



COLLABORATIONS

Partnering with Credit Unions

Making the Dream a Reality

BY ELLEN LAZAR

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There are so many times, as a part of the credit union community, when you may wish you had the tools to do more for a member: When a member applies for a home mortgage without the income level, down payment, or credit history that would let you say “yes” to the loan; when a member needs straightforward guidance on home ownership and maintenance; and when a member whose loan application you have declined resorts to the subprime lender across the street who offers financing at a high (and possibly unworkable) interest rate.

Rising home prices and increasing consumer debt loads have credit unions facing mortgage applications from more low- and moderate-income members than before; many of them have needs for financial and homebuyer counseling assistance. And the trend is likely to continue.

A Growing Need

According to forecasts from Freddie Mac, the bulk of home-mortgage growth over the next decade will come from low- and moderate-income homebuyers, dominated by single-parent families and immigrant and minority populations. Fannie Mae and Freddie Mac, with a host of originators and other secondary-market buyers, are customizing their homebuyer-financing products to accommodate these borrowers.

At the policy level, President Bush’s new initiative to expand minority home ownership promotes this wave of activity with the objective of increasing the stake that these constituencies hold in the community and the economy.

How well prepared, though, are credit unions to assist these low- and moderate-income homebuyers, particularly those who are going through the process for the first time? In these newer markets, home-ownership counseling is generally needed to limit the likelihood of default. This effort requires a greater investment of a lender’s time, capacity and capital. Can credit unions afford these outlays? Will regulators allow credit unions to play a greater role in helping create more homeowners in these growing populations?

In answering these questions, credit unions may actually find they have an advantage over other lenders. You often know your loan applicants personally, underwrite your loans individually, and hold many of the applicant’s savings and transactional accounts. But when taking on a new level of risk, it is still helpful to have partners who have done this before.

NeighborWorks® organizations may be natural partners for credit unions in this endeavor, because of their expertise in homebuyer counseling and education and their deep roots in local communities.

Already, credit unions and NeighborWorks® organizations are forming partnerships that enable credit unions to expand their commitments to local homebuyers. For example, in Alaska, **Fairbanks Neighborhood Housing Services (NHS)** has partnered with Northern Schools Federal Credit Union (FCU) on several vehicles:

- ▶ Fairbanks NHS provides tandem second mortgages to those members who earn 80 percent or less of the area’s median income. These second mortgages are generally for down-payment assistance and are subordinated to the credit union’s first mortgages.

- ▶ The credit union sponsored Fairbanks NHS in the Federal Home Loan Bank of Seattle’s Homestart program,

which is a variation on an individual development account. The Homestart account matches each dollar saved by the homebuyer during the construction of his/her home at a rate of 3 to 1. The proceeds are used to reduce mortgage costs.

Financial Literacy

In New York, **Ithaca Neighborhood Housing Services** and Alternatives FCU have developed a partnership involving a full range of activities that benefit their low- and moderate-income constituencies:

- ▶ The executive director of Ithaca NHS serves as treasurer and is a board member of the credit union.
- ▶ Alternatives FCU contributes to Ithaca NHS and also provides staff assistance.
- ▶ Ithaca NHS provides second mortgages behind the first

and HDC matches it with a zero-interest, unsecured loan with a term of up to five years. In addition, HDC offers members a second mortgage for up to 20 percent of the sales price.

In turn, ORNL FCU provides financing to HDC for the purchase and reconstruction of properties. ORNL also contributed \$50,000 to HDC's revolving loan fund that provides second mortgages to credit union members. HDC and the credit union have also collaborated on a Federal Home Loan Bank grant that paid the housing corporation for providing home-ownership counseling to those credit union members who need it.

In Wisconsin, **Neighborhood Housing Services of Richland County** has established an active partnership with the Westby Coop Credit Union. Under this partnership, some credit union staff members serve in NHS

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mortgages that the credit union provides to its members.

Together, they administer a step-by-step financial literacy program. Alternatives FCU provides basic financial literacy education, which includes information on individual development accounts and savings as well as a credit-path framework that conducts members from one stage to next. Members work their way up to Ithaca NHS's homebuyer-education program and its financial literacy and home maintenance training programs as well as Alternatives FCU's enterprise opportunity training.

In Tennessee, the **Housing Development Corporation of the Clinch Valley** (HDC) partners with ORNL FCU in support of low- and moderate-income housing for credit union members.

HDC of the Clinch Valley manages an employer-assisted housing program through which employers contribute \$500 toward a member's home mortgage down payment

leadership positions. The credit union also assists Richland County NHS's low-income and very-low-income clients in obtaining transactional services and developing a credit history, and participates in the housing corporation's popular homebuyer seminar. In addition, the credit union provides cross-marketing of Richland County NHS services through the placement of posters, ads and programs in high-traffic spots.

NHS then provides home-ownership counseling to the credit union's members and provides down-payment assistance.

The housing corporation and Westby Coop CU are also working on a joint, rural home-ownership center, with a full range of services, including foreclosure prevention, utility bill paying, weatherization, and management of household expenses.

Special Joint Publication

The National Credit Union Administration (NCUA) and Neighborhood Reinvestment in April issued a 28-page joint publication, *Credit Union Partnerships with NeighborWorks® Organizations: Proven Models for Success*, that recounts the collaborative efforts of credit unions and NeighborWorks® organizations.

“This report,” said NCUA Board Member Deborah Matz, who, as the official NCUA board liaison to Neighborhood Reinvestment, serves on Neighborhood Reinvestment’s board, “is an effort to increase cooperative efforts” between credit unions and NeighborWorks® affiliates. Matz described credit unions and NeighborWorks® organizations as “perfect partners.” “Both credit unions and NeighborWorks® organizations,” she said, “are not-for-profit, governed by volunteer boards of directors, and provide services to discrete populations.”

Credit Union Partnerships provides eight case studies of successful collaborations. In each, a credit union and NeighborWorks® organization worked together to provide affordable housing to people with low or moderate incomes.

“Credit unions,” Matz said, “can provide new and improved service to members, gain access to new members, and receive deposits from community-based organizations as a result of these collaborative efforts. The NeighborWorks® organization realizes a new source of funds. But the real beneficiaries are those who, as a result of this cooperation, now own their own home.” ■

Special Note: Many Neighborhood Reinvestment publications can be ordered in the Publications Catalog at www.nw.org. Network members are encouraged to order directly from the NeighborWorks® Online Publications Catalog at <http://www.b2eresource.com/productlink/>

The Big Picture

Each of these partnerships has been handcrafted to suit the participants, but the common thread is the mutual commitment of the parties to their communities. Their success is based on the logical usage of resources. The nonprofit capital of the NeighborWorks® organizations is used to provide higher-risk second mortgage loans and the labor-intensive counseling that so many low- and moderate-income homebuyers need. In return, the credit unions provide staff assistance, transactional services, savings, advertising, and often grants.

Looked at through a wider lens, the local NeighborWorks® programs are proof that this type of well-defined partnership can be a success. Each NeighborWorks® group is led by local residents and belongs to the national NeighborWorks® network. That network is supported and monitored by the Neighborhood Reinvestment Corporation, a nonprofit established by Congress to promote community revitalization through the development of affordable housing, economic development, and resident leadership. Neighborhood Reinvestment provides training, technical assistance, organizational assessment and strategic funding to local NeighborWorks® associations.

Neighborhood Reinvestment’s sister organization, Neighborhood Housing Services of America, also serves as part of the NeighborWorks® mix, purchasing mortgage loans made by local NeighborWorks® organizations and their first-mortgage lenders. This secondary-market function has proven crucial over the years in enabling conventional lenders to make nonconforming first mortgages.

The NeighborWorks® network is comprised of more than 220 local nonprofit housing and community development organizations, and last year helped more than 23,000 lower-income families purchase or improve their homes. In addition to the true service to local communities that they accomplish, though, the network’s partnership structure also role-models for credit unions the success that can be achieved through strategic partnerships between like-minded groups. ■

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Strengthening Homebuyer Education

Partners Offer Train-the-Trainer Sessions Across Tennessee

BY VICKI GEORGE

The Tennessee Housing Development Agency (THDA) has partnered with Neighborhood Reinvestment and AmSouth Bank in an ongoing, Homebuyer Education Initiative that is reaching out to nonprofits, community-based organizations, and public agencies across the state.

Four train-the-trainer sessions already have been held, with enthusiastic attendance; and THDA has received a grant from the U.S. Department of Housing and Urban Development to continue. The initiative was launched in fall 2002.

More than 110 participants attended the initial three sessions in Knoxville, Nashville and Jackson, last October and November. They were sponsored by THDA in partnership with AmSouth and Neighborhood Reinvestment.

Forty attended the fourth session in Nashville in May, sponsored by THDA in partnership with Neighborhood Reinvestment. A peer session is planned for July.

The train-the-trainer sessions provide representatives of nonprofits, community-based organizations, and public agencies with an opportunity to learn how to conduct homebuyer education programs in the communities they serve. These educators are armed with what they need to conduct training for potential homebuyers on understanding credit, how to budget, the best method to shop for a home, obtaining a mortgage, and maintaining finances following a home purchase.

The initiative grew out of a Tennessee Housing survey that showed that 15 of the state's 95 counties do not have a direct homebuyer-education provider that delivers services on a consistent basis.

Filling in Gaps

"One of THDA's goals," said Janice Myrick, executive director of THDA, "is that this homebuyer education initiative will help fill the gaps across the state and make this important service available to all Tennesseans. Financial education leads to an increased rate of successful home ownership, which helps create stronger families and benefits communities."

The Tennessee General Assembly created the Tennessee Housing Development Agency in 1973. Its mission is to be the lead state agency promoting sound and affordable housing for people who need help. Since its inception,

THDA has helped almost 80,000 first-time homebuyers realize the ultimate "American dream" through its single-family mortgage program.

AmSouth donated \$30,000 toward funding the first three Neighborhood Reinvestment training sessions that were coordinated by THDA. AmSouth is a regional bank holding company headquartered in Birmingham, Alabama, with \$38 billion in assets, 600 branch banking offices, and more than 1,200 ATMs.

"We were excited to pioneer this unique effort," said Deborah Williams, AmSouth vice president and regional community development manager, "and hope that it will serve as a role model for other states. This type of organized education is crucial for homebuyers and families in Tennessee and must be delivered on a regular and continuous basis in order to succeed. Our partnership with THDA and Neighborhood Reinvestment will provide organizations serving low- and moderate-income families one more tool to make home ownership a reality for their clients."

'American Dream' Curriculum

Lead trainers Christi Baker and Ethan Pope and the "Realizing the American Dream" curriculum were provided by Neighborhood Reinvestment. Additional training support was provided by available NeighborWorks® organizations.

In Tennessee, NeighborWorks® affiliates include **Affordable Housing Resources** of Nashville; **Chattanooga Neighborhood Enterprise**; **Housing Development Corporation of the Clinch Valley**, in Oak Ridge; **Knox Housing Partnership** of Knoxville; and **United Housing Inc.** of Memphis.

"Response to the initial training advisory was overwhelming," said Don Harris, deputy director at THDA, "with requests from a wide range of agencies, some having no homebuyer education experience and others having extensive experience. The fourth session helped fill the gaps in targeted, rural underserved counties." ■

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