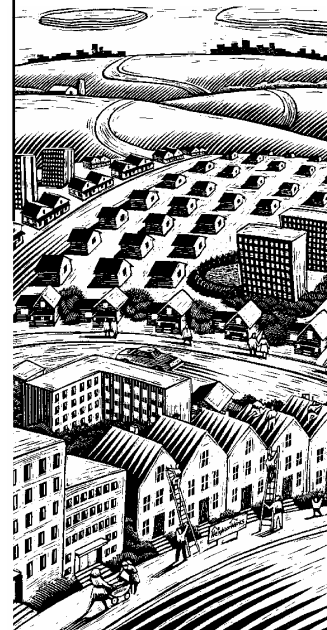


# Getting to Scale: New Business Strategies For Homeownership

May 2007



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### **NeighborWorks® America**

NeighborWorks® America provides financial support, technical assistance and training for communities across the nation through the NeighborWorks® network of more than 235 nonprofit organizations covering nearly 4,500 urban, suburban and rural communities. These organizations engage in revitalization strategies that strengthen communities and transform lives. In the last five years alone, NeighborWorks® organizations have generated more than \$12 billion in reinvestment and helped more than 845,000 families of modest means purchase or improve their homes or secure safe, decent rental or mutual housing.

For more details about NeighborWorks® America, visit [www.nw.org](http://www.nw.org).

### **NeighborWorks® Center for Homeownership Education and Counseling (NCHEC)**

The NeighborWorks® Center for Homeownership Education and Counseling works to promote quality standards within the homeownership education and counseling industry through specialized training, certification, tools and resources. NCHEC with support from the U.S. Department of Housing and Urban Development (HUD) and other key industry stakeholders maintains a national network of certified homeownership counselors and educators working to improve homeownership opportunities for individuals and families nationwide.

For more details about NCHEC, visit [www.nw.org/NCHEC](http://www.nw.org/NCHEC)

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### Introduction

*“Most managers are accustomed to managing by looking in the rearview mirror. They are unable to see reality as it’s coming toward them. The issue for businesses is that people generally are not organizationally or managerially prepared to deal with the reality of exponential change. As the external environment becomes more complex, that makes it more challenging for a manager to determine how to respond to succeeding challenges. Most top managers are risk averse. When they do not recognize a significant shift in the competitive environment, they continue the same practices that were successful in the past, expecting similar outcomes. When denial persists too long, organizations tend to be marginalized or they go out of business altogether.”*

– Langdon Morris from InnovationLabs as quoted in *Profitwise News and Views*, from the Federal Reserve Bank of Chicago, December 2005.

The Federal Reserve Bank of Chicago and the Aspen Institute convened a conference on April 21 and 22, 2005 focused on the issue of sustainability for Community Development Financial Institutions (CDFIs)<sup>1</sup>. The conference proceedings, available from the Chicago Fed or Aspen Institute websites<sup>2</sup>, are a treasure trove of lessons, not only for CDFIs but also for any nonprofit organization concerned about achieving sustainability, scale and impact.

To paraphrase the introduction of the conference proceedings, community development organizations have historically identified needs that are not well served by mainstream institutions, organized programs to meet those needs, and only later given consideration to how to sustain those services over an extended period of time. This approach, despite its good intentions, is not the route to long-term success, if that is defined as sustainability and enhanced community impact.

This paper focuses on the issue of sustainability for nonprofit organizations providing affordable homeownership services. The hypothesis of this paper is that financially strong, and perhaps larger organizations, are more sustainable, can reach more people, achieve economies of scale, and ultimately have greater impact on the communities they serve.

The paper begins by noting several troubling trends in the larger environment. These trends will put increased pressure on nonprofits to provide enhanced community services while at the same time facing cutbacks in funding from philanthropic, governmental and business sources. The paper then highlights case study examples of nonprofits that are testing new business strategies with their homeownership services. These strategies have been clustered in five specific typologies:

- Strategic collaborations;
- Expansion of coverage areas;
- Expansion of service offerings;
- Innovative technologies; and
- Business innovations.

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<sup>1</sup> The conference was entitled, “*An Informed Discussion: Achieving Sustainability, Scale and Impact in Community Development Finance.*”

<sup>2</sup> For copies of the conference proceedings, visit [chicagofed.org](http://chicagofed.org) or [www.aspeninstitute.org](http://www.aspeninstitute.org).

## Case Studies of New Business Strategies for Homeownership Services

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### Background Context

By any measure, the U.S. housing market experienced a sustained boom from 1991 through 2006. The homeownership rate grew dramatically to 70 percent — achieving the highest homeownership rate in U.S. history. Interest rates have been at 40-year lows. The housing finance industry saw incredible innovations — ranging from automated underwriting to subprime lending. Housing prices increased by 137 percent, according to the OFHEO house price index, or about 5.9 percent per year. New housing starts reached historic levels. Government policy changes and increased federal funding encouraged nonprofits to increase homeownership services to low- and moderate-income families helping drive up homeownership rates for minority households (though they still lag significantly behind white households) and providing those families with improved access to the American Dream.

### Relevant Market Trends

- Consumer debt grew by 120 percent from 1992 to 2002 (four times the rate of inflation). The average consumer debt (not including mortgages) was \$11,224 in 2005. In addition, cash-out refinances and second mortgage debt reached a record level of \$243 billion in 2005. This dramatic growth of consumer and mortgage debt has created substantial stresses for many households. (*Sources: Federal Reserve Bank, myfico.com and State of the Nation's Housing 2006*)
- From 1994 to 2005, the subprime home-loan market increased from \$35 billion to \$665 billion. Subprime lending represented 23 percent of the overall mortgage market in 2006. While subprime lending has provided access to home loans for households with impaired or limited credit history, the cost of these loans is substantially higher than conventional loans. (*Sources: Inside Mortgage Finance and the Center for Responsible Lending*)
- Housing price appreciation outstripped income growth more than six-fold from 2000 to 2005 creating enormous affordability problems across much of the country. While housing prices have stabilized or even declined in some of the hottest markets, affordability is still an enormous concern for moderate-income families. (*Source: State of the Nation's Housing 2006*)
- To close the affordability gap, many lenders have increasingly used adjustable rate mortgages (ARMs), Option ARMs, interest-only mortgages or so-called “exotic mortgages” to assist potential homeowners. In 2005, one out of every three mortgages was an ARM or an Option ARM. According to the Mortgage Bankers Association (MBA), an estimated \$1.5 trillion in adjustable rate mortgages are going to “reset” in 2007, and homeowners with these could potentially see a significant increase in their monthly mortgage payments. Many in the industry fear that homeowners who are unable to refinance these loans or afford to pay the higher monthly mortgage payments will be facing delinquency or foreclosure. (*Source: American Bankers Association*)
- A cooling housing market, rising interest rates and more than \$1.5 trillion in non-traditional loans that are due to adjust this year have increased concerns about a spike in foreclosures in the nation. Realtytrac.com says foreclosures in the U.S. were up 42 percent in 2006 from the previous year. Overall, one foreclosure was filed for every 92 U.S. households last year. Particularly problematic is the fact that

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much of this growth in foreclosures appears concentrated in low-income communities. Foreclosures have devastating impacts on borrowers including the loss of their home, their home equity and their ability to secure credit in the future. Foreclosed properties can also have “contagion effects,” generating a vicious cycle of deterioration in a concentrated geographic area, and imposing significant direct and indirect costs on local communities. (Sources: *Realtytrac.com* and “*Collateral Damage: The Municipal Impact of Today’s Mortgage Foreclosure Boom*” by William Apgar and Mark Duda)

### Challenges Facing Nonprofit Organizations

The continuing impact of these market changes will be powerful on all phases of our economy and all sectors of society, but it seems clear that nonprofit organizations who have been heavily engaged in homeownership services over the last 15 years may be particularly hard hit by these challenges:

- ***An environment with more limited resources and increased competition.***  
With a downturn in the housing market and possibly more broadly in the overall economy, business partners are not able to commit as much resources as previously. Consolidation has reduced the number of potential partners in many sectors. Federal, state and local governments are generally facing tight budgets as well. All in all, competition for resources is getting fiercer.
- ***Funders demanding broader coverage, increased efficiency and greater impact.***  
Many potential funding partners are feeling besieged by requests from nonprofit organizations. These funders are increasingly demanding “scaleable solutions” to problems; that is, they want efficient solutions that can be applied to an entire region or state rather than to only one community. Funders are also stressing the need for greater results from their investments in nonprofits rather than just supporting activities such as “building capacity.”
- ***“High-touch services” may be increasingly unsustainable.***  
Most nonprofits rely heavily on “high-touch services” such as face-to-face pre-purchase counseling for potential homeowners. While these services have been very effective, they are often viewed by funders as inefficient. Without sufficient financial support, these services are unsustainable. Moreover, in some metropolitan areas, several nonprofits may develop redundant services and compete with each other for customers, while other geographic areas may have no services whatsoever.
- ***Customers demanding greater convenience and faster service.***  
Customers are more demanding of their service providers whether they are for-profit or nonprofit providers. Customers want access to services through multiple channels (online, telephone or face-to-face) and they want 24/7 access to services. They are increasingly impatient, desire speedy transactions and convenience from their service providers. The days of nonprofits putting people on months-long waiting lists for homeownership services are gone. If a nonprofit cannot meet their demands, customers are off to other services providers – even if those service providers are more expensive. Though we might all bemoan the trend, speed increasingly drives the home mortgage transaction.

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- ***Technology transforming the way that businesses operate.***  
Online business transactions have increased dramatically over the last decade. Younger adults are especially attuned to using the Internet for news, business, educational and social transactions. E-mail is instantaneous. Cell phones are now routinely used for Internet communications. Credit scores and automated underwriting have transformed the lending industry. Overnight delivery is commonplace. Businesses are outsourcing to service providers in countries across the globe. The world is getting smaller and business is more competitive.

### **Key Questions for Nonprofit Organizations**

In order to survive over the next decade, nonprofits will need to be forward thinking, smart, responsive and resilient. Nonprofits providing homeownership services need to rethink and redesign their services or be prepared for increased financial stresses. National intermediaries and regional foundations can help by convening and facilitating these discussions.

Here are some key questions that nonprofits need to ask themselves as they begin to face the challenges ahead and redesign their homeownership services:

- In the new environment, what are the critical value-added services that we provide to customers and our partners? Who will be our competitors in the future?
- How can we increase our impact while trimming our services and/or our costs? How can we improve the ways we document and communicate our impact?
- How can we provide more efficient homeownership services and reduce the cost of our services while still being effective?
- How can we use technology better to reduce our costs, improve our services and/or provide greater convenience to customers? How can we provide “scaleable solutions?”
- How can we partner with other service providers (or our competitors) to reduce redundant services or expand to areas with gaps in services?

## **Case Studies of New Business Strategies for Homeownership Services**

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### **Summary of Innovative Strategies Being Tested**

Many nonprofits are testing new ideas in response to the challenges of the current environment. For the purposes of this paper, these strategies have been clustered in five specific typologies:

- Strategic collaborations;
- Expansion of coverage areas;
- Expansion of service offerings;
- Innovative technologies; and
- Business innovations.

It should be noted that in some cases, the organizations employed two or more of these strategies. See **Figure 1** (on page 12) for a listing of case study examples categorized by these typologies.

### **Strategic Collaborations**

In many communities, neighborhood-based housing organizations develop “in-house” capacity to deliver a variety of similar services such as homeownership education, budget and credit counseling, and financial products to assist new homebuyers and homeowners with reaching their homeownership and post-purchase goals. These programs tend to be limited in their impact and can create competition for increasingly scarce resources.

Developing collaborations among nonprofit providers is an excellent strategy to reduce duplicative services, allowing the partners to coordinate efforts, and be more efficient and cost-effective by maximizing the use of their limited resources. The development of a true community partnership, where staffing and financial resources are pooled and provided to the community as a whole, can dramatically increase program reach and efficiency.

These collaborations can be informal relationships or highly structured partnerships.

Here are two examples of collaboratives providing homeownership services:

### **NeighborWorks<sup>®</sup> HomeOwnership Center of Worcester**

The NeighborWorks<sup>®</sup> HomeOwnership Center of Worcester (HOCW) is a partnership of nonprofit, government, and private stakeholders who saw the need for centralized service delivery and overcame geographic and financial boundaries to become an extremely efficient provider of high-quality homeownership services. The Center is a multi-organizational partnership formed in 2002 to provide a centralized resource for prospective homebuyers and existing homeowners. Services include homeownership education, down payment and closing costs assistance loans, home improvement loans, foreclosure prevention, landlord training, home maintenance training, and employer-assisted housing. In 2006, the HOCW assisted 212 families to purchase homes.

### **Housing Network of Rhode Island**

The Housing Network of Rhode Island is a statewide association of 23 nonprofit community development corporations. The association formed in 1992 to provide mutual support, promote public awareness and address the housing and economic needs in Rhode Island. The Housing Network helps its partners provide consistent housing-related services by offering technical assistance and training to staff, curriculum development, data collection, class scheduling, marketing and outreach, and fundraising. Since 2000, the Housing Network has trained over 6,000 families through their homeownership classes and 2,100 families have purchased homes.

### **Expansion of Coverage**

Funders and policymakers often lament about duplicative homeownership services offered by multiple nonprofits in some communities, while other communities or rural areas may have no services at all. Some studies have coined the word “hyper-rural” areas to describe those rural areas with very limited access to community development services of any kind. To address these gaps, there has been a dramatic push toward regionalization by nonprofits through expanding their service areas to cover an entire region, state or even multiple states with key services. Here are two examples:

#### **Montana Homeownership Network**

The Montana Homeownership Network is statewide network involving 23 nonprofit partners across Montana providing homeownership services. Regional partners such as lenders, Rural Development, HUD and the Montana Board of Housing provide financial support. There is a mix of centralized and decentralized services. Local partners receive training and provide standard services for set fees. The five-year old network recently assisted its 3,000<sup>th</sup> homeowner.

#### **The Vermont HomeOwnership Initiative**

In 2002 the five NeighborWorks<sup>®</sup> organizations (NWOs) of Vermont came together to form a statewide collaborative around the provision of homeownership education, counseling, and financial services. The Vermont HomeOwnership Initiative was created to build the capacity and reach of the individual organizations, to standardize the curriculum throughout the state, and to raise the profile of the NeighborWorks<sup>®</sup> HomeOwnership Centers. This was accomplished through the careful and cooperative development of a multi-year fundraising and marketing campaign in which over \$850,000 in operating support was raised from philanthropic and corporate donors and public agencies, and distributed to the participating centers over a period of three years.

### **Expansion of Service Offerings**

Since nonprofit organizations are typically more nimble and responsive than government entities, nonprofits are often under pressure to expand services to meet new or growing community problems. The dramatic growth of homeownership services for low- and moderate-income families in the 1990s is a case in point. Recently, the dramatic rise in subprime delinquencies and foreclosures has forced numerous nonprofits to expand their default counseling services. More broadly, as homeownership costs have escalated beyond affordability, many nonprofits have focused on promoting other asset-building strategies for their lower-income customers. These strategies include encouraging savings through Individual Development Accounts (IDAs), providing income tax preparation services in order to access Earned Income Tax Credits (EITCs) or promoting the use of automatic deposits for paychecks so that some resources are regularly invested in savings accounts. Expanding services without good business planning, though, is a treacherous way to operate. The key to sensible expansion of services is to start with a rigorous analysis of costs of services and trying to find “scaleable solutions” for expansion of services. That is, services that can be expanded efficiently and cost-effectively. Here is an example:

## **Case Studies of New Business Strategies for Homeownership Services**

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### **NeighborWorks® Ohio Foreclosure Prevention Initiative**

This statewide effort consists of eight NeighborWorks® organizations and two other Community Development Corporations working cooperatively in Ohio to reduce foreclosures. The initiative has organized statewide and regional outreach campaigns. A toll-free hotline (supported by the Homeownership Preservation Foundation, a Minneapolis-based foundation) provides telephonic counseling to distressed borrowers on a 24/7 basis. The hotline handled 4,470 calls from Ohio customers in 2006. Roughly 20 percent of the hotline calls get referred back for local counseling work. Business partners have contributed to a “performance pool” to pay participating nonprofits up to \$1,500 for each foreclosure avoided. Overall, the initiative assisted 417 families in Ohio to avoid foreclosure in 2006.

### **Innovative Technology**

**Many nonprofits have invested wisely in technology to improve their services or improve the efficiency of their services.** Here are two examples:

#### **Wyoming Community Development Authority**

The state housing finance agency in Wyoming (Wyoming Community Development Authority or WCDA) provides an extremely efficient homebuyer education training program by using videoconferencing facilities on a monthly basis to reach customers across the state. The eight-hour course is taught in two four-hour sessions by a certified instructor in one location with volunteer on-site coordinators assisting in 29 other broadcast locations around the state. The workshop typically reaches 1,500 customers per year at a cost of \$65 per person. Compared to other methods of delivery, this approach reduces travel time for customers in a remote state while still providing interactive access to homeownership experts.

#### **Portland Housing Center**

For many years prior to 2006, Portland Housing Center, a nonprofit homeownership provider in Portland, Oregon, was challenged by customers who had received significant counseling services but then “fell through the cracks” and had no further contact. They assumed that many of these consumers had purchased homes but had no way of verifying that result. In 2006, they began using a web-based, property-transfer tool to identify customers who had purchased homes through lenders not affiliated with the agency. The tool called “FASTWeb” is available through First American Corporation ([www.fastweb.firstam.com](http://www.fastweb.firstam.com)). Using the online tool is simple and self-explanatory. Now, Portland Housing Center staff can create a report of all customers who have completed homebuyer education in the past 12 months. Any class participant that is not listed as a homeowner is inserted into the FASTWeb system to see if there is a match. If a match is found, staff can verify the property address, date of purchase, sales price, tax amount, and name of the lender. The agency then has a baseline of information to report the home purchase and maintain contact with the families for follow-up services.

### **Innovative Business Models**

There is a growing recognition that the basic business model for nonprofits engaged in affordable homeownership is flawed and alternative models need to be explored. The typical nonprofit homeownership organization focuses on providing intensive mission-related services – training, counseling, down payment assistance, foreclosure prevention work and so on – that are critical in their community but are generally expensive to provide yet knowing that fees can not cover the costs. In order to support these services, the typical nonprofit relies on philanthropic contributions that are often unpredictable and often inadequate. Increasing the scale of production can prove to be disastrous if the basic business model is flawed, the service model inefficient or the cost of providing services exceeds the income. Here are two examples of testing innovative business models:

#### **Consumer Credit Counseling Services of Greater Atlanta**

Consumer Credit Counseling Services of Greater Atlanta (CCCS of Greater Atlanta) provides comprehensive homeownership services to consumers in several states by providing services online through their website, through telephone counseling or through scheduled face-to-face counseling sessions. This “multi-channel delivery approach” allows for consumers to decide which channel they prefer to use for services. In some cases, consumers prefer face-to-face counseling. In other cases, customers like the convenience of telephonic counseling or the anonymity of using the online training for some topics. Overall, as customers have gotten more familiar with CCCS of Greater Atlanta’s mix of services, they seem to use them all at different times depending on their needs. While providing this mix of services has required a heavy investment in technology, an overhaul of the organization’s business model and increased training for staff, but the impact has been huge. The organization now reaches customers in four states, helped 7,910 families with housing counseling sessions in 2005 and has attracted many over 160 partners to invest in their program.

#### **Homewise, Inc. of Santa Fe, NM**

Homewise, a nonprofit working in Santa Fe, New Mexico, has developed a new business model called “Homesmart.” With this model, Homewise has integrated all of the key homeownership services (counseling, lending, housing development and real estate transactions) within their organization. This allows revenues generated from loan origination fees, real estate commissions, real estate development fees, closing costs and interest income to be recycled to fund its educational and counseling programs. This business model has helped Homewise generate almost 70 percent of its operating costs from fee income. In addition, significant savings are passed through to their customers. Homewise provided counseling services to 1,415 households and assisted 202 families to purchase homes in 2005. Homewise staff estimates that their customers are saving a total of \$606,000 annually in reduced mortgage payments and fees due to their efforts.

## Case Studies of New Business Strategies for Homeownership Services

**Figure 1. Typology of Innovative Homeownership Business Strategies**

Organization	Strategy Description	Strategic Collaboration	Expanding Coverage	Expanding Services	Innovative Technology	Business Innovation
Worcester Homeownership Center	Citywide homeownership collaborative	X	X	X		X
Minnesota Homeownership Center	Statewide homeownership collaborative	X	X	X	X	X
Montana Homeownership Network	Statewide homeownership collaborative	X	X	X	X	X
Housing Network of Rhode Island	Statewide homeownership collaborative	X	X	X		
Tennessee Housing Development Agency	Statewide homeownership education collaborative	X	X	X		
Vermont Homeownership Center Initiative	Statewide homeownership collaborative	X	X	X		
Ohio Foreclosure Prevention Initiative	Statewide foreclosure prevention program	X	X	X	X	X
Wyoming Community Development Authority	Statewide delivery of homeownership education workshops	X	X	X	X	
Portland Housing Center	Web-based homebuyer tracking tool				X	
Indianapolis Neighborhood Housing Partnership	Customer tracking system and management reports				X	X
Community Ventures, Inc.	Cost analyses of program services			X		X
Community Realty	Nonprofit real estate brokerage	X	X	X		X
Neighborhood Finance Corp.	Nonprofit mortgage brokerage			X		X
Homewise	Vertically integrated homeownership services			X		X
CCCS of Greater Atlanta	Customer services provided through new market channels		X	X	X	X
CCCS of San Francisco	Telephone counseling to new homeowners	X	X	X	X	X

### NeighborWorks® HomeOwnership Center of Worcester – Worcester, MA

The HomeOwnership Center of Worcester (HOCW) is a multi-organizational partnership formed in 2002 to provide a centralized resource for homeownership education, counseling, and financial assistance for new homebuyers and existing homeowners. Programs include homebuyer education group training, down payment and closing costs assistance loans, home improvement loans, foreclosure prevention, landlord training, home maintenance training, and employer-assisted housing. Centrally located in downtown Worcester, the HOCW serves families in the city and throughout south central Massachusetts. Last year, the HOCW led the New England District in homeownership by facilitating 212 new homebuyers and was ranked seventh nationwide.

#### The Innovative Business Strategy

Oak Hill Community Development Corporation, a NeighborWorks® organization, was created in 1985 to serve the housing and community development needs of the Oak Hill, Upsala, and Grafton Hill neighborhoods of Worcester. The organization offered a strong homeownership program and often collaborated with many other housing and government agencies on initiatives within their service area. In 2001, Oak Hill began working with several housing partners – the city of Worcester, the Central Massachusetts Housing Alliance, and Worcester Community Housing Resources – to combine efforts and create a one-stop center to encourage homeownership citywide and throughout south central Massachusetts.

The HOCW was developed out of recognition that homeownership promotion in the city was the key to neighborhood revitalization and stability; and centralizing services would provide an increased geographic reach and more efficient service delivery.

The nonprofit housing partners committed to allocating staff for the Center, which includes a loan officer, two housing counselors, a rehabilitation specialist, an administrative assistant and the HomeOwnership Center director, all from four different nonprofit agencies. Through the Community Development Block Grant program, the city of Worcester supports each agency by paying for their staff and partially covering the administration of the Center. In addition, the city negotiated rent-free office space for the Center in a recently renovated, mixed-use building conveniently located in downtown Worcester.

The HOCW is **not** a stand-alone 501(c)3 nonprofit corporation but rather a cooperative arrangement between all participating partners. The Center is treated as a division of Oak Hill CDC and therefore costs associated with operating a separate nonprofit are avoided (separate audit, insurance, etc.) and overhead expenses are low. In addition, the individual organizations no longer need to maintain agency-based capacity for homeownership services.

Executive directors from participating agencies and the city of Worcester's housing director serve on the Partners Committee that governs and monitors the work of the HOCW. The HOCW is in the process of considering how the Center might open the partnership to other housing organizations in the area in addition to pursuing additional resources through partnerships, sponsorships, and fees for services.

## Case Studies of New Business Strategies for Homeownership Services

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### Benefits of the Innovation

#### ***To Customers:***

No matter where the community clients wish to purchase a home, there is now one centralized location to receive pre- and post-purchase education, counseling, and financial assistance. A more comprehensive set of services is now available to clients than before, and more affordable financial products are offered to buyers and owners as a result of this innovative partnership.

#### ***To Funders:***

Prior to the formation of the HOCW, regional and statewide funders did not have a mechanism for easily reaching potential and existing homeowners throughout Worcester and south central Massachusetts. Homeownership services were fragmented and inconsistent in quality. Funders such as the Massachusetts Housing Partnership offer a first-time homebuyer “soft-second” mortgage in which recipients are required to attend pre- and post-purchase education. This has resulted in significant fee generation to the Center of more than 400 clients in south central Massachusetts.

#### ***To Oak Hill CDC and Partnering Agencies:***

Participating agencies are realizing cost efficiencies, increased skill development of staff, and greater capacity within their own organizations. Oak Hill is the only NeighborWorks® organization in the partnership, and therefore partnering agencies now have access to training, technical assistance, and program funding than if they had continued their programs alone. Partnerships with lending institutions and other funders have also been enhanced, and program services available to clients continue to grow.

### Lessons Learned

1. **Partnerships can reach many more people with more services.** Through the partnership, participating organizations can reach more people and offer a wider array of financial and educational services than they ever could alone.
2. **Don't rush formalizing partnerships.** When establishing a formal partnership, take your time to delineate roles and responsibilities of each partner, ensure acceptance of roles, and when ready, execute a formal memorandum of agreement. Boundaries need to be communicated and established early on as they are difficult to amend once the program has been operating.
3. **Be prepared for regional and/or statewide attention and rapid growth.** New entities that cover large service areas are attractive to funders and those interested in exploring new initiatives as you are seen as a mechanism for regional product and service dissemination. Although it is sometimes difficult to say “no thank you” to a funder or program idea, be judicious in the early stages of development so that you do not overextend.

### **Minnesota Homeownership Center – South Saint Paul, MN**

The Minnesota Homeownership Center (the Center) offers a unique intermediary role throughout the state of Minnesota: its primary purpose is to build capacity and provide support for its affiliated nonprofit housing agencies. In essence, the Center serves as a liaison between nonprofit service providers and statewide funding sources.

The concept for the Center began as funders from around the state began discussing standardized, high quality and efficient homebuyer education programs. It made sense that education and counseling programs be consistent and high quality. Eventually, these funders decided that they would no longer fund individual programs, but would contribute to one statewide funding pool, managed by the Center. Any agency wanting to tap into these funds had to implement and adhere to the statewide standards.

#### **The Minnesota Homeownership Center**

Founded in 1993, the Minnesota Homeownership Center promotes sustainable homeownership for low- and moderate-income households through providing standardized homeownership education, counseling and related support services. Founding partners include the Family Housing Fund, real estate and mortgage finance institutions, government agencies and others concerned with affordable and sustainable homeownership. The organization has five staff members: an executive director, an office manager and three program managers, one for each of the following service areas: foreclosure prevention, pre-purchase programs, and reporting.

The Center does not offer direct services to the public, but provides training, technical assistance and financial support to community-based organizations to provide direct services to consumers. Consumer services are open to anyone, but are mostly geared toward individuals and families with barriers to homeownership.

In 2001, the plan for a statewide collaboration was put in place. The Center began enlisting businesses and agencies that were already offering homebuyer education and counseling programs, although it was not always easy to get them to agree to new sets of standards and practices. However, program funders insisted, so most agencies agreed. The Center held several focus groups on how and why to build a statewide, standardized program and worked hard at promoting the partnership's new standards and procedures.

#### **The Funding Component**

The Center raises funds from state government sources and foundations, and then distributes these funds to participating nonprofits around the state. Funding sources include the Center, the Minnesota Housing Finance Agency, the Family Housing Fund, and the Greater Minnesota Housing Fund. Each year, these agencies contribute a combined \$1.9 million to the overall fund. The Center manages the account and releases a request for proposals once a year. Typically, about 100 agencies apply directly to the Center for these funds, which can be used for homeownership counseling and education.

Each year, funders and staff members from the Center determine statewide priorities, then evaluate the applications and make awards accordingly. This year's priorities are foreclosure prevention and serving emerging markets. Programs that address these issues will receive significant funding.

## **Case Studies of New Business Strategies for Homeownership Services**

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### **Training Options**

In addition to funding, the Center provides training to local nonprofits for pre- and post-purchase counseling and education. “Training the Trainers” certification sessions are held once a year, plus supplemental support trainings are offered throughout the year. The certification program is facilitated by NeighborWorks® America as a five-day, place-based training. NeighborWorks® America incorporates the Center’s accepted statewide curriculum, “Home Stretch” into the training. Home Stretch is an eight-hour homebuyer education class.

The Center built a user-friendly, interactive map on its website ([www.hocmn.org](http://www.hocmn.org)) that provides links to homebuyer education classes as well as financial repair, credit management and foreclosure prevention services. The map is divided by county and customers can see all of the services available in each area by clicking on the county. The site also lists educational options by language including English, Spanish, Hmong and Russian. Program schedules and network providers are posted and updated regularly.

Use of the web is a key strategy and a magnificent tool, but the Center recognizes that the digital divide still exists, especially in rural areas, and therefore offers other outreach options as well.

### **Setting Standards**

All participating network providers are required to follow a set of quality standards for their services, which are enforced by the Center. Each nonprofit agency signs a letter of agreement and agrees to follow documented policies and procedures related to tracking, reporting, filing, avoiding conflict of interest, curriculum choices and minimum number of hours spent in counseling and education. To enforce these standards, the Center implemented a monitoring process that involves follow-up visits with network providers every three years. In addition, nonprofit partners submit quarterly reports that include demographics, number of households served and so on. This data is recorded using the online client management system, CounselorMax™.

### **Benefits of the Innovation**

#### ***To Customers:***

The statewide collaborative provides customers with consistent and high-quality education and counseling services.

#### ***To Funders:***

The statewide collaboration makes the funding process much easier for donors. Instead of making dozens of contributions each year, they make one large contribution to the Center, who disperses the funds. By pooling their dollars, funders ensure that their money is being used efficiently and effectively.

#### ***To the Center and Network Partners:***

The Center’s goal is to support homeownership and education. This system involving statewide funding helps all partner organizations achieve their mission and build relationships. The process builds trust and is extremely efficient. Everything is centralized, which makes reporting and evaluation easier. The program provides network partners with a straightforward and simplified funding application process, as well as quality training and technical assistance.

## Case Studies of New Business Strategies for Homeownership Services

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### Lessons Learned

1. **Start early.** Assemble a strong base of stakeholders who are willing to support the plan. Create program standards and quality assurances before taking the plan to participating nonprofits. In other words, know what you are going to do and how you are going to do it before you recruit service providers.
2. **Be patient.** Nonprofit agencies that have offered homeownership services for a number of years may find it difficult to abandon their existing processes and curricula. Move slowly and clearly demonstrate the benefits.
3. **Use technology.** Create a user-friendly website with interactive features and a complete list of services available, including contact names and phone numbers. Remember, however, that the digital divide exists and other outreach options should be used as well.

### Future Plans

The Center sees foreclosure prevention as its focus of the future. The agency currently has committees looking at legislation, data gathering, lender relationships and product development. The Center is also working to form partnerships with agencies that are serving emerging markets. An ongoing goal for the agency is to diversify and expand its funding base.

### **Montana Homeownership Network – Great Falls, MT**

It seems obvious that homebuyers from any community – regardless of its size or setting – would benefit from pre- and post-purchase counseling and education; yet these services are persistently absent in rural areas. The economics are simple: it is easier for nonprofit businesses to survive in urban settings given the easier access to customers and partners. This reality makes it difficult and even impossible for families living in rural areas to tap into basic homeownership services.

To address this deficiency, Neighborhood Housing Services of Great Falls (NHSGF) in Great Falls, Montana, joined with some unusual partners to create a statewide network that connects rural communities with services based in urban areas. Called the Montana Homeownership Network (MHN), the partners offer various services related to homeownership including counseling, lending services and homebuyer education.

#### **Montana Homeownership Network**

MHN began as a partnership between NHSGF and the USDA Rural Conservation and Development (RC&D) office. Although RC&D programs focus primarily on environmental conservation, they were ideal partners because they were established and connected with rural communities. From there, the partnership quickly grew to include 24 partners from around the state including community action agencies, housing authorities, Indian housing authorities, and nonprofit housing developers. The network's goal is to provide affordable homeownership opportunities for all Montana residents.

MHN officially began in 2000 as an affiliate of NHSGF. The program shares office space with NHSGF and the two entities share some staffing, including the executive director. MHN partners offer counseling, education and lending services, plus inter-agency support and outreach.

#### **Innovative Homebuyer Education Delivery**

The sheer size of Montana made it impossible for MHN partners to offer classes in every community, meaning some potential buyers were traveling hundreds of miles to the nearest education site. To address this issue, MHN began using video conferencing technology to provide homebuyer education to residents in remote areas in 2006.

To offer this service NHSGF works with Vision Net, a video conferencing center that has satellite ports around the state. A certified homebuyer education teacher from NHSGF teaches the class from the main port (the “hub” of the video conference) in Great Falls, which is connected with up to four satellite ports in other towns. Satellite ports are located at public schools, colleges, hospitals and community rooms.

MHN partners find a facilitator for each satellite port, which may be a network affiliate or other partner such as a lender or real estate agent. Facilitators set up the conference room, operate the equipment, answer questions and serve refreshments. At times, a port facilitator will share teaching time with NHSGF; for example, a real estate agent at a satellite port may guide the Realtor section of the class. The one-day, eight-hour class covers standard homebuyer education topics including credit, budgeting, the mortgage process and home inspections. NHSGF sends the course materials to the local facilitator, who makes copies for each participant.

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Participants are recruited by MHN affiliates who work in the targeted region. Fliers are sent to community centers, lenders, and real estate offices, and advertisements are placed in local newspapers. So far, word-of-mouth and partner referrals have been the most effective form of outreach. Program costs include staffing, materials, advertising and videoconference fees. Expenses generally range from \$1,500 to \$2,000 per class or about \$20 per student. Grant funds from the Fannie Mae Foundation, Rural Development and HUD are used to cover program expenses. Program affiliates cover their own staffing and materials costs.

### **Innovative Funding**

Another innovative strategy of the MHN involves its second mortgage pool, which is offered in conjunction with the Montana Board of Housing and several lending partners. This program provides down payment and closing cost assistance to homebuyers throughout the state of Montana, and a “subscription bond pool” is the funding source for the program. The pool is similar to other loan pools; the difference is the original source of funds. Instead of using bank loans or grants, subscription bond pools are funded by the proceeds from bond sales, which are purchased by participating investors. MHN investors include four local lenders who agreed to purchase (or “subscribe to”) a certain amount of bonds over a two-year period.

NHSGF and other MHN partners fund all down-payment and closing-cost loans through existing resources. When the total amount of loans closed equals \$250,000, MHN calls on investors to fulfill their subscription commitment by purchasing the bonds from MBOH. The proceeds from the bond sale then go to reimburse MHN’s loan pool.

### **Innovative Lending Process**

The second mortgage lending pool is managed by the MHN central office. Network partners help customers access the funds by completing the loan application, then MHN reviews and approves the requests, and sends the loan packet to the lender for closing. Once the loan is closed, MHN services the second mortgages and handles all reporting. This process means that MHN partners do not have to maintain lending staff, which is especially helpful for smaller agencies whose lending needs are minimal or sporadic.

MHN has five loan products available for incomes up to 150 percent of the area median income. Loan amounts and rates vary based on the buyer’s income. All borrowers must complete eight hours of homebuyer education.

### **Benefits of the Innovation**

#### ***To Customers:***

MHN provides families throughout the state with convenient access to quality homebuyer education, budget counseling and affordable mortgage products. Satellite education in particular saves customers time and money and provides information on products and services.

#### ***To Funders:***

MHN’s collaborative approach and broad scope of services is attractive to funders. It is easier and more efficient for funders to support one large collaborative effort rather than several small ones. Furthermore, funders like that MHN has the systems and oversight procedures in place that ensure proper accounting, tracking and reporting. The loan loss reserve fund makes the bonds less risky for investors.

### ***To MHN Partners:***

The collaborative provides MHN partners with funding and other resources that they would not have access to otherwise. It allows them to expand their capacity and serve traditionally underserved communities.

### **Lessons Learned**

1. **Be open to new partnerships.** Some partners may seem unlikely, but actually have the capacity and infrastructure to support homebuyer education and training.
2. **Make the connection between housing and economic development.** The fact is that individuals need jobs to keep their homes and workers need a place to live. This reality drew partners to the MHN table and secured their involvement, even though some did not focus specifically on affordable housing.
3. **Be patient.** There's a learning process involved in collaborative programs. Identify one point person from each agency who is willing to learn the process and serve as the agency liaison.

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### **Housing Network of Rhode Island– Providence, RI**

While everyone agrees that homebuyer education is the key to creating successful, long-term homeowners, the phrase “too much of a good thing” can be equally true. This was evident during the late 1990s in Rhode Island, where housing industry professionals were struggling to fill their homebuyer classes due to an overabundance of classes offered. There were so many options that potential buyers were spread thinly among programs. Further complicating the issue was the inconsistency of these programs offered with workshops ranging in length from two hours to 12 hours.

Members of the Housing Network of Rhode Island wanted to do something about the varied qualities and surplus of homebuyer education, so in 1999 created the “Homeownership Connection,” a plan to standardize homebuyer education throughout the state.

#### **Housing Network of Rhode Island**

The Housing Network of Rhode Island is a statewide association of 23 nonprofit community development corporations. The association formed in 1992 to provide mutual support, promote public awareness and address the housing and economic needs in Rhode Island. The Housing Network helps its partners provide consistent housing-related services by offering technical assistance and training to staff, curriculum development, data collection, class scheduling, marketing and outreach, as well as fundraising. The overall goal is to increase homeownership across the state, especially in targeted areas identified by network partners.

#### **The Innovative Strategy**

The Homeownership Connection was created to provide consistent and collaborative homebuyer education statewide. All network partners use the same curriculum and have a centralized customer tracking system. The Homeownership Connection provides a forum for communication and an opportunity to share resources and collaborate on delivery systems.

To make curriculum development a truly collaborative effort, the Housing Network gathered input from housing counseling staff at partner organizations. The Network now provides the homebuyer education curriculum free to all trainers in the state. It also provides funding for housing counselors to attend NeighborWorks® Training Institutes to become certified trainers. Each member agency has at least one trained counselor through NeighborWorks® America, which ensures quality control.

The Housing Network further ensures quality control by updating the training module every couple of years with member input and feedback. In addition, all counselors are equipped with the same materials and training equipment, and have access to one-on-one support from Housing Network staff if they have questions or need guidance. In addition, the assistant director at the Housing Network periodically attends homebuyer classes and gives trainers feedback and tips on their educational program. At quarterly meetings, each partner offers suggestions to keep the program up-to-date.

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Program partners also use a consistent tracking process. Agencies that are members of the NeighborWorks® network use Nstep, and the others use Fannie Mae's "Home Counselor Online." Eventually, the Housing Network hopes to bridge these two programs to create even more seamless tracking system.

To fund this program, the Housing Network receives contributions from the State Housing Resources Commission, CHAPA (Citizens Housing and Planning Association) in Boston, and several lenders. Some lenders offer financial closing incentives, which helps to generate income for the Housing Network.

### **Benefits of the Innovation**

#### ***To Customers:***

Customers receive several benefits as a result of this network. Homebuyers can tap into downpayment and closing-cost assistance options ranging from \$2,500 to \$15,000. They also have access to high-quality, consistent education that teaches them how to become successful, long-term homeowners. Housing Network partners offer numerous training dates and times, which makes it convenient for customers.

#### ***To Funders:***

Funders appreciate the collaborative nature of the program, which results in consistency and less duplication of services. Lender partners also value quality education and the different educational tracks that are available based on buyer needs.

#### ***To Housing Network of Rhode Island:***

On an ongoing basis, partners associated with the Housing Network share ideas and learn from one another. A strong inter-agency referral system is in place and trainers support each other's activities. Partners share resources and together are able to achieve a common goal: increased homeownership and stabilized neighborhoods.

### **Lessons Learned**

1. **When creating a statewide curriculum, get a buy in from all potential partners.** Talk with trainers from around the state and incorporate their suggestions so they feel a part of the process. Demonstrate the diverse benefits that result from sharing resources and learning from one another.
2. **Conduct regular curriculum updates.** A statewide curriculum should be attractive and user-friendly. The Housing Network has reworked its curriculum five times in eight years and believes that up-to-date materials are fundamental to success.

### **Future Plans**

In 2006, the Housing Network experienced a massive increase in foreclosure cases: 515 for the year. Of these homeowners, only two had received pre-purchase education. Due to the sudden spike in foreclosures, the Housing Network is focusing new efforts on foreclosure prevention and intervention. One-hour group orientation sessions to provide guidance and direction are now being offered for families facing foreclosure.,

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### **NeighborWorks® Ohio Foreclosure Prevention Initiative**

In recent years, the foreclosure rates in Ohio have climbed to the highest in the country, causing extreme distress not only to individual families but also to entire neighborhoods. Various factors have contributed to this devastating trend including local economic issues and increased predatory lending. In response to the issue, 12 nonprofit organizations in Ohio have launched an innovative foreclosure prevention program to reduce foreclosures across the state.

#### **The NeighborWorks® Ohio Foreclosure Prevention Initiative**

The NeighborWorks® Ohio Foreclosure Prevention Initiative assembled in 2005 to develop and implement local programs that reduce the incidence of foreclosure. Partners are:

- East Akron Neighborhood Development Corporation
- Neighborhood Conservation Services of Barberton
- The HomeOwnership Center of Greater Cincinnati
- Neighborhood Housing Services of Greater Cleveland
- St. Mary Development Corporation in Dayton
- Neighborhood Housing Services of Toledo
- Neighborhood Housing Services of Hamilton
- Neighborhood Development Services in Ravenna
- Neighborhood Housing Partnership of Greater Springfield
- Columbus Housing Partnership
- Rural Opportunities, Inc. of Ohio
- Corporation for Ohio Appalachian Development.

#### **Innovative Services**

Together, these partners are offering one-on-one foreclosure prevention counseling, connections with lenders to offer loan workout solutions, 24-hour telephone counseling, a comprehensive marketing campaign, the Ohio Home Rescue Fund (which helps delinquent borrowers become current on their loans), and statewide training workshops for counselors on default mortgage counseling. Members have organized statewide conferences on foreclosure issues and are working with numerous partners such as regional lenders and the Federal Reserve Bank.

The 24-hour HOPE hotline (1 (888) 995-HOPE) is managed by the Homeownership Preservation Foundation and connects callers with a counselor for telephone-based assistance. Organizations in the NeighborWorks® network are promoting this hotline, particularly in communities that are flagged as “hotspots” of mortgage delinquency. There is no cost for this service to the borrower. Phone counselors refer callers to local partner agencies for additional support and services, when needed.

Program partners are paid \$100 for each referral from the hotline that requires one-on-one counseling. In addition, when the nonprofit helps the borrower reach a loss-mitigation agreement, or facilitates a market-rate sale of the home, they receive a \$1,500 bonus fee from a “Performance Pool” for helping the borrower avoid foreclosure. The Performance Pool was set up as part of the statewide initiative, and is supported by all partners. It provides participating nonprofits a “fee for service” for achieving programmatic outcomes.

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The Ohio Home Rescue Fund serves households earning between 65 and 115 percent of the area median income. Under this program, homeowners in default may obtain up to \$3,000 to help them become current on their mortgage. The loans are filed as recordable mortgages on the property and are zero-percent, non-recourse loans that are due upon sale or transfer of the property. The Ohio Home Rescue Fund is administered and monitored by Neighborhood Housing Services (NHS) of Greater Cleveland.

In 2006, the NeighborWorks® Ohio Foreclosure Prevention Initiative helped 417 families in Ohio avoid foreclosure. The hotline handled 4,470 calls from Ohio customers and approximately 20 percent of those calls were referred back for local counseling. Funding for this program comes from NeighborWorks® America, the Homeownership Preservation Foundation and many other partners. Several grants are in process including the Office of Housing and Community Partnerships (OHCP) and Ohio Housing Finance Agency (OHFA).

### Benefits of the Innovation

#### ***To Customers:***

The Ohio Foreclosure Prevention Initiative is offering comprehensive services to homeowners in default or facing foreclosure. It provides hope and guidance through an intensely stressful and frightening experience.

#### ***To Lenders:***

Lenders gain from this initiative through increased contact rates with their delinquent borrowers, referrals of borrowers for workouts and for the reputational benefits of being part of a statewide solution to the foreclosure problem in Ohio.

#### ***To Program Partners:***

Probably the greatest benefit for partners is the initiative's wide array of options that can help families sustain homeownership. Sustained homeownership has a positive effect on the neighborhood's overall health and well being.

### Lessons Learned

1. **Foreclosure is a sensitive issue for both homeowners and lenders.** Financial troubles may result from subprime or predatory lending situations, but may also result from poor financial decisions made by the borrower. Instead of placing blame, it is best to focus on solutions and positive results.
2. **Often, homeowners are afraid to contact their lender when financial troubles arise.** This may be because they are embarrassed, uncertain or concerned that lenders will not help them. Alleviating fears is a key component of foreclosure prevention programs; homeowners must feel comfortable enough to take action. In general, distressed borrowers seem to feel more comfortable talking initially with nonprofit counselors.
3. **Broad collaborations and strong communications are critical.** Talk to lenders. Connect with local programs that are involved in homeownership preservation and neighborhood revitalization. Develop effective and ongoing methods of communication.

### The Vermont HomeOwnership Initiative

In 2002 the five NeighborWorks<sup>®</sup> organizations (NWOs) of Vermont came together to form a statewide collaborative around the provision of homeownership education, counseling, and financial services. The Vermont HomeOwnership Initiative was created to build the capacity and reach of the individual organizations, to standardize the curriculum throughout the state, and to raise the profile of the NeighborWorks<sup>®</sup> HomeOwnership Centers. This was accomplished through the careful and cooperative development of a multiyear fundraising and marketing campaign in which more than \$850,000 in operating support was raised from philanthropic and corporate donors and public agencies, and distributed to the participating HomeOwnership<sup>®</sup> Centers over a period of three years.

The original five organizations that developed this collaborative are:

- Central Vermont Community Land Trust
- Champlain Housing Trust<sup>3</sup>
- Gilman Housing Trust
- NeighborWorks<sup>®</sup> of Western Vermont
- Rockingham Area Community Land Trust

In addition to fundraising success, the Initiative far exceeded its annual homeownership production goals from 241 homebuyers statewide in 2002 to 435 new buyers in 2005, an increase of 80 percent. These results far exceeded the Initiative's set goal of increasing homebuyers by 30 percent.

### The Innovative Business Strategy

Motivated by a desire to increase the homeownership rate among working families, and to fully participate in NeighborWorks<sup>®</sup> America's national Campaign for Home Ownership, the executive directors of the five NeighborWorks<sup>®</sup> organizations began to plan a statewide initiative to promote homeownership in 2001. In partnership with NeighborWorks<sup>®</sup> America, the directors met monthly to discuss how they might work together. Early on, it became clear that geographic expansion of services and outreach to working families would need to be increased in order to increase homeownership opportunities. To accomplish these goals, the organizations identified the need for additional operating funds to build their capacity. The directors set a target of one million dollars in operating support and \$500,000 in a reserve fund to be able to reach statewide scale and achieve sustainability.

With planning grants received through NeighborWorks<sup>®</sup> America, Fannie Mae, Rural LISC, Vermont Housing Finance Agency, and the Vermont Community Foundation, the Vermont HomeOwnership Initiative undertook a feasibility analysis to assess its ability to reach its funding goals. The feasibility report indicated that the goal was ambitious but possible.

To launch the collaborative initiative, a considerable commitment was needed from each agency. The magnitude of the fundraising effort meant that the directors had to approach

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<sup>3</sup> Formerly Burlington Community Land Trust and Lake Champlain Housing Development Corporation

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their individual own donors with requests to support the statewide effort. The collective vision and commitment of the organizations at this phase was pivotal; organizations would be working with donors in a very different way, letting go of any territorialism and adopting a form of “enlightened self interest” in which the good of all was supported over the benefit of individual organizations.

With all in agreement, a marketing and fundraising strategy was developed, and the Vermont HomeOwnership Initiative was born. The directors hired a consultant to staff the campaign and implement a fundraising and marketing strategy. Over a three-year period, the fund secured \$850,000 in operating support. The directors designated approximately 10 percent of the funds to an operating reserve that could be available to any future opportunities that could help reinforce the statewide infrastructure.

Although the total raised was shy of the original goal, the Initiative was extremely successful in generating new homebuyers – far exceeding original goals. Funds are distributed among the five organizations through a mutually agreed-upon formula. Over the course of four annual distributions, 50 percent of all funds raised was split equally among the five organizations, and the remaining 50 percent was prorated based upon the number of homebuyers facilitated by the individual organizations during the previous year.

The Vermont HomeOwnership Initiative utilizes an informal governance structure in which the five executive directors meet monthly. Initial meetings were held to set direction, provide donor leads, and monitor campaign progress. Although the campaign is complete, the organizations continue to meet monthly to discuss homeownership trends and ways in which the Initiative can work to address the homebuyer needs of all Vermont communities.

The Initiative did not create a separate nonprofit organization but rather elected to have one organization serve as the fiduciary agent through which donations could be received. Champlain Housing Trust fills this role and transfers donations received to the Vermont Community Foundation for fund management.<sup>4</sup> Expenses have included consultant fees and production of marketing materials. A half-time staff person provides ongoing support to the Initiative.

The Initiative continually explores new strategic directions to meet the changing needs of the communities they serve. In addition to the Vermont HomeOwnership Fund, the Initiative has explored employer-assisted housing to provide a standardized menu of homeownership services to local, regional, and statewide employers. The Initiative is now looking to capitalize a statewide loan fund to meet the growing homeownership and home improvement needs of its constituents.

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<sup>4</sup> To alleviate potential donor concerns about writing checks directly to one organization where they wanted to support the work of another, the Initiative sought a written opinion from a CPA firm in which donors were able to write checks out to the Vermont HomeOwnership Fund that were tax deductible and receivable by Champlain Housing Trust.

### Benefits of the Innovation

#### ***To Customers***

Customers from across Vermont now have access to a wide range of homeownership services through a regional NeighborWorks® HomeOwnership Center no matter where they live. The increased capacity of and communication between organizations as a result of the collaborative allows customers to get information on services and loan products that may be available in other communities, and homebuyer education certificates are accepted across service area boundaries.

#### ***To Lenders:***

Lending institutions immediately saw the value in Initiative's work and were strong supporters by contributing \$5,000 to \$100,000 per bank. This level of support resulted from a "trickle up" that occurred through the encouragement of the banks' loan officers and underwriters who saw the value and importance of the Centers' work first hand. With an expanded geographic reach that now covers all 15 counties in Vermont, national, state, and regional lenders have a mechanism for reaching a broad spectrum of families in a variety of ways, from pre- to post-purchase assistance.

#### ***To Philanthropic Funders:***

The Initiative offered a model of collaboration to the nonprofit sector that peaked the interest of a number of foundations and individual donors. These supporters appreciated the opportunity to have a broader impact by giving one large pledge to a statewide effort, rather than being asked to consider small gifts from multiple organizations asking for support. The Vermont Community Foundation promoted this approach and looked for other opportunities in the nonprofit human service sector to facilitate collaborative fundraising efforts.

#### ***To the Participating Organizations:***

In addition to securing much needed operating support, the individual organizations have benefited through an increase in outreach and brand recognition. The Initiative is able to cultivate a much broader constituency by communicating the breadth of services. Now there are 10 offices and 43 staff members serving the homeownership needs of families in Vermont. The development of the Initiative's marketing materials, including a consolidated website ([www.vthomeownership.org](http://www.vthomeownership.org)), has also served to increase the recognition of the individual organizations and provide a valuable resource to staff, funders, and customers alike.

### Lessons Learned

1. **Leaders of participating organizations need to believe in the benefits of the partnership.** Since the Initiative's initial effort was to raise operating support from donors who had relationships with participating organizations, it was imperative for the executive directors of the NeighborWorks® organizations to have complete trust and buy-in with the process and goals of the effort. The Vermont HomeOwnership Initiative was fortunate to have organizational leaders who supported the collaborative's objectives and were able to see past territorialism and share donor prospects to secure fund for all involved.

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2. **Support of key funders is vital.** Technical and financial support from NeighborWorks® America, Vermont Community Foundation and the Vermont Housing Finance Agency was critical to the collaboration's success. The strong commitment from partners who enjoy a long history with the participating organizations facilitated the creation and long-term cohesiveness of the Initiative and provided much needed operating and program capital.
3. **Collaborative must have expertise in marketing and fundraising.** The consultant or staff person coordinating the effort should possess the ability to craft a salient and effective message in addition to employing sound donor cultivation strategies. Having a similar skill set among the team of executive directors is also extremely helpful to complement the work of the consultant and/or staff member.
4. **One organization needs to serve as the "core leader" and fiscal agent.** Burlington Community Land Trust (now Champlain Housing Trust) served as the initial lead organization to this effort by serving as the fiscal agent and providing leadership throughout the process. As the Initiative looks forward to developing a statewide loan fund, another member organization with more lending experience may serve as the leader for next phase of the work.

### Tennessee Housing Development Agency (THDA)

The Tennessee Housing Development Agency (THDA) is leading over 100 agencies in a statewide “Homebuyer Education Initiative.” The Initiative was implemented in fall 2000 after a survey of Tennessee nonprofits demonstrated a need for high-quality, consistent homebuyer education throughout the state. Partners in the Homebuyer Education Initiative include five NeighborWorks® organizations, community development corporations, faith-based nonprofits, public housing authorities, cooperative extension offices, Rural Development offices, legal aid offices and local government planning commissions.

THDA was established by the Tennessee General Assembly in 1973 to provide affordable housing assistance through a variety of programs including home-purchase loans, down-payment assistance, the HOME program, low-income housing tax credits, and Section 8 rental assistance.

#### The Innovation

To launch the Homebuyer Education Initiative, THDA organized a broad partnership of agencies that were already offering homebuyer education programs in various locations. Partners agreed to use NeighborWorks® America’s “Realizing the American Dream” curriculum, and housing counselors were certified through NeighborWorks® America’s “Train the Trainer” program. THDA brought eight place-based training sessions to Tennessee and recruited all attendees. During the five-day session, participants learned how to deliver effective homebuyer education and got acquainted with the curriculum. The trainings were free for housing counselors.

In addition to coordinating “Training for Trainer” sessions, THDA manages the ongoing tasks associated with the statewide collaboration, including program evaluation and administration. THDA has one full-time staff member who serves as the coordinator of the Initiative.

To ensure quality control, certified training sites are required to provide monthly activity reports to THDA, which include data such as income, race, ethnicity and types of training. Agencies track their outcomes through Nstep or Fannie Mae’s Home Counselor Online. Training sites that remain current on their reports are eligible for a \$150 payment from THDA for each homebuyer education participant that obtains a THDA loan. Agencies that submit their reports on time also receive their curriculum materials for free. This incentive helps THDA collect program statistics and measure the Initiative’s success. It also serves as a revenue source for training sites.

THDA holds annual “Peer Sessions” to update training sites on industry trends, provide ongoing support and offer networking opportunities. Eight peer sessions have been held as of April 2007. As an additional support option, THDA offers an informal mentoring program that links new training sites with seasoned trainers who offer guidance, start-up ideas and program information.

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Homebuyer education seminars are marketed by individual training sites through newspaper articles, fliers and real estate agents and lender referrals. THDA maintains a complete listing of certified training sites on its website: [www.tennessee.gov/thda](http://www.tennessee.gov/thda).

The cost of offering this statewide collaborative is about \$250,000 a year. This includes training events, materials, staffing and the \$150 incentive program. Other expenses include meeting room rentals, supplies, travel and communications. Program funds come from various sources, primarily AmSouth Bank and HUD. In addition, Regents Bank, US Bank and Commercial Bank offer financial support for events; NeighborWorks® America provides the training for trainers and program materials; and the local Fannie Mae office has sponsored specific events and luncheons.

Tennessee's affordable housing industry is now delivering a more consistent, high-quality homebuyer education product. The initiative has certified 275 homebuyer educators from 105 nonprofit agencies. Partners share resources and training ideas and are offering a high-quality education program. Ultimately, the consistent education is creating strong and stable buyers who are helping to stabilize and revitalize neighborhoods. Approximately 15,000 people have received homebuyer education and housing counseling under THDA's Initiative since January 2003.

### **Benefits of the Innovation:**

#### ***To Customers:***

Customers receive high-quality, consistent training from certified trainers and are well prepared for homeownership. In addition, they establish relationships with professionals who can advocate for them in the future, if necessary.

#### ***To Funders:***

This program offers funders an opportunity for community service and CRA credit. It also creates contacts and generates customers. Funders appreciate the default-resistant borrowers produced by high-quality homebuyer education programs. Their participation can also be seen as a positive public relations activity.

#### ***To THDA and Partners:***

The benefits for THDA and its program partners are solid training opportunities, first-rate (and free) materials as well as mutual support. The initiative is also helping THDA accomplish its mission. The "Training for Trainers" model encourages local partnerships with nonprofit agencies, lenders, real estate agents, churches, and other community businesses and organizations. Partners are now offering quality education to previously underserved areas and are meeting industry standards.

### **Lessons Learned**

1. **Request a multi-year commitment from agency partners.** Building homebuyer education capacity among nonprofits is a slow process.
2. **Build a peer network to help provide support.** Provide certified trainers with continuing education and information-sharing opportunities. Gather as a group at least once a year to brainstorm new ideas and resolve issues. Encourage partners to support agencies that are new to the program by sharing marketing ideas and materials.

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3. **Secure strong and committed funding sources.** Remind funders that although these programs do not generate direct revenue, the positive effects of producing strong and capable homebuyers make the program worthwhile.
4. **Offer post-purchase support.** Homebuyer education is important, but many buyers need ongoing support and information. Provide partner agencies with ideas on post-purchase services and tracking ideas. Tracking activities may be difficult for smaller nonprofits that have minimal staff and limited technology options. Statewide collaborations should offer technical assistance and provide demonstrations on how to meet reporting demands.

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### **Wyoming Community Development Authority**

The state of Wyoming is vast, gorgeous, and historic. However, when considering homeownership services, probably the most pertinent word is rural. Wyoming is the ninth largest state in the U.S. covering almost 98,000 square miles. Its population, however, is just a little over 500,000. Its two largest cities are very small when compared to others around the nation, each with around 50,000 residents.

For years, these extreme rural conditions made it difficult for nonprofit housing organizations to serve remote areas of the state. There were few services available, meaning some interested buyers had to travel more than 200 miles to obtain services.

The Wyoming Community Development Authority (WCDA) – which provides between 1,500 and 2,000 mortgage loans each year – knew that the key to successful homeownership was homebuyer education. However, its staff could not travel to all areas of the state to offer classes. These conditions prompted WCDA to tap into the statewide compressed video system through the University of Wyoming. In 2000, the agency began offering regular homebuyer education classes through this teleconferencing system at a host site on the university campus in Casper, which is linked with up to 10 satellite sites around the state.

### **Wyoming Community Development Authority**

The Wyoming Community Development Authority is the state housing finance agency in Wyoming. The agency offers homebuyer education and lending services. It raises capital for its mortgage services by selling mortgage revenue bonds to investors. The interest paid to bond holders is typically exempt from federal income tax, meaning investors are willing to accept a lower rate. These savings are passed on to homebuyers as below market-interest rate mortgages.

### **The Innovative Strategy**

WCDA's homebuyer education class is offered at least once a month through the University of Wyoming compressed video system. In total, the system has 30 possible sites around the state at university and community college classrooms. The class is taught in two, four-hour sessions by a certified homebuyer education instructor along with guest speakers from the housing industry.

Each satellite location has a volunteer facilitator, which is usually a real estate agent or lender partner. All sites are live; which allows the classes to be interactive and all participants can ask questions. There are generally ten to 15 students in each class, though class sizes can range from four participants to 50. About 200 people attend the class each month and more than 2,000 people complete the class each year. Students pay a \$10 fee to attend. WCDA loan customers get a financial incentive: their commitment fee is waived if they complete the class. Real estate agents may attend the class for \$100 and receive continuing education credits.

WCDA staff perform all class management activities including curriculum development, scheduling and materials. Classes are generally marketed by lenders and real estate agents and by word of mouth. At each site, a technical support person from the university or community college sets up the compressed video system. The volunteer facilitators at

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each site conduct registration and sign-in, distribute materials, offer refreshments and answers questions.

The class costs WCDA about \$3,400 a month. This includes staffing, training, and site rentals. In addition, materials cost about \$35 per student. Funding comes from WCDA's operating budget and registration fees, plus contributions from Fannie Mae, Rural Development, State Farm and Wells Fargo.

### **Benefits of the Innovation**

#### ***To Customers:***

This training system provides rural residents with interactive access to homeownership experts, plus convenient class locations and reduced travel time. Like all homebuyer education programs, the class helps buyers prepare for long-term, successful homeownership.

#### ***To Funders:***

Participating funders receive CRA credit by supporting this program. In addition, the program broadens their customer base and creates more knowledgeable borrowers. Since the program began, default rates have decreased which is a benefit for all.

#### ***To WCDA:***

The best result for WCDA is the decreasing delinquency rates. The class process is efficient and uniform and the compressed video system allows the agency to serve many more customers than it would otherwise. In addition, the program is meeting a valuable need in the community, providing programming to underserved areas.

### **Lessons Learned**

- 1. Technology has enabled this opportunity, but at times has its drawbacks.** When using this type of system, staff must anticipate occasional glitches, cancellations and other snags, and have a solid backup plan such as make-up dates.
- 2. The infrastructure needs to be in place.** This type of service can only work if the agency can access systems that are already in place. States with rural populations should look to their state or university systems to see what technology exists.
- 3. Solid volunteers are essential.** WCDA uses 100 hours of volunteer hours each month for this program. Take the time to interview and select dedicated volunteers and be sure to acknowledge and recognize their efforts.

### Indianapolis Neighborhood Housing Partnership – Indianapolis, IN

In 2004, when Indianapolis Neighborhood Housing Partnership (INHP) decided to start using an online customer tracking program, the agency had stipulations: staff wanted a program that could track all of the required program data, and be manipulated or adjusted to evolve with the agency's data collection needs. After in-depth examinations of several online tracking systems, INHP staff chose CounselorMax, a system that could track the necessary data and had the capacity to be adjusted.

#### Indianapolis Neighborhood Housing Partnership

Founded in 1988, INHP fosters healthy, viable neighborhoods by increasing safe, decent, and affordable housing opportunities for low- and moderate-income households in Indianapolis. Over the years, INHP has refined its services and has created new programs to continue meeting the local housing needs.

CounselorMax is a data tracking program specific to the housing industry. It is owned and operated by EMT Applications and initially supported by Freddie Mac. The program provides automated housing counseling processes and offers intake and follow-up data-tracking mechanisms. There are customer service options offered, as well as various trainings to help agencies use the program to its fullest potential.

#### The Innovative Strategy

CounselorMax offered many of the options that INHP needed, but a number of data tracking options still needed to be added. One of the most important components was a function that would allow the system to communicate with other data tracking programs at INHP, thus eliminating the need for manual data transfers. Below are several examples of how INHP customized the program to meet the agency's needs.

1. INHP customized the outreach function of CounselorMax to include fliers. This means that when new customers are put into the system, INHP can simply "click a button" to generate an outreach packet for the customer, which includes fliers highlighting agency services and upcoming classes. This simplifies the process for staff: All they have to do is click, fold the packet, and mail it. There are packets for both long-term and short-term customers, each with related service information, and all outreach materials are available in both English and Spanish.
2. CounselorMax had data fields that tracked sponsors and referral sources (such as banks and real estate companies), but INHP added a supplemental feature to track individual referrers. Now, next to the referral source (such as ABC Bank) is the referrer (the loan officer who made the referral). This allows INHP to report back to referrers and let them know where the customer is in the process. Referral sources that typically request this type of follow-up information are the Section 8 Homeownership program, real estate agents, loan officers and local homebuilders.
3. INHP added an intake tab to the case data section for "disabled dependents." A number of local lending programs offer loan products for households with disabled dependents, but not all tracking systems request this information. This tab allows INHP to track this information and direct eligible households to available programs.

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4. INHP has linked its comprehensive education report (which is an Access database) to CounselorMax. This report provides detailed demographics as number of participants and number of class graduates. The link allows these comprehensive details to be transferred to the CounselorMax system.
5. INHP added categories to different service types. For example, staff added an “inquiry” category that collects information on individuals who requested information but did not fill out an application. INHP also created a “prospect” category to capture the data on individuals who submitted an application, but had not yet met with a counselor. This system has allowed INHP to demonstrate to employer partners the needs within their businesses. For example, after onsite orientations, INHP can capture employment data and show the employer how many of its employees want information but have not been able to come to INHP for one-on-one meetings. This information can demonstrate the need for onsite services.
6. INHP built a link into the CounselorMax system to have consumer credit reports and authorizations printed in Spanish for Spanish-speaking customers. The credit report data, which is meant for INHP staff, is still printed in English; just the materials for the customer are in Spanish.
7. To avoid the double entry of data, INHP created a link between CounselorMax and Contour, its loan origination program. The link translates the data from one application to another. The detailed data from the Contour’s database includes home price, appraisal, and so on and this information is updated on CounselorMax every day.
8. INHP also developed a user-friendly, online consumer application for services, which gets fed into the CounselorMax system as well. The online application is on INHP’s website ([www.inhp.org](http://www.inhp.org)) and was developed by a local web development company.

INHP has two staff members in its information technologies (IT) department who oversee their technology needs. INHP also hired EMT Applications, the owner and operator of CounselorMax, to make the system changes that could not be done by IT staff. EMT Applications also provides training on how to use the CounselorMax system.

Since implementing the program in 2004, INHP has spent about \$70,000 on CounselorMax updates and adaptations. The only other cost is staff time and training expenses, which are covered by the agency’s general operating budget.

### Benefits of the Innovation

#### ***To Customers:***

INHP's improved reporting process allows agency staff to spend less time inputting data and more time with customers. It also helps staff to maintain more informed relationships with customers, which ensures consistency.

#### ***To Funders:***

INHP's tracking system produces excellent data collection and tracking services. Staff can tell funders exactly how their contributions were spent and the specific details of customers touched by their funding. Reports are easily generated and INHP can provide donors with almost any demographic detail they wish.

#### ***To INHP:***

INHP's use of CounselorMax creates greater efficiency for agency staff. In addition, its accuracy and complexity has improved INHP's reputation among funders. The system allows INHP to monitor prospective customers, calculate their needs and direct them to the next step. The management reports that INHP generates as part of this system are helping to guide the agency's work. It helps staff understand the impact of its services and shows where service improvements are needed. The system is used for agency goal setting, plus helps with overall staff management.

### Lessons Learned

1. **Creating a customized client management system takes time.** It is an ongoing business activity that needs to be an automatic and integral process for agency staff. Conduct system tests and continue to examine the system to keep it up-to-date and ensure that it is serving the agency's current needs. This will take time, but the increased efficiency is well worth the effort.
2. **It is not necessary to use every feature of a client management system.** When installing the system, agencies should first determine which data is most important for the business process, and then modify the program to serve the agency's needs. Creating links to enable file sharing saves staff a great deal of time and energy.

### Future Plans

This year, INHP will build a prequalification function into its CounselorMax program, which will improve the overall financial portrait of potential customers and allow the program to consider non-traditional assets. In addition, INHP will soon adopt new lending programs including FHA, VA, Fannie Mae and Freddie Mac options, which will require a change in CounselorMax systems. As the agency's lending options change, staff members will adjust the tracking system.

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### Portland Housing Center – Portland, OR

At the Portland Housing Center in Portland, Oregon, the sheer volume of customers combined with limited staffing was making customer tracking an ongoing challenge. (A limited number of staff provide homebuyer education to approximately 650 households and one-on-one counseling to about 950 households.) In response to this issue, staff connected with an existing web-based tracking tool to help them identify customers who had purchased a home.

#### **Portland Housing Center**

Portland Housing Center provides quality education, counseling, and financial assistance to first-time homebuyers throughout the Portland metropolitan area. Founded in 1991, Portland Housing Center has assisted more than 5,000 homebuyers with the purchase process. The agency became a NeighborWorks® HomeOwnership Center in 1999.

#### **The Innovative Strategy**

In 2006, Portland Housing Center began using a web-based, property-transfer tool to identify customers who had purchased homes through lenders not affiliated with the agency. The tool is available through First American Corporation, a company that originally began as a title and abstract company that has evolved into a massive online information warehouse.

Access to the database through First American Corporation is available at no cost. User accounts can be created independently or can be negotiated with a local First American representative. To find a local representative, visit [www.firstam.com](http://www.firstam.com) and search the “office directory.” To create a user account without the support of a company representative, visit [www.fastweb.firstam.com](http://www.fastweb.firstam.com). The process of using the online tool is simple and self-explanatory.

On a quarterly basis, Portland Housing Center staff create a report of all customers who have completed homebuyer education in the past 12 months. Any class participant that is not listed as a homeowner is passed through the FASTWeb system to see if there is a match. If a match is found, staff can verify the property address, date of purchase, sales price, tax amount, and name of the lender. The agency then has a baseline of information to report the home purchase. The only cost for Portland Housing Center associated with this tracking activity is staff time.

#### **Benefits of the Innovation**

##### ***To Customers:***

Improved tracking allows Portland Housing Center to offer additional, post-purchase services to former customers. Staff send out mailers on home maintenance classes and connect the new homeowners with other available services.

##### ***To Funders:***

Improved tracking helps Portland Housing Center provide agency funders with details on the success of its pre-purchase program. As always, funders like to see the results of their contributions.

##### ***To Portland Housing Center:***

Implementation of the web-based homebuyer tracking tool has helped Portland Housing Center increase its home-purchase reporting by 32 percent. From July 1, 2005, through

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June 30, 2006, Portland Housing Center reported 498 home purchases, up from 376 the previous year. This data-collection process helps the agency track its success and identifies a new group of potential post-purchase customers.

### **Lessons Learned**

1. **Take the time to document your results.** It is easy to get so caught up in day-to-day work that you don't take the time to document your results. Being able to highlight the outcomes of your work is increasingly critical to funders and supporters. The solution highlighted in this case study helps identify assisted homeowners who might have otherwise gone unreported.
2. **Stay in touch with your customers.** A key benefit of this strategy is help identify former clients so that you can reconnect with them to offer additional services or to obtain evaluation of the previous services they received from your organization.

### Community Realty, Albany, NY

Although the housing market in upstate New York has enjoyed a modest boom in the past decade, this growth did not always transfer to lower-income neighborhoods. Many homebuyers thought these neighborhoods offered substandard housing and avoided them. In addition, real estate agents were not “selling” these areas either, which resulted in increasing numbers of vacant and neglected homes.

In response, Community Realty was formed in 2004 as a nonprofit real estate brokerage that promotes affordable homeownership while strengthening neighborhoods. Community Realty involves seven local nonprofit partners and offers a variety of services including buyer representation. Collectively, the partners offer homebuyer education, credit and financial counseling, affordable financing, down-payment assistance and home inspections.

#### The Innovative Strategy

Community Realty serves the four-county Capital District, focusing primarily on city neighborhoods in Albany, Rensselaer, and Schenectady Counties. The seven nonprofit partners are:

- Affordable Housing Partnership (AHP)
- Albany Community Land Trust
- Better Neighborhoods Inc.
- Capital District Community Loan Fund
- Community Land Trust of Schenectady
- TAP Inc.
- TRIP NeighborWorks® HomeOwnership Center.

Community Realty is governed by an advisory committee that is made up of representatives from each partner organization and one local foundation. The advisory committee discusses company process and progress, shares information and coordinates regional efforts and advocacy. Sub-committees meet regularly to work on specific Community Realty tasks such as marketing and operations.

AHP is the lead organization for Community Realty and conducts the business of the brokerage, serving as fiscal agent for various partner activities. Community Realty’s office is separate but adjacent to AHP, which allows the two entities to share office infrastructure such as computer and phone systems, but maintain separate identities.

Community Realty has five employees – one is a full-time managing broker; another is a three-quarter time agent, and two full-time agents who focus on buyer representation, and one half-time agent who focuses on sales and listings. Staff members receive a base salary, plus a modest bonus for each transaction.

Community Realty relies on three strategies for program marketing. First, the agency receives referrals from its seven founding partners. Second, it receives referrals from neighborhood associations and existing clients. Third, Community Realty sends out direct

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mailers and places paid advertisements in local newspapers, real estate publications and cable television. Although the agency gets referrals from its partner agencies, partners are not required to refer their buyers to Community Realty. In fact, only half of the agency's closings come from partner referrals. This helps partners maintain relationships with other real estate agents.

The Charitable Leadership Foundation gave AHP \$110,000 in start-up funds to cover Community Realty's first year of operations, plus it gave declining amounts in subsequent years. Its final contribution will be made in July 2007. Community Realty expects to become self-sufficient in 2007 through commissions and fees for service. At its current size, the organization needs to facilitate about 90 transactions a year to cover operating costs. (The agency earns between \$2,700 and \$3,000 per closing.)

The number of customers served continues to grow each year. In 2006, Community Realty served nearly 100 buyers. It closed 12 transactions in 2005, 27 in 2006 and is on track to close 60 transactions in 2007. Gaps in generated income have been covered by foundation donations, and have also been met by trimming marketing activities and increasing staff efficiency. The agency also provides consulting services for the city on various projects.

### **Benefits of the Innovation**

#### ***To Customers:***

This program offers homebuyers a real estate agent who specializes in first-time homebuyer services. These agents are familiar with appropriate housing options as well as financing opportunities. They know the market and offer a great service to lower-income buyers.

#### ***To Community Realty and its Partners:***

Through Community Realty, partners increase homeownership production, promote interest in city neighborhoods, improve the region's homeownership service delivery system and create solid partnerships. In addition, Community Realty offers these agencies easy access to real estate expertise.

#### ***To the Community:***

Neighborhood residents understand that homeownership has a positive impact on their communities and appreciate the increased levels of affordable services.

### **Lessons Learned**

1. **A thorough business plan is critical.** Agencies that want to become a real estate brokerage must evaluate how they will operate and what they hope to achieve. They must compare buyer versus seller representation and consider geographic target markets. Partners must be carefully selected and have a general concern for community revitalization. Together, the partners must decide if the company will apply for licensing on its own or join with an existing real estate office.
2. **Good working relationships must be maintained with area real estate agents and brokers.** Try to blend with the real estate industry, rather than compete with it.

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Also, recruit neighborhood partners who will enhance community relationships and referrals.

3. **Start-up can take up to a year or longer.** The time and energy needed to manage a real estate company should not be underestimated. In addition, working with first-time buyers is labor intensive. Community Realty agents spend at least 10 hours with each buyer looking for homes. Remember too, that not all potential buyers end up buying a home. Only one-quarter of the agency's customers close on a home.
4. **Fees income may be limited depending on the target market.** Most first-time buyers have limited incomes, meaning a lower purchase price and lower commission. This reinforces Community Realty's decision to give a base salary to its staff members. Bonus commissions can still be used as a sales incentive.

### Future Plans

In the future, Community Realty plans to become more broadly involved in real estate. The agency learned that it could not survive by offering only buyer representation services; it needs to fully utilize its potential as a real estate broker in order to become financially self-sufficient.

### **Neighborhood Finance Corporation, Des Moines, IA**

In the 1980s in Des Moines, Iowa, a decrease in quality housing and deteriorating neighborhood conditions resulted in a mass exodus from the city's core to the suburbs. Vacant properties and issues with absentee landlords subsequently increased. As a result, neighborhood residents and stakeholders began searching for solutions.

After many conversations, many local partners came together to support the development of the Neighborhood Finance Corporation (NFC) in 1990. Its purpose was to increase homeownership opportunities in the urban center of Des Moines.

### **Neighborhood Finance Corporation**

NFC is a state-licensed mortgage company and a direct seller and servicer for Fannie Mae. NFC was certified as a Community Development Financial Institution in 2000 and provides unique lending opportunities and services. It maintains strong partnerships with local residents, government, businesses and other community-based organizations. NFC's programs include home purchase and rehabilitation loans, refinance assistance, multifamily loans, mixed-use property loans, and commercial real estate loans. It also offers educational programs and a tool lending library.

### **Innovative Lending Strategy**

NFC's lending program, called the "NFC Advantage," is a tandem mortgage product that includes a 30-year, fixed-rate first mortgage and a five-year, forgivable second mortgage. Funding for the first mortgage pool comes from lender investors and funding for the second mortgage pool comes from the city and county. Second mortgage amounts may be up to \$12,500; \$10,000 for repairs, and the rest for down-payment and closing costs. Twenty percent of the loan is forgiven each year for five years, as long as the house remains owner-occupied.

There are no income restrictions to this program; it is for any interested buyer. This allows NFC to create mixed-income neighborhoods in areas that historically had high concentrations of lower-income households. Mixed-income neighborhoods are advantageous for everyone involved; they generate business investment and improve local economies, schools and services.

To cover its first three years of business, NFC raised the necessary capital from seven local banks. By its fourth year, the agency was financially self-sufficient. The second mortgage pool is funded through annual city and county 28E agreements, which permits state and local governments to cooperate with other agencies in ways that are mutually advantageous.

Loan sales to fund the first-mortgage program are made to local lender investors. NFC begins by estimating how many loans will be made over the course of one or two years, then asks lender investors to commit to purchasing a specified amount of the loans. This translates to a percentage of each loan sale. Each lender commits to a specific amount with a legal agreement. Generally, NFC conducts loan sales after one- or two-million dollars in loans have closed. Funds from the sales return to the NFC warehouse account and become new first-mortgage capital.

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To ensure quality control, NFC has a residential loan committee that reviews loans and makes ongoing program suggestions. Members include local banks, housing nonprofits and residents. This group reports to the board each month and diligently tracks buyer characteristics, delinquency rates, demographics and variations in home values. Fifteen local representatives serve on the board: five neighborhood representatives, two from city government, two from county government and six lender investors. Board members add a professional and business aspect that makes the program work.

### **Benefits of the Innovation**

#### ***To Customers:***

NFC's program offers affordable loans, guidance and support throughout the house rehabilitation and home purchase process. The program has increased the assessed values of properties.

#### ***To Funders:***

The most significant benefit for lender investors is the CRA credit. In addition, lenders receive a return over time that allows them to grow and expand. They also know that the program is producing knowledgeable and ready homebuyers, which is a wise investment.

#### ***To Neighborhood Finance Corporation:***

NFC's loan funding process allows it to create loan capital with little waiting and no borrowing. This in turn helps more buyers. It increases the number of homeowners and stabilizes neighborhoods. NFC has closed more than \$144 million in loans since the program began in 1990.

#### ***To the Community:***

As the assessed values of homes rise in response to this program, the city and county benefit through property tax revenues. In addition, improved housing stock has a positive impact on the overall neighborhood: it increases neighborhood appeal and attracts further business investment.

### **Lessons Learned**

- 1. Strong program administration and accounting is absolutely necessary for success.** Lender investors will not have confidence in the program unless accounting procedures are impeccable. Although NFC is a nonprofit agency, it is still a business and must be considered as such. NFC hires experienced professionals from the mortgage industry and offers decent wages to attract strong candidates. It is also important to hire good legal help when necessary.
- 2. All facets of the neighborhood must be engaged and supportive since they are the program's greatest promoters.** Work hard to maintain the support of government agencies, banks and neighborhood associations. Be sure to offer services that address the needs of the community. Develop a solid tracking plan that can effectively demonstrate results and help address future needs.
- 3. Do not be put off by high start-up costs.** This type of program requires significant start-up funding but the program can be more self-sustaining when it is fully operational.

### **Community Ventures Corporation, Lexington, KY**

In any business, it is important to know what a product costs before you agree to do it, so you can be sure that the resources are there to support it. Many nonprofits, however, don't know what it really costs them to deliver a service. This not only makes the organization financially vulnerable, but it also diminishes the organizations negotiating position when seeking funding to support the services they've been asked to provide in a community. In order to know exactly what things costs, Community Ventures Corporation has embraced sophisticated cost accounting practices. They do know what things cost. and as a result, they have been able to make more informed decisions about structure, staffing, markets, and funding which allow them to provide services to more rural communities without going broke.

### **Community Ventures Corporation**

Founded in 1982, Community Ventures Corporation (CVC) is a community-based, non-profit organization that exists to improve the quality of life for urban and rural residents throughout central and northern Kentucky. CVC's central mission is to provide individuals and families with the skills, income, and assets they need to achieve financial independence. CVC helps people increase income and build assets with three main strategies: small business ownership, home ownership, and job creation through business expansion.

CVC serves 31 counties in central and Northern Kentucky through its headquarters in Lexington and its satellite office in Campbellsville.

### **The Innovative Business Strategy**

Community Ventures started with a service area of the city of Lexington and three rural counties around it. As their success grew, requests for assistance in other rural areas of the state grew also. Executive director Kevin Smith says, "As I looked around, I saw that there were a lot of resources available to rural communities, but no capacity to deliver services. Most rural areas could only support one or two staff. So I needed to figure out how to expand our services in a cost-effective way."

Smith comes from a private sector background, so it made sense to him to build the organization's capacity to track costs in order to make informed decisions.. He started with the accounting software Fund EZ, which can only track staff time by two variables at a time. CVC tracked costs by location and by grant source. Eventually, CVC switched to MIP software, which allows them to track by location, grant source and activity. This knowledge has given several important business insights to Community Ventures, which allows them to expand services in a thoughtful, financially feasible way.

- By combining the production of high-density urban areas with that of low-density rural areas, overall cost per unit is reduced, making expansion to rural areas more feasible. CVC is currently considering a major expansion to include the city of Louisville and several more rural counties.

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- By consolidating key administrative and technical staff (“back office services”) in the home office and making them available to rural areas as needed, the full capacity of each staff is used, and costs in rural areas are reduced significantly. Currently, Community Ventures has loan underwriters, loan servicers, accounting staff and senior management based in Lexington.
- By understanding which loan products are loss leaders (micro-enterprise lending) and which throw off revenue (New Markets Tax Credits), CVC is able to assess the markets most likely to yield a balance of customers that will make the overall financial picture work. This information is key to deciding where to locate new offices. As Smith says, “Doing more production of something you lose money on is not by itself success.”
- Knowing the real costs of expanding to a new geography gives CVC a solid negotiating position when seeking funding to match requests for service, and makes expansion decisions by board and staff much clearer.

### Benefits of the Innovation

**To Customers:** The communities that CVC serves typically get bypassed with funding and programs because there is no infrastructure to deliver services. Without the presence of CVC, these communities would not receive assistance with housing or economic development.

**To Funders:** Funders have no way to get money on the street without a credible, qualified delivery mechanism. The presence of CVC, made possible in part because of the staff’s understanding of costs and resulting changes in their business model, makes it possible to achieve impact in areas that were previously inaccessible. For example, the New Markets tax Credit program, about five years old, had Congressional representatives from rural areas concerned that urban areas were gobbling up all of the funds. In fact, there is just little capacity in rural areas to request or use the funds.

**To Community Ventures:** The business model created by cost accounting knowledge keeps the organization stretched to its fullest capacity, while preventing costly mistakes in expansion. It also gives CVC access to a broader array of funding sources – for both urban and rural areas – which makes it less vulnerable to funding changes. The increase in scale afforded by a larger service area also allows CVC to develop deeper technical capacity, and take on bigger and more complex projects, making the organization ever more relevant and useful to its customers. Finally, the increased scale also gives CVC more visibility and credibility at the state and regional level, which results in financial and policy influence.

### Lessons Learned

1. **Know the cost of your services.** CVC finds that funders have a way of leading nonprofits into a new effort without providing adequate resources to deliver. Knowing what things cost makes it possible to negotiate with them from a position of strength.

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2. **The accounting software you choose is critical.** CVC now uses MIP, which allows them to track staff time over three areas: location, grant source and activity. Smith says that the technical support available from the manufacturer is critical. He found that MIP tech support understood community development and the nonprofit world, and was able to help CVC set up the right chart of accounts, and to iron out issues as the organization learned the new software.
  
3. **Make it easy for staff to track their time.** Electronic activity reports make it easier for CVC's staff. Smith also says that any tracking of time is better than none. "Don't get hung up on tracking every 15 minutes. It doesn't have to be perfect to be useful."

### **Homewise, Inc. – Santa Fe, NM**

With nonprofits working in a capital-intensive field like real estate, there is a constant lag between program goals and funding. To insulate itself from the feast or famine model, Homewise, a nonprofit working in Santa Fe, New Mexico, has developed a new business model called “Homesmart.” With this model, revenue generated from loan origination fees, real estate commissions, real estate development fees, closing costs, and interest income is recycled to fund the free educational and counseling programs. This business model has resulted in Homewise being able to generate almost 70 percent of its operating costs from fee income in 2006.

#### **The Business Model Innovation**

The Homesmart business model incorporates a financial engine that enables them to sustain and grow current operations while lowering costs for homebuyers. Homesmart creates financial security for Homewise and its customers.

The typical nonprofit homeownership organization focuses on providing services – training, counseling, down payment assistance and so on – that generate very little revenue and are therefore not readily available from other providers in the market. In order to support these services, the nonprofit must rely on the philanthropic contributions that are typically unpredictable and often inadequate.

This growing funding gap often explains why many apparently successful housing organizations have imploded seemingly overnight. While their robust programmatic growth is apparent to and celebrated by everyone, the funding gap typically remains hidden until the organization collapses under the weight of the financial burden.

Homewise believes that the growing funding gap caused by the growth of home purchase services is unnecessary. By vertically integrating a wider array of home purchase services, Homewise is able to generate enough revenue to significantly offset the cost of providing counseling, training, and down payment assistance. By integrating services that generate net income with those that are unprofitable with the Homesmart model, Homewise has better aligned programmatic growth with revenue growth.

The home purchase process includes several steps. Some of these steps generate significant cost and some generate significant revenue. According to the NeighborWorks<sup>®</sup> America report, “Measuring the Delivery Costs of Pre-purchase Homeownership Education and Counseling,” the cost of counseling one homebuyer is between \$583 and \$1,564. Revenue generated from the originating first mortgage loans and from the real estate commissions is significant. The purchase of a \$175,000 home generates approximately \$4,950 in loan fees. The real estate commission of six percent generates \$10,200. Assuming Homewise captures all the loan origination fees and half the real estate commission, it can earn approximately \$10,000 per transaction to cover the costs of training and counseling, the cost of providing mortgage lending and real estate sales services, and reduce the transaction costs for the homebuyer.

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Homesmart is not only about streamlining the process to save internal costs; it also lowers costs for homebuyers. The vertically integrated model also applies to homeownership. By focusing on the key elements of how a home is purchased and managed, Homewise is able to help new buyers maximize the benefits of their long-term asset, liquid assets, and disposable income. Specifically, Homesmart focuses on four keys costs involved in purchasing and maintaining a home:

- The actual cost of the home;
- The cost of a loan to purchase the home, including the mortgage interest rate and mortgage insurance premiums;
- The cost of the purchase-transaction including loan closing costs, real-estate commissions, and down-payment requirements; and
- The cost of operating the home including the costs of utilities, routine maintenance, and repairs.

Homesmart provides savings for homebuyers by finding the lowest interest rates, charging reduced closing fees, eliminating mortgage insurance by structuring loans to cover more than 20 percent of the down payment and building homes that are a durable investment through energy and water savings.

### **Projected Annual Operating Cost**

The operating budget of Homewise is \$2.1 million annually. The vertically integrated business model, Homesmart, has resulted in Homewise being 70 percent self funded. The remaining 30 percent needed for operational expenses is generated through foundation and government grants. The model allows that Homewise does not have to rely heavily on the often unpredictable and inadequate resource of philanthropic donations for operating expenses. Homesmart also allows for its customers to benefit by passing through savings for home costs, lending, transaction costs, and reliable, durable construction.

### **Specific Outcomes in 2005**

- Homewise earned more than 70 percent of its program costs through income generated from loan origination fees, real estate commissions, and developer fees.
- Homewise created 202 new homeowners.
- \$26,146,015 was invested in the local community as loans for home purchases and home improvements for Santa Fe's families.
- 202 assisted homebuyers save a total of \$606,000 in reduced mortgage payments and fees.
- 1,415 families received free one-on-one counseling or education about homeownership and financial management.

### **Benefits of the Innovation**

#### ***To Customers:***

Homewise offers a one-stop shop for customers looking for high-quality homeownership services. In addition, Homewise is able to pass-through significant savings in fees to homeowners compared to the fees of conventional lenders and Realtors.

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### ***To Funders:***

Homewise is a highly productive nonprofit that delivers on its goals and is a good investment for funders.

### ***To the Community:***

Despite working in a high-cost market, Homewise has identified an efficient and effective business model to provide affordable homeownership services to over 200 families per year in Santa Fe.

### **Lessons Learned**

- 1. Don't be afraid to test new business strategies.** Even small improvements can make a big difference in the efficiency of customer services. Don't be afraid to test some new ideas, especially after talking it through with staff and board leadership.
- 2. Listen to your customers.** It's critical to stay in close touch with your customers and listen to their concerns. Consider every opportunity to talk with a customer as a "focus group of one" to help improve your customer services. Remember that your reputation is built primarily by word of mouth from your past customers.
- 3. Know your service delivery costs.** Any business, even a nonprofit business, needs to know the costs of its products and services. Without knowing these costs, business planning is almost impossible. Build strong internal accounting systems and staff reporting systems, so you can establish and track key efficiency benchmarks over time.

### **Consumer Credit Counseling Service of Greater Atlanta**

Consumer Credit Counseling Service (CCCS) of Greater Atlanta is a nonprofit, community service agency operating in four states. CCCS provides high-volume housing counseling, budget counseling, money management and debt management programs for consumers.

#### **CCCS of Greater Atlanta**

Serving north Georgia since 1964 and south Florida since 1975, CCCS was founded by the local business community to educate consumers about money management, promote the wise use of credit as a tool for financial planning, and assist individuals and families in overcoming financial difficulties. CCCS is governed by a diverse, community-based board of directors. CCCS is a member of the National Foundation for Credit Counseling (NFCC).

#### **Business Innovation**

CCCS was an early adopter of telephone and Internet counseling. It invested heavily in technology and improved infrastructure in the late 1990s so that it now provides telephone and Internet counseling services to customers 24 hours a day, seven days a week. Face-to-face counseling is also available in 10 office locations in the North Georgia area: Decatur, Douglasville, downtown Atlanta, Fayetteville, Gainesville, Marietta, Norcross, and Rome. Services are also available through affiliated agencies in Florida, Tennessee, and Mississippi. All told, CCCS provides services through 18 office locations.

CCCS serves clients across the entire socio-economic spectrum. The average client is age 44 with an income of \$38,370 and \$19,000 of unsecured debt owed to 8.4 creditors.

#### **Services Delivered Through Multiple Channels**

CCCS counselors offer individual advice for developing and balancing budgets, managing money, using credit wisely, and building a savings plan. More than 47,313 individuals and families received counseling for financial difficulties in 2005.

CCCS also offers community-wide programs on money management, credit, and other consumer issues. In 2005, CCCS conducted 1,566 seminars reaching 36,180 people. In addition, over 237,300 consumers visited their website at [www.cccsinc.org](http://www.cccsinc.org) for training, advice and information in 2005.

CCCS is certified by HUD as a comprehensive housing counseling agency. Their counseling services include pre-purchase counseling, mortgage default, rent delinquency, post-occupancy counseling and loan declinations. Through seminars and individual counseling sessions, 7,910 families got help from CCCS on housing issues in 2005. CCCS is also involved in several partnerships to provide telephone counseling to consumers to resolve their mortgage delinquencies or defaults.

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### Benefits of Innovation

#### ***To Customers:***

Customers gain through convenient 24/7 access to services by selecting to contact CCCS through the Internet, telephone or face-to-face.

#### ***To Funders and Partners:***

CCCS offers broad coverage for counseling services with 18 offices in four states. Funders and partners can expect to reach a high-volume of customers through CCCS's multiple office locations as well as through phone, Internet and face-to-face channels.

#### ***To CCCS:***

Through its investment in technology and infrastructure, CCCS has achieved economies of scale beyond the dreams of most nonprofits. CCCS reaches thousands of customers annually. This high-volume operation has helped it deliver efficient services, attract new partners and have significant impact in the communities it serves.

### Lesson Learned

1. **Invest in technology and infrastructure.** Without its phone systems and Internet technology, CCCS would not be able to serve its many customers efficiently. Staff training in how to use these technology tools is also an important part of building capacity and infrastructure.
2. **Consider the efficacy of phone counseling.** Phone counseling developed a bad reputation because of earlier industry efforts in the 1990s. More recent efforts have been implemented with higher quality standards and testing to demonstrate their effectiveness. These experiences have shown that phone counseling can be useful, convenient and cost-effective, especially for default counseling.
3. **Make your website an entryway to consumer services.** CCCS has put much effort into enhancing its website providing general information, training and online counseling to consumers. More than 230,000 consumers -- a record number -- used their website in 2005 and they expect greater use every year.

### **Consumer Credit Counseling Service of San Francisco**

Self-Help Credit Union and Consumer Credit Counseling Service of San Francisco (CCCS-SF) have developed a strategic collaboration to provide a model approach for the delivery of early-delinquency intervention services to consumers. Through this program, Self-Help provides borrowers with delinquency phone counseling through CCCS-SF. As the investor, Self-Help pays for the counseling, recognizing that funds allocated toward counseling services are less costly than a property that goes to foreclosure. In 2006, CCCS-SF provided counseling to 150 families per month and nearly 85 percent have avoided foreclosure. The program was expanded to include post-purchase counseling sessions with consumers before they are delinquent with their loans.

### **CCCS of San Francisco**

CCCS-SF is a non-profit service and a member of the National Foundation for Credit Counseling (NFCC). The agency is accredited by the Council on Accreditation of Services for Families and Children, Inc. and is certified by HUD to provide comprehensive housing counseling services. CCCS has provided consumers with money management information and assistance since 1969. As a financial resource center, CCCS-SF serves over 70,000 individuals and families annually.

### **Strategic Partnership with Self-Help Credit Union**

The Self-Help Credit Union (Self-Help) of North Carolina operates a secondary-market program that purchases portfolios of loans from private lenders serving low-income and minority mortgage borrowers, and thus is the investor in mortgages originated and serviced by private lenders. Self-Help is committed to responsible lending practices and provides extensive counseling and education services to its customers. Self-Help has targeted its portfolios high delinquencies to participate in an early delinquency counseling program. Self-Help sought the assistance of a counseling agency to assist its borrowers with debt management and help prioritizing mortgage payments so that an unplanned event or emergency does not lead to delinquency.

Self-Help contracted with CCCS-SF to provide early-delinquency phone counseling to loan customers who were in the early stages of loan delinquency. Homeowners receive financial and budget counseling over the telephone. Self-Help receives a summary of the counseling session with the borrower and determines if the borrower should receive additional assistance, such as a loan workout. If so, it works with the servicer to negotiate one. Few homeowners require any additional assistance beyond the initial counseling session with CCCS-SF and workouts under this program are rare.

Homeowners who are 45 days delinquent receive a letter from their servicer informing them that they will be receiving a call from a "housing education program." CCCS-SF initiates the telephone counseling session with homeowner. CCCS-SF receives a fee for service from Self-Help.

### **Moving Beyond Crisis Intervention**

In 2006, Self-Help and CCCS-SF created a similar counseling service that provided outbound calls to new homeowners with certain risk profiles after 30 days in the home to offer four optional phone counseling sessions on topics such as budget counseling, their

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responsibilities as homeowners, using credit wisely, avoiding predatory lending and more. The calls are provided on a quarterly basis and have been very well received by consumers. Consumers are also offered an 800 number to call CCCS-SF counselors if they have questions or financial problems. The goals of the program are to build a connection with the families and keep them current on their loans.

### **Benefits of Innovation**

#### ***To Consumers:***

Consumers benefit from these innovations by receiving free, confidential and convenient telephone counseling to assist them with budget counseling, general financial advice and if necessary, assistance in resolving their loan delinquencies.

#### ***To Partners:***

CCCS-SF provides cost-effective phone counseling services that have helped resolve loan delinquencies and prevent foreclosures. By avoiding foreclosures, loan investors and servicers have saved significant costs.

#### ***To CCCS-SF:***

This new business service built on and expanded a core competency of CCCS-SF with its phone counseling capacity. The partnership with Self-Help created new fee generation opportunities and also led to contracts for similar services with other investors.

### **Lessons Learned**

- 1. There is a time and place for all types of delivery methods for counseling.** Whether it is face-to-face, group training or telephone counseling, there are consumers who could benefit from these services, especially as demand grows. In particular, crisis counseling around loan delinquency and defaults seems to lend itself to phone counseling since it may be more immediately available to borrowers than face-to-face counseling and consumers can be relatively anonymous during the sessions.
- 2. Staff training for a complex counseling agency is a huge and ongoing issue.** Staying abreast of changing regulations, industry trends and evolving relationships with partners requires almost constant attention. CCCS-SF spends two hours every other week to provide updates to its counselors.
- 3. Matching capacity to volume of services is a challenge.** Nonprofits can gear up capacity to deliver increased services. But how do you know when you'll have enough work to keep counselors busy? It's a difficult balancing act.
- 4. When starting new partnerships, it's best to establish trial periods for the service agreements.** CCCS-SF has found it's helpful to agree to a 90-day period to test new arrangements together and allow either party to cancel the agreement with 30 days notice. If the partnership isn't working for either party, they have found it's best to rework it or end it quickly.

### Conclusions Drawn from These Case Studies

Nonprofits across the country are testing new business strategies in order to reduce costs, become more efficient, reach more people with needed services, achieve greater sustainability and ultimately, have a greater impact on their communities. This paper has highlighted a number of these business strategies being tested. While these experiments are all relatively new, a number of lessons are emerging that can inform other nonprofits and policymakers concerned about these issues.

**Thorough business planning is critical for any new strategy.** It is no longer enough for nonprofits to identify a community need and design a program to address the problem. That approach is economically unviable. Sustainability demands that solid business planning be put to use to design services that can fulfill community needs **and** also be more self-sustaining. For example, in the case of the Ohio Foreclosure Prevention Initiative, the nonprofits noted that foreclosure prevention counseling is highly intensive and very costly. Few partners are willing to underwrite the cost of this counseling, so the initiative developed a strategic partnership with the Homeownership Preservation Foundation and its HOPE Hotline that provides telephonic counseling to troubled borrowers on a 24/7 basis. The telephonic counselors can resolve about 80 percent of the calls while roughly 20 percent of the callers are referred back to local nonprofits in Ohio for face-to-face counseling. This approach is a “scaleable solution” that appears very cost-effective while also being extremely convenient to customers.

**Geographic expansion is important to achieve broader national coverage and economies of scale.** Too many nonprofits are duplicating homeownership services in some areas of the country, while other areas, particularly rural (and so-called “hyper-rural” areas), offer no homeownership services whatsoever to lower-income households. Expanded coverage may be offered through strategic collaborations such as the Montana Homeownership Network, the Minnesota Homeownership Center or the Tennessee Homebuyer Education Initiative. Or this coverage may be provided through technology innovations as highlighted in examples from the Wyoming Community Development Authority with its video teleconferencing of homeownership classes, or the innovative use of telephone and website market channels by the CCCS of Greater Atlanta and the CCCS of San Francisco.

**Investments in technology often lead to increased efficiency and cost savings.** As the case studies highlighted, technology improvements implemented by the Wyoming Community Development Authority, CCCS of Greater Atlanta, CCCS of San Francisco or the Indianapolis Neighborhood Housing Partnership were very cost-effective. While these technology innovations required significant infrastructure improvements and were often costly, the pay-off was also very high.

**Implementing new business models takes far longer and is much costlier than expected.** Creating organizational change can be challenging and time consuming. The work can include changing internal systems, engaging community leaders, adapting corporate cultures, building new infrastructure, training or retraining staff, building new partnerships, and more. As the case study of Homewise illustrates, creating a model for integrated and sustainable homeownership services has been effective but the process has required testing and evaluation over the course of several years to implement.

### Appendix

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### **NeighborWorks<sup>®</sup> Vermont HomeOwnership Centers**

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