced foreclosure and subsequent abandonment with an innovative program combining foreclosure counseling; a foreclosure-prevention loan program; and a solid working relationship with mortgage companies. By keeping homes occupied when homeowners were experiencing default, NHS helped stabilize a market where it had been helping other families purchase.



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BACKGROUND

A high number of vacancies in the NHS neighborhood of Roseland were threatening to lead to deterioration of the area's housing stock. NHS of Chicago realized that the best way to maintain the integrity of these structures was to initiate a program to prevent foreclosures.

Many homeowners were defaulting for personal reasons, mainly social and health problems that put a strain on their finances. NHS of Chicago already had implemented a foreclosure loan program in which homeowners who were behind on mortgage payments three months or less qualified for a loan up to \$2,500, with payment deferred from three to nine months. High demand for the loan indicated a need for more than just loan money. Financially troubled homeowners needed help immediately, when they began to default.

COMPONENTS

NHS of Chicago received an allocation of \$40,000 from Neighborhood Reinvestment to carry out a foreclosure intervention program. After researching how this money could best be used, NHS determined that the high level of foreclosures in the Roseland neighborhood could be reduced by loaning money to homeowners in danger of default.

In addition to implementing the program's loan component, NHS of Chicago used funding from Chemical Bank and Fleet — which had foreclosed on a high number of Roseland homeowners — to do a counseling component for defaulting homeowners. NHS of Chicago received the funding from the National Training Information Center (NTIC), an affordable-housing advocacy organization, which had pressured the two mortgage companies to become involved in distressed neighborhoods. Out of the total amount NTIC garnered from the two companies, NHS of Chicago received from Fleet a first-year grant of \$15,000 and a second year grant of \$5,000, and from Chemical Bank, a first year grant of \$4,000 and a second year grant of \$1,500.

This funding, along with a City of Chicago Community Development Block Grant allocation (\$30,000 for FY 1994 and \$30,000 for FY 1995), enabled NHS of Chicago to hire a part-time administrator to implement the counseling component which would be coordinated with the loan component. Together, the two comprised the Foreclosure Intervention Program, also known as the Vacancy Prevention Program. This experimental program was not marketed but was administered through word of mouth or by referral.

In the Roseland neighborhood, NHS of Chicago shared an office with the Chicago Department of Housing, which had an overload of counseling cases involving defaulting homeowners. The Department of Housing counselor gave the NHS administrator names of Fleet or Chemical mortgagees who were having difficulties paying their mortgage loans. The administrator would then personally contact homeowners experiencing financial hardship.

The NHS administrator also maintained a close working relationship with the two mortgage companies, informing them that she was working with defaulting clients so that they would delay foreclosure proceedings. Fleet particularly became involved in the program by putting agents in the Roseland neighborhood. Moreover, staff from Chemical and Fleet would call the adminis-

trator and give her the names of defaulters that they felt were in need of NHS of Chicago's help.

By establishing a strong presence in Roseland and, to a lesser extent, in the Garfield Boulevard and Austin neighborhoods, and by building trust with homeowners, NHS prevented the vacancies that follow foreclosure, thereby maintaining the integrity of the neighborhood's housing stock.

RESULTS

NHS of Chicago was able to prevent several foreclosures in the first three years of the program. The administrator, who had strong people skills, was successful in finding creative solutions to problems she encountered. She helped many NHS clients by meeting problems head on, as the following three stories illustrate.

1. In one area with a high number of foreclosures, the administrator discovered that grandchildren with substance abuse problem were draining senior family members' finances. On several occasions, the administrator set up direct deposit of homeowners' Social Security allowances into their savings institutions, which would then electronically pay the mortgage company each month.
2. When dealing with a couple that was about to lose their home, the administrator determined that the husband had a substance abuse problem of which his spouse was unaware. The administrator's handling of the situation resulted in the husband seeking dependency treatment. Soon after, the couple were able to make their payments in large part because that treatment.
3. In another case, the administrator was unable to keep a senior citizen from losing his house. At the time, she was helping another senior in danger of losing his home. Her skill at bringing people together resulted in the former renting a room in the home of the latter, who used that rental income to make his mortgage payments.

LESSONS

1. Trust

This program's success hinged on NHS of Chicago's close association with the people in the

neighborhoods it serves. This link establishes trust, which enabled the administrator to help financially troubled homeowners solve their problems. Moreover, vacancy prevention works best on a case-by-case basis, with an underlying strategy of leading homeowners in a certain direction.

2. Mortgage Companies' Role

Creating good working partnerships with mortgage companies benefits the mortgage company, which often can collect money when there was previously no hope of that, and the homeowner in financial difficulty, who has a new chance to hold onto the house.

3. Reasonable Solutions

This creative, one-on-one approach to delinquency prevention lets NHS customers know that there is someone they can talk to about their financial and personal difficulties. Because financial problems often result from personal problems, a personable approach can get to the heart of matter, producing solutions allowing, in this case, homeowners to get back on their feet.

4. Saving Housing Stock

Preventing vacancies often prevents housing stock deterioration, and by saving buildings, neighborhoods are saved. Without this program, many houses would be vacant, and the neighborhoods in which they are located would have declined substantially.

5. Partnerships

Coordinating a loan program, a counseling service and a creative partnership with mortgage companies is necessary when trying to prevent foreclosures.

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Neighborhood Housing Services of Cleveland Foreclosure-Prevention Loan Program

OUTCOME: Neighborhood Housing Services of Cleveland provides foreclosure-prevention loans to qualified, delinquent customers to bring their mortgages current. The program is meant to protect families from foreclosure and thereby preserve home ownership.



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BACKGROUND

NHS of Cleveland provides services to the entire city and its approximately 500,000 residents. The organization has been in existence for 25 years, and was one of the first NHSs. NHS provides NeighborWorks® Full-Cycle LendingSM and pre- and postpurchase counseling, homebuyer education and second mortgages for home purchase. The foreclosure-prevention loan program was implemented in December 1999.

COMPONENTS

Program Incentive. NHS created the program to provide an additional service for members of its prepurchase program, and encourage participation in postpurchase classes and services. Recruiting participants for postpurchase classes can be difficult, and offering access to foreclosure-prevention loans can be an attractive inducement.

Suitable Applicants. In order to qualify for the foreclosure-prevention product, the cause of the delinquency must be a situation outside the borrower's control, and its reoccurrence must be unlikely. The borrower must be able to document the cause of the delinquency, and show an ability to repay both the first mortgage and the foreclosure-assistance loan. The borrower must also show a history of credit-worthiness.

Approval Process. Once an applicant is deemed appropriate, an NHS loan specialist collects the required information and presents the applicant's

case to the executive director. The executive director then makes a referral to the loan committee, which makes the final decision.

Lending Guidelines. Foreclosure-prevention loans are available for city residents whose income does not exceed 115 percent of the area median and who are members of the NHS's Homebuyers' Club. The maximum loan amount is \$2,500. Funds are provided at the market rate; the term is anywhere from three to 60 months; and the security is a subordinate mortgage. NHS charges \$300 for documentation preparation and administrative services. To receive a loan, the customer must attend NHS's postpurchase-education program.

Postpurchase Program. The postpurchase class covers a range of issues, such as managing finances, prepayment techniques, and methods (and the importance) of making mortgage payments on time. NHS goes over homeowners insurance, policy costs and different types of coverage. Class participants learn preventive-maintenance techniques, and about NHS's home-improvement training with Home Depot. NHS covers foreclosure prevention and steps homeowners should take when approaching financial hardship or delinquency. Work-out options are identified, such as loan modifications, deeds in lieu of foreclosure, or pre-foreclosure sales. Participants pay no fee for the class.

Marketing. NHS does not formally advertise the foreclosure-prevention loans; they are simply tied to its prepurchase program. The loans were created, in part, as an incentive for customers to complete the entire education piece. NHS has found no need for extensive marketing, as it receives lender referrals and word-of-mouth advertising from Homebuyers Club participants. Furthermore, NHS feels that more-extensive marketing would result in excessive applicants, all of whom could not be supported by the program.

Cost. The main program costs are loan funds and staff time, though required staff time is minimal. The foreclosure-prevention loan is simply another product available through NHS, and the NHS loan specialist manages the process.

Funders. The main funding came from Neighborhood Reinvestment, but funds also come from other NHS contributors. NHS receives capital donations, some of which are then allocated to the program.

Funding Requirements. The funding needed depends on the number of Homebuyers Club members and the number of customers an organization maintains. NHS of Cleveland estimated it would complete less than 10 foreclosure-prevention loans a year. Thus, it keeps about \$25,000 available.

RESULTS

- Two loans have been made. Both customers underwent one-on-one budget and credit counseling for a year, and were able to alleviate their delinquencies with NHS financing. NHS helped these families avoid a potentially disastrous situation, and the customers were very appreciative.
- It is easy to convince assisted families to participate in the postpurchase class, when it is a requirement of receiving assistance. Moreover, NHS customers learn a great deal from the class, and have referred other homeowners to the program.
- NHS has informed local lenders of the loans. Some banks refer customers more often than others, but most lending institutions love the program. It is an attractive alternative to foreclosure, as it both salvages loans and also helps lenders avoid the lengthy and expensive process of foreclosure. Lenders, who lack the NHS's means for working out financial alternatives with customers, are happy that NHS strives not only to create homeowners, but also to sustain them.
- Participation in postpurchase education has increased by more than 40 percent. The foreclosure-prevention loan program has added

value to the class, and participants view the loan as protection from emergencies that could result in delinquent mortgage payments.

LESSONS LEARNED

- Steering new homeowners into postpurchase education is vital. Homeowners need budgeting and credit counseling, and need to know how to manage money and home-ownership expenses. Foreclosure-prevention loans are not often needed, and should be used, therefore, to motivate homebuyers to complete the entire education piece.
- In the future, NHS may use these loans to rescue households from predatory-lending situations. NHS would not advertise the program as such, but if a customer came to NHS with a predatory-lending issue, NHS would like to help remedy the situation. The process could potentially be complicated, as NHS would not want to overstep the boundaries with its lending partners. But there is a potential need for a loan program to be available for this purpose.
- NHS hopes that by increasing participation in the postpurchase classes, its customers will not need this product, as they will better know how to manage their finances and avoid excessive debt. However, it is beneficial to have the product available and in place, in case a loan is needed.
- Do not formally advertise the program unless you have the means to manage a large customer base, as the program could easily become very popular. So far, word-of-mouth advertising is communicating the Cleveland program well enough to the public, while keeping customer interest at a manageable level.

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Community Housing Services of Wichita/Sedgwick County Partnership with Home Depot

OUTCOME: Community Housing Services of Wichita/Sedgwick County, Kansas, in conjunction with Home Depot, has created a tool-lending library for local homeowners.



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BACKGROUND

Community Housing Services (CHS) serves all of Sedgwick County, but primarily the city of Wichita. Wichita's population is more than 300,000, while the county's is 450,000. CHS opened in 1995 and helps low- and moderate-income homebuyers and homeowners with housing purchase and rehabilitation. CHS programs include pre- and postpurchase homebuyer education, purchase and rehabilitation lending, and home purchase and rehabilitation. The organization also provides down-payment assistance and is heavily involved with neighborhood-association activities.

COMPONENTS

Program Origin. The idea for the tool-lending library was derived from a Des Moines, Iowa, program. When Home Depot opened in Wichita two years ago, CHS approached the manager with a proposal. Since every Home Depot has a number of donation dollars available every year, developing the program was not difficult. Home Depot suggested it provide \$400 a month to CHS for a year. CHS, however, realized it would be more beneficial if the entire amount were available up-front, so more-expensive or multiple items could be purchased as needed. Home Depot thus created a one-time donation of \$4,800, in the form of a credit line.

Eligible Recipients. The tool-lending library is available for all CHS customers, plus homeown-

ers who live in the CHS target area. The household needs to be a member of Community Housing Services, which involves filling out a membership form and paying a \$5 annual fee. The membership form collects basic information on each homeowner.

Operational Set Up. The tool room is located at the back of the CHS office. Tools are labeled, numbered and hung on the walls, and homeowners come in and check out the items needed. Homeowners leave a \$5 deposit, which is returned when tools are brought back undamaged. An additional deposit is required on more expensive items. Up to three tools can be borrowed at one time, each for 48 hours. Borrowers sign an agreement form, which says tools will be used properly and CHS is not liable for any loss due to tool usage. CHS uses an index-card system to track which households borrow which tools.

Available Tools. Tools available include a lawn mower, hammers, saws, ladders, drills, a circular saw, pressure washer, and Rototiller. People can request that CHS purchase particular items by listing the desired item on a wish list. The tool will be purchased if CHS feels it is important or there is high-enough demand. The executive director and board president decide which tools to purchase.

Other Resources. A how-to manual is available in the tool room, plus CHS conducts postpurchase trainings on topics such as landscaping, patching holes and minor plumbing repairs. Homeowners can consult with Home Depot employees regarding home-maintenance or rehabilitation projects, and the construction specialist at CHS is also available to answer questions.

Cost. Aside from tool expenses, the main cost of the program is the staff time required to maintain and regulate it.

RESULTS

Thirty-five to 40 families used the tool-lending library, which opened in June 2000, during its first summer. Approximately 20 of the families are regular users and borrow various items for different projects.

Most people who borrow from the library are from low- and moderate-income families. There are no income requirements, but lower-income households seem to need the program most.

Overall, the tool-lending library has been very successful. Many homeowners need specific tools for one-time or annual projects, and the tools often are too expensive for lower-income households to purchase. By becoming a member of CHS, families can use the tools for free and save the purchase cost.

After the program was established with Home Depot, other businesses and individuals donated tools as well.

Participating households have been exposed to other CHS programs through the tool-lending library. The program is helping to market other programs, and several homeowners have returned to CHS to refinance or apply for rehabilitation loans.

LESSONS LEARNED

Maintaining the program would be easier if a computer program were available to track library activity. It would also be beneficial to have a volunteer or part-time staff person run the program. Various CHS staff members now tend the program, but it would be preferable to have a single person in charge. They would keep the tools and tracking system organized, track the use of each tool, and be responsible for cleaning or repairing damaged tools.

A high school community-service volunteer did the initial inventory, labeling, and organizing of

the program and equipment, which was extremely helpful for CHS. Having a single person coordinate and set up the room is highly recommended.

A good supply of tools for borrowing is necessary. It is also important to get feedback from the public, to see which tools are most needed.

Providing instruction on how to use the tools properly is important for both the homeowners' safety and the tools' longevity. Not all homeowners, for example, know that gas and oil must be mixed for the weed eater. The staff person running the program must be well-versed on tools and their proper usage, so accurate instructions are communicated to the borrowers.

Identify a specific target area when the program begins, and limit the area to a small region, such as one or two neighborhoods. At the Wichita program's onset, CHS put an article in the local newspaper, which produced an overwhelming amount of phone calls and requests. By keeping the library limited to a specific area, the program is manageable, but still able to grow.

It takes time to establish a relationship with Home Depot. Be patient when developing a program plan, and communicate needs and expectations clearly from the beginning.

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NHS of Hamilton Tools for Success Program

OUTCOME: Neighborhood Housing Services of Hamilton (NHS) designed a home-maintenance program, *Tools for Success*, which offers minor repairs, a how-to manual, training and a tool-lending library.



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BACKGROUND

When NHS asked its customers what additional NHS services would be most useful to them, responses generally centered on home repair — that customers thought they did not have the knowledge or skills needed to make repairs. Initially, NHS staff moved to address this need by gathering information and then writing a manual about routine, preventive maintenance, in layman's terms and using a recipe-type format. The *Tools for Success* manual subsequently expanded into a program to which three NHS staff members were assigned.

COMPONENTS

1. *Tools for Success*

The illustrated manual comes in two versions: the 70-page master version, which NHS gives to participants in its homebuyer education classes, and the 20-page condensed version, which the organization gives to customers at settlement on their home. The four chapters of *Tools for Success* focus on seasonal, electrical, plumbing and general repairs. The manual is available on disk to NeighborWorks organizations for \$250. NHS customers get the manual for free.

NHS also distributes to customers a multi-purpose pocket tool which has pliers, a wire cutter, a saw, three screwdrivers, a bottle opener, a leather cutter and punch, and two knives. It is inscribed with the words "Tools for Success."

2. Repair Services

NHS hired a person to do minor repairs and home maintenance and to help with training. Minor repairs basically are considered to be any jobs that do not involve roofing or plumbing or electrical overhauls. If the NHS repair person visits a site and discovers a need for more major repair, the homeowner is referred back to NHS for a low-cost rehabilitation loan or to the city of Hamilton's emergency repair program.

The service is free; customers pay for materials based on what they can afford. Most customers receive 80 percent or less of the area median income. However, if an elderly person who does not meet those income guidelines needs home repairs, NHS will do the work.

NHS encourages residents to be present during repairs so that they can try to learn to do them independently.

3. Training

In addition to its regular homebuyer education classes, NHS offers eight home-maintenance training classes to the area's general population of lower-income people. The training is free to all customers.

4. Tool Library

Hamilton NHS loans hand tools and materials to customers for doing their own repairs.

5. Funding

In developing the *Tools for Success* program, the NHS executive director met with city officials, who were supportive of development of a repair and home maintenance program. In addition, Safeco Insurance Company, which was looking for an organization to work with to address maintenance issues, made an implementation grant of \$50,000. The city of Hamilton contributed \$20,000; Neighborhood Reinvestment Corporation, \$5,000; and the Hamilton-Fairfield-Oxford Board of Realtors, \$5,000, from a fundraising event.

Safeco also provides copies of the *Tools for Success* manual and an agent to talk about insurance during training classes.

Because of Safeco's interest in addressing water-damage repairs issues in Cincinnati, NHSH managed a Tools for Success program for the NeighborWorks organization there. Cincinnati NHSH now administers its own Tools for Success program, replicating the Hamilton program.

6. Cost

The yearly cost to NHSH of the Tools for Success program is \$80,000.

RESULTS

- In approximately one year, NHSH has done 249 repairs — ranging from replacing a blown fuse to installing a hot-water heater.
- Out of this total of 249 jobs, the organization has done minor repair jobs and, discovering more significant needs, made 80 referrals either back to NHSH for a rehabilitation loan or to the city's repair program.
- NHSH has distributed about 200 copies of *Tools for Success* in its condensed and longer versions.

LESSONS

1. Springboard to Revitalization

In about one-third of its minor repair jobs, NHSH has discovered the need for major repairs that do not fall within the scope of the Tools for Success program. The organization then links owners with a low-cost NHSH rehabilitation loan or with the city's home-repair service. Overall, this quickens the pace of property rehabilitation and neighborhood revitalization.

2. Partnership With City

The NHSH partnership with city government in providing home repair is an example of how to further organizational goals — in this case, property rehabilitation — by working with other entities that share those same goals. City resources are helping NHSH take property rehabilitation to scale in neighborhoods it serves.

Believing that it can push that success even further, NHSH plans to propose that it take over administration of the city repair program. NHSH believes that it can do many more repairs than the city does with the same level of resources.

3. Creative Listening

NHSH asked customers what they needed from the organization and then listened attentively to responses. NHSH took what it heard from customers and designed a program that is *a priori* successful because the demand for it is already present in the marketplace. Understanding customers' needs can improve services and inspire programmatic changes that in and of themselves strengthen the organization's success.

In the same mode, NHSH is constantly alert to possibilities for additional funding for Tools for Success. The program far exceeded NHSH's expectations. The organization therefore is committed to maintaining this much-needed service at current levels for as long as necessary.

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Neighborhood Housing Services of Hamilton Rescue Program

OUTCOME: Hamilton, Ohio, Neighborhood Housing Services has developed a Rescue Program that provides early-intervention financial assistance to qualifying homeowners in economic crisis, thereby preserving their homes and their equity.



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BACKGROUND

Hamilton, Ohio, is a small city of approximately 63,000. It has lost much of its commerce in the past 20 years, from companies either going out of business or relocating. Hamilton NHS has served the community for eight years. It has closed 800 loans and provided \$30 million to housing development and lending. NHS also provides NeighborWorks® Full-Cycle LendingSM services as a chartered member of Neighborhood Reinvestment Corporation's NeighborWorks® network. The services include pre- and postpurchase counseling and education, purchase and rehabilitation loans, and homeowner education on preventive maintenance and minor repairs.

COMPONENTS

Program Origin. The idea for the Rescue Program was suggested by one of NHS's individual donors. The donor is very involved in the organization and realized that, in time, some borrowers may experience financial difficulties that could lead to delinquency or foreclosure. This concern motivated NHS to develop a program of early-intervention assistance for homeowners experiencing financial problems.

Program Recipients. The Rescue Program is available for homeowners in the city of Hamilton who, for unusual and unforeseen circumstances, have fallen behind on mortgage payments or are unable to afford emergency household repairs. Special circumstances include homeowners who

have had an accident, illness or job loss, or who have very-limited income.

Qualifying Factors. The main qualifying factor is for the household to be in financial crisis. Each applicant follows a basic application process, and receives a credit and income review. Assistance is provided if the household will then be able to pull its finances together and return to a position of maintaining the property and payments. There are no income requirements. Each application is considered on a case-by-case basis. If an applicant has very high debt and excessive delinquencies, however, and is going to lose the home regardless of NHS's efforts, then NHS will not provide a loan.

Program Details. Eligible households receive a second mortgage from NHS to correct the situation, whether that involves a maintenance project or a delinquency. NHS will provide up to four months of payments to bring a mortgage current, or will provide funds to fix maintenance emergencies such as a leaky roof or broken furnace. Repayment is extremely flexible. A lien is placed on the property, and the owner has the option to pay the loan back in installments or have it deferred and make no payments. If the owner chooses to defer the loan, the full amount will become due and payable when the person passes away or sells the home. This ensures that NHS will replace funds for future lending.

Program Committee. A committee was formed to decide which households are eligible for the program. The committee is made up of three NHS staff, the executive director, assistant director and senior loan manager. They review the circumstances and application of each customer.

Loan Funds. Individual donors currently provide all program funds. NHS has established an endowment with the funds, from which the income is used to create rescue loans.

Fundraising. NHS is working closely with the individual donor who provided the seed money. This person provided \$50,000 for the endow-

ment; his daughter-in-law gave \$24,000; and his son, \$10,000. Several other lead funders are now also involved. The goal is to raise \$1 million.

NHS was to appeal to the Hamilton philanthropic community during fall 2000 by holding several wine-and-cheese receptions in the homes of lead donors. Each reception will invite 20 to 25 people from the Hamilton community, and each guest will be asked to contribute \$25,000. NHS will then host an end-of-campaign party, for businesses and people who could not attend the wine-and-cheese receptions. The final event will take place at the NHS's HomeOwnership Center, and will include hors d'oeuvres, refreshments, and a slide show endorsing NHS and the Rescue Program.

Program Costs. Main program costs, aside from funds for the endowment, are administrative. However, they are minor and should be covered by the endowment.

Marketing. A pamphlet has been created, which is available at the HomeOwnership Center, offices of each NHS banking partner, city offices and local social service agencies.

RESULTS

- The program currently has \$90,000 in its endowment, and \$30,000 more pledged.
- Ten wine and cheeses receptions were scheduled for the fall.
- One person has received a loan from the program. The borrower was a senior citizen whose house was paid for, and who received \$700 a month in income. The homeowner was notified by the city that her home was an eyesore and needed to be painted. An estimate to raise siding on the house totaled \$8,800. Because the homeowner was very-low-income, the contractor referred her to a predatory lender who was going to charge 25 percent interest for a loan. The woman then heard about NHS from a friend, and contacted it. NHS arranged for an in-house contractor to complete the job for \$3,000, and then assembled a low-interest, 15-year loan with an affordable monthly payment of \$20.

LESSONS LEARNED

- Having a model customer is a great benefit when acquainting potential funders with the program. NHS was fortunate to complete the first rescue loan early on, because that customer's story has been a great support to the program.
- In the future, NHS plans to rotate staff participating on the program committee. This will acquaint additional staff with the program, and add new opinions to the decision-making process.
- An honorary memorial will be built in front of Hamilton NHS to recognize program supporters. It will be in a place of high traffic and will list every donor. A visible form of recognition is very important when receiving such support from the community.
- Name recognition is also very important when initiating this type of program. It is very helpful to partner with a donor who will be recognized by other members of the philanthropic community. The program also needs to have meaning for and be inviting to funders. But support from an influential and powerful community figure is most important, as it creates opportunities for reaching others in the community.
- Communicate program virtues to funders. Donors like to partake in projects that help people build assets. Describe the program as an opportunity for donors to give back to the city that sustains them. Emphasize that by supporting this program, they are investing in the city, sustaining home ownership and keeping the community healthy.
- Be aware that working closely with the local philanthropic community may be a new and different experience for the organization. Be sure to take the time and energy to shape events with suitable speeches and information. Know whom you are talking to, and address your audience appropriately. This may be a different social atmosphere for many NHSs; it can seem intimidating at first. Thus it is important to take time to be prepared.

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Home Headquarters Landlord Training Program

OUTCOME: Home Headquarters in Syracuse, New York, conducts a Landlord Training Program that provides valuable information for landlords who own or manage residential rental properties in Syracuse, New York.



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BACKGROUND

Home Headquarters (HHQ) opened in 1995 with a mission to conduct neighborhood revitalization and help first-time homebuyers purchase homes. HHQ provides Full-Cycle LendingSM services as a member of the NeighborWorks[®] network, facilitates a home-improvement program for both rental and owner-occupied housing, and is closely involved with neighborhood groups and community programs. HHQ became a NeighborWorks[®] HomeOwnership Center in June 2000.

The Landlord Training Program is based on a model developed by John Campbell of Campbell DeLong Resources in Portland, Oregon. When the program was introduced in Syracuse, the city brought together a team of organizations to implement it.

COMPONENTS

Program Philosophy. The philosophy of the program is that property owners need to be responsible for activities taking place in their rental units, whether or not they reside in the neighborhood. HHQ is providing landlords with tools and information to manage their properties successfully.

Program Partnership. HHQ was involved in the program from the beginning. In time, it was determined that it was best suited to take on the role of program organizer. The city now contracts with HHQ to manage and coordinate the pro-

gram, but the training remains a collaborative effort. The program is taught jointly by HHQ, the Syracuse Police Department, the Division of Code Enforcement and the Lead-Based Paint Abatement Program of the Department of Community Development. The Onondaga County Department of Social Services and the Syracuse Housing Authority also make presentations, and landlords are encouraged to share knowledge and ideas with each other.

Program Need. Poor behavior in residential rental units greatly adds to the deterioration of neighborhoods. By improving landlord practices, neighborhoods likewise can improve. Through this program, HHQ has discovered two main issues with respect to landlords. The first is that many landlords do not fully understand the Fair Housing laws or the Real Property Law. They are not aware of the many applicant-screening tools available. The second issue, though less often the case, is that some landlords simply do not care to be responsible for what goes on in their apartments.

Training Topics. The Landlord Training Program takes place in a single, eight-hour session. Sections cover information on Fair Housing laws, applicant-screening procedures, effective rental agreements, city code requirements, crime prevention through environmental design, lead-based paint abatement, crisis resolution, marketing strategies, resident-retention strategies, and the role police officers play in resolving neighborhood issues.

The training includes techniques and practices that landlords can and should use, the most important being proper screening of applicants. HHQ covers how to use credit reports to screen applications, obtain criminal-background checks, and check information for accuracy.

HHQ emphasizes that landlords need to facilitate good tenant behavior in dealing with garbage, noise, guests and crime. Landlords are taught how to recognize and address illegal activities taking place in their properties, and are advised

to play a role in setting community standards by providing straightforward rules and enforcing them.

Landlords are strongly encouraged to get acquainted with resident homeowners in neighborhoods where they own property, and be a frequent presence at their properties. HHQ emphasizes property inspections and how to conduct them, and ends the workshop with a discussion of resident-retention strategies, marketing techniques for attracting quality tenants, and idea-sharing about on-going management.

Participant Requirements. The target audiences for the program are owners or managers of residential rental property in Syracuse, but any individual can attend. The training is free.

Marketing. HHQ employs several marketing techniques to recruit participants. Workshop information is advertised in the newspaper, and flyers are posted around the city. But the main outreach method is sending letters and flyers directly to landlords and neighborhood groups. The Police Department identifies landlords who may benefit from the program. DSS and the Syracuse Housing Authority mail flyers with rent checks to DSS and Section-8 participants. HHQ also sits in on neighborhood-association meetings to invite landlords in attendance and give information to tenants. Banks are requiring that first-time homebuyers of a two-family home attend landlord training before closing on their mortgage.

Another factor helping build attendance is the city's Nuisance Abatement Law, which deals with prostitution, drugs and alcohol. As part of the law, the city requires landlords dealing with these issues to attend.

Funding. The program is fully funded by HUD through the city of Syracuse.

Costs. The main program costs are staff, materials and marketing. Materials include a 100-page manual created by HHQ in collaboration with Campbell DeLong Resources, plus pamphlets and booklets from other sources. Marketing expenses consist of paper, printing and postage. Food is provided for participants and instructors.

Some organizations may need to rent space for the training.

RESULTS

- Eight training sessions were held in 1999. Approximately 550 landlords have attended the program in the past two years. The average class has 50 participants.
- Feedback on class evaluations has been overwhelmingly positive.
- The training is clearing up landlord misconceptions of working with the Section-8 program and the Department of Social Services.
- Participating landlords have learned of, and accessed, lead-based paint abatement grants to upgrade rental units.
- Landlords are sharing information and ideas. This is a very nice aspect of the program, as landlords enjoy getting new and innovative ideas from colleagues. For example, one landlord told how she provides each tenant who pays on time with a coupon for free pizza. Others in the class loved the idea.
- HHQ got Time Warner Cable to donate food for the sessions.

LESSONS LEARNED

- Do not let the class size exceed 75. Larger classes make it too difficult to connect with attendees.
- To begin a Landlord Training Program, meet with government agencies, existing landlord groups, large property-management firms, tenant groups, neighborhood associations and legal services. By meeting with them first, an organization can make the training relevant to local issues, and find out what information landlords need most. Demonstrate to landlords, tenants and neighborhood groups that the goal is to improve the neighborhood climate, not create adversarial relationships. The training stresses that all community stakeholders have a role in making city neighborhoods thrive.

- It is very important to involve the police department. Police officers can help explain to landlords the differences between civil law and criminal law, and can illustrate what to do in situations involving criminal activity. Landlords are impressed to see police officers at the training, and are relieved they can partner to solve tenant problems.
- Keep the training on schedule. Have a set agenda and make sure trainers stick to it. Presenters often want more time than allotted. Be sure they understand the range of topics to be covered and the importance of each.
- Look closely at potential partnerships. Make contact with all appropriate links, such as the Department of Social Services (since all of its clients are renters). The scope of the program can expand by thinking broadly who additional partners might be.
- The program needs a team approach. It is important to build strong partnerships early on,

so if one component drops out, the program can continue.

- It is important that all trainers know local housing issues and real-property laws. This lets them give proper guidance and make the training credible. Landlords will know if information is inaccurate.

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Inglewood NHS LeadershipWorks! Resident Trainings

OUTCOME: Inglewood, California, Neighborhood Housing Services (INHS) conducts a 10-week resident-leadership training, called *LeadershipWorks!*, that was created to enhance neighborhood residents' leadership skills, help resolve neighborhood issues and increase resident participation in community groups and functions. The training is also a strategic way to recruit and train new INHS resident board members.



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BACKGROUND

INHS was formed in 1978; its mission is to revitalize Inglewood neighborhoods. INHS serves a population of 113,000, and hosts many revitalization programs including, homebuyer education and housing rehabilitation. INHS assembled *LeadershipWorks!* to educate residents on community organizing and to help residents manage neighborhood issues and problems. The training is free for all members of the community.

LeadershipWorks! began in 1997. In 1998, INHS received a two-year grant, making it possible to hire a community organizer to guide and coordinate the program's seminars and projects. INHS offers *LeadershipWorks!* as part of a broader effort (documented in *Winning Strategy #99*) to build bridges through its HomeOwnership Center to residents in the community.

COMPONENTS

1. Program Need

INHS wants Inglewood to be a healthy and powerful community, and realized that neighborhood revitalization is not only about proper housing, but also about shaping strong and compassionate leaders in the community. A community made up of involved and caring residents produces a safe and sturdy neighborhood. And, though many people are interested in getting involved and ad-

ressing community concerns, they often do not understand the power they have as a community, and feel intimidated by the process of community organizing.

2. Program Intention

The intent of *LeadershipWorks!* is to facilitate hands-on, community-oriented projects, so residents can experience the process of organizing a project, and become acquainted with other residents in the neighborhood. The program also strives to provide organized training sessions on resident leadership, so residents can obtain information from professionals, assess their own leadership skills and become empowered and inspired to improve their community. Finally, the program provides one-on-one mentoring for new community leaders. This component is very important, because once the training is completed, many participants still need guidance and support.

3. Program Outline

Training sessions are 2½ hours weekly for 10 weeks, and typically are scheduled for evenings. There are four goals for residents to achieve. First, they are to learn features of the community and identify community leaders and resources. Second, they are to develop personal leadership skills by identifying the skills they have and focusing on those that need enhancing. Third, they are to organize and complete a community project, learning, in the process, how to coordinate projects and overcome common obstacles. Fourth, participants are to learn about group dynamics, effective communication and methods of group facilitation.

Training topics include running effective meetings, resolving conflicts, working with diverse groups, performing outreach, and identifying and solving community problems. INHS invites speakers to nearly every session. Guest speakers are experts in their field and come from several organizations, including the Asian Pacific American Legal Center, the LA Community Development Technological Center, the Multicultural Collaborative and other nonprofit organiza-

tions that engage in community organizing, such as ACORN.

4. Partnership with the School District

INHS will conduct four leadership trainings this year, two of which will be in partnership with the school district. Often, parents involved in school activities are also active in their communities. PTAs and other parent committees are excellent sources for finding resident leaders, plus the training is an excellent tool for parents. Two *LeadershipWorks!* trainings will be held at the school and two at the INHS office.

5. Outreach

Locating participants through the school district proved to be a great mechanism for INHS to reach active members of the community. Previously, INHS conducted outreach only by attending block-club meetings and Neighborhood Watch groups. Not only do these venues provide an opportunity to identify good community leaders, but they also ensure that INHS reaches out for leaders from different parts of the community.

6. Program Success

Several factors help make *LeadershipWorks!* a success. One is the quality of the guest speakers and the content of the sessions. Another is follow-up with program participants. The community organizer at INHS stays in close contact with previous participants and continues to attend neighborhood meetings.

1. Program Cost

Costs for *LeadershipWorks!* include the cost of program materials, photocopies and notebooks, plus compensation for the guest speakers. Added expenses include phone calls, refreshments, reading materials, and the salary of the community organizer.

RESULTS

- This year, INHS will hold four *LeadershipWorks!* training sessions, while six have been held over the past three years.
- INHS uses the trainings to teach residents about a variety of resources in the community, including their HomeOwnership Center and NHS resources. The *LeadershipWorks!* train-

ing is helping community members become more informed and more involved in existing community projects and programs.

- Through *LeadershipWorks!*, INHS is recruiting community residents to become NHS board members.
- *LeadershipWorks!* is experiencing great success. More than 55 people have participated in the training.
- More than 25 block clubs have been organized and/or assisted through this program.
- A neighborhood Summer Festival was organized by one of the neighborhood groups involved in the program.
- One neighborhood group is assembling a task force to work in partnership with residents, property owners, local businesses, churches and the city on making positive changes in the neighborhood.
- One Spanish-speaking resident helped organize a *LeadershipWorks!* program in Spanish. Currently, INHS provides training either in Spanish or with Spanish translation.
- Neighborhood groups are organizing and carrying out projects in their neighborhoods. Community members are organizing block clubs and neighborhood cleanups, as well as learning how to identify neighborhood issues. It is a common challenge for residents to determine community problems; *LeadershipWorks!* then helps participants identify issues that need to be addressed.

LESSONS LEARNED

- Locate long-term funds for the program. Inglewood NHS has to secure lasting sources of income to ensure that the program will survive and continue to strengthen Inglewood neighborhoods.
- Hire a full-time community organizer. The host organization needs this employee to carry out presentations, outreach and follow-up, plus attend neighborhood meetings. *Leader-*

shipWorks! requires more from the community organizer than just 10 weeks of instruction. In order to be successful, the community organizer also needs to cultivate ongoing relationships with both individual residents and neighborhood groups.

- Conducting efficient outreach in the community is very important. The community organizer needs to understand the program and seek natural community leaders. It is also important for the organizer to recognize that all members of the community are significant, and each resident plays a vital role in the neighborhood.
- Start the program small, then let it grow. This is a naturally strong and effective program. The best marketing is word of mouth, which takes time. It is important to be patient and let the program evolve.
- Most people work during the day, so evening sessions are best. INHS found this to be the most convenient time for the majority of residents.
- Many participants have children, so it is important to provide child care during at least one training, if possible. Child care is available for INHS trainings held at participating schools; community residents volunteer to watch participants' children during each train-

ing session. Child care is not available for sessions at INHS, because space is not adequate.

- Expect outreach to be a challenge. Many people even in the INHS community do not know the program exists. It is helpful to connect with as many organizations and associations as possible, to acquaint them with this training opportunity.
- It is very important to hire quality guest speakers who understand the training's goals and objectives. Participants often identify with the speakers, so it is critical for them to be sincere and knowledgeable on the training topic.
- Don't be too ambitious with your projected participation levels and training schedule. INHS anticipates scaling back to two trainings a year, as recruitment and follow up are very time-consuming.

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Inglewood NHS Linking Residents with HomeOwnership Center

OUTCOME: Inglewood, California, Neighborhood Housing Services (NHS) is building a bridge between its NeighborWorks® HomeOwnership Center and the community. The NeighborWorks® HomeOwnership Center is attracting prospective first-time homeowners, in addition to residents who want to become effective leaders in the neighborhood and community.



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BACKGROUND

Inglewood Neighborhood Housing Services was formed in 1978 to restore and revitalize selected neighborhoods. In 1998, Inglewood NHS drew in \$4,820,520 in total investment, provided 340 families with homebuyer counseling and helped 32 families become first-time homebuyers.

The Inglewood NHS HomeOwnership Center is a strategy taken on by NHS to increase home ownership in its target area. In October 1998, the center moved to a high-profile commercial space in the heart of the city. The ultimate goal of the HomeOwnership Center is to stabilize and build healthy neighborhoods, using owner-occupied housing as an approach. Another fundamental component of healthy neighborhoods is resident leadership. Recognizing this, INHS is using the HomeOwnership Center to create and support resident leaders, thus building a bridge between the center and the community.

COMPONENTS

Resident-Leadership Training. INHS provides leadership training at the HomeOwnership Center to develop resident leaders. The leadership-training curriculum, *LeadershipWorks!*, develops practical leadership skills through a comprehensive, 10-week program. Topics include running an effective meeting, conflict resolution, working with diverse groups, performing outreach techniques and identifying and solving community

problems. *LeadershipWorks!* develops residents who can work toward social change, community development and community advocacy. Inglewood NHS, in turn, uses the training as a way to identify resident representatives for its board and committees.

Community Organizer. The resident-leadership training and community organizing are performed by a community organizer, Francia Arrigan. The role of the community organizer is to manage outreach to residents, design and facilitate leadership trainings, attend block-club meetings and conduct follow-up with resident leaders.

Community Resource. INHS would like neighborhood residents to regard Inglewood NHS and the NeighborWorks® HomeOwnership Center as a community meeting place and community resource. The HomeOwnership Center provides a place for people to meet and discuss their neighborhood issues and find support in dealing with community concerns.

Expanding INHS's Customer Base. INHS is using the resident programs to promote the HomeOwnership Center. Many neighborhood residents rent, and have never thought of becoming homeowners. People who do not view themselves as prospective homeowners are typically not attracted to a home-ownership center. By holding neighborhood meetings at the center, an opportunity arises to propose home-ownership possibilities to area renters.

When attending community activities and meetings, the community organizer keeps information on hand about the HomeOwnership Center, Inglewood NHS, homebuyer training and home-improvement loans.

Funding. A partnership was created between INHS and a city councilor to concentrate on obtaining Community Development Block Grant and Department of Justice anticrime funds aimed at identifying and nurturing community leaders. The federal funding includes some stipends for leadership training for 13 selected residents.

These residents are trained and encouraged to organize such activities as block clubs, neighborhood clean-ups and garage sales.

Costs. The main cost for this program is staffing. It is necessary to have a committed person to train and maintain resident leaders, perform outreach, create fliers, teach computer skills, and, if needed, translate fliers and dialogues.

Through the community-leadership training program, INHS purchased a translating transmitter that residents can use, free of charge, for neighborhood meetings. For meetings, INHS provides snacks and drinks. Other expenses include postage, phone calls, gas for transportation and payments for certain guest speakers.

Follow-up. Support of resident leaders through the process of community organizing is vital. Starting a new block club takes time, patience and energy. Resident leaders need support, encouragement and assistance with process and timelines. An important function of the community organizer is to build relationships with resident leaders by helping with specific projects and assisting in the development of neighborhood groups and events.

RESULTS

- Since the HomeOwnership Center opened in a highly visible space, homebuyer orientation enrollment has increased 50 percent and homebuyer education attendance has grown by more than 60 percent. The number of first-time homebuyers who purchased with the assistance of INHS has nearly doubled over the past two years, jumping from 30 to 56 families.
- The community organizer is working with approximately 20 block clubs in various stages of development. Each block includes 25 to 35 houses. Groups have procured better lighting for their streets and new stop signs at key intersections. Residents formed a neighborhood-welcoming committee to greet new homeowners and invite them to participate in neighborhood activities.

- Residents from district number four are organizing the annual summer festival which typically is a responsibility of the city of Inglewood. They have found a sponsor for the event, organized block clubs to participate in a tremendous potluck, and planned festival games and activities.
- Attendance of the Spanish-speaking population has greatly increased at community meetings. Leadership training is now offered in Spanish, and fliers and other information are translated to Spanish and distributed. INHS is also teaming Spanish-only speakers with English-only speakers to overcome language and cultural barriers.

LESSONS LEARNED

- Establish clear goals and guidelines. Resident leaders depend on INHS for information, support and motivation.
- Create timelines to put a project into perspective. Residents want to see results. By communicating what accomplishments are expected and displaying a reasonable timeframe for achieving each step, residents are able to see and celebrate each phase completed.
- Time and patience are vital. Residents approach INHS with many questions, and need guidance in discovering answers.
- Make the time for follow-up. Resident leaders who have a concerned and committed support person are encouraged to persevere and succeed.

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Ithaca Neighborhood Housing Services Homebuyers' Reunion

BACKGROUND: Ithaca Neighborhood Housing Services (INHS) homeowners' reunion is an important component in the Full-Cycle LendingSM process. This simple device helps INHS keep in touch with families it has assisted in home purchase. It is a structured format for providing pertinent information after purchase and, for buyers, for sharing common experience.



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COMPONENTS

1. Customer Database

The approach to the reunion is fairly straightforward. INHS maintains a database of customers, telling who they are and what services they received. From this database, INHS sent invitations to:

- Customers who have purchased a home;
- Customers who have gone through the Homebuyers Club but have not yet purchased a home;
- Customers who have received a loan through INHS;
- Current Homebuyers Club attendees.

The invited group was not limited strictly to homebuyers because INHS wanted the reunion to be a chance to stay connected with a range of loan customers and to inspire people who had not yet bought a house.

2. Response and Follow-Up

Those invited were asked to RSVP. INHS also followed up with phone calls. Thirty-four people were invited; ten attended.

3. The Event

The reunion had two parts:

- **Homebuyer testimonials:** The first gave homebuyers an opportunity to talk about their home-purchase experiences. Two new buyers

made brief statements about how their attitudes toward the neighborhood had changed since they had bought homes. Both had lived in the neighborhood as tenants but, since becoming homeowners, they were much more connected to their neighbors and more concerned about what was happening in the neighborhood.

- **Financial management counseling:** An INHS board member who is an investment counselor gave a well-received presentation on money management and investing for people with modest incomes. Future sessions will focus on topics such as home maintenance, insurance, and gardening.

LESSONS

1. Manageable Postpurchase Strategy

This is a simple, do-able mechanism for maintaining contact with customers. Staff time to set up the event, prepare the invitations, follow up, and staff the session, was about five hours.

2. Reaction

People were pleased with INHS's efforts to stay in touch and appreciated information they received.

3. Productive for Hosts

INHS also received valuable information, particularly in hearing new homebuyers describe how their lives had changed with the move into home ownership.

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Lafayette Neighborhood Housing Services Loan Portfolio Management Outcome

OUTCOME: Neighborhood Housing Services of Lafayette, Indiana, provides a good example of how a relatively small organization can effectively manage a loan portfolio.



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BACKGROUND

Lafayette's loan portfolio originated from Community Development Block Grant (CDBG) funds. Most were for home rehabilitation. While some CDBG funds were originally made as forgivable loans, NHS still has a responsibility to service them. The NHS annually checks the condition of the property and ascertains whether the original borrower is still living there. For loans originated under the old Rental Rehabilitation Program, NHS needed to provide certification that the property met condition standards and that it was rented to low-income families.

From early on in the life of the program, limited servicing of the loan portfolio had been administered by Bank One. Bank One managed the servicing of the payment, that is, it sent out statements, took in payments, and gave NHS a report on which accounts paid and which accounts did not. Recently, however, NHS has taken back the complete servicing of the portfolio. In order to control late payments, NHS needs reports earlier in the month so that customers could be reminded of their payment obligation.

In 1987, NHS of Lafayette took over the loan portfolio of the NHS of Indianapolis, which was being dissolved. This portfolio consisted of eight loans with balances totaling approximately \$100,000. Though small, all of the loan were delinquent. NHS of Lafayette, in negotiating the terms of how the proceeds of these loans would

be accounted for, reached an agreement with Neighborhood Reinvestment Corporation. This agreement allowed that 50 percent of the funds collected could be used to offset the costs of servicing. The other 50 percent of the funds were unrestricted. The unrestricted funds were used by NHS to set up an operating reserve.

Servicing this portfolio the first step was to establish contact with the borrowers so they knew there was a serious collection effort about to take place. NHS visited properties to establish the condition of the collateral. Some houses were sold and NHS was paid the balance, other loans were restructured and new payment plans developed.

COMPONENTS

The approach NHS of Lafayette takes in managing their loan portfolio is fairly straightforward. The key components are summarized below:

1. Loan servicing begins when the customer walks in for the loan interview. Customers are informed about the responsibility of repayment and the requirements of the note and mortgage. For elderly borrower or for customers who may not have borrowed money before, efforts are made to have a relative or pastor available when the terms of the loan are explained.
2. At the beginning of the rehabilitation process, the loan staff walk through the building with the NHS rehabilitation specialist and then they meet with the client to review the scope of work, the loan payment process, and how the work will be monitored.
3. Consistency is an important component in the loan collection process. Whatever the collection policy is, it is important that it be followed for each client in a fair and impartial way.
4. If a customer has not paid by the end of the month, they receive a letter from NHS. Since NHS is now taking back the servicing from Bank

One, it is improving its system, instituting a phone call at 15 days. Loans made under the Home Start Program, Lafayette NHS's home-ownership lending program, have from the beginning been serviced by NHS. On these, NHS calls customers whose payments have not been received by the tenth day of the month and results of loan collection are reported to banks on the twentieth day of the month.

5. If payment has not been received by the end of the first month, the NHS gets the client into the office. They are counseled one-on-one and are given a choice of either establishing a payment plan where they can catch up or enter into budget counseling.

Many clients experience a special problem, such as a big hospital bill. For this, some kind of graduated repayment plan seems to work. Others have more classic spending problems. Looking at where their money goes and planning their budget is critical. In one case, NHS found that a delinquent client could not read. He was referred to a literacy center and his repayment plan was tied to the successful completion of a basic reading course.

6. More recalcitrant delinquent accounts are referred to an attorney.

LESSONS

While the portfolio management work of NHS of Lafayette is straightforward, it holds some significant lessons.

1. While there is the ability to be flexible in resolving nonpayment issues, the foundation of the portfolio management system is consistency in approach. Consistency sends a message to the customer that NHS is on top of collecting its loan. Consistency is important internally. It breaks loan collection into simple, programmed tasks so it doesn't have to be reinvented every month.

2. The collection process begins early in the loan process. NHS staff build a relationship with the customer on a number of fronts including explaining how the loan will be repaid. The same staff who prepared the loan package make the follow-up calls when payments have not been received.

3. Since many collection problems begin with disputes over the scope and quality of rehabilitation work, the effective management of the rehabilitation process is a key component in the overall management of the loan portfolio. Along with the walk-through in the home before work starts, there is an inspection with the NHS and the city building inspector at completion. At this time the homeowner is given a contractor evaluation form that asks him or her to provide feedback on contractor performance. Usually the feedback is good. If it is not and problems arise, the NHS either gets the contractor back or has its maintenance person make the repairs. By having this contractor evaluation process and by requiring the homeowner to sign off on work, a major excuse for nonpayment is avoided.

4. Lafayette NHS along with its normal collection activities has developed a system for servicing non-amortizing, forgivable, CDBG-originated loans through regular inspections and certification of occupancy.

5. The NHS reports its delinquency figures to the board monthly. This adds a level of accountability to maintain good portfolio management.

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Neighborhood Housing Services of Milwaukee Homeowners Reunion

OUTCOME: NHS of Milwaukee held a successful reunion for more than 200 families whom NHS had assisted in buying homes or getting home-improvement loans.



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COMPONENTS

1. Planning

Planning began in April for the June event. NHS sent invitations citywide to about 500 families, board and committee members, resident-council members, loan officers and other partners. In the first week, about 300 people accepted NHS's invitation.

2. Activities

NHS originally planned to offer home-ownership workshops. Planners decided instead to have only a few minimally organized activities, in the hopes that those attending would get to know one another and simply have fun. Organized home-ownership activities were:

- **City Map:** Homeowners could put a pin on the location of their homes, on a big map of Milwaukee that NHS provided.
- **Insurance Reviews:** Company representatives spoke with homeowners about insurance coverage.
- **NHS Family Photo:** The 200 families attending gathered in a large circle for a portrait, in the park.

3. Children's Activities

NHS held the reunion at a park on Lake Michigan that has a garden and children's museum. The museum staff was very helpful in organizing theme-related children's activities for the reunion, in particular, neighborhood-building with paper bags, decorations and other materials. NHS

also had a storyteller and pantomime artist, face-painting and a kids ice cream cart.

4. Cost

The reunion cost about \$6,875. NHS participating lenders and insurance partners contributed about 75 percent of that amount; NHS covered the balance. Partners donated, for prizes, excess premiums items such as decorative plates and backpacks. Insurance partners donated home-safety kits with flashlights and smoke detectors. The most expensive item was lunch.

LESSONS

1. Postpurchase

A goal was to strengthen postpurchase connections among NHS-assisted families, NHS employees, lenders, insurers and other partners. Some of these partners invited their employees who work with NHS clients to the reunion. NHS also made a conscious decision to send invitations citywide as opposed simply to the neighborhoods it services.

2. Legwork

Though NHS partners and supporters were indispensable to the reunion, the work of planning and running the event, in the words of one NHS board member, was employee-driven.

3. Services for Parents

Devoting time and even funds to organizing children's activities can enhance the success of an event like a reunion. Children's activities theoretically allow parents to participate more fully and, in any case, are likely to greatly endear the organizers to moms and dads attending. NHS recommends that, if an event will have kids activities, the invitation should stress that.

4. Schedule

NHS partners are excited about doing another reunion. NHS of Milwaukee sees the as event as something maybe for every other year, so that the mix of participants will change as NHS helps more homeowners. NHS staff caution not to embark on a reunion or similar event during other major projects, such as grant applications.

5. Estimating Attendance

NHS recommends not organizing the event, particularly food orders, on the basis of RSVPs. This was essentially what NHS of Milwaukee did and, even though weather for the reunion was excellent, turnout did not measure up to the number of people who responded positively to their invitations. The formula of three children to each family, NHS planners said, was realistic, but a certain amount should have been subtracted in terms of overall attendance.

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Neighborhoods Inc. of Battle Creek Postpurchase Initiative

OUTCOME: The Postpurchase Initiative of Neighborhoods Inc. of Battle Creek (NIBC), as part of the NeighborWorks® Full Cycle LendingSM approach to revitalizing neighborhoods, is at the back end of the cycle. It focuses on connecting new homebuyers to existing neighborhood networks, encouraging their own leadership efforts in the neighborhoods and pre-empting any post-purchase problems that might occur.



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BACKGROUND

NIBC works in several Battle Creek neighborhoods that are older and have traditionally suffered spot abandonment, reduced home ownership, declining maintenance standards and weak market values. The NIBC approach is to make these neighborhoods healthy again by restoring neighbors' capacity to manage the neighborhoods. Home ownership is a key tool in restoring this management capacity. What's needed are not only new homebuyers, but homebuyers who will commit to playing a role in the process of neighborhood change.

COMPONENTS

1. A Proactive Orientation

The Postpurchase Initiative is a means of reducing delinquency, but it is also an intentional effort to connect new homebuyers to other neighboring residents and activities in the neighborhood. It also helps the program staff anticipate problems new homebuyers might have so that NIBC can take corrective action.

2. Marketing Meetings

The key management tool is regular marketing meetings. Staff discuss the status of each new homebuyer and lay out a strategy to connect that family to the neighborhood, detailing how this family can best fit in and with whom they could network.

NIBC develops a profile of many new homebuyers. This helps staff know more about the family and what they might be interested in. Selected written profiles are often used in NIBC public relations and marketing staff.

3. Postpurchase Contact

For families entering home ownership with less than perfect credit or budgeting issues, the post-purchase counselor may make a visit and get the new buyer directly into budget or maintenance counseling. Often this first visit is accompanied by a small gift — flowers or a welcome basket. New buyers are encouraged to meet other new buyers or active neighbors or are asked to participate in block events, such as clean-ups or plantings.

This approach serves other program needs. Because the new homebuyers also are usually Neighborhoods Inc. loan customers, periodic home visits give the program staff an opportunity to check out any potential financial or maintenance problems.

Examples of postpurchase contact are as follows:

- In the course of walking the neighborhood, a staff person noticed torn screens on the windows and door of a new homebuyer's house. These small problems affected how the house looked to the rest of the block. The owner was asked if she would host a screen-repair workshop at her home and invite some neighbors. Neighborhoods Inc. staff conducted the workshops. Residents, including the loan client, learned how to repair screens, using the broken screens as examples.
- Many loan customers have not analyzed their spending habits or done a budget. Neighborhoods Inc. hosts regular budgeting workshops for certain customers. The atmosphere is relaxed (baby sitting and dinner are provided), with six to eight families participating. NIBC gives a lot of thought to who is in the class. Young, single mothers who have recently purchased are invited along with more mature

homeowners. The peer-to-peer relationships not only enhance learning but carry over into neighborhood relationships.

4. Managing Risk

Since quality housing is low priced in Battle Creek, not all buyers will be strong in necessary skills. Neighborhoods Inc.'s strategy has been to take on a greater percentage of high-risk loans, using the Postpurchase Initiative to reduce delinquency, monitor home maintenance and develop neighborhood leaders.

LESSONS

1. Low Tech-High Touch Strategy

The Postpurchase Initiative focuses on new homebuyers as people: what their skills, capacities and interests are and how they can best be connected to the neighborhood. The basic theory behind this strategy is that neighborhood change requires both a targeted and a comprehensive effort. Much of that effort is focused on getting people involved with their neighbors and with neighborhood activities. The lesson is that, when given the opportunity and encouragement, these new homebuyers are very willing to contribute to their neighborhoods.

2. Delinquency Prevention

To be successful, homeowners must manage their money and pay their bills in a timely way.

NIBC's one-on-one approach to delinquency prevention assures customers that they can talk to someone at NIBC about all home-ownership issues. NIBC contacts customers when they are 30 days late and can still catch up, as opposed to 90 days late when the amount delinquent often seems insurmountable.

3. Congenial Payback

As part of interaction with clients in the home-buying process, NIBC staff lays out informally, but explicitly, the expectation of payback. That is, the new buyers will be asked to do something to help Neighborhoods Inc. Based on buyers' individual interests and capacities, that might range from participating in block events to actually initiating block clubs. Although not everyone is or needs to be a joiner, everyone can give something back.

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Neighborhoods, Inc. of Battle Creek Leadership Program

OUTCOME: Neighborhoods, Inc. of Battle Creek, Michigan (NIBC), is graduating its third class of eighteen students from Community Builders, a grassroots leadership-development program. NIBC recruits individuals already active in their neighborhoods, and then, through Community Builders, supports and trains them. The program uses structured classes; active group participation in which graduates and participants assist in teaching; one-on-one mentoring; and the matching of graduates with leaders from the larger community.



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BACKGROUND

In developing Community Builders, NIBC held several weekend retreats to help community activists feel more comfortable about taking on leadership roles. When participants showed interest in further training, NIBC hired a training director and held focus groups to ask participants about committing to a program for a specific length of time. Ultimately, participants of each group, including the youth focus group, said they would commit to meeting twice a month for a year.

COMPONENTS

1. NIBC hired a marketing firm to design marketing tools that would emphasize commitment and discourage people who weren't serious. Promotional materials recruit "active community participants," avoiding the word "leadership."
2. Through other NIBC programs and outreach, staff identify specific people in the community and send letters, brochures and applications. Staff also spend time walking people through the application process.
3. The applications are written to screen participants who aren't serious. Queries include

- Describe your involvement in your community.
- Describe your past volunteer activities.
- What was your role in those activities?
- What do you think is needed to create a better community?
- How do you see yourself being involved in the program five years from now?
- Can you commit to this program?
- Have you ever participated in a leadership program before?
- What do you hope to learn in this program?

4. Participants commit to at least eight out of ten class sessions and two weekend retreats. The first retreat focuses on personal assessment; participants reflect on goals for their community's life and for their personal lives and whether those goals complement or conflict with each other. The second retreat, mid-way through the program, is on conflict resolution skills. The last several sessions are planned according to participants' goals.

5. Class sessions cover
 - Understanding power;
 - Group process;
 - Meeting planning and facilitation;
 - Selecting a personal project and then planning how to implement the project;
 - Working with youth;
 - Meeting community leaders;
 - Planning a project that will be implemented by the group.

Many topics include practical information such as timelines and how to keep a group on task.

Other information is more theoretical

- How do groups form and develop norms?
- How does a group make decisions?
- What are the classic signs of a healthy group or of a group that is in trouble?

6. The first Community Builders class was scheduled to meet twice a month for 10 months. The program was revised and now runs for 10 consecutive weeks, in addition to two weekend

retreats. Morning and evening sessions are held to try to accommodate various work schedules.

7. Participants spend between 45 and 60 hours in class and in one-on-one meetings with instructors. Instruction relies on intensive group process.

8. NIBC spends \$600 per participant on Community Builders, not including costs of staff time or the alumni program.

9. The NIBC board was supportive of Community Builders, working to get a three-year grant from the Kellogg Foundation to fund it. The foundation made staff available for consultation on implementation and evaluation.

10. NIBC has two full-time staff members working on leadership programs.

11. Instructors use a learner-centered model, basing classes on what participants want to learn. Participants also are required to write a personal growth plan. They discuss, from class to class, how they applied what they had learned to their neighborhood work. Much of the learning takes place during lively class discussions that ensue as participants analyze their attempts to use the concepts and ideas.

RESULTS

- The Kellogg Foundation chief executive officer was keynote speaker for the first graduation. The festive occasion celebrated the hard work of designing the program as well as making mid-course corrections to ensure its success.
- The Battle Creek community has affirmed the need for strong grassroots leadership. The director of the Leadership Academy administered through Kellogg Community College refers people to Community Builders, as a precursor to the Leadership Academy.
- Alumni continue to meet quarterly at NIBC. They also teach training classes and act as mentors for ongoing classes and in the larger

community. One graduate has considered running for public office.

- About half of the participants are homeowners and are interested in bringing more homeowners into their neighborhoods.

LESSONS

1. Time, Energy Commitment

Participants need to understand the required time and energy commitment before embarking on a leadership development course. Instructors should set high expectations and not be too tolerant of absences.

2. Weekly Meetings

Once the program started, staff quickly realized the model needed adjusting. Meeting for three hours a week, for 10 weeks, was more successful than biweekly meetings.

3. Confidence Is Contagious

Participants did gain confidence about assuming leadership roles. This confidence tended to spread, boosting individual leaders' self-confidence which, in turn, generated respect among families and neighbors.

4. People Make Neighborhood Health

NIBC has found that motivated and skilled leaders, working at the grass roots, are a tremendous asset in revitalizing and supporting declining neighborhoods. NIBC stresses the dictum, "people make a neighborhood healthy": an organization can rehabilitate houses and build parks but, without leadership from within, physical changes will deteriorate.

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Neighborhoods Inc. of Battle Creek “Our Home” Book

BACKGROUND: Neighborhoods Inc. of Battle Creek (NIBC) takes the postpurchase activities of NeighborWorks® Full-Cycle LendingSM beyond servicing loans. For homebuyers to manage home ownership, NIBC maintains, they must know and be able to work with other neighbors to keep individual properties in shape and the neighborhood healthy. To achieve this goal, Neighborhoods Inc. intentionally fosters ongoing relationships with new homebuyers and helps those new owners get to know neighbors. “Our Home,” a book prepared for each new homebuyer, is a tool in cementing the relationships that NIBC says help make healthy neighborhoods.



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PRODUCT

“Our Home” is a personalized resource guide, prepared by NIBC and including information on the history of the house, and information on various programs and home maintenance.

COMPONENTS

Although each “Our Home” book is customized for the specific house and buyer, the book also has standard pieces. The materials are presented in a large three-ring binder. Specific components of “Our Home” books are as follows

1. History

In 1940, the City of Battle Creek photographed every house in the city. NIBC includes a copy of that photograph in the book, along with more recent before- and after-renovation photos of the property. Also, this section tells neighborhood history and describes how-to steps for searching a specific building’s history.

2. NIBC PROGRAMS

The book’s detailed list of NIBC programs helps homeowners and supports word-of-mouth marketing of NIBC.

3. Financial Planning

This section has budget forms and a place to list assets and figure net worth. Also included here are sleeved insert pages for storing house-related documents. NIBC has found that many of its customers do not practice good record-keeping and appreciate having one place to store these documents.

4. Home Maintenance

“Our Home” provides home maintenance tips tailored to each individual house, including information as specific as paint charts.

5. Resource Listings

“Our Home” has information on city programs, a piece on conflict resolution in neighborhoods and a survey of new homeowners’ skills and interests. This survey helps homeowners assess their own skills and helps NIBC link neighbors with each other.

PROCESS

Work on the “Our Home” book begins during the rehabilitation of the home in collecting the photographs and history of the building. NIBC has a production system for assembling the rest of the book.

When rehabilitation work is completed and the new homeowners are in the house, the postpurchase counselor schedules an appointment to deliver the book. At that time, the counselor reviews the “Our Home” book and walks through the house, pointing out maintenance issues that the book covers. The visit is a chance for postpurchase counselors to learn about families and to link that family with neighbors with similar skills and experiences.

RESULTS

NIBC has produced and delivered more than 200 books to new homeowners.

LESSONS

1. Relationship-Building

To have a successful postpurchase program, an NWO needs to build a relationship with the new

homeowner. “Our Home” is a way of getting a postpurchase counselor talking with the customer and of building a relationship before any specific problems might occur. In this context, the NIBC staff person becomes an ombudsman for homebuyers and is seen as someone to whom they can turn if necessary.

2. Customer Response.

“Our Home” is a gift from Neighborhoods Inc. to the new homeowner. It highlights a home’s uniqueness and the neighborhood’s special character. Customer response to the book has been positive. It has established positive postpurchase relationships with new homebuyers.

3. Postpurchase Debriefing

Buying a house can be a tumultuous experience for families. New buyers are sometimes confused

about the process they just experienced. “Our Home” and, importantly, the NIBC house visit that accompanies it, give families an opportunity to “debrief” with the postpurchase counselor.

4. Systematic Production

Systematizing the book’s production creates opportunities for increased use of volunteers.

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NHS of New York City Home-Maintenance Training

PRODUCT: Neighborhood Housing Services (NHS) of Jamaica, New York, and Neighborhood Housing Services of Bedford-Stuyvesant, New York, have developed training programs to help homeowners acquire home-maintenance and repair skills.



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BACKGROUND

Both NHS of Jamaica and NHS of Bedford-Stuyvesant serve areas with large minority populations and high numbers of female-headed households and low-income families. For example, NHS of Jamaica serves the areas of Community Board 12 in the borough of Queens, which has a population of 201,000. Of these

- 98 percent are African American, Caribbean or Latino;
- 13 percent of households are headed by women;
- Average income for a three-person household is \$32,417.

In the mid-1970s when NHS of Jamaica was established, house prices were in the \$65,000 to \$100,000 range. Now the range is substantially higher, with houses selling at an average of \$175,000.

NHS of Jamaica began its home-maintenance training in 1976. As the first NHS in New York City, the program was actively engaged in home-improvement lending to lower-income families. In one of its early loans, NHS financed a new kitchen with new appliances and countertops. At the final inspection, the rehabilitation specialist found the homeowners had scorched the Formica countertop. NHS saw that making loans was not enough; some homeowner education was also needed.

In Bedford-Stuyvesant, NHS saw home-maintenance training as an opportunity to connect with more people through education. NHS of Bedford-Stuyvesant began training homeowners in 1993.

DEVELOPMENT PROCESS

The NHS of Jamaica board joined with York Community College to develop a curriculum for home-maintenance training. The aim of this collaboration was to develop the best method of teaching homeowners how to manage the care of their homes. NHS brought an understanding of the particular needs of local residents and what kinds of issues they faced. The community college brought experience as an educator. Out of this collaboration came a down-to-earth curriculum that focused on how to recognize problems, how to negotiate with contractors, and how to make certain small repairs.

NHS of Jamaica home-maintenance training began with one class once a week in a facility provided by Chase Manhattan Bank. All of the participants were men. Soon after, NHS acquired a vacant house, and the class did some of the repair work.

More people in the neighborhood heard about the classes and signed up. The class schedule ultimately expanded to include classes five nights a week in a local church facility. Three 11-week sessions — beginning, intermediate and advanced — are held twice a year. Women came to make up the majority of class participants; 30 percent of participants are senior citizens. The program has a full-time coordinator who also is an instructor and a part-time assistant instructor and program assistant. Annual cost is \$30,000. Local banks, Neighborhood Reinvestment Corp. and Allstate Insurance fund the maintenance training.

NHS of Bedford-Stuyvesant organizes its home-maintenance training in a similar way, with three levels of training — beginner, intermediate and advanced. Each level offers nine weeks of training, meeting once a week for three hours. NHS

charges a \$65 enrollment fee to cover some costs. Additional costs are covered by grants from:

- Roosevelt Savings Bank;
- Neighborhood Reinvestment;
- NYNEX;
- Apple Bank for Savings;
- East New York Savings Bank;
- Altman Foundation;
- Philip Morris Companies;
- GEICO;
- Pioneer Savings Bank; and
- Home Depot.

Roosevelt Savings Bank also donates the class space. In Bedford-Stuyvesant, participants' ages range from 20 to 65 years, and the classes tend to be fairly evenly split between men and women.

Both NHS of Jamaica and NHS of Bedford-Stuyvesant have attendance of 15 to 20 people per class.

COMPONENTS

Following is a description of topics the NHS of Bedford-Stuyvesant beginning level of training covers, week by week

Orientation

All participants meet for an orientation that covers an overview of the courses, presentations by the financial institution supporting the training, and opportunities to meet instructors and ask questions.

Beginners Course Outline

Week 1: Basic Measurements

Reading rulers, converting fractions, calculating amounts of materials.

Week 2: Tool Practice and Safety

Hand tools and power tools, specialized tools, leveling and squaring, selecting proper fasteners.

Week 3: Carpentry, Wood Framing Layout of floor and wall framing, installing subflooring.

Week 4: Carpentry, Wood Framing Framing for windows and doors.

Week 5: Electrical

Understanding your electrical system, making minor electric repairs.

Week 6: Electrical

Installing switches, outlets and fixtures.

Week 7: Plumbing

Understanding your plumbing system, making minor plumbing repairs.

Week 8: Drywall and Finishes

Installing Sheetrock, patching and repairing cracks, taping and spackling Sheetrock.

Week 9: Finishes

Applying wall finishes such as paint and wallpaper.

NHS of Bedford-Stuyvesant also offers intermediate and advanced sessions. The intermediate follows a similar topic outline but moves into window, door and lock installation and more complex plumbing and electrical tasks. The advanced session has topic areas such as installing hardwood floors and trim and installation of sinks, faucets and countertops. All classes meet together on week 10 for a graduation ceremony.

LESSONS

1. Success in Learning

NHS of Jamaica indicated that the time and expense required to run the home-maintenance training is worth the effort. Staff reported many examples of homeowners able to negotiate smoothly with contractors and approach major repairs with new confidence.

2. Funding Opportunity

NHS also found the training to be an attractive funding opportunity for lenders. Home-maintenance training also fits well with the NeighborWorks[®] Full-Cycle LendingSM system as a way of helping families maintain their investment.

3. Classroom Flexibility

In Bedford-Stuyvesant, initial course offerings were too ambitious and had to be scaled back. For example, NHS had to spend more time on

measuring, converting fractions and a basic understanding of tools than was originally planned.

4. Importance of Site

Both NHSs pointed out the importance of suitable space. The space could be unfinished but it needed to be large enough to accommodate building projects and mock-ups of walls, windows, etc.

5. Unique Teaching Skills

The second critical element for success is a good instructor who can combine knowledge of home repair with teaching skills and the patience required in dealing with neophyte homeowners.

6. Repair as Asset-Building

The relationship between these two models of home-maintenance training and family asset-building for people is important. For example, in the late 1970s, homes in Jamaica sold for an average of \$80,000. A working family purchasing then would have accumulated over \$150,000 in

equity by 1994. The ability to stay on top of the repair and improvement needs of the house is a critical factor in maintaining that equity as an asset.

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Nuestra Comunidad Development Corporation Foreclosure Prevention

OUTCOME: Nuestra Comunidad (Our Community) Development Corporation of Boston developed a foreclosure prevention counseling program for homeowners of low- to moderate-income in the Roxbury and Dorchester neighborhoods of Boston. These two neighborhoods had experienced a high proportion of foreclosures.



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COMPONENTS

Nuestra Comunidad promoted this service through a monthly post card mailer. When a homeowner approached the organization, Nuestra Comunidad took five specific steps to try to save the home of a person threatened by foreclosure. These steps were as follows:

1. Getting General Information

Nuestra Comunidad met with the homeowner to get basic information, such as when the last payment was made and whether the owner had filed for bankruptcy. The counselor used this information to develop a general strategy for helping the owner save the house.

2. Understanding Specifics

The foreclosure prevention counselor would explore reasons for a homeowner's financial difficulties and whether any improvement in those circumstances. For example: If the cause was an injury that left the homeowner unable to work, Nuestra Comunidad investigated whether the individual was working again and, if so, whether the new income was comparable to previous earnings.

3. Structuring a Payment Plan

If the troublesome situation had improved, the counselor determined a payment plan, based on the homeowner's net income minus expenses, plus a small amount factored in for unexpected

needs. At this point, the foreclosure counselor would get the homeowner's loan number from the servicer of the mortgage, for use in contacting the lender.

4. Contacting the Lender

Nuestra Comunidad would contact the lender, explain the circumstances, and emphasize that working with the homeowner is the most likely way for the lender to receive the full amount of the mortgage, especially when a homeowner owes more than the building's appraised value. When the value of the home exceeds the mortgage amount owed, the counselor may not be able to save the home.

5. Work-Out Plan

Finally, the counselor would work out the details of the proposal by getting the lender to modify, restructure or refinance the loan. For example, the plan might extend the length of the loan or lower the interest rate. This lender also received documentation of the homeowner's hardship and ability to pay in the future.

RESULTS

In its first five months, Nuestra Comunidad's Foreclosure Prevention Counseling Program took on four cases and saved two homes. In one case, an 80-year-old woman had a \$35,000 loan with adverse terms — an interest rate of 16.7 percent; 7 points; and, later, balloon payments. Before long, she had fallen behind in payments and was in danger of losing her home. Though it was not easy, Nuestra Comunidad was able to help her refinance the loan and save the home.

LESSONS

1. Learning About Alternatives

Because many homeowners do not realize that they can renegotiate with lenders without resorting to a bankruptcy filing or other drastic measures, there is a need to educate homeowners that there is a way out of such financial difficulties.

2. MAKING ASSISTANCE KNOWN

Because people in danger of foreclosure may hesitate to seek help, good communication from an organization that can help usually gives a homeowner courage. Nuestra Comunidad reached out to homeowners through its monthly post-card mailer and its friendly and convenient counseling services.

3. Contacting Lenders

Foreclosure prevention counselors generally should work with lenders. Working with agents, such as mortgage servicers and attorneys, can be counterproductive, because they may have incen-

tives to foreclose upon owners. Lenders usually are more willing to renegotiate a loan.

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Portland Housing Center Mortgage Foreclosure-Prevention Program

OUTCOME: The Portland, Oregon, Housing Center hosts a Mortgage Foreclosure-Prevention Program that helps preserve affordable housing and helps homeowners whose loans are in default stay in their homes.



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BACKGROUND

Portland Housing Center has been in existence since 1991 and serves a population of about 1.3 million in the Portland metropolitan area. It became a NeighborWorks® organization in 1998. Portland Housing Center's mission is to provide education, counseling and financial services to help area families access affordable and stable housing.

The Portland housing market has changed dramatically over the past 10 years; home prices in city neighborhoods have appreciated substantially. The average selling price has more than doubled; in many neighborhoods, the increase has been even greater. Average incomes, in contrast, have not kept up, and the gap between the wealthy and the poor continues to widen. Inner-city neighborhoods are growing, and higher-income households are moving in, gentrifying Portland neighborhoods. Higher costs are making it difficult for lower-income residents to stay. Within the last year, foreclosure filings in the metropolitan area have doubled.

COMPONENTS

1. Customers

Portland Housing Center focuses on homeowners who have had financial problems due to situations beyond their control, yet, with assistance, have the ability to maintain home ownership. People typically seek help because of divorce, disability or unemployment. In the last two years, the program has limited its services to homeown-

ers who: (1) have an affordable mortgage through a private lender; (2) are case-managed by a senior-citizen or disability agency; or (3) have purchased houses through a community development corporation or Portland Housing Center. Few inquiries have come from homeowners who attended Portland Housing Center's prepurchase counseling or education courses.

2. Assistance Programs

Portland Housing Center offers three different foreclosure-prevention services:

- The first is default counseling. Program staff meet with homeowners who fall within the screening criteria to help sort through the issues that have led to default. Staff members explain foreclosure procedures and help the homeowner explore alternatives. The primary objective is to help the homeowner and the lender work out an arrangement to avoid foreclosure and allow the homeowner to stay in his or her home. Staff is very active in negotiating with lenders, both with their collections and loss-mitigation departments. Lenders often require extensive paperwork before they will provide meaningful alternatives to foreclosure. Portland Housing Center staff help homeowners put together this information.
- For homeowners who do not meet the screening criteria, staff offer telephone information and counseling. A typical call requires 10 to 15 minutes of staff time.
- The second is financial assistance. Portland Housing Center can provide no-interest loans and outright grants for homeowners facing foreclosure. It can contribute up to \$3,500 in no-interest, no-payment loans for homeowners to use in bringing their mortgage current. Separately, the center receives grants through Multnomah County, as part of a network of rental-assistance and homelessness-prevention programs. If a homeowner meets income guidelines, the center can access up to \$2,000 to use towards back payments. Portland Hous-

ing Center pursued the county's homelessness-prevention funds after realizing that financial resources for preventing homelessness should be available to help at-risk homeowners as well as renters. Multnomah County agreed.

- The third is a system of ongoing educational opportunities. Financial information is presented as part of the center's prepurchase classes. Then, as customers are about to close on a loan, staff hold a pre-closing meeting with the customer to review a postpurchase checklist. This checklist summarizes Portland Housing Center's loan package and the buyer's financial responsibilities as a homeowner. The center also provides a "New Homeowner Seminar" three times a year. The seminar covers such topics as property and school taxes, debt management, home-equity issues, home maintenance, and working with contractors. The seminar facilitator also offers several additional topics, including budgeting, weatherization, and crime and fire prevention, and participants choose which ones are most suitable. The class is 90 minutes long and takes place at a local community college.

3. Oversight Committee

The Mortgage Foreclosure-Prevention Program has utilized an oversight committee from the beginning. The committee is responsible for reviewing and approving all financial decisions. The home-ownership counselor collects detailed information on each customer and presents it to the committee. Included are the loan application, the customer's credit report, the homeowner's budget, tax information, a loan summary and a recent home-visit report. Oversight Committee members include an attorney and representatives from local banks, the Portland Development Commission and other social-service agencies. The committee meets as needed and currently comes together seven or eight times a year. In addition to examining individual cases, the committee also reviews program-policy issues.

4. Funding

Portland Housing Center implemented the foreclosure-prevention program after receiving funds from the Northwest Area Foundation. The center

was one of seven different efforts in the Northwest to receive funding from the foundation for foreclosure-prevention programs. Portland Housing Center received the funds in 1992, shortly after opening its doors.

Unfortunately, the foundation's funds were for only a pilot project, and no longer are available. Portland Housing Center has not found long-term outside support for the program, and, instead, is using money from its revolving loan fund to keep the program running. Because the program now depends on the center's own funds, it is not able to serve all existing needs. Only customers most in need, who fit the program's criteria, are being served.

5. Staffing Cost

A mortgage foreclosure-prevention program requires a full-time staff person to fulfill all the program's responsibilities. Currently Portland Housing Center's home-ownership counselor spends roughly 20 hours a week facilitating foreclosure prevention. This is sufficient only if the administrator is well acquainted with program policies and procedures. The coordinator needs to be very efficient, and Portland Housing Center feels it is preferable to hire a full-time staff person to manage all program obligations.

RESULTS

- 68 households have received loans, totaling more than \$200,000.
- 52 households have received grants, totaling more than \$85,000.
- 226 foreclosures have been prevented.
- 741 people have received counseling in one-to-one meetings.
- Telephone counseling has been provided to over 2,000 individuals, according to staff estimates.
- Three "New Homeowner Seminars" have been held, with a total of 14 participants.
- Portland Housing Center has helped many families remain in their homes, which posi-

tively affects neighborhoods by keeping them diverse and stable.

- Portland Housing Center is highly involved in the general improvement occurring throughout Portland's neighborhoods.
- Gentrification is producing problems for many residents in Portland. Portland Housing Center is helping lower-income residents stay in their homes despite the changing characteristics of Portland neighborhoods.
- A Portland Housing Center study found that 61 percent of its calls for foreclosure-prevention assistance were from subprime loan customers, 27 percent from prime loan (FHA, VA or conventional) customers, 6 percent from land-contract buyers, and 6 percent from manufactured-housing owners. The findings highlighted that subprime loan customers were having the most difficulty upholding their mortgage conditions.

LESSONS LEARNED

- Be aware that foreclosure-prevention services can be very time consuming, and may not always lead to a positive solution. While many customers benefit from Portland Housing Center's intervention, not all do. Time also is spent, for instance, with homeowners who ultimately do not need help, whose situations are ambiguous and difficult to remedy, and who, in fact, do lose their homes. No two customers or cases are alike. The center's program is helpful and successful, but even that record is no guarantee that its services will save every homeowner in default.
- Define specifically what population the program will serve, as this type of project can quickly become overwhelming. It is necessary to identify a particular customer base, because it is virtually impossible for one organization to assist all default cases.
- Know the loss-mitigation programs and procedures of lenders. Every lender performs workouts for customers in need, but each is different, depending on the institution. Knowing the terms of each program makes it easier to collaborate with participating lenders. Obtain information from lenders regarding loss mitigation and carefully read the materials. The more an organization knows about lenders' procedures, the easier it is to persuade them to work out a problem with a customer. In addition, training in loss mitigation is available through the U.S. Department of Housing and Urban Development (HUD). Neighborhood Reinvestment offers a similar course at its Training Institutes.
- Gather and organize facts by loan type. Portland Housing Center has learned a great deal about each loan package, which makes it easier when working with comparable loans. The center mainly works with FHA, VA and prime conventional loans, which have very different collection and loss-mitigation procedures. In addition, the center often works with subprime loans, manufactured-housing loans and private contracts. Being able to anticipate what to expect with each loan type is valuable and helps in understanding the various processes.
- Be aware that there are a number of ways to fight foreclosure. The increase in foreclosures in Portland appears to be linked to increases in subprime loans and predatory-lending practices. Finding ways to address this root cause of foreclosure is also critical.
- Network regularly with social-service agencies or other organizations that may be in contact with homeowners who are having financial problems. Several such agencies in Portland refer homeowners to the center. Networking is very important for identifying and supporting homeowners on a long-term basis. It is important to make your programs known to organizations throughout the community.
- Bear in mind that it can be difficult to engage loan officers in this program. Most lenders prefer to assist pre-purchase counseling or educational programs, and are not interested in working on foreclosure prevention. Loan servicers, in contrast, are more inclined to help with foreclosure prevention, and Portland Housing Center recommends taking advantage of this resource when available.

- It may seem that relations between foreclosure-prevention programs and lenders would be adversarial, but not in Portland Housing Center's experience. Lenders would rather see their customers resolve financial obstacles and avoid falling behind than undergo foreclosure. Be open and honest with lenders and communicate regularly with them about existing programs.
- Finding homeowners interested in attending a postpurchase class is difficult. Portland Housing Center has yet to develop a recruitment method to prompt growth in class attendance. It will continue to explore additional outreach techniques and attractive seminar topics.
- Use the expertise available in the community. The center's oversight committee brings together bankers, social workers, housing experts, financial specialists and attorneys to review difficult cases. This group determines whether homeowners meet program criteria, have fallen behind for reasons beyond their control, but could maintain home ownership with assistance. This is often a difficult judgment, and having an independent committee to make it can help relieve pressure on staff.
- Be aware that there is a potential conflict of interest when serving borrowers with loans from your agency. After much discussion, Portland Housing Center decided to provide counseling, loan workouts and advocacy — but no further financial assistance — for homeowners owing money to the center.
- Being a HUD-approved housing counseling agency can be helpful in terms of outreach. Lenders are required to notify delinquent homeowners of the availability of default counseling, and usually do so with a letter directing the homeowner to a toll-free telephone number. Portland Housing Center connects with a significant number of customers through this process.

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Richmond Home Safety Partnership

OUTCOME: The Richmond, Virginia, Home Safety Partnership offers educational seminars, home safety inspections and loans and grants to six city neighborhoods in an effort to reduce insurance losses related to theft.



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BACKGROUND

The Richmond Home Safety Partnership grew out of an existing insurance partnership, created in 1996 by Neighborhood Housing Services of Richmond (NHSR), that aimed to make insurance more accessible and affordable for city residents.

In September 1999, NHS of Richmond, a NeighborWorks® organization, was selected to participate in Neighborhood Reinvestment's National Insurance Task Force Loss-Prevention Partnerships program. The program, led by State Farm, Travelers and Nationwide, among other national partners, is an effort to help low- and moderate-income homeowners prevent avoidable damage and reduce financial losses from fire, water, high wind or theft. Other participating cities are Charleston, Chicago, Denver, St. Louis and the borough of Staten Island in New York City.

In Richmond, special emphasis was to be placed on insurance loss from theft, since theft was a major cause of loss in the targeted communities, and an area in which an impact could be made.

Six city neighborhoods were selected to participate in the Richmond Home Safety Partnership. They are also part of a special revitalization program by the city of Richmond, called Neighborhoods in Bloom. All six have strong civic associations that work in partnership with the city and

area community development corporations (CDCs).

Special insurance issues in the neighborhoods include deferred maintenance of older buildings and the number of vacant and abandoned properties.

COMPONENTS

Education Seminars. Working through civic associations and churches, insurance representatives offer home-security seminars in each of the six communities. The workshops provide information on how best to protect homes against theft, both from the inside and outside. In addition, seminar leaders hand out self-assessment surveys on home security to be filled out by residents.

Security Self-Assessment Surveys. Developed by the insurance task force, these surveys are designed to get residents to start thinking about security issues, and also to get data on residents who have gone through the education seminars.

Home Safety Inspections. Residents who have attended the education seminars and completed the self-assessment surveys can then request a home safety inspection by the rehabilitation staff of NHSR. The inspections cover all systems in a house, not just problems related to theft. Residents are assured that having a safety inspection does not obligate them to correct the identified problems. However, having received an inspection, they are automatically eligible for a grant of up to \$350 to correct theft-related problems.

Grants and Loans. The partnership has set aside \$50,000 a year for the next three years for grants related to items that will improve home safety. They are expected to average approximately \$350 each, and to be used for such items as locks and lighting. There are no income restrictions for the grants. They will be issued on a first-come, first-served basis to residents in the targeted communities.

Community residents also can apply for loans to address other needs revealed by the home inspection. The partnership has approximately \$75,000 a year for three years in low-interest loan funds that NHSR has received from banks. Loans would be at 5 percent for home improvements and have a term from one to 30 years, based on a customer's ability to pay. They also would have no income limitations and be awarded on a first-come, first-served basis. The loans are expected to average around \$5,000, but could go as high as \$30,000.

Neighborhood Block Watches. The partnership promotes forming Neighborhood Block Watches in the targeted communities as a way of keeping residents talking and acting together to ensure neighborhood security and involvement.

RESULTS

During its first six months, the program has conducted a home security tour for over 70 persons, offered two educational seminars, completed five home safety inspections, made five home security grants, and designed an educational home security video.

LESSONS

- These are communities with a history of being unable to get either insurance or loans. They have a sense of being disenfranchised, and are reluctant to let strangers into their homes. As a result, a hands-on approach is essential, and time must be taken in learning about the

community and its leaders. Participating in other community events and activities gives residents a chance to learn more about you and trust you.

- Members of the partnership need clear roles and tasks. Each should have an opportunity for hands-on work and accountability. The partnership developed a community task group for each neighborhood, as the best way of reaching residents and utilizing membership talents. Under this structure, each task group member is given a specific community and clear task for which he/she is accountable.
- Planning is crucial. Do it in increments. Make sure you have tasks that can be readily accomplished and evaluated, so you can see where you are headed.
- Building a partnership takes time. Be inclusive.

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Rutland West Neighborhood Housing Services Foreclosure Intervention

OUTCOME: Rutland West Neighborhood Housing Services in West Rutland, Vermont, has created a foreclosure intervention program that has kept people in their homes even as they were on the brink of losing them. By opening negotiations with lenders and local government officials, NHS has been able to restructure clients' debt and tax liabilities; has helped individual clients create and follow a personal "business plan"; and has secured funding from a variety of sources to support second and third mortgages and the intervention program's operating expenses.



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BACKGROUND

Although New England's prolonged economic recession had unfortunate consequences for homeowners, Rutland West NHS was responding to deep, multilayered community needs, beyond the housing realm, when the organization began its first foreclosure interventions. That continues to be the case. The fact that each default and imminent foreclosure usually is brought on by a complex mix of family, employment, income and life-skill problems has actually worked to garner support for the program — a fortunate outcome since this is a program that requires extra funding to operate.

The NHS discovered right away that foreclosure intervention was not something it could do alone. For interventions, NHS needed the commitment not only of homeowners but also of lenders, government, even occasionally of law-enforcement entities. All of the parties, when they came to the table, had to be willing to give something up.

As it has turned out, town governments generally did not want to be stuck with another abandoned,

nonperforming property, nor did they want to do tax sales. In the same way, banks were loathe to be cast in a bad light. Though tax penalties may be as much as the principal and though the bank may have a raft of nuisance charges, each party, NHS has found, usually will give up a bit, particularly when they see how much NHS brings to each deal: the liens it assumes, the lines of credit it has secured; the negotiating and hand-holding it does; the escrow services as well as social services it provides.

COMPONENTS

How is the foreclosure intervention program funded?

1. NHS did not have the funds needed to help its first intervention client, but it went forward with the intervention; gave the client a fictitious name; and did a successful direct-mail, fund-raising campaign that told the client's story.
2. An officer of Chittenden Bank, Vermont's largest bank, was an NHS board member when he joined the executive director in looking at a property on which NHS was thinking of doing a foreclosure intervention. The bank officer reacted by taking out another bank's loan on the property and extending a \$300,000 line of credit to NHS for the foreclosure-intervention program.
3. The following year, Chittenden Bank proposed expanding the line of credit but NHS declined. It now has a \$600,000 line of credit that it is not using because of high interest rates.
4. NHS has referred two cases to the Farmers Home Administration, for refinancing using section 502 funds. With FmHA help, the clients got bank mortgages for 1 percent interest. This is an option that federal budgetary cutbacks may now eliminate.
5. When confronted with a difficult case involving a family estate sale and a client with "a very tough history," NHS went to the MacCauley Institute, of the Sisters of Mercy, and came away

with a mortgage at a 5 percent interest rate. The mortgage has a three-year call date; after three years, NHS will refinance. The financing came through a program-related investment by the MacCauley Institute and from a Vermont bank socially responsible lending fund.

Homeowner's Business Plan

Foreclosure-intervention clients generally need more hand-holding. Rutland West NHS works with each customer to design a homeowner business plan, using pre- and postpurchase counseling and budgeting pieces from the NeighborWorks® Campaign for Home Ownership. Homeowners may also get consumer credit counseling, looking at their unsecured debt as part of their business plan.

In seeking the individual's workout, NHS provides social services such as career counseling, job training and consumer education on, for instance, how to economize in shopping for food.

How did the NHS board receive the foreclosure-intervention idea?

The board juxtaposed foreclosure intervention with Rutland West's participation in the NeighborWorks® Campaign for Home Ownership. The thinking was, how can we help all these people get into homes and not help these other people keep their homes? Generally, the board was searching for ways to help assuage the hard times that layoffs continued to impose, as well as expand NHS's position and mission, to cover broader community needs.

In addition, the board likes the personal business plan concept, in that it theoretically helps a family become independent, not dependent on government.

LESSONS

1. Foreclosure interventions can be expensive. This is a program that an organization has to put

money into. In staff time, the cost to Rutland West NHS is about \$3,000, to go through negotiations.

2. Rutland West NHS recommends: Look for the chemistry of a successful workout. Look for individuals that have grit and determination. Not all workouts work.

3. The Chittenden Bank line of credit was earmarked for "neighborhood stabilization," because of the bank's concern that the term "foreclosure intervention" set off questions about risk. With that labeling, NHS used the line to recapitalize distressed mortgages and to do financing on commercial properties in town.

4. Interventions need a break in interest rate in the first couple of years — an up-front discount. Rutland West NHS suggests NeighborWorks organizations also consider pension funds or utilities as funding sources for this type of program.

5. Lenders have compared their work on NHS interventions to the character lending they did before the secondary markets grew in influence. Lenders' sentiment is that they wish they could do more of that kind of work, so NHS tried to leverage that connection in its fund-raising appeals.

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Salisbury Neighborhood Housing Services' Consumer-Alert Seminar

OUTCOME: Salisbury, Maryland, Neighborhood Housing Services assembled a training to educate homeowners on predatory-lending practices. The goal of the program is to generate awareness of selected "bad-debt" scenarios favored by predatory lenders. The training also emphasizes financial literacy and explains lending terms and procedures.



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BACKGROUND

Salisbury NHS opened in 1994 to increase home ownership in its community. Many products and services are offered by SNHS to create safe and affordable housing in three target neighborhoods. Additionally, SNHS strives to educate customers and the community on issues and topics relevant to home ownership and neighborhood stabilization.

Predatory lending is an issue in most communities throughout the United States. It is a threat, especially, to lower-income households who have accumulated equity in their homes, but have minimal cash at hand. SNHS customers often fit this category, and thus are potential targets for predatory lenders. To educate the community, SNHS created a seminar, "Predatory Lenders and Other Sharks in the Financial Waters."

COMPONENTS

1. Training Outline

The "Predatory Lenders..." training is a two-hour, interactive seminar provided free to the community. SNHS shows participants how to become debt free, demonstrates solicitation traps, and offers tips and suggestions on finding respectable lenders. The training includes a half-hour video of selected news reports that profile predatory-lending victims and give tips on how to avoid becoming victimized. The video is

available through Neighborhood Reinvestment Corporation.

A large portion of the SNHS training involves role-playing and group activities to teach participants how to avoid becoming "prey." SNHS reviews words and phrases to look for, and demonstrates suspicious phone and advertising solicitations so participants understand how and when to say "no." Sample solicitation letters are shown, and SNHS presents a breakdown of predatory-lending strategies such as debt consolidation, refinancing and rent-to-own schemes. SNHS explains how predatory lenders entice customers by promising short-term financial resources — usually at the cost of long-term savings. SNHS emphasizes the benefits of paying cash for items, rather than using credit.

At the end of the seminar, SNHS presents resources for additional information, and offers tips and suggestions on debt management. SNHS recommends contacting the Better Business Bureau, NHSs, or regulatory agencies when shopping for credit, to distinguish whether a lender is suitable and trustworthy.

2. Additional Training Resources

SNHS will include a software program in the training called "Power Pay." The software illustrates how to use a payment strategy that is guaranteed to eliminate debt. SNHS will incorporate "Power Pay" into the training and teach participants how to profit from it.

3. Program Costs

The main cost of the program is staff time, which ranges from three to 10 hours a week. Technical assistance was received from Neighborhood Reinvestment in initiating the program, and SNHS is responsible for the cost of training materials, binders and copies.

4. Course Trainers

SNHS will recruit trainers from companies that are interested in the issue of predatory lending and want to protect people from such situations. SNHS plans to ask banks and mortgage compa-

nies, SNHS board members, interns from Salisbury State University and people from the community to become trainers. Volunteer trainers will attend a “Train-the-Trainer” course to learn how to facilitate the class. The first “Train-the-Trainer” course will take place in late February 2000, and the first “Predatory Lenders...” seminar will take place in April or May.

5. Partnership with the Library

Salisbury NHS is developing a partnership with the county public library to assist with the program. The library will buy books on predatory lending and create a doorway exhibit with information on predatory lending. The library will also provide a training room for seminars, with no charge to SNHS.

6. Program Versatility

The program is designed as a guided training, but consumers can easily use the materials to educate themselves. There is a binder for trainers and a binder for participants that are easy to use and understand. Materials can be loaned out to customers from SNHS and will also be available at the library.

LESSONS LEARNED

- Engage potential partners in the community who can benefit from the program as much as the NHS. Appeal to partners such as churches, civic organizations and schools, who are stakeholders in the community and will gain from homeowners having this knowledge.
- Identify good trainers. The trainers need to be proactive and interactive, as well as knowledgeable on the topic. The success of any training relies largely on the quality and personality of the trainer.

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Neighborhood Housing Services of Santa Fe Housewarming Gift

OUTCOME: Neighborhood Housing Services of Santa Fe, New Mexico, developed a simple tool to achieve the dual purposes of marketing and ongoing self-evaluation. At closings, NHS would give new owners a housewarming package containing a toolkit, gift certificates, an NHS mug, an NHS magnet and a questionnaire. NHS used responses to the questionnaire to evaluate services the organization provided during the home purchase.



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BACKGROUND

Santa Fe's reputation as a place of beauty has helped drive rapid growth there over the past 20 years. Housing prices have skyrocketed; housing stock is scarce; low- and middle-income people are shut out of home ownership. By establishing relationships with lenders, developers, public officials, clergy and church attendees and other potential home owners, NHS has substantially increased home-ownership opportunities as well as availability of housing stock.

COMPONENTS

1. The housewarming package included a basic tool kit for home maintenance; a \$20 gift certificate to a local hardware store; a magnet and mug imprinted with the NHS name; and a \$10 gift certificate to a local restaurant.

2. The questionnaire was considered the most important part of the package because it asked customers to evaluate NHS of Santa Fe services. This feedback is a critical link in assessing strengths and weaknesses as seen from the customer's perspective. For example, one question asked, "If you could change one service of NHS, what you recommend and why?" Based on answers to that question, NHS streamlined the rehabilitation program's intake process.

LESSONS

The NHS housewarming gift is a simple yet effective strategy.

1. NHS of Santa Fe has discovered that homeowners are more likely to complete the survey if it is presented at closing, in conjunction with the other gifts. The questionnaires then are more likely to identify serious as well as minor stumbling blocks in the homebuyer education and home purchase processes.

2. The magnet and mug, as marketing tools, help keep the NHS name and phone number available to customers who might make referrals.

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Southside Neighborhood Housing Services Home Owners Prevention Service (HOPS)

OUTCOME: Southside Neighborhood Housing Services of Minneapolis has developed a service contract home-repair service. NHS has had a presence on Minneapolis' Southside providing loans and grants to residents unable to qualify for conventional financing and providing technical assistance to owners seeking to repair and improve their homes. To further address home-maintenance needs, NHS offers a home-repair contract service called the Home Owners Prevention Service (HOPS). The HOPS program is a vital part of NHS Home Ownership Program's postpurchase agenda for buyers in the service area.



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BACKGROUND

HOPS was begun with a seed grant from Neighborhood Reinvestment Corporation. The NHS board saw a need to intervene in issues of long-term home maintenance in the Southside neighborhoods NHS served. The board recognized that rehabilitation lending was insufficient by itself to revitalize the neighborhood. Many NHS loan customers lacked the finances and skills to keep up their homes. NHS was finding that many homeowners were coming into the office after their loans were paid off for additional funds to cure what was basically deferred maintenance. This vicious cycle of repair and then slippage into disrepair was undermining not only the individual owner's stake in a home but the investment level in the neighborhoods. In order to break this cycle, HOPS was developed.

COMPONENTS

All homeowners in the target neighborhoods Southside NHS serves are eligible to participate in HOPS regardless of their income. Homeowners sign a service contract with NHS and pay a

monthly fee based on their income. The fee schedule is as follows:

Under \$10,000 per year	subsidized
\$10,000–\$15,000 per year	\$10 per month
\$15,000–\$30,000 per year	\$20 per month
Over \$30,000 per year	\$30 per month

HOPS covers a wide range of maintenance items including:

- struck and broken windows
- step and railing repairs
- torn screens
- faucet and toilet repairs
- unhinged and stuck doors
- clogged drains
- broken locks
- broken pipes
- roof patching
- wall and ceiling patching
- soffit and fascia repair
- cabinet repairs
- exterior patching
- chimney and foundation tuckpointing
- fixture, switch and receptacle repairs

HOPS supplies the labor and repair materials, such as nails, screws, putty and spackle. Members pay for the cost of replacement materials, such as glass, drywall, shingles, hardware and lumber. NHS employs two full-time staff people who carry out these repairs.

For the homeowner, the first step in the HOPS process is an initial intake evaluation to determine the customer's financial status and eligibility. The next step is a maintenance inspection. This complete assessment of the interior and exterior of the house lists the scope of work required to cure maintenance defects. A key feature of the visit is some instruction on how to shut off water and power in an emergency. If repair problems cost more than \$500 or require a building permit, the customer is referred to NHS for loan

and/or grant programs. Recently, NHS partnered with a group called Two or More to expand overall repair capacity. Two or More is a youth service program, supported through Youth Build and Americorps, that fields a maintenance crew of an adult trainer and two youth apprentices. This crew is used primarily for carpentry work, painting, repairing doors and fixing porches.

RESULTS

Originally, HOPS was expected to be self-supporting. However, NHS estimates the cost of servicing the existing contracts to be approximately \$1,000 per house per year. The monthly service contract fee covers only a portion of that amount. Additional support has been received from the McKnight Foundation (\$50,000) and from the Emma B. Howe Foundation (two grants of \$25,000 each). The 3M Corporation donated a van for the program's use.

LESSONS

1. A home-maintenance program like HOPS, if it is going to serve a low-income population, has a very limited chance to become self-sufficient. The NHS is assessing those businesses which might have an interest in stemming deferred maintenance, that is property and casualty insur-

ers, and will be developing an approach to them.

2. The staff doing the repairs found that people were willing to do work themselves if they got some pointers. HOPS is significant because it helps get people started and takes away some of the fears associated with furnaces and electricity.

3. Having dealt with homeowners in their buildings, the HOPS staff was clear that their intervention on deferred maintenance items saved buildings from being abandoned. Experience with abandonment has shown that when repairs become overwhelming owners will walk away, losing their investment and creating a problem for the neighborhood. The cost of early intervention is greatly offset by the benefit of avoiding abandonment.

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NHS of Toledo Homeowner Training with Home Depot

OUTCOME: NHS of Toledo, Ohio, in partnership with Home Depot, has developed an eight-week home-repair training program, “Home Depot University,” to encourage homeowners in the community to become more responsible and skilled in maintaining their homes. The program demonstrates how to plan for and complete minor home improvements and repairs.



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BACKGROUND

NHS of Toledo was founded in 1977 and initially concentrated on the Old West End neighborhood. NHST has since expanded twice to include East Toledo and the Southside. NHST opened a NeighborWorks® HomeOwnership Center in 1999. Several programs operate out of the center, but the site primarily conducts training, counseling and loan applications.

COMPONENTS

1. Program Origin

NHST saw a need for home maintenance and postpurchase counseling, and initiated a home-repair education program. After learning that Home Depot had a training program called “Home Depot University,” NHST invited Home Depot into a partnership to educate the community outside the typical store setting. Home Depot agreed to partner with NHST due to their strong belief in assisting communities and community-oriented programs.

2. Class Format

“Home Depot University” is an eight week course, consisting of one, two-hour class each week for eight consecutive weeks. Classes are limited to 25 people, and maintenance projects are hands-on. Home Depot provides the trainers and materials for each class. Class begins with the trainer demonstrating a task, then participants

are given tools and materials to complete the project.

3. Reference Materials

NHST distributes *Home Improvements 1,2,3*, a home-maintenance book published by Home Depot, to class members who complete the course. The book has excellent illustrations and descriptions of home-repair projects, and outlines the time and materials it takes to complete each project.

4. “Volunteer Houses”

While classes were initially conducted at the HomeOwnership Center, a subsequent group later completed a landscaping class at an NHST rehabilitation project. This class, benefiting NHST and a future homeowner, was so rewarding to participants and trainers that NHST decided to shift all classes to rehabilitation sites. Each class now takes place at a “volunteer house,” where rehabilitation is completed mainly with volunteer labor and materials. Each finished house will be sold below market cost to NHST customers, and classes then will proceed to the next “volunteer house.”

5. Partnership

The partnership with Home Depot has been essential. Home Depot provides NHST with specialized instructors plus materials free of charge. A training coordinator at Home Depot works closely with NHST and is responsible for organizing and transporting trainers, class materials and tools to each class. The main function of NHST is to perform outreach to the community and have the site ready for the selected project. The Rebuild Toledo Manager at NHST organizes classes and class members and ensures that participants commit to the full eight-week course.

6. Class Input

Class members provide topics of interest for NHST to incorporate into the course. During the first class, participants are asked to list subjects to review through the remaining seven weeks. The suggestions are then worked into the course. Common requests are installing cabinets, faucets,

ceiling fans, closet organizers, ceramic tile, drop ceilings and landscaping.

7. Fee for Class

Because this project is fully supported by Home Depot, there is no fee for the class. The program also provides class members who complete seven of eight classes with Home Depot's book, *Home Improvement 1,2,3*.

8. Marketing Opportunities

Home Depot is able to market itself through Home Depot University classes. Participants often inquire about cost and durability of materials, and trainers respond with information supplied by Home Depot. The class instructors are seen as experts in their field and give participants confidence in Home Depot and its employees.

9. Child-Friendly Classes

Children are welcome at NHST classes. NHST provides crayons and paper for younger children, while older children are invited to participate in repair activities.

10. Liability

NHST performs a "safety sweep" of the site before each class to clean up nails, tools or other potentially hazardous items. Gloves and safety glasses are provided and NHST requests that people wear work clothes and protective shoes. Trainers always demonstrate the proper and safe way to use tools. Since the class is in an NHST house, insurance is not an issue. Participants fill out an emergency-contact form at the beginning of each course. The form includes a waiver, stating Home Depot is not responsible for any injuries that may occur.

RESULTS

- Since May 1999, NHST has held five Home Depot University classes, each with 20 participants. The classes are extremely popular. NHST plans to hold five or six classes in 2000.
- In the classes, 85 percent of the participants are women, both single heads of households and married women with families. Though unexpected, the high volume of women highlighted a segment of the population needing

assistance in completing home-maintenance projects.

- Only 20 percent of class participants are NHST loan clients.
- Home-maintenance classes save participants a great deal of money. As a rule, the cost of a contractor is three times that of materials. Completing repairs without having to hire a contractor results in money saved for the homeowner.
- Homeowners are performing maintenance correctly and with confidence. Participants leave class believing they can handle minor repairs and improvements on their own.
- The program is creating a resource for class members. Participants feel comfortable approaching Home Depot experts for information.
- The program has received an abundance of positive media coverage. The local media has conducted two TV segments and written several articles for local papers. NHST has a weekly three-minute segment on the morning news, called "Your Home," which is sponsored by Home Depot. This segment briefly covers topics such as five steps to home-shopping, homeowners insurance, refinancing a home, and future NHST classes. Media interest in this program is fortunate for NHST, because publicity of this magnitude would not have been feasible for NHST alone.
- Home Depot is a tremendous resource for NHS of Toledo. A group of community volunteers, called "Team Depot," is very active with NHST NeighborWorks® Week projects and other endeavors.
- Home Depot is making referrals to NHST. Home Depot has a large employee base and employees are coming to NHST for home-buyer classes and purchase loans.
- Home Depot University has emerged as a huge success. Through this program NHST is acquiring rehabilitation clients, reaching peo-

ple of different incomes, and connecting with different neighborhoods. A portion of the market that has been underserved in the past is now being helped.

LESSONS LEARNED

1. Allow five additional people to sign up for classes. Occasionally, people reserve a seat but fail to attend the class.
2. Keep each class simple and practical. Attempting to do too much in one class can result in confusion and disorder.
3. Plan the program. Know future class projects and create a timeline. If prep work needs to be done for a particular project, be sure it is completed well in advance.
4. Communicate to contractors at the site what the class will be doing and when. This will ensure no mishaps, such as contractors performing tasks that are intended to be projects of the class.
5. The *Home Improvement 1,2,3* book available at Home Depot is a valuable and much-appreciated asset for class members.

6. Learn about the company you intend to partner with. Knowing something about a company's philosophy, programs and operation is essential when inviting a business to partner or sponsor a project.
7. Home Depot is an outstanding partner. NHST found Home Depot to be extremely helpful and generous with time and materials.
8. This program is easily replicated and can be adapted to fit a variety of needs or settings.

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Section 6 Neighborhood Impact

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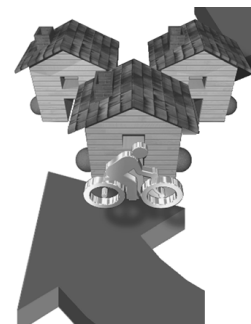
Section 6: Neighborhood Impact

6 Neighborhood Impact

Home ownership can benefit neighborhoods as well as families. By bringing new homeowners committed to investing in purchasing and rehabilitating a property, home-ownership strategies can bolster neighborhood confidence and stimulate other investment actions.

For families

Owner-occupied homes furnish a stable place in which to raise children and a secure base from which to establish social networks. Homeowners take care of their property, are eager to improve their neighborhood and participate in the democratic system.



Wealth stored as home equity is a valuable asset. Households can tap into it to start small businesses, finance a college education, or invest in other activities. Surveys show a primary reason low- and moderate-income families want to buy a home is to accumulate enough wealth to finance their children's education and create a bequest for their offspring.

For neighborhoods

Homeowners are less likely to move than renters; owners stay in a community up to four times longer than renters. When neighbors stay in one place longer, they have more time to get to know one another and to establish social networks. Businesses also benefit as home-owning employees are more likely to form a stable workforce.

Owners are also 16 percent more likely to belong to parent-teacher organizations, block clubs and other organizations that show a parents' commitment to their children. Children of homeowners are 5 percent more likely to be in school after age 17 than the children of similar renter families. Further, the sons and daughters of homeowners are less likely to become involved in the juvenile justice system than those of renters.

For the economy

Home ownership also serves as a remarkable economic engine in communities. It generates substantial economic benefits for buyers, lenders, real-estate and home-supply businesses, and local governments. It also supports jobs and tax revenue.

These Winning Strategies provide specific examples of how home ownership can create neighborhood impact. In Savannah and Chicago, vacant properties that undermined neighborhood confidence were assembled as a package and auctioned to homebuyers. Neighborhood Housing Services of New Haven, CT, developed a fund to treat problem properties. Neighborhoods Inc. of Battle Creek, MI, has designed a study to measure the impact of its home-ownership activities, while Vallejo is working with a multiprogram neighborhood-revitalization effort.

Neighborhood Housing Services of Boise Rake-Up Boise Event

OUTCOME: Rake-Up Boise is an annual, one-day fall event, coordinated by Neighborhood Housing Services of Boise (NHS), where volunteers rake and winterize yards of seniors or persons with disabilities. On average, 4,500 volunteers fill 17,000 leaf bags and clean up 1,250 yards each year.



BACKGROUND

NHS of Boise was incorporated in 1982 and serves the city of Boise, Ada County and, starting in 2000, the state of Idaho. NHS of Boise is a NeighborWorks® Full-Cycle LenderSM and provides pre- and postpurchase counseling, affordable financing and house rehabilitation.

NHS founded Rake-Up Boise in 1986, after the Ada County Highway Department was no longer able to collect fallen leaves, creating an otherwise-unmet need among elderly and disabled resident. Due to such a visible need, NHS decided to organize a program to help these households with autumn winterization projects.

COMPONENTS

Sponsors. One sponsor was identified at the outset: KBOI-AM, a Boise news-talk radio station. Over the years, NHS has recruited additional sponsors and cultivated other partnerships, including the city of Boise, the Boise operator for Browning Ferris Industries (BFI), a national waste-management company, and several others.

Outreach. Each year, NHS sends invitations to raking teams from former years. The invitation asks for the number of people volunteering and the desired number of yard projects. NHS also sends invitations to seniors and disabled individuals that previously received the service.

A media-advertising campaign, including public-service announcements in the newspaper and on local television and radio stations, is aimed at recruiting additional volunteers and recipients. Interested persons are instructed to call NHS to become a volunteer or recipient.

Program Requirements. The only requirement for becoming a Rake-Up Boise recipient is to be a senior citizen and/or disabled individual. There are no income or neighborhood requirements.

Teams. Teams are made up of community residents, school groups, local businesses, church groups, scout troops, and professional and government agencies. Volunteers of all ages participate. Parents especially enjoy involving their children and introducing them to community-service activities.

Project Organization. Once recipients and volunteers are identified, NHS organizes raking teams. Each is assigned a specific number of yards and leaf bags. The coordinator tries to place volunteers close to where they live. Many teams request the same yard or neighborhood each year.

Once teams and recipients are coordinated, an assignment is mailed to each participant. Simultaneously, NHS also writes the recipients and lets them know which volunteers will be working on their yard. Teams usually try to visit the house before-hand, to ask the owner if there are any projects other than leaf raking that need to be done.

The Event. Rake-Up Boise takes place on a Saturday in November and is a one-day event. The city delivers 16,000-18,000 paper leaf bags to Hillside Nursery, a local business, which then distributes the assigned bags to each raking team. Each team is responsible for bringing its own rakes, gloves, trimmers, and other necessary yard tools.

Projects are usually completed on the assigned Saturday, but volunteers are allowed up to two

weeks to finish. Typically, if it is raining or the weather is bad, teams will pick another day in the two-week period to carry out the project.

For each yard, volunteers rake leaves, pull weeds or trim branches and put the debris in the bags provided by the city. Bags are then placed at the side of the street so BFI can collect and deliver them to the community compost pile. The mulch that is eventually created from the leaves and branches is then used for city parks and curbside gardens.

Partner Responsibilities. NHS is responsible for securing sponsors and recruiting, and coordinating volunteers with yard projects. The city of Boise provides the bags and BFI collects them and delivers them to a composting area. At the program's inception, the city and BFI identified a section of land to use for composting.

Project Costs and Raising Funds. The main program costs are clerical, such as copying, postage and staff time. Each year, NHS strives to raise enough money from sponsors to cover the costs. NHS also seeks donated services, such as printing and media advertisements. In addition to sponsorships and in-kind donations, Rake Up Boise sweatshirts are printed for volunteers to purchase. Many teams buy sweatshirts to wear as they work, creating another good source of revenue.

RESULTS

- Rake-Up Boise has been in existence since 1986 and continues to grow each year. Very little media is required for the program, since it is so well known in the community.
- This program is very popular. Most raking teams return year after year to participate.
- On average, 4,500 volunteers fill 17,000 leaf bags and clean up 1,250 yards each year. The total number of volunteers from 1996 through 1999 was 54,750. During that time, 6,670 yards were raked and 130,000 leaf bags filled.
- Only rarely are there problems. Occasionally a house may be missed by mistake. Volunteers,

as a rule, are enthusiastic, very independent, and rarely fail to meet their responsibilities.

LESSONS LEARNED

- The most difficult part of Rake-Up Boise for NHS is the time-crunch that occurs in organizing and scheduling teams and completing clerical details. Coordinating teams with yard projects is difficult, and relaying assignments to each team is time consuming. An organization should anticipate a substantial time requirement for at least a month prior to the project date. Otherwise, this program is very easy for NHS, since volunteers are so autonomous and enthusiastic.
- Distributing leaf bags takes place at Hillside Nursery because of its ability to accommodate a high volume of pedestrian traffic. Select a bag pick-up location that can handle large amounts of people, and make sure someone is available to issue bags as teams come in.
- Form teams of at least 10 volunteers. Since the coordinator cannot know how difficult each yard project may be, 10-volunteer teams ensure enough people will be available to complete each project. It also minimizes problems from volunteers suddenly being unable to attend, due to emergencies or illnesses.
- Recruiting several small sponsors works well for this type of program. NHS has one large sponsor that donates \$2,500, but the remaining sponsors contribute between \$250 and \$1,000 each. It is important to approach each business individually and not restrict the amount they contribute. It also is important to determine the financial needs of the program, and to solicit appropriate amounts of donated goods, services and funds.

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Chattanooga Neighborhood Enterprise Officer Next Door Program

OUTCOME: Chattanooga, Tennessee, Neighborhood Enterprise (CNE) developed a local version of HUD's national Officer Next Door program, to encourage police officers to buy homes in the city with financial assistance from CNE.



BACKGROUND

The population of Chattanooga is 153,000, while the total metropolitan area numbers 400,000 people. Chattanooga Neighborhood Enterprise opened its doors in 1986 and provides housing solutions for the entire city of Chattanooga. CNE follows the NeighborWorks® Full-Cycle LendingSM model, providing homebuyer education, pre- and postpurchase counseling, and financial assistance to first-time homebuyers. Although CNE concentrates on specific Chattanooga neighborhoods for house rehabilitation and purchase assistance, all CNE services are available citywide.

The Officer Next Door program was developed to stabilize communities by having police officers live in the neighborhoods where they work. Officers residing in city neighborhoods, with their patrol cars visible, are deterrents for illegal activity, which helps reduce incidents of crime.

COMPONENTS

1. Nationwide HUD Program

Officer Next Door is a program developed by the Department of Housing and Urban Development (HUD) to contend with troubled properties in inner-city neighborhoods. Through the program, a housing organization acquires houses in targeted communities, rehabs and then sells them to police officers, using an affordable mortgage product. A problem with the HUD program has

been that available properties are often so dilapidated that officers are not interested in buying them.

2. CNE's Program

Chattanooga Neighborhood Enterprise created a similar program in 1998, but revised its guidelines because of the program's initial limited success. Now CNE's program allows officers to buy any property in the city. CNE then provides the financing along with any needed rehabilitation.

3. Guidelines

The primary stipulation is that officers must live in the house for at least three years and qualify for a first-mortgage loan. All program participants must complete the same prepurchase-education program offered by CNE to other homebuyers.

4. Loan Package

CNE realized that police officers needed an incentive to buy in the city. CNE's incentive is that up to 40 percent of the first-mortgage loan may be financed into a second mortgage at a preferential rate. The rate is based on the officer's household income; the maximum rate is five percent. The remainder of the loan comes from a local lender at a market rate.

5. Funding

Funding for these specialized loans comes from CNE's down-payment and closing-cost assistance program, which is fully funded by the city. The program thus will exist only as long as city funds are granted to CNE.

RESULTS

- CNE's program has been very successful thus far. The police department has shown a great deal of interest, and nine officers already have purchased homes with CNE's help. Presently, five additional officers are in processing. The police department and the city are very enthusiastic about the program, and CNE anticipates continued success as long as program finances are available.

- Neighborhood associations, too, have been very receptive to the program, and residents say it is successfully strengthening Chattanooga neighborhoods. CNE believes that the program is reducing incidents of crime, but, in fact, the program still is too new for any concrete crime-reduction statistics.
- The police department presents the Officer Next Door program as a benefit for police officers. Recent graduates from the police academy are referred to CNE. In addition, the program is available for any officer who is not yet a homeowner. The expectation is that the program will help officers stabilize their own lives as well as strengthen neighborhoods.

LESSONS LEARNED

- Most NeighborWorks[®] organizations have the expertise to initiate a similar program. Typically, the main barrier is funding. Applying up to 40 percent of the loan amount to the second mortgage is higher than usual, but this is what makes CNE's program attractive and worthwhile for officers.
- CNE believes the officer needs to be completely immersed in the community in order to have an impact on the neighborhood. Hence, the three-year required residency.
- Officer Next Door benefits all organizations involved. To convince the police department and city to implement the program it is important to emphasize all the program's advantages. The police department is supporting a program that helps reduce crime. Officers benefit by receiving an affordable mortgage and building personal assets. Neighborhoods benefit by having an officer actually present in the community. And the city benefits from stabilizing its neighborhoods.
- If an Officer Next Door program becomes very successful and program demand increases, the local NeighborWorks[®] organ-

ization may have to seek additional funds. CNE's financial support comes mainly from the city, and additional city or other support would be needed for the program to expand. If additional funds were not available, an organization could concentrate on very specific neighborhoods and utilize its own funds.

- The most important factor, ironically, is to initiate the program from the top down. Approach the police chief first, so that the department can help convince the city of the program's value. City governments like being involved in neighborhood-improvement projects, and if the principal organization is already supporting the program, the city is more likely to offer support as well. It is also important to get approval from neighborhood associations. Be sure to ask neighborhood groups if the program provides a viable solution to community issues.
- Administering an Officer Next Door program promotes another level of communication between a police department and a local organization. Officer Next Door has helped CNE develop a valuable partnership and solid contact with many members of the police department. Officers have become aware of CNE's program and are pleased with the work CNE is doing in the community.

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Neighborhood Housing Services of Chicago Community Policing Collaboration

OUTCOME: The West Englewood Division of Neighborhood Housing Services (NHS) of Chicago developed an innovative approach to turning around a distressed block that integrated home-ownership promotion with community policing. By establishing confidence in a block's safety, NHS was able to rehabilitate three vacant homes, find buyers for those homes and generate additional investment.



BACKGROUND

In a paper prepared for the Neighborhood Reinvestment Training Institute, Metropolitan Chicago Information Center Executive Director Garth Taylor raised the issues of how people react to crime in their neighborhood and why community policing is important.

Community policing is not just crime prevention, Taylor said. It implies a proactive role for police personnel in assessing community needs and coordinating services and responses to those needs. It is based on a vision of citizens joining in the work of identifying needs and in actively helping to create a whole, working community.

In this context, community policing is not just involving citizens in vigilance and prevention activities. It means taking steps to increase a community's overall quality of life. A goal of community policing is to create a climate in which people are more likely to participate in solutions including but not limited to crime prevention.

The intervention described here illustrates how a home-ownership promotion successfully coordinated with a community policing effort. By directly addressing public safety issues, West

Englewood NHS created a market for properties on a block. Solid, qualified buyers then made the choice to purchase there, further stabilizing the block.

West Englewood is a working-class, primarily African-American neighborhood on the Southwest Side of Chicago. It experienced rapid racial change in the early 1970s and had a high level of FHA foreclosure and subsequent abandonment. NHS of Chicago began work in West Englewood in 1976 with a focus on turning around the HUD inventory of abandoned homes. Abandoned single-family homes remain a problem for the neighborhood. NHS of Chicago has consistently worked with HUD to purchase these vacant, foreclosed properties and offer them for sale to qualified buyers.

COMPONENTS

NHS in West Englewood made a decision to focus program activities on the 7100 block of South Winchester. NHS had been able to acquire three of four vacant homes from HUD. NHS also had an active board member on the block and, as a result, had the potential to influence outcomes there.

At the same time, NHS had been involved in preliminary meetings about developing a community policing program in the police district that included the West Englewood neighborhood. Community policing was a new approach of the Chicago Police Department to make an organized effort to gain community input about crime prevention. NHS invited the police department to collaborate on a coordinated strategy for 7100 South Winchester.

Meeting with the residents on the block, NHS learned about public-safety concerns. It was clear that communication among residents was a problem: While people were concerned about drugs and gang activity, they were afraid to take action for fear of jeopardizing their own safety.

The first outcome of involving the police on this block was simply to increase the physical presence of the police, both in squad cars and on foot.

The officer assigned to the area began to meet individually with residents to get more specifics on drug problems. At subsequent meetings with block residents, the officer would speak about concerns he had heard, without identifying his sources. This lessened residents' fear.

NHS also involved the officer in NHS of Chicago's Homebuyer Seminar, which let potential homebuyers know that public safety issues were being dealt with.

RESULTS

- With a community policing effort in place, NHS focused on the rehabilitation and re-sale of the vacant properties and on promoting NHS rehabilitation loans to resident owners. The first buyer of one of the vacant houses was the local postal carrier, who had seen rehabilitation of the first two buildings unfold.
- Other properties were rehabbed and sold to residents.
- Several existing homeowners made repairs on their properties as they saw vacant properties turning around.

LESSONS

1. Addressing Crime and Abandonment

More and more city police forces are implementing community-oriented policing. NeighborWorks® organizations can both add and derive value from these efforts. By working to turn vacant properties in West Englewood into homes occupied by resident homeowners, NHS of Chicago's activities were helping solve crime-related problems. The fact that a community policing effort was in place made the properties more saleable.

2. Complementing Policing

Housing actions of the type taken by NHS enhance community policing efforts. People engage with each other in neighborhood improvement, physically treating properties that can be centers of criminal activity.

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Housing Resources of Columbia County North Fifth Street Revitalization

OUTCOME: Housing Resources of Columbia County (HRCC) has launched a major revitalization project on North Fifth Street in Hudson, New York. The project includes several buildings and houses on one block of Fifth Street.



BACKGROUND

Hudson, New York, is a small, industrial city on the Hudson River, with a population of 8,800. HRCC opened in 1984 to provide housing options for the city. The organization expanded in 1994 to serve the entire county, and now serves approximately 60,000 residents. HRCC conducts rehabilitation, purchase assistance, real-estate development for local nonprofits, pre- and post-purchase counseling and manages 84 rental units.

A great deal of Hudson's housing stock is old, neglected and in need of major rehabilitation. One block in particular, a block from HRCC's office, was plagued with rundown housing, and had become a magnet for criminal activity. HRCC has been chipping away at rehabbing properties in this area, but realized that the only real solution was to buy a majority of the buildings on the block and rehabilitation each. HRCC wanted to ease the growing instances of crime and, at the same time, create affordable and suitable housing for first-time homebuyers.

The block on North Fifth Street is unique. Though the previous owner had not properly cared for the properties, and crime was an issue, the properties still had good potential. The buildings are only a block away from thriving antique and other novelty shops, plus the surrounding neighborhoods are very stable and well-kept. The

block, in essence, seemed to be a pocket of blight. Once the project is completed, the rehabilitated houses will be easy to market, because the surrounding areas are so nice.

COMPONENTS

1. Property Acquisition

Acquiring the properties was a struggle. But after many discussions and negotiations, the owner finally agreed. HRCC bought nine buildings on the block and an additional one off the block. Included were two bars on North Fifth Street. HRCC reached verbal agreement with the landlord in fall 1997, and secured the contract in October 1998.

2. Neighborhood Meeting

Once the contract was formed with the primary landlord, HRCC held a community meeting to inform area residents of the project's goals and agenda. HRCC outlined the project and received much support from residents. Still, several were critical, and suggested that HRCC sell the buildings to private investors who would completely rehabilitate them. HRCC has held several "question-and-answer" meetings with residents, and plans to continue communicating with the community as the project unfolds.

3. Cost and Funding

The total acquisition price was \$308,000. This was more than had been anticipated, but a local lender, which held the mortgages on most of the properties, helped by providing \$200,000 at 0% interest. The city of Hudson also provided \$50,000 at 0%. Other funds for purchase and rehabilitation are coming from Neighborhood Reinvestment Corporation, Historic Tax Credit, New York State Clean Air-Clean Water, Hudson River Valley Greenway, New York State Homeless Housing Assistance program, HOME, and New York State Affordable Housing Corporation. The total received for rehabbing the buildings was \$1,760,000.

4. REHABILITATION STRATEGY

HRCC created a rehabilitation plan to produce as many home-ownership opportunities as possible. While HRCC was acquiring the buildings, Twin County Alcohol and Substance Abuse Services (Twin County ASAS) approached HRCC with requests for both office space and apartments for participants in its programs. The apartments were for program graduates ready for independent living, but who still needed out-patient care. HRCC decided to convert a row of six town houses for Twin County ASAS. Three town houses (to include six apartments) were made into supportive apartments; three were converted into Twin Count ASAS office space.

5. Volunteers

Participants in the Twin County Alcohol and Substance Abuse Services program are required to complete community-service projects. HRCC developed an arrangement that allows Twin County ASAS participants to earn volunteer credits at HRCC rehabilitation sites, doing demolition and painting.

RESULTS

- HRCC purchased six town houses and four traditional houses to rehabilitate and sell to either potential homeowners or Twin County ASAS.
- Demolition is currently taking place at each site by HRCC rehabilitation staff and volunteers. Construction is scheduled to start in April 2000.
- Aside from the revitalization effort, one family bought a house on the same block with HRCC's assistance. HRCC did not own the house, but provided the financing and construction management for the first-time buyers.
- Once the buildings were purchased, HRCC needed to board them up until rehabilitation funding was secured. To avoid creating an eyesore, HRCC recruited high school students and neighborhood residents to paint murals on the plywood. The murals have kept the buildings looking clean and attractive. Neighborhood residents truly enjoy the murals, and

the community is hoping to preserve the paintings as construction begins.

- HRCC's rehabilitation efforts have inspired business owners to buy the remaining buildings on the block for commercial space. Concurrently, residential space is being created above these new businesses.

LESSONS LEARNED

- Identifying the need for the project and then connecting Twin County ASAS to the plan helped HRCC leverage the project. Funding sources have been very supportive because of the project's demonstrable impact.
- The actual purchase of the properties was the most troublesome part. Acquisition can be difficult and competitive, and it helps if the organization anticipates that this can be a lengthy and complicated process. Be patient!
- Timelines and project outlines are very important. The buildings were bought well before the funding was in place for rehabilitation. This meant that HRCC needed extra time to secure rehabilitation funding. HRCC therefore requested that the purchase loans include two years with a zero percent interest rate.
- Taking on a project of this magnitude is primarily a matter of finding funds and fitting them together. This can be a challenge. Difficulties arise because guidelines and requirements for each funding source are different, and because some processes are more complicated than others. It is important to be well-informed about each funding source, and to be patient when creating a financial plan that satisfies each requirement.
- Such a project needs to be a priority, and may need to take precedence over others. And, while it needs to make sense for the organization, it also needs support from both neighborhood residents and the city.
- Make sure the project is doable. Hire an architect to make sure the buildings are salvageable. Be sure rehabilitation staff can handle the added work. See that your organization

has the financial capabilities to complete the project, and the staff time to locate funding.

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Home Headquarters' Syracuse Weed and Seed Community Partnership

OUTCOME: The Syracuse Weed and Seed Community Partnership is a division of Home Headquarters, in Syracuse, New York. It is a collaboration of federal, state and local law enforcement, city and county government, businesses, residents and human-service organizations.



BACKGROUND

Home Headquarters (HHQ) opened in 1995 with a mission to conduct neighborhood revitalization and help first-time homebuyers purchase homes. HHQ provides Full-Cycle LendingSM services as a member of the NeighborWorks[®] network, facilitates a home-improvement program for both rental and owner-occupied housing, and is closely involved with neighborhood groups and community programs. HHQ became a NeighborWorks[®] HomeOwnership Center in June 2000.

Weed and Seed is an initiative directed by the U.S. Department of Justice for revitalizing neighborhoods. Its goal is to bring together community stakeholders to identify assets and challenges, develop strategies for creating long-term change, and pool resources to implement those strategies.

The Syracuse Weed and Seed Community Partnership began as a grant by the Justice Department to the city of Syracuse in February 1996. New partners have been added on a regular basis. Home Headquarters became the program's grantee in October 1999.

COMPONENTS

Target Areas. The partnership currently focuses on two city neighborhoods. The original site was a portion of the Northside neighborhood. The

Near West Side was designated as the second site in March 2000.

Law Enforcement. Law enforcement agencies at all levels pool their efforts to respond to community requests for intervention. Arrests are made and persistent offenders are vigorously prosecuted. This is a substantial contribution, but only part of the solution.

Community Policing. Community Police Officers work closely with neighborhood residents and businesses to address ongoing problems and develop crime-prevention strategies. The officers are an essential link with the community, and are helping to create an environment where criminal activity is not tolerated. Officers in the bureau have been assigned to work with residents and businesses in specific areas throughout the city.

Prevention, Intervention, Treatment. Human-service agencies are linking together with a goal to acquaint police officers, local organizations, schools, neighborhood groups and residents with available community resources. The agencies are working to solve community issues and advise one another on coordinating services more effectively. "Safe havens" are designated in each Weed and Seed site, offering a broad array of services to individuals and families residing in the neighborhood.

Neighborhood Restoration. Home Headquarters is the lead organization in addressing housing issues and development plans for public areas. Restoration efforts focus on the look and feel of neighborhoods for those who live and work there. A variety of efforts is underway, including community murals, restoration of parks and public space, and activities involving businesses and residents. An important, current initiative is developing block associations. HHQ also conducts the Home Owner Assistance Program (HOAP), which utilizes government and private funding to provide exterior-repair grants to homeowners in Weed and Seed neighborhoods. All HHQ pro-

grams are available to individuals and organizations involved in the Weed and Seed program, including homebuyer education and \$3,500 closing-cost grants from Chase Community Development Group.

Organizing and Ruling Bodies. The program's decision-making bodies are comprised of representatives from each organization, plus neighborhood residents. Committees focus on specific topics, such as growth and development, finance, evaluation, youth leadership development, adult leadership development and neighborhood restoration. Each committee makes decisions and takes action on program policies and strategies.

A single, large steering committee reviews and sets policy for the entire program. Two smaller steering committees, one from each neighborhood site, provide residents, businesses and organizations with input to the overall initiative.

Trainings. Training for stakeholders takes place in a variety of ways. Residents and steering committee members attend workshops and conferences. A monthly in-service training is held for members of the Community Policing Division. Representatives from organizations and departments meet with the officers to discuss neighborhood issues and develop new problem-solving strategies and collaborations. The purpose of the training is to increase collaboration between local organizations and the police, and achieve greater community outcomes.

Funding. The program receives funding from many different sources. The U.S. Department of Justice provides core funding, but HHQ has partnered with several private businesses for additional funds and services. Substantial in-kind donations provide as meeting space, supplies, video footage and at-cost marketing materials. In addition, each participating organization contributes staff time for meetings, auxiliary programs and paperwork.

RESULTS

- Between December 1998 and July 2000, 205 individuals with over 250 charges against them were arrested within the Weed and Seed target area, due to Weed and Seed Special

Operations Teams. These arrests were in addition to arrests made by law enforcement agencies in the normal course of activities.

- The Police Department and probation have joined efforts. Weed and Seed allocated \$5,000 of overtime funds for probation officers to work with police officers in the Northside Weed and Seed site. Scheduling has been adjusted so that probation and police officers now work together during regular hours.
- The number of officers assigned to community policing has increased, as well as the areas covered in the community.
- A directory has been created which lists the names and phone numbers of organizations that address particular community issues. Printing was provided by one of the organizations involved. The directory is being widely used by program partners.
- Due to efforts of the Youth Leadership Development Committee, several agencies have expanded their services and hours. New youth programs have been added, outreach to neighborhood youth conducted, and arts and mentoring prevention programs created.
- Weed and Seed has created opportunities for HHQ to find and assist new homeowners. HHQ has helped approximately 45 households find closing-cost grants through Weed and Seed workshops. Homebuyer workshops are being conducted for specific businesses in Weed and Seed neighborhoods.
- Street-level drug dealing has decreased since the program's inception, and residents feel safer knowing the program exists. Residents are more involved in the community, are more connected to the police department and participating organizations, and are taking a more-active role in crime prevention activities.
- The main business corridor in the Northside neighborhood went from about 85 percent vacant to almost 100 percent occupied. Busi-

nesses returned because crime is lower and business owners feel safer.

LESSONS LEARNED

- Businesses and law-enforcement agencies love Weed and Seed because it makes sense. Criminals can be arrested, but that often does not eliminate the problem. To solve community problems, core issues must be addressed, and community-organization resources and strengths must be utilized. The most-important aspect of resolving community issues is creating partnerships among stakeholders.
- Before beginning a Weed and Seed program, contact your local United States Attorney to enlist his or her support in establishing a strategy. Locate community stakeholders and meet with each. This is a remarkable and absolutely worthwhile program, but realize that partnerships take a great deal of time to cultivate. Solicit groups that are committed, and create reasonable expectations for each. Explain that the program is not a quick fix. Long-term planning needs to occur so partners can see the potential impact.
- Be sure to distribute program information to residents, and solicit their involvement. They are the eyes and ears of a community. Connecting with neighborhood associations is the best way to exchange information with residents. If neighborhood groups don't already exist, it may be a good idea to focus on creating them first. This simplifies meeting with residents and facilitates reaching the rental population.

- In retrospect, Syracuse Weed and Seed would have increased marketing the program to city residents and better informed the public how to get involved.
- A structured evaluation is very important. Utilize local colleges and universities to take it on. Both graduate and undergraduate schools like to use this kind of program to give students experience in tracking results. Syracuse Weed and Seed did develop a strategic plan, but did not immediately create formal outcome measures. However, formal evaluations can help plan future programming.
- Don't get discouraged when creating partnerships; realize they take time and patience. Syracuse Weed and Seed is ultimately a coordination strategy. Most communities have the resources to develop and implement a similar program. The various organizations may simply need to connect and communicate. Although HHQ coordinates the Syracuse initiative, each partner is absolutely vital in establishing long-term community change.

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Ithaca Neighborhood Housing Services Neighborhood Initiative

OUTCOME: The Ithaca Neighborhood Housing Services (NHS) Neighborhood Initiative was created to promote downtown Ithaca as an attractive, safe and affordable place to live and work. The project is co-sponsored by Ithaca NHS and the local newspaper, *The Ithaca Journal*.



BACKGROUND

Ithaca, New York, is a city of 28,000 in which approximately 70 percent are renters. Many people who work in the city commute from surrounding communities. The object of the Neighborhood Initiative was to assess community issues surrounding the topics of local economics, housing and quality of life — issues of importance for people who not only live, but work in the city.

A partnership was created between Ithaca NHS and *The Ithaca Journal* to co-sponsor community events and meetings to provide information regarding the cost and quality of living downtown.

The project began with several community meetings inviting the public to discuss and brainstorm local issues. The first meeting focused on concerns and hopes; the second, on setting a vision for Ithaca; and at the third meeting, the group divided into six focus groups. Each focus group then set three goals and created an action plan for achieving these goals.

For three months, the focus groups met to accomplish goals. The groups came back together to report activities and achievements. It was at this point that each focus group became independent of the larger group. A Neighborhood Initiative steering committee was formed to plan large community meetings and forums for the project's second year.

During the second year, four community forums were held. The first community meeting was arranged so that the public could meet new Ithaca police chief, who spoke of current issues at the Police Department. The topic of the second forum was “Town-Gown Relations” and addressed what local colleges and universities were doing for the City and how they planned to continue supporting the community. The third forum was on “Rental Issues in Ithaca” and involved landlords, renters and other community members. “Meet City Hall.” was the fourth meeting and was an opportunity for the community to meet city officials, learn about their positions, and state concerns.

In its third year, the director of Greater Ithaca Activities Center (GIAC), a local community center, suggested a forum that would focus on youth issues. Two “Teenspeak” forums involved local teens, city residents and community organizations. Teens discussed the need for a teen club, a school-based mini-Planned Parenthood and bike lanes. They also raised concerns about racism and discrimination. At the second Teenspeak meeting, it was decided that the group would become a project of the local Teencenter and GIAC.

COMPONENTS

1. Vision

Several NHS staff met to formulate a vision for the project.

2. Partnership

NHS formed a partnership with the local newspaper to co-sponsor and plan the program. The vision for the Neighborhood Initiative was explained to the publisher and NHS proposed that *The Journal* join as a partner because of the important role the paper plays in the community. The Initiative reiterated *The Journal's* leadership role in the community and provided opportunities for the newspaper to cover challenges and solutions being undertaken by the newspaper's readers.

3. Planning

NHS and *The Ithaca Journal* planned all meetings and events.

4. Outreach

NHS invited nonprofits and community groups, including religious leaders, community police members, neighborhood watch groups, and the Chamber of Commerce, to attend and plan meetings.

5. Marketing

The Ithaca Journal handled most of the marketing for the project. NHS advertised the upcoming meetings in the newspaper and on a local television station and sent letters to community members and organizations. *The Ithaca Journal* created a logo for the project.

6. Community Facilitator

A community facilitator was asked to conduct the first few meetings to ensure the meetings were organized and productive. The facilitator helped arrange the group into focused, task-oriented subgroups and kept the meetings on track.

7. Steering Committee

A steering committee of residents and business people formed, once the focus groups were stabilized and meeting on their own. This committee is the Neighborhood Initiative's driving force.

8. Partnership

The partnership with the local newspaper was vital to the success of this program. Pairing an NHS project with the local paper resulted in high visibility, press and marketing that would not have been feasible for NHS alone. Having two credible organizations sponsor the project heightened its legitimacy, and resulted in high community participation.

9. Cost

The initiative had few costs. Time and most materials were donated in kind. NHS paid for room rentals, snacks, paper, pens, and markers. The cost to the newspaper was space devoted to house ads, staff time, some room rentals and miscellaneous items.

10. Guest Speakers

The Neighborhood Initiative held forums pertaining to community interests. It was important to have speakers who were enthusiastic about the program and had a stake in the community.

RESULTS

The Neighborhood Initiative had 10 community meetings and forums which brought together approximately 500 people from the community and local organizations.

The focus groups accomplished several of their goals:

- A public slide show and informational talk was held on "Ithaca as a Green City."
- A meeting was held with the Department of Social Services to discuss the issue of drug sales and use in Section 8 rental housing.
- A pamphlet on tutoring and mentor opportunities was created.
- A "Get the Scoop" brochure was created which addressed the concerns of animal waste and owners' responsibilities.
- Signage directing people to the downtown district was erected.
- The issue of lighting in a city-owned parking garage was addressed.

LESSONS LEARNED

1. Leadership

Leadership and vision were important to success of the program. The Neighborhood Initiative steering committee was a group of committed individuals who planned and carried out activities and meetings. Overall leadership was essential to keeping the group focused and working toward its vision and goals.

2. Unexpected Outcomes

Be flexible in accepting unexpected outcomes, and celebrate success. The Neighborhood Initiative to some extent took on a life of its own. Having a vision and goals was important, but inevita-

bly the project evolved because of its participants' input.

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Neighborhood Housing Services of Jamaica Youth Council

OUTCOME: Neighborhood Housing Services (NHS) of Jamaica in New York City created a Youth Council in November 1998. The program is designed to involve youth, ages 13 to 19, in community activities and civic and block associations. The Youth Council works in line with NHS's mission, focusing on neighborhood revitalization, community-building and promoting home ownership.



BACKGROUND

NHS of Jamaica opened in 1974 in southern Queens and serves a community of 201,000 residents. Ninety seven percent of the community is African American and 49 percent of the total population rents. NHS of Jamaica helps approximately 1,500 households a year with its maintenance-training program, Homebuyers Club, resident seminars and workshops, pre-purchase counseling, homebuyer education, housing-rehabilitation program and revolving-loan program.

COMPONENTS

Program origin. NHS of Jamaica identified a need for youth involvement in the community during a community-leadership program presented by Neighborhood Reinvestment Corporation in 1997. A year later, NHS was preparing for a resident-leadership conference under its "Back-to-Basics" initiative, and the opportunity to establish the Youth Council emerged. NHS of Jamaica applied for and received a grant from Neighborhood Reinvestment to sponsor nine youth at the leadership training. At the training, NHS led a workshop for young people, where adults could attend but could not participate. During this workshop, it was learned that teens in the community felt their voices were neither heard, nor considered important. They then resolved to

get involved in community activities and become the foundation for the Youth Council. The group elected officers, developed a mission statement and planned community-oriented activities. The group decided to focus on projects such as grocery shopping and yard cleaning for senior citizens in the community.

Recruiting young people. NHS of Jamaica requested that block clubs in the neighborhood nominate active youth in their communities to be sponsored at the conference. Fifteen nominations were received and nine were selected to attend. The majority of youths on the council are from different neighborhood associations.

Youth Council Coordinator. For the first year of the program, the director of NHS of Jamaica coordinated the program, with assistance from an intern. Currently, NHS is arranging for its former VISTA (Volunteers in Service to America) volunteer to coordinate the program. The VISTA volunteer completed service with the agency in August 1999 and is now employed as a program assistant with NHS. The program needs one person spending at least part-time guiding the council. The director feels the appropriate person for the position is a younger adult who is in touch with youth issues, but who also is mature and professional.

Project goals. NHS of Jamaica is involving the Youth Council in several community projects. The Youth Council will assist NHS and the New York City Department of Parks in refurbishing Baisley Park, and also will help with the annual Christmas-tree lighting ceremony. This event brings Santa into the community, offering gifts for children and families during the holidays.

NHS also plans to involve the Youth Council in the following activities:

- NHS of Jamaica receives grants from Neighborhood Reinvestment to fund neighborhood-association activities and projects. The Youth Council will help plan and participate in these activities.

- NHS will invite one member of the Youth Council to attend NHS board meetings.
- NHS will hold financial seminars for college-bound young people on topics including financial management and responsible credit card use.
- The members of the Youth Council will volunteer at the NHS's resource center. The resource center is equipped with an Internet-ready computer, a fax machine, and a copier for neighborhood associations to use. These resources are to help neighborhood associations find useful information and create fliers, newsletters and letterheads. Youth will be present to support community members and help with projects.
- The Youth Council will develop project ideas, set goals and create timelines to accomplish its objectives.

Project success. NHS of Jamaica is very well connected with the community. Strong relationships with neighborhood residents and civic associations are what have made the Youth Council a success.

Costs. The main costs for the program are staff time and supplies such as paper and postage. NHS hopes the future budget will include funds for T-shirts, volunteer activities, trips and workshops.

Expected outcomes. NHS expects to develop resourceful young people who will evolve into community leaders. NHS plans to develop a Youth Board and hopes that Youth Council members will eventually serve as NHS board members.

RESULTS

- Nine youth were recruited, who, in turn, enlisted two others. The Youth Council will recruit more members once the mission and goals are finalized.
- The council has not been in existence long enough to evaluate its community impact at

this time. There is, however, substantial community interest. Community members are contacting NHS for more information about the program.

- The program provides NHS with an additional source of revenue, as many organizations are enthusiastic about investing in programs that develop youth leadership.

LESSONS LEARNED

1. Hire a coordinator to guide the Youth Council at the start of the project. Ensure the person understands the goal and is able to help with the development of the program. NHS found that the council evolves more steadily if the coordinator is involved at the outset.
2. Research other youth councils to get ideas. Explore missions and goal-achievement strategies. This will help the coordinator lead the council proficiently.
3. Invite youth to block-association meetings and conferences. It is beneficial to merge young people with elders in the community, and to expose the younger generation to new and professional situations. Experience in communicating concerns in a functional and assertive way is essential for the development of future community leaders.
4. Provide leadership training for Youth Council members. Facilitate workshops on forming a council, working in communities, crime and drugs and other topics to prepare youth for the role of council member and resident leader.

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Neighborhoods Inc. of Battle Creek Home-Ownership Impact Study

OUTCOME: Neighborhoods Inc. of Battle Creek, Michigan (NIBC), conducted a study that showed substantial appreciation and asset accumulation in neighborhoods where NIBC had promoted home ownership as a revitalization strategy.



BACKGROUND

NIBC was one of the first NeighborWorks® organizations to participate in the NeighborWorks® Campaign for Home Ownership. The focus of NIBC's work in Battle Creek is neighborhood revitalization; homeownership promotion is a key strategy in producing that outcome. For NIBC, healthy neighborhoods are those where investing in home purchase and rehabilitation makes economic sense, where neighbors are managing day-to-day issues in the neighborhood and where different economic, social and racial groups are participating in revitalization of the neighborhood. NIBC's home-ownership strategies are developed with this end in mind.

Home ownership benefits neighborhoods and in turn helps families. When neighborhoods improve and housing appreciates, families who took a chance on home ownership can also benefit. To explore this important relationship between neighborhood revitalization and family economic security, NIBC did a long-term study of lower-income home buyers it had assisted.

COMPONENTS

NIBC was engaged in a multiyear evaluation and study of the impact its activities have had on the quality of life in three Battle Creek neighborhoods: Historic Northside, Post Addition and Washington Heights.

1. REVIEW OF EXISTING RESEARCH

A search of existing literature revealed little empirical research on the benefits of home ownership. The search did provide some insight into non-financial benefits of owning a home, such as increased self-esteem, personal efficacy and attachment to neighborhood.

2. Survey of Families

As part of the overall evaluation, a less extensive study examined how home ownership had changed the lives of a small group of lower-income families whom Neighborhoods Inc. helped buy homes in 1992. A survey of 19 families examined why they had chosen home ownership, what they saw as the advantages of owning a house, how home ownership had changed their lives and how they related to their neighbors.

3. Asset-Building

The third component showed to what extent these homebuyers accumulated assets through home ownership. Researchers determined the entry cost to home ownership, purchase price plus rehabilitation cost, for each buyer, in 1992. A local appraisal company then did drive-by appraisals to determine 1996 values.

RESULTS

The study drew important conclusions about the economic and personal benefits of home ownership for these families.

1. Economic Change

The economic benefits rising from the appreciation in the neighborhood were dramatic. In Historic Northside, a neighborhood where NIBC had achieved the greatest impact, property appreciation increased substantially. For the properties surveyed, average appreciation over three years was \$18,997, with a range between \$12,806 and \$26,413. This means that these homebuyers, earning less than 80 percent of median income, were able to build on average equity of about \$19,000.

Changes in Post Addition neighborhood were less dramatic, with an average increase of \$4,510.

In Washington Heights, a difficult neighborhood where NIBC was just beginning to engage neighbors in a revitalization strategy, there was no real appreciation. Two years from the time of the study, appreciation will more than likely have occurred.

2. Personal Change

Consistent with findings in the literature, the survey found that people felt more secure as homeowners than as renters and had a greater sense of predictability in their lives. In part because of a sense of attachment to the neighborhood, people felt safer. As homeowners, these families were more active in neighborhood affairs, often encouraged by NIBC.

LESSONS

1. Economic Mix

While the sample group of families studied was by definition low-income, NIBC's home ownership strategy was not confined to low-income customers. The neighborhood's long-term health, NIBC recognized, required an economic mix of buyers. The fact that buyers who had more choices about where they could live were choosing Historic Northside had strong implications in changing the neighborhood's image. Such dramatic market change is not likely to have occurred if all of the buyers had been low-income.

2. Links With the Neighborhood

The economic and psychological benefits of home ownership for modest-income families are linked to an improved neighborhood. Simply getting people into houses will not create these benefits if the neighborhood fails to improve.

3. Involving Stakeholders

The outcome NIBC sought was a neighborhood's return to health. Critical to this outcome were residents who could keep the neighborhood healthy by managing its day-to-day life. NIBC sees home ownership as a critical element in that strategy, because it brings stakeholders into the neighborhood. NIBC works to give new owners a role in improving the neighborhood. Increasing the number of stakeholders and encouraging them to become leaders restores the pattern of neighborhood management.

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Philadelphia Neighborhood Housing Services Model-Block Program

OUTCOME: Philadelphia Neighborhood Housing Services (PNHS) developed a partnership with several community development corporations (CDCs) to improve targeted blocks in specific neighborhoods. From a home-ownership perspective, this approach was important because it integrated home purchase with other neighborhood-revitalization strategies.



NEED

The Model Block Program started in two neighborhoods and expanded to five neighborhoods.

Initially, the William Penn Foundation approached PNHS about developing a collaboration with CDCs. While CDCs were effectively developing vacant properties, they did not have an approach or the right programmatic tools, such as financing, technical assistance or counseling, to connect with homeowners on the blocks and thereby broaden impact. The William Penn Foundation saw, in these unmet needs, opportunities to increase collaboration and results. Therefore, the foundation encouraged PNHS, with its track record in home ownership, to develop a collaboration with several CDCs and to submit a proposal to the foundation.

Beyond physical outcomes, economic development through local employment and training were additional objectives of the program. Delivery of services, such as home improvement loans and vacant lot beautification, were designed to maximize target neighborhoods' short- as well as long-term economic development, primarily through use of local contractors and tradespeople.

COMPONENTS

The Model Block Program's goal was to improve an entire block's physical appearance. Block improvements were standardized, where possible, so that all of the houses on a block would have a sense of cohesiveness, leading to good maintenance.

Essentially, three partners implemented the program: the CDC, the resident homeowners and PNHS.

The CDC organized residents on specific target blocks first to discuss façade treatments, tree planting and other beautification projects, then to create a block improvement plan. The CDC marketed the loan program to homeowners, took initial applications, checked eligibility and verified income and expenses.

The homeowner on a target block signed up for exterior repairs or improvements. A homeowner contribution was required for each project, in dollars, labor, or community service. Typically, the owner contributed 30 percent to the project. If the owner could not pay directly, the homeowner could apply to PNHS to borrow his or her portion of the cost. The average cost of the façade treatments was \$3,000.

Homeowners were also eligible to participate in the PNHS Revolving Loan Fund for interior home improvements. A special loan incentive program was available to encourage additional home improvement.

PNHS was the Model Block Project administrator. It developed written agreements with the participating CDCs on the parameters of the program and the disbursement of the Penn grant. PNHS made loans, managed the construction process, and issued pay-outs to contractors.

Blocks with large numbers of vacant buildings were screened out in favor of blocks with at least 65 percent home ownership and two or three vacants, where the combination of direct develop-

ment and the model-block strategy could make a difference. Landlords who wanted to improve their properties could also participate by contributing 40 percent of the cost of those improvements. In each CDC neighborhood, three or four model houses were done to illustrate exterior treatments being promoted.

RESULTS

The simultaneous treatment of properties got residents excited and has resulted in additional private investment. The program deepened CDCs' relations with their communities, putting them in touch with broad groups of neighbors.

LESSONS

1. Increasing Property Values

While not described strictly as a home-ownership strategy, the Model Block Program had important implications for home-ownership promotion. Stimulating improvements on blocks, in fact, added value to properties that participating CDCs had rehabilitated and sold. By engaging neighbors in block improvement issues, CDCs were also making neighborhoods a better, safer investment for new homebuyers.

2. Construction Management

Managing the program's construction end was challenging and caused some course correction from the original plan. PNHS staff wrote specs, put jobs out to bid, inspected work and authorized pay-outs on the exterior improvements. Initially, PNHS hoped to bid out all the work in a neighborhood to individual contractors, but found local contractors lacking capacity. PNHS ultimately looked to use four or five contractors on multiple sets of houses in a given neighborhood. PNHS also had to look for other efficiencies because running so many small jobs created a serious administrative burden.

3. Clear Responsibilities

The memorandum of agreement between PNHS and the CDC was an important document that

contributed to the program's success. The memorandum spelled out the roles and responsibilities of PNHS and the CDC and established budgets and rules for contract compliance. It also spelled out underwriting guidelines PNHS would use in determining loan eligibility.

4. Cost Effectiveness

By collaborating with CDCs, PNHS could serve a number of neighborhoods without the cost of operating site offices. PNHS was able, through this collaboration, to add value to CDCs' work by broadening the impact of their vacant-building rehabs and by bringing important lending tools to the table.

5. Funding Expansion

The program expanded its funding base to include another foundation; the Pew Charitable Trust; and the City of Philadelphia's Office of Housing and Community Development, which committed Community Development Block Grant funds to the program.

6. Investing in Neighbors

Block-improvement projects are seen as tools to organize neighbors on a block to come together for a common purpose. This program's success is dependent upon the participation of neighbors, who then have invested in a positive outcome. The program encourages projects that are fun and that get neighbors engaged with each other in attaining certain objectives and celebrating accomplishments.

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Salisbury Neighborhood Housing Services Involvement in the Smart-Growth Initiative

OUTCOME: Salisbury, Maryland, NHS allied with the state's Smart-Growth Initiative because the goals of the state project strongly complement SNHS's own mission. The Smart-Growth Initiative is sponsored by the Maryland Department of Housing and Community Development to promote Maryland's communities as both valuable and renewable resources and also desirable areas in which to live and work.



BACKGROUND

Salisbury NHS opened in February 1994 with a mission to revitalize three target neighborhoods and promote home ownership in the Salisbury community. SNHS is a chartered NeighborWorks® organization, participates in the NeighborWorks® Campaign for Home Ownership, and has nurtured partnerships with numerous other organizations, businesses and programs.

Maryland's Smart-Growth Initiative was an additional opportunity for SNHS to take part in several community-oriented projects and build a partnership with state-government programs. The Smart-Growth Initiative was created to support development efforts, decrease suburban sprawl and preserve urban neighborhoods and infrastructure.

Salisbury NHS is one of hundreds of organizations throughout Maryland involved in the Smart-Growth Initiative. The initiative has been in existence since 1997. Its objectives include: promoting home ownership in existing neighborhoods, encouraging economic diversity in Maryland's communities, revitalizing downtown neighbor-

hoods, and preserving and promoting the state's heritage. There are approximately 50 policies and programs in existence throughout Maryland's communities focusing on neighborhoods, housing, job creation, public schools, public safety, transportation, preservation and environmental issues.

COMPONENTS

Salisbury NHS participates in four programs headed by the initiative:

1. Maryland Mortgage Program

The objective of this program is to strengthen neighborhoods by providing low-interest, home-purchase loans to eligible households. Salisbury NHS provides 4-percent loans to homebuyers who purchase a house in one of the target areas. The goal is to attract homeowners to Salisbury neighborhoods and provide applicants with affordable monthly payments.

2. Neighborhood Partnership (NAP) Tax-Credit Program

Salisbury NHS took advantage of the corporate tax credit program which promotes private investment in neighborhood revitalization programs. SNHS sold its original allocation of tax credits to purchase and rehabilitate the new SNHS office, which is located in one of the target neighborhoods.

3. Live Near Your Work Program

This program is a partnership among the state of Maryland, local businesses and Salisbury NHS, and provides homebuyers with \$3,000 towards down payment and closing costs. To qualify, a homebuyer's employer must participate in the program and the buyer must purchase a house in an SNHS targeted revitalization neighborhood. The state of Maryland, the employer and Salisbury NHS then provide the buyer with \$1,000 each, to assist with down payment and closing costs. The Live Near Your Work Program is strengthening neighborhoods by increasing home ownership, reducing commuting costs and build-

ing relationships between employers and the community.

4. Hot Spots Communities Initiatives

Hot Spots is a program designed to fight crime in neighborhoods by providing additional police officers, probation agents, nuisance-abatement teams, after-school programs, citizen patrols and other prevention strategies. Two Salisbury neighborhoods have become involved with the program to educate and empower the community on issues relative to crime prevention and quality of life.

RESULTS

- Involvement in the Smart-Growth Initiative strengthens SNHS grant applications.
- The profile of SNHS grows with each program it participates in.
- Participation in the initiative increases awareness around the subject of neighborhood revitalization.
- SNHS has completed 22 loans under the Maryland Mortgage Program.
- Twenty-one loans have closed under the Live Near Your Work Program.
- Nine employers are involved in the Live Near Your Work Program and one employer is pending membership to the program.

LESSONS LEARNED

1. Government Support

The Maryland state government is very friendly and supportive of community programs. Gover-

nor Glendening has received much praise and support on Smart-Growth Initiatives and has provided critical guidance in developing the program.

2. Program Evolution

Expect obstacles and challenges when initiating and developing initiatives. Programs need to fluctuate and evolve in order to fit with the sponsoring organization and the community.

3. Communication

Take the time to communicate both accomplishments and barriers with partners and staff. This allows SNHS to address problems and helps differentiate between successful and unsuccessful endeavors.

4. Program Missions Match

The Smart-Growth Initiative is highly adaptable. Many of the goals and projects layer services and hold similar concepts as SNHS's. If a state or local government is sponsoring a similar initiative, it is advantageous for a local NeighborWorks® organization to get involved and utilize available resources. If the state government does not offer this type of initiative, a local organization can obtain information from pre-existing programs and initiate a program on its own.

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Neighborhood Housing Services of Savannah “Impact Block” Project

OUTCOME: Neighborhood Housing Services (NHS) of Savannah, Georgia, has an exterior-repair grant program used in tandem with its Affordable Housing Auction. This effort, on blocks where auction properties are located, makes those properties more attractive to prospective buyers, and also maximizes the neighborhood impact of the transfer of those properties.



BACKGROUND

The Savannah Affordable Housing Auction helps redevelop abandoned, distressed properties for sale to new homeowners with financing. The auction has proven to be a way of increasing home-buyer interest in Savannah’s older neighborhoods, many of which are abandoned and deteriorating. Turning those buildings around has the potential to be a catalyst for neighborhood revitalization. The Block Impact Project is an intentional effort to leverage the positive change brought about by turnaround of the auction properties and to stimulate more improvement activity.

COMPONENTS

1. What is the Impact Block Project?

The Impact Block Project provides grants of up to \$2,500 for exterior repairs and improvements on specific blocks. The blocks selected have one or more properties offered in Savannah NHS’s Affordable Housing Auction.

2. How was block project funded?

The project was funded with CDBG funds from the city of Savannah and funds from Neighborhood Reinvestment. This funding mix was available to families who were income-eligible under CDBG, but it did not exclude families who were over that income limit. This enabled the project

to get as many people as possible involved in the block improvement effort.

3. How was the first block selected?

The first block, the 600 block of East 38th Street, was selected by the community relations committee for several reasons. On the block were a completed house from the 1993 auction and three houses to be offered in the 1994 auction. Several key neighborhood leaders lived on this block, and there was an active community organization in the areas.

4. How was the project initiated?

The local community organization played a key role in setting up the initial meeting between NHS and residents on the block. While residents were very positive about the idea, many people wanted and needed more than the \$2,500 grant could provide.

5. How was the project implemented?

NHS devised a simple mini-application. Since the product was a grant, the application documented income eligibility for families under CDBG guidelines. NHS did work specifications and cost estimates on exterior repairs. NHS bid out those specs and selected two contractors, one for each side of the block, on the rationale that this might achieve some economies of scale. Contracts were between NHS and the contractors.

RESULTS

Sixteen homeowners on the 600 block of East 38th Street received grants for exterior repairs. The average grant was \$2,400. Work was completed in 60 days. CDBG-eligible homeowners used an exterior paint program run by the city of Savannah. NHS also worked with the city to get specific capital improvements, such as sidewalks and street repairs. These city efforts supplemented the work people were doing with the grants and leveraged the impact. Three vacant houses offered in the auction were purchased and renovated. Turnaround of these buildings, the broad use of the project grants, and judicious targeting of city programs and infrastructure im-

provement produced a dramatic change in this block.

LESSONS

1. Sights on Impact

The major lesson was in finding a way to maximize impact of the auction houses' rehabilitation on the rest of the block. The fact that a special program was under way to improve the block also was a factor in helping sell the auction houses.

2. Resistance to Liens

The ability to implement this program using an unsecured grant was important because many of the seniors on the block were resistant to having a lien placed on their homes.

3. Limiting Contractors

Limiting the work to two contractors — one for each side of the street — simplified contracting and added economies of scale.

4. Connecting to the Block

The community organization's role was critical in helping NHS connect to families on the block and gave participation in the project more credibility.

5. Complementary Programs

NHS supplemented this special program with ongoing city programs, such as the paint program and infrastructure improvements. This helped the grant money go further and created more physical change.

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Scranton Neighborhood Housing Services Economic Impact Chart

OUTCOME: Scranton Neighborhood Housing Services (NHS), in Scranton, PA, has developed a simple methodology to describe some of the economic benefits that come to the larger community through home ownership. The NHS reinvestment chart is an excellent way to calculate dollars generated through each home purchase. The reinvestment chart information is useful as a marketing tool, a resource development tool and as a way of communicating to partners the direct and measurable impact of Scranton NHS.



BACKGROUND

Scranton is a city of 77,000. Scranton NHS was developed in 1982 with a focus on rehabilitation lending. In 1995, the organization expanded to home-ownership mortgage lending, developing the First Home Loan Program, a lender pool for low- and moderate-income first-time homebuyers. Scranton NHS also maintains a pool of capital for settlement and closing cost loans. The organization does prepurchase counseling through the Scranton NHS Community Workshop on Home Ownership. Scranton NHS offers its programs citywide.

When Scranton NHS was called to testify at the city's annual Community Development Block Grant hearing, the executive director wanted to show how much revenue the Scranton NHS First Home Loan Program had generated for the city. Since Scranton NHS was requesting \$50,000 in CDBG funds, the director wanted to show that the organization was worth at least that much of a public investment.

The home-ownership coordinator examined how much city revenue the three most recent Scranton NHS First Home Loans had generated. The in-

formation was impressive enough that a larger group of loans was surveyed and the search expanded to include county tax revenues, real estate commissions and other fees. Initial figures showed that Scranton NHS was responsible for substantial economic impact.

When the executive director testified before the City's Office of Economic and Community Development, he could say that this single NHS program generated more than \$148,000 in local tax revenue. The figure represented nearly three times the return of the requested CDBG investment.

COMPONENTS

The basic components of the Scranton NHS reinvestment chart are simple. It consists of a spreadsheet with columns for each of the areas where dollars from a home sale are generated. Dollar amounts for almost all of these areas can be found on the HUD form that is part of each property closing.

The reinvestment chart columns have the following headings:

1. **Loan:** Each loan is listed by name and loan number.
2. **Price:** Final sale price of the house.
3. **City/School:** Annual property tax of each home by the City for support of the public school system.
4. **County/Library:** Annual county tax to support the library system.
5. **Transfer Tax:** A sales tax that benefits city, county, and state government.
6. **Total Tax Generated:** This column is for easy access to the running total of all local tax revenue generated by each sale using the First Home Loan Program.

7. **Insurance:** Annual premium for the new homeowner's insurance policy. Home sales generate the commissions of local agents who write homeowners insurance policies.
8. **Real Estate Agency Commission:** Total of commissions for local real estate agencies, generated by the sale of property. In some cases, sales were handled privately and generated no commissions.
9. **Location in City:** This column tells the part of the City where the transaction was secured. This is particularly helpful when a NeighborWorks organization is addressing neighborhood associations, specific city council members or businesses from a certain part of town. The numbers from a particular section can be sorted. For example, Scranton NHS financed 15 homes in West Scranton for a total reinvestment of \$532,000.
10. **Recording Fees:** All of the fees connected with officially recording a property sale at the county courthouse.
11. **Legal Fees:** All of the legal fees generated for local law firms as a result of the Scranton NHS First Home Program.
12. **Title Insurance:** This is a significant cost associated with home purchase. The local title company's commission is included in this figure.

As the loan portfolio grows, so grows the total of dollars being generated and spent in the local community. The reinvestment chart gives Scranton NHS a way to articulate this fact in real terms.

LESSONS

1. Replication

The reinvestment chart is a simple and highly replicable way of communicating the economic impacts of a NeighborWorks® organization's home-ownership activity. Because it clearly illustrates in real numbers how many dollars are invested in the community, the chart is an invaluable tool in showing how resources are leveraged.

2. Community Impact

While the concept of the reinvestment chart is simple, the reaction it has generated among board members, donors, city officials, and other non-profits has been extraordinary. These groups were pleased and, in some cases, amazed at the direct and measurable evidence of Scranton NHS's impact.

3. Broadening the Story

While Scranton NHS is successful in articulating the theme of neighborhood investment, it was critical to broaden the story with specific evidence of positive economic ramifications. With the reinvestment chart, Scranton NHS is better equipped to show where resources go, who benefits and how that improves the city.

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Scranton Neighborhood Housing Services Model-Block Partnership

OUTCOME: Scranton Neighborhood Housing Services (SNHS) collaborated with four other nonprofit organizations in a partnership devoted to rehabilitating and selling properties on a single block, thereby revitalizing the area and eliminating the primary site for the small city's drug activities.



BACKGROUND

Scranton, a city of about 77,000, is located in the northeast corner of Pennsylvania. It has been an economically distressed area since local coal-mining declined and ceased 30 years ago. Drug activity subsequently sprang up. Ultimately, three major drug operations, with attendant violence, shootings and murder, became entrenched on one block of North Irving Avenue, in the town's Hill section. This older, once-desirable neighborhood consists of large homes which absentee landlords have divided into rental units. The Hill area also is adjacent to the University of Scranton and Marywood University.

Because this criminal activity was becoming such a concern, SNHS visited the block and spoke with residents — in particular, with three long-time residents, who gave the clear message that attracting new homeowners to the block would have to be part of any revitalization. In assessing the overall situation, SNHS as well as other nonprofits concluded that revitalizing this problem area was a job too big for a single organization to tackle on its own.

COMPONENTS

1. North Irving Partnership (NIP)

The NIP evolved gradually into a collaboration of five nonprofits. All agreed informally to the fundamental concept that each would do what they did best, on North Irving Avenue.

- SNHS agreed to acquire and rehabilitate some properties;
- Mulberry Central Neighborhood Development Corp. did community organizing;
- Lackawanna Housing Development Corp., which specialized in rental development, agreed to acquire and rehabilitate rental units;
- Scranton Neighbors, Inc., a nonprofit development management company and the premier local CHDO, came on. Scranton Neighbors, Inc., had the most significant relationship with city government.
- Habitat for Humanity (HFH) committed to do a house.

NIP collectively accessed a pool of funds to hire a professional neighborhood development consultant to be the administrative entity for the group.

2. Private Assistance

The NIP's next step was to seek corporate assistance, in part to show that the NIP could leverage government funds. The first corporate contributor was the utility Pennsylvania Power and Light, which provided \$100,000 for the block revitalization. The NIP put \$50,000 into a fund for specific collaborations or shared improvements to the block. The other \$50,000 would be split between the five partners. SNHS used \$10,000 to keep rehabilitation costs low and to provide write-downs.

The second corporate partner was Neighborhood Reinvestment Corporation, which provided \$125,000 towards the NIP effort (over and above SNHS's normal programming funds).

3. Lenders

Lending institutions were the next significant partners. PNC Bank donated a foreclosed property to HFH. Fourteen other local lending institutions made first-mortgage capital available through the SNHS First Home Loan program, for home-ownership opportunities.

4. City Involvement

The city became, financially, the most significant partner, allocating \$400,000 to the work on North Irving Avenue. The city made Community Development Block Grant (CDBG) and HOME funds available for new sidewalks, curbs, street lighting and an urban forestry plan. This plan, coordinated by NIP, is known and characterized by the acronym CPTED, which stands for Crime Prevention Through Environmental Design.

5. “Cop on the Block”

The partnership had decided that one of the newly rehabilitated houses on the block would be offered for sale with “premium incentives” to law-enforcement officers. In the meantime, however, two officers bought homes there, using first-time homeowner financing from SNHS, without special marketing measures. Of the two properties, SNHS rehabbed one; LHDC rehabbed the other. The wife of one the officers had been, along with other members of her family, a long-time resident of North Irving Avenue.

6. Volunteers

North Irving Avenue, since the NIP revitalization began, has been the venue for a series of community service projects involving street clean-ups, painting and block parties.

RESULTS

- The partnership has acquired a total of 12 properties.
- SNHS acquired three properties, of which it rehabilitated two for sale to first-time homeowners and demolished one.
- This block of North Irving Avenue is now generating income for the city instead of draining it. Total investment, including costs of all that NIP has developed or plans to develop, is estimated to be \$4 million. This covers acquisitions, demolition, new construction, rehabilitation, sidewalks and the CPTED implementation, for the 400 block of North Irving Avenue.

LESSONS

1. Power in Numbers

The NIP recognized that a collaboration on this one project held infinitely more power than if the partners were to do the work separately. As a partnership, the NIP got more funding and more attention. The partnership also was important because it could — collectively rather than separately — pass its gathered power on to residents. The intent was always that residents would have the power to drive revitalization of their block.

2. Communication

The most important aspect of the NIP was communication among the five partners and residents. The NIP and involved agencies met virtually every Monday morning for more than two years. From the beginning, however, residents drove the strategy, from the big picture to how they wanted the block to look in terms of lights and landscaping. The original group of three involved residents grew to include virtually every resident on the block. Communication among the residents themselves was as important as their connection to partners — residents were the eyes and ears on the block.

Ongoing communication also is important to following a marketing strategy consistent with residents’ vision and values. The original three residents insisted that the focus be on home ownership and building a mixed-income community. This was the strategy the NIP adopted.

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Utica Neighborhood Housing Services Association of Block Coalitions

OUTCOME: The Association of Block Coalitions (ABC) was formed by Utica, New York, Neighborhood Housing Services (UNHS) to organize “neighborhood watch” groups and connect area residents with various community organizations.



BACKGROUND

Utica Neighborhood Housing Services opened in 1979 with a goal to conduct owner-occupied rehabilitation in specific areas of Utica. UNHS now also focuses on home ownership and community empowerment. In 1994, it expanded to serve the entire city of Utica, and, in 1999, to serve all of Oneida County. Utica houses a population of about 68,000; Oneida County, about 300,000. UNHS is a chartered member with Neighborhood Reinvestment Corporation, and became a Home-Ownership Center in 1999. The mission of the HomeOwnership Center is the “revitalization and growth of neighborhoods.”

The Association of Block Coalitions was initiated in 1994, after UNHS received a grant from The Pew Charitable Trusts to fund the first year of the program. The philosophy behind the coalition is to help residents be proactive rather than crisis-oriented in dealing with community issues. The HomeOwnership Center is trying to help residents see their neighborhoods in a positive light, and connect and collaborate with each other before neighborhood problems arise.

The first year was so successful that UNHS decided to continue the program on a long-term basis. The program began with 15 neighborhood blocks participating. Over the years, 164 block associations have been formed. Currently 125 blocks with 90 active block associations make up the coalition. The program is creating an amazing

link between residents, businesses and organizations in the community.

COMPONENTS

1. Staff

UNHS’s Community Relations Department initially started with one person, a community coordinator, to facilitate the program and work closely with each block association. Due to the growth of the program, UNHS expanded the number of ABC staff to include a community director, a community coordinator and a development officer.

2. Block Association Meetings

Most local associations meet monthly (though several meet quarterly) and usually invite guest speakers to discuss particular issues and methods of problem solving. UNHS coordinates the majority of these meetings, which are also attended by the police department, fire department and health department. The community director and community coordinator attend approximately 13 to 15 neighborhood meetings a month. Staff members typically facilitate meetings, but block leaders simultaneously are taught to lead meetings, projects and activities on their own. The goal is to have each group eventually become self-sufficient.

3. Block Leader Meetings

Block captains come together quarterly to discuss community-wide issues and strategies. The general public is also invited, but the meetings are primarily geared toward block leaders. Speakers are often invited to provide information on specific topics.

4. Training for Community Leaders

UNHS provides training options for block club captains. Many residents have attended Neighborhood Reinvestment Community Leadership Institutes, Neighborhood Watch conferences and Weed and Seed conferences. These trainings help build leadership skills and empower residents to address community issues in assertive ways. Since not all participating leaders

can be sent to conferences, UNHS also coordinates trainings in Utica.

5. UNHS HomeOwnership Center's Role

While each neighborhood group is unique, and focuses on issues specific to its area, UNHS provides hands-on help for each group. It helps block captains recruit guest speakers, provides a computer for resident use, helps block leaders make fliers, and provides copying and Fax machines for resident use. UNHS also helps with neighborhood newsletters and supplies photocopies for distribution.

6. Program Support

The HomeOwnership Center receives great support from both the city and local media for this program. The local newspaper lists all meetings and writes articles and editorials. Local television stations attend meetings, interview residents, and report on recent projects and community issues.

Financial support for the program comes from the city of Utica, Neighborhood Reinvestment, CDFI funds and UNHS's own resources.

7. Business Development Associations

UNHS is also organizing local business owners and connecting them with neighborhood groups. Since the mission is to promote the revitalization and growth of neighborhoods, businesses needed to be involved as well. Businesses and residents are strongly connected, and depend on one another, and can work together on many issues.

8. Additional Community Projects

Two national programs, "Weed and Seed" and "Communities on Phone Patrol," function out of the neighborhood coalitions. In addition, the HomeOwnership Center has developed the Utica Adopt-A-Block program.

UNHS is the lead agency in Utica's Weed and Seed program. Its role is to manage housing development and coordinate the program's activities. The advantages, aside from the improvement of Utica's neighborhoods, are the funding opportunities available through the program from the U.S. Department of Justice. Visit

www.ojp.usdoj.gov/eows for more information on the national Weed and Seed program.

"Communities on Phone Patrol" is a national program created by the Community Policing Consortium. It is still being developed in Utica. The goal is to have residents in high-crime areas patrol their neighborhoods 24 hours a day. Through the program, the police department obtains free cell phones for patrolling residents. Residents are trained by police officers not to get involved in potentially unsafe situations, but to call the police and report illegal or dangerous activities. Visit the Community Policing Consortium at www.communitypolicing.org.

"Utica Adopt-A-Block" is a continued effort, in cooperation with the city, to revitalize city neighborhoods. The initiative is loosely based on the successful New York state Transportation Department's Adopt-A-Highway program. To recognize participating groups, UNHS posts neighborhood signs crediting their efforts.

RESULTS

- One hundred and sixty-four block-associations have been formed in Utica since the inception of the Association of Block Coalitions. Ninety groups are currently active.
- Other programs at the HomeOwnership Center are being affected by this project. People are learning about UNHS's homebuying and rehabilitation programs. Residents are recruiting people to buy homes in their neighborhoods and sending these buyers to UNHS.
- Every block association is working to create a citywide codes court. Each neighborhood group has conducted a letter-writing campaign, and is dedicated to working on this issue. It is exciting to have every block club in the city unite on one single issue.
- Neighborhood groups are working well beyond crime watches. Groups are working to get businesses into their neighborhoods. One group is fixing up a playground and addressing the issue of absentee landlords. Some groups adopt neighborhood seniors, and mow

their lawns, shovel their sidewalks and provide them transportation to neighborhood meetings.

- Several block associations participate in the adopt-a-block program and are positively impacting their neighborhoods by keeping them clean.
- An active resident who works at a computer company developed a Web site for the neighborhood associations. The site is www.uticanighborhoodlink.com and is available for all neighborhood groups in Utica. The site includes a crime watch, a chat room and lists of upcoming meetings and events.

LESSONS LEARNED

- Accept that block associations usually fall into one of three categories: active, inactive or developing. Some groups meet regularly and then stop when there are no serious issues to address. Each group is unique, has different needs, and will work with different timelines.
- Begin by focusing on residents. The objective is for residents to work together and address issues themselves. UNHS gives residents tools and training, but residents themselves need to embrace the program and be deeply involved in order for it to succeed.
- Develop a vision for the program and discover the neighborhood's potential. Recognize positive characteristics of the community and identify attributes to be preserved. Learn what needs to change within the neighborhood.
- Persevere. There are hurdles to face with any new program, so be prepared. Be sure to communicate to residents that they are not going to be able to solve every problem in their community, but they will be able to resolve many specific issues. Help groups venture through developmental stages, and help them stabilize and endure obstacles. Some groups lose momentum once the serious issues have been addressed, so it is important to help

block clubs stay connected once they are beyond those issues.

- Turn the vision into reality, piece by piece. Be patient and concentrate on one effort at a time.
- Build partnerships. This takes time, but it is very important to build favorable relationships with the police department, fire department, city government, media and neighborhood residents. Neighborhood Reinvestment has excellent resources available and is also an important partner, as well as churches, businesses and schools. UNHS uses schools for neighborhood meetings, which is also an opportunity for connecting with active youth. Literally, any person or organization in the community is a potential partner in this type of program.
- Celebrate program successes and inform the community of what neighborhood groups are accomplishing. Recognition is a very important piece of this project. Report project results in the newspaper and on TV, and host block parties or other activities to acknowledge the time and effort put in by residents.
- Be a good listener. Residents may be angry at first and may need to ventilate concerns and frustrations.
- Continually brainstorm new ideas. Groups need new projects to carry out and new matters to focus on. It is also important to formulate new ways of recognizing residents. Be creative and inventive.

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Vallejo Neighborhood Housing Services Involvement with Vallejo Neighborhood Revitalization

OUTCOME: Vallejo, California, Neighborhood Housing Services has joined with other area nonprofits and local government in Vallejo Neighborhood Revitalization, a concentrated, neighborhood-revitalization program that combines public safety, family services, housing and rehabilitation services, drug and alcohol rehabilitation and job-training services in strategically selected neighborhood areas.



BACKGROUND

Located in the Bay Area, northeast of San Francisco, the population of Vallejo is approximately 130,000. Vallejo Neighborhood Revitalization started in mid-1998, and was a concept proposed by the Fighting Back Partnership (FBP). FBP recognized that several organizations were working with the same population and on the same complicated issues, but were not working together on them. By identifying the common threads, and the need for an organized partnership, FBP initiated Vallejo Neighborhood Revitalization to produce a comprehensive revitalization effort.

In addition to the Fighting Back Partnership and Vallejo NHS, other agencies participating in the partnership include Vallejo Family Resource Center, Vallejo Police Department, Vallejo Code Enforcement, Vallejo Fire Department, National Guard, Vallejo Garbage Service and Solano County Probation. Their goal is to target specific blocks within Vallejo neighborhoods, and, in these areas, reduce crime, increase home ownership, improve the neighborhood's physical appearance, and address quality-of-life issues.

COMPONENTS

1. Program Need

The majority of Vallejo's housing stock is over 40 years old, and deteriorating. Recently, Naval Shipyard, which included a submarine command and training base, closed in Vallejo, resulting in a major plunge in the job and real-estate markets. The result was an increase in unemployment; many residents, in fact, moved from Vallejo. Although the Bay Area real-estate market is growing, housing prices in Vallejo remain affordable. Vallejo, however, still struggles with the image of being a high-crime area. People fear neighborhood criminal activity, and many fearful homeowners feel confined to their homes. These factors helped determine the need for Vallejo Neighborhood Revitalization, as a collective effort to make Vallejo neighborhoods safe and attractive places to live.

2. Collaboration

Vallejo Neighborhood Revitalization is made up of community organizations that concentrate on different aspects of neighborhood revitalization. The role of Vallejo Neighborhood Housing Services is to address "place" issues. VNHS completes housing rehabilitation and painting projects, and buys properties to rehabilitate and sell to first-time homebuyers.

The Fighting Back Partnership provides counseling for drug and alcohol-related problems, and refers people in need to the employee-development agency. FBP also leads a "knock-and-talk" program, in which every resident on a block is interviewed at home, and provided with information on available community resources. Simultaneously, as FBP is conducting "knock and talks," other neighborhood partners are conducting neighborhood property assessments, which identify concerns on each property. VNHS uses the information from FBP and the neighborhood assessments to determine neighborhood needs, offer needed resources, and contact residents with information and options.

The police department is present during all phases to insure safety. Beat health officers and employees abate all criminal activity with special tactics. Beat health officers also abate problem vehicles on the street and private property, which helps begin the neighborhood clean-up process.

Vallejo Code Enforcement (CE) and the Fire Department (FD) identify properties that violate local laws. Weed abatement, trash, substandard buildings and hazardous conditions are pointed out to property owners in warning letters. VNR helps property owners resolve these issues by hosting a major clean-up day and offering resources to correct problems at the lowest, most-reasonable cost. Vallejo Code Enforcement and Fire Department ensure abatement through progressive enforcement on properties that do not comply as help is offered.

The partnership holds weekly meetings from 10:30 a.m. until noon on Thursdays. Members of each participating organization attend and track the status of properties in the target area. The group also discusses neighborhood issues, such as absentee landlords. With each organization doing its piece, the group can make a noticeable impact on the community and keep the program on-track for success.

3. Program Specifics

During the first six months in an area, VNR focuses on organizing neighborhoods. VNR holds individual meetings with landlords, tenants and homeowners, creating neighborhood leaders as well as neighborhood watch groups. The beat health revitalization coordinator, who is an administrative analyst of the police department, facilitates neighborhood meetings. This officer is the main coordinator of the program's meetings and projects. Half the analyst's salary is paid by VNHS.

4. Time Frame

VNR spends a year in each target area. It talks with each resident, to strengthen their relationship with the community and identify positive aspects of the neighborhood. Through this program, VNR is identifying and cultivating neighborhood leaders, teaching residents how to make property assessments, instructing them what to

what to do when they witness a drug exchange, and demonstrating how to continue programs and projects themselves. The goal is to organize residents into block watches or neighborhood groups, so they can continue to improve the quality of life in their neighborhoods after VNR completes the revitalization program. Even after completing work in a neighborhood, VNR continues monitoring its progress.

5. Target Areas

Vallejo Neighborhood Revitalization selects target neighborhoods with the highest number of drug and/or alcohol-related police calls for service. VNR core team members meet with neighborhood residents to determine a two- to four-block area that would best benefit from revitalization. VNR also considers the resources available and the potential effect on areas surrounding the target area.

6. Program Cost

In 1998, Vallejo NHS received \$500,000 in Homeownership Pilot Category B funds from Neighborhood Reinvestment Corporation. They are used to purchase and rehabilitation troublesome properties in the community. Program funds are also used to pay the beat health revitalization coordinator, plus the cost of program research and data collection completed by a hired research consultant.

RESULTS

1. Vallejo Neighborhood Revitalization has lowered crime rates citywide, by working in 20 Vallejo neighborhoods.
2. VNR has brought resources to eight primary target areas, with 425 homes receiving cleanup, home repairs and painting. Another 24 to 30 city blocks in target areas have been provided dumpsters and other resources for mini cleanups. The VNR team worked in collaboration with the police department's "Project Clean," to provide another 186 blocks with dumpsters to accomplish cleanups on their own in 1999.
3. The home-ownership rate has increased in the target areas.

4. The image of the neighborhood is changing and becoming more positive. Real-estate agents have recognized the work being done by VNR, and are helping to sell homes in these neighborhoods.
5. VNHS hopes the program will continue, and plans to be involved in the partnership for as long as funds are available.
6. Vallejo Police Department beat health has accomplished vehicle-abatement programs that have removed over 300 abandoned or non-operational vehicles from public and private properties in revitalization areas. In collaboration with the traffic division, stings against unlicensed drivers in revitalization areas have resulted in more than 75 vehicles being impounded.
7. Vallejo Police Department beat health officers have made arrests and abated illegal drug activity in over 35 properties within the target areas. This does not include arrests made by patrol officers during added patrols in the course of their normal duties.

LESSONS LEARNED

- In order for the group to succeed, each participating organization has to maintain the pieces of the program that were agreed upon. Each organization must commit to certain responsibilities and adhere to its commitment.
- Communication is very important. Not only should organizations be open when sharing information, but also the communication needs to be ongoing and precise. Each organization needs to communicate what it is doing within the neighborhood, and partners need to realize that they need each other in order for this program to be successful.
- Any organization planning to run a similar program must decide whether to focus its ef-

forts on a large or small area of the community. Programs that focus on a larger area have higher numbers. VNR decided to focus on smaller target areas because it wanted to concentrate on areas of very high crime. The area served by a program will vary, depending on the organizations and communities involved.

- Talking to every resident in an area is time consuming, but this approach makes the long-term effects more substantial. A strong and effective relationship developed throughout the year results in neighborhood groups continuing to concentrate on neighborhood issues after VNR leaves.
- Hire a consultant to do program reports, collect data and organize results. Vallejo Neighborhood Revitalization found it very worthwhile to have a consultant gather this information. The consultant compiles primary baseline data from the census and other sources, and records the initial property assessments.
- After six, then 12 months, the consultant collects and compares the same information in order to describe the program's impact. This procedure would be too time-consuming for VNHS staff. Plus, if the program is to continue, the partnership will need this information to accompany reports and grant proposals.

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