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The Bridge is a quarterly e-magazine published by The National Federation of Community Development Credit Unions (FEDERATION), intended as an educational resource highlighting best practices, insights and commentary to help credit unions better serve underserved and emerging markets through innovative products, services and partnerships.

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President/Chief Executive Officer
Cathie Mahon
The benefits of homeownership are well-documented, from homeowners reporting higher self-esteem to higher student achievement and a greater feeling of control over their lives than non-owners. Despite the turmoil in recent years, homeownership remains an important pathway for lower-income Americans to build assets and achieve greater financial security. Yet, for many lower-income working families, homeownership remains out of reach.

From a high of 67.3% in 2006, the homeownership rate in the U.S. fell to 64.6% in 2011 across all income groups—the lowest level since 1995. It is particularly poignant for African Americans and native-born Latinos whose rates of ownership have fallen more steeply than for the rest of the population.

On the other hand, during this same period credit unions have grown their share of first-mortgage loans. From the mid-1990s until the mid-2000s credit unions accounted for just 2% of the first-mortgage market; this figure has grown to more than 8% of the market overall.

Though the growth in credit union mortgage loans is remarkable, only 17% of the country’s 7,000+ credit unions write mortgage loans. Because affordable homeownership remains a vital tool to promote household stability and community development, the Federation works on several fronts to help its member community development credit unions meet the demand for safe and affordable mortgage loans in their communities. To that end the Federation established the CDCU Mortgage Center in 2005 and established a HUD-approved homeownership counseling intermediary program in 2008.

The CDCU Mortgage Center helps member credit unions boost their mortgage lending by purchasing conforming and non-conforming loans, enabling them to continue to grow a pipeline of mortgage loans to members. As a HUD-approved National Housing Counseling Intermediary, the Federation’s network currently provides housing counseling to nearly 8,000 low-income people annually in 11 states.

In this issue of The Bridge, we place a spotlight on innovative approaches and strategies to developing and growing affordable homeownership programs. From partnerships with homeownership counselors to creative and sustainable underwriting, these credit unions are finding ways to help their members achieve the American dream of owning and maintaining a home.

We remain committed to supporting your efforts to make affordable, quality housing a reality in your communities. Look for new training and educational programming on housing and mortgage lending for credit unions of all sizes soon.

A home can establish financial security and build assets, but it’s more than that. Having a safe, affordable place to live fosters well-being and commitment to community. The Federation looks forward to working with members, partners and supporters of the credit union community in making homeownership a reality for more Americans.

Cathie Mahon
In the April 24, 2013 edition of Credit Union Times, David Morrison’s cover story article, “Roadblocks Hinder Credit Union Housing Finance,” cites three areas of concern for credit unions engaged in housing finance for their members—lack of staff, compliance issues and proper leadership. The article offers comments from a cross section of credit union executives, including the American Credit Union Mortgage Association, addressing the critical importance of getting each of these areas right in order to effectively deliver a quality service.

However, in today’s sophisticated financial services marketplace, the challenges aren’t necessarily limited to overcoming three roadblocks. For credit unions striving to deliver housing finance to the underserved and those of modest means, other issues surface such as providing member education, seeking out additional sources of funding and the ability to collaborate with organizations and agencies which many times are outside of the credit union community.

The following testimonies represent the experiences of three credit union-sponsored, housing finance services. While each may differ slightly from one another, they all incorporate the credit union spirit of people helping people, so all can have a shot at realizing the American dream.

MariSol Federal Credit Union
Phoenix, Arizona
Robin Romano, CEO

MariSol Federal Credit Union is a Community Development Financial Institution (CDFI) certified financial cooperative serving the residents of Maricopa County which comprises the greater Phoenix metropolitan area. With $33 million in assets and a membership that is 35 percent Latino, MariSol is content with its ability to underwrite loans and give the servicing to others.

The Bridge: Describe the current state of housing in the metropolitan Phoenix area.

Robin Romano: There is a lot of demand for home ownership. During the great recession, we were one of the states that had a huge decline in real estate values. In 2007, in some of the outlying areas of the metropolitan area, we saw devaluation of homes up to 60 percent. About a year and a half ago, stuff started to improve. Basically the foreclosures started to become less as investors were coming into Phoenix to buy properties cheaply. We have a lot of people that come from Canada who like to retire here. They started to buy properties and the market started to turn again. Values are now starting to climb. We had, I think, about a 20 percent increase from year to year this past year. We’re not anywhere near our valuations in 2007, but people actually have equity again.

We are starting to see a bit of that where people who can only afford a $100,000 house, and there’s not many $100,000 houses out there, get priced out. But prices haven’t gone up so much that if people can afford a little bit more, they can go for it.

The average medium price of a house in Phoenix right now is $152,000. At the height of its peak, it was $264,000. So we really dropped. It’s been ugly here but it’s getting better.

B: Tell us about your housing finance services.

RR: In 2011, we got a grant from the community development fund and we decided to reach out to some of our fellow CDFIs in the Phoenix area. So I reached out to Neighborhood Housing Services of Phoenix. We started talking and realized we were, one, less than two miles away from each other. Two, we served the same group of peoples and areas. Three, I had money to lend and they did not because they didn’t get a grant. They were finding it more difficult to get banks to lend to lower income people because during the Great Recession there was a lot of tightening of approvals. They were finding that their sources of financing for these people had dried up. So we formed a little partnership. I said I would be happy to do the lending—we were already doing lending—and we created a program that I call Pay Yourself Mortgage.

One of the issues with people who have low income is that they may have an ability to actually make the monthly payment but oftentimes they won’t have any additional savings beyond that, and then they also have a harder time getting down payments. One of the great things that Neighborhood Housing Services does is that they help people get down-payment assistance and closing costs assistance loans which helps somebody who might only be able to afford a $100,000 house on their own to maybe go up to $125,000 because they got down-payment assistance.
Down-payment assistance programs aren’t always understood by lenders, to be honest. A lot of times these down-payment assistance programs are what we call, a “silent second,” meaning that you have to be in the home for, say, five years. Then after five years the loan is forgiven.

B: So how does Pay Yourself Mortgage work?

RR: You’re familiar with PMI, Private Mortgage Insurance? So, if you didn’t put 20 percent down, your loan on a conventional would have to have Private Mortgage Insurance where you pay a premium. It means that should I default, this insurance company will pay the lender “x” amount of dollars to bring the loan to 80 percent. With FHA they call it MIP, and FHA’s premium for MIP has gotten considerably more expensive. It’s one and a quarter percent, plus a monthly premium because of all the losses that FHA has taken.

For awhile, the Phoenix area was a place where PMI didn’t even want to do insurance because of the falling prices. So unless you had absolutely perfect credit and you put so much down, you couldn’t even get PMI here.

In our program with Neighborhood Housing Services, we will allow three percent of your own money as a down payment. Plus, if you get additional down payment assistance that’s included as well, and instead of having private mortgage insurance, you pay yourself insurance.

We take 75 basis points of the loan amount. So, if the loan amount is $100,000, the premium would be $750 every year. We divide that by 12 and $62.50 will be added to your escrow account established at MariSol. The money will be deposited into that escrow account and you pay into that account for five years. You can’t touch it for five years.

After five years, you’ll have accumulated $3,750 on a $100,000 mortgage, if you made all your payments. If you don’t make your payments and you default, MariSol would take whatever’s in that account and use it to pay down your mortgage and we’d have to foreclose.

If all payments were made, we’d allow you to touch 50 percent of that money to do home improvement. Say, you had a roof leak or need it to repair a water heater or just want to put some new carpet down, you could use up to 50 percent of those funds to do so. You have to pay into Pay Yourself Mortgage for this premium for 10 years.

Basically, what we have done is instead of paying some independent insurance company, you paid yourself, and you created savings for yourself to use for your home which in low moderate income families, is extremely hard to do. Because we’re escrowing it in, that premium isn’t any more and usually is less than what you’d pay on an FHA loan or a conventional loan, and you created your own savings.

B: What kinds of results are you seeing from the community?

RR: They love it. We’ve been doing it with Neighborhood Housing Services for about two years now. We have about seven loans on the books with them. I have no defaults. And, we are now bringing this product to our membership. We’ve modified it a little and they love it.

We’re also looking at our limit on the mortgage amounts which now only goes up to $150,000. Because the market is changing we’re going to increase the amount to $200,000. This product is really meant for people with moderate means. It’s not meant for a person who has bought five homes.

B: Looks like your partnership with Neighborhood Housing Services has been very beneficial.

RR: It’s been very beneficial to both of us. We’re able to give them a product they can use for their parties. In addition, being a CDFI, in cases where people have no score on the credit report, I’ll typically look at alternative credit, meaning, we’ll look at things like, have you been making your rent payments. Have you made your insurance payments, stuff like that. Two of our seven loans are for permanent resident aliens. It’s been a good partnership and we’re hoping to expand and do more.

B: Considering the challenges that accompany the housing finance business, how have you managed some of the obstacles?

RR: We’ve been doing mortgages for awhile. We had a relationship with a CUSO called Centennial Lending, which we still have. With Neighborhood Housing Services, the bottom line is that we allow them to collect all of the origination and fee income. We book the loans in our name but they actually service them. I don’t do the servicing in-house on these types of mortgages, nor do I do them on loans I do for typical conventional type of loans for first mortgages. We allow Centennial Lending to do the servicing but we do participate in all the origination processing and the underwriting. We underwrite all these loans. I do have people on staff that have been doing this for a while that are able to do that aspect of it.

I don’t do the things that I don’t have staff to do, like servicing. There is a lot to know to be in this business and compliance is a lot of it.
**B: Would you encourage others to pursue this lending service?**

**RR:** Absolutely. Finding products that you can do with your moderate income borrowers for mortgages and trying to get them into home loans is definitely worthwhile. Part of the reason this was created was to help these members save money, not only from paying rent or paying a mortgage but also saving for those rainy days, because there’s a lot of difference from owning an apartment and owning a home. With a home, you have to pay out for the repairs. With an apartment, you don’t. So getting that mentality and ability to have that person have some income or savings to be able to solve problems in the future is pretty essential.

For anyone wanting to do housing finance, find good partners. Talk about what the needs are and make sure you have staff. You have to have staff on board that understands the process. And, don’t be afraid to reach out to non credit unions or like I did to Neighborhood Housing Services and say I want to do this. How can we help each other? What can we do to help each other? Sometimes in credit union land we only work in credit union land, and there’s a whole world out there worth exploring.

**A Shared Initiative, Inc. (ASII)**
New Orleans, Louisiana
Giazzlyn Brumfield, Home Ownership Counselor

A Shared Initiative, Inc. (ASII) is a nonprofit organization created by ASI Federal Credit Union to more effectively administer the credit union’s community development initiatives and combat post-Katrina economic distress in the Greater New Orleans area. The mission of ASII is to provide affordable lending opportunities and expand access to financial education and other vital community services. ASII is a member of the Federation’s HUD-approved Housing Counseling Network.

**The Bridge: Giazzlyn, describe ASII’s program to us.**

**Giazzlyn Brumfield:** Our program is situated in the 9th ward of New Orleans. We are here to give educational advice about finances to our members, as well as people in the community wishing to purchase a home, those who have purchased a home and may have a problem trying to maintain that mortgage, as well as those who want some type of credit counseling. We’re here to guide and answer those questions that people may not want to ask their mortgage company or may feel embarrassed to ask. We’re here to be a navigating hand for such issues.

We also have our first time home buyers program. We have classes once a month. It’s a 12-hour program so they understand all the rules and all the things that happen in the first-time home buying process. It’s a very robust program and offered in conjunction with a program administered by the City of New Orleans, where they are giving $65,000 grants to assist first-time home buyers in purchasing a home. So the city program is an added incentive for going through our program.

**B: When did ASII begin the program?**

**GB:** In 2006, shortly after Hurricane Katrina, the program was still in-house with ASI FCU. In 2009, we were actually given a building where we were able to anchor ourselves in the community as a separate entity, as well as an affiliate of the credit union.

**B: What kind of impact are you making in the community?**

**GB:** We’re making a great impact. We’re having clients go through the program, as well as purchase a home and access the city subsidies. We’re able to see and track that. On our foreclosure intervention side, we’re assisting home owners in payment modifications or just answering questions about the way a particular mortgage is structured.

We’re also seeing an impact where people are calling us back. They’re remembering us. They’re calling us to do a follow up and talk to us about whatever question they may have. So, I’m seeing a tremendous impact.

**B: Tell us about those using your services.**

**GB:** I would say they are mainly the underserved and that is probably because of where we are located in the city. We’re easily accessible to those who may not be able to have the transportation to get to our office. I’m finding that it’s mainly the underserved, the low income families.

**B: Are there any other options in New Orleans similar to ASII?**

**GB:** I’m going to say no because as far as the federal credit union (ASI) and non-profit affiliate (ASII) that we have, it’s all different than what you’ll find in the city. There’s no other institution in the city that offers not only the financial piece but the educational piece as well.

**B: Why do you find the educational aspect so very important?**

**GB:** Not everyone knows the different tools and different aspects of finances. To have someone in the community that’s here to help you and steer you and point you in the right direction is absolutely so important. People are able to better understand the
type of product they have, as well as make those decisions on other products or if it’s a good time to refinance.

If you went into a stand-alone financial institution you may not be able to get answers to all those types of questions. You won’t get a loan officer who will sit down and go through a budget with you and we’re here for that. I think it is so absolutely important for us to be here for consumer enlightenment.

B: What’s your source of funding?

GB: The majority of our funding is from HUD because we are a HUD-approved organization, so we are regulated, as well as receive funding from HUD. We also receive funds from the National Foreclosure Mitigation Counseling. They also give us funds to help with our foreclosure intervention service. Those are the two major sources of funding for our organization.

B: How many folks are taking advantage of ASII’s services?

GB: In 2012, I want to say we saw close to 300 clients throughout the year. They were first time home buyers and foreclosure clients. This year, I think we’re going to surpass 300. We’re half way to our goal already. There’s such a tremendous need right now and I don’t see it diminishing anytime soon.

Border Federal Credit Union
Del Rio, Texas
Gina Perez-McNeal,
Director of Financial Education

Border Federal Credit Union, nestled adjacent to the Mexican border approximately 150 miles west of San Antonio, Texas, is a CDFI-designated financial co-op, serving a membership of 22,907 since 1954.

The Bridge: What kinds of housing finance services does Border provide?

Gina Perez-McNeal: Border does not do mortgage lending. We do provide home equity loans and the land loans. We service 13 counties and all 13 counties are considered low-income counties.

Our first time home buyers program and everything it entails—from education to counseling to helping members and non-members (it is open to anyone in the community) is a free service. We take them through the budgeting, the debt management, and the credit counseling. The credit counseling is where we spend a huge amount of our time, helping them understanding their credit history and what it is.

Most of them do not have a good credit history and therefore not that great of a credit score. For the most part, we take them through that process of re-establishing and improving their credit history and improving their credit score so that they can be approved for the best interest rates possible, once and if they decide to become home owners.

We also partner with several non-profit organizations in our area for down-payment assistance and as well as education. We do a lot of work with USDA, a lot of work with the Del Rio Housing Authority Self Help as well as many others.

B: Tell us a bit more about the program.

GPM: We focus on three areas with each area having its own class. The first is budgeting where they actually come in and we sit down as a class and go through different scenarios. They work on specific projects, trying to figure out the budget of a particular family. We use real life examples, situations that make sense to the group we’re instructing.

In debt management we bring them to Power Pay. It’s a way of helping them get out of debt a lot quicker.

Then there is credit repair, the area where we have the most success. Everybody wants to know about credit. They know that it affects them yet they don’t know the ins-and-outs of it. There’s a lot to know about credit history and the credit report; what helps and what doesn’t.

When they come to our class they leave with quite a bit of knowledge, feeling a lot more comfortable about what they need to do to improve their credit history.

B: Sounds like your program is a bit intensive.

GPM: It takes awhile to go through our counseling and educational process. It’s not a one month process. We’ve had clients that have been with us for two, three or four years but then they finally become home owners. That’s the important thing. We want to make sure that if and when they do become home owners, that it is the right time and that we’re setting them up for success so that they can keep their home for the rest of their lives.

Let’s say you’ve been with us for a year or two and decide you want to purchase a home, and now is the right time for you. What we’ll ask is that you shop around. If you need our help, we’re there for you. Most of our clients end up coming back once they get an offer from a bank or credit union. They will bring the offer back to us to help them decipher it and make that decision with them.
B: What has been your experience so far?

GPM: We’ve had our ups and downs. The problem in this area is that we are so remote and because we are a low income designated area, there are very few programs that are actually in this area for down-payment assistance and some of these families need that little push to get them started.

For the last two years we have not had any down-payment assistance, so in partnering with Self Help, which is another non-profit organization, they have used their grant funding to build small starter home loans.

To give you an example, last grant year we had a little over 600 people that came through our program. That means they received counseling; not all of them were first time home buyers, but for the most part, they were under that program, but we had probably less than 20 that actually purchased a home.

Three years ago we were very successful because we had about 60 families that bought a home in one year. Then, we were hit very hard in this area with unemployment, so our focus shifted to the foreclosure prevention side than the first-time home buyers program.

So it depends on what’s going on with the economy that will affect what we’re doing with the program. We just shift to whatever services are needed at that time.

B: Are you working with any partnerships?

GPM: We have a very interesting partnership with an organization called HOPE CRCG. HOPE is an organization that provides financial assistance to clients in the community that need help getting through an emergency. Most of the clients that go through their program are referred to us for the budgeting side, because if they need funding, most of the time it is because of budgeting issues.

HOPE provides the monetary assistance and then we come in and follow up with their clients to continue the budgeting process. Even if they’re not going to purchase a home, we still prepare them so that they don’t have to go to the finance companies to get a loan where they’re paying a 200 or 300 percent interest rate. We help them with their credit so that they can walk into any financial institution and be credit worthy and receive the lower interest rate loans.

B: If there was one thing you could add or change to your program, what would it be?

GPM: Bringing more grant funding into our area for down payment assistance. There are plenty of times when families are ready for home ownership and they’ve gone through everything but they cannot come up with the five-, six-, seven-, or eight-thousand dollars they need for closing costs plus down payment. If they had that initial help, they would be able to become home owners. If we could get the funding in the areas that we serve, the 13 counties, that would help tremendously.

B: What other services do you offer in addition to financial counseling?

GPM: We also go out to the high school and educate the kids on the same three topics. Then they go home and take the information to their parents and their parents end up coming in because their children send them in to talk to us. The students know their moms or dads are having problems. They don’t quite understand the whole picture but they say, ‘Hey mom, this lady from the credit union talked to us and said this and that, why don’t you go talk to her. She might be able to help you.’

That’s how we’ve been able to get some of our clients as well. They feel that if we’re taking the time to go and educate their students, their children, then they trust us to help them as well.

Another way we capture some of our clients is through the VITA program, the volunteer income tax assistance program. We’ve been doing that program since tax-year 2005 and every year we see an increase number of tax payers who end up coming back for financial counseling. The volunteers we have doing the program cross sell our counseling services. If participants are getting a huge refund then we talk to them about the program, in case they want to invest some of that money to reduce their debt, or put it into savings for a rainy day, that type of thing. That has worked out very well for us.

This year we also partnered with Opportunity Texas and the Texas Credit Union Foundation to do a one-for-one match if participants saved part of their refund. For example, they could save $250 or $500 from their income tax refund at the time that their income tax is being prepared. If they agreed to save $250, they received a $25 Visa Gift Card. If they save $500, they received a $50 Visa gift card.

If between that time and January 2014 they save an additional $100, we will do a one-for-one match, up to the $100. But in order to receive it, they also need to come in for financial education. We hold a financial awareness class for them.

We try and find creative ways to bring the people in so that we can give them the information they need. Information is power and once they have it, about 80 to 90 percent of the time, they will come back for that one-to-one counseling session so that we can focus on their specific needs.
If people leave happy they send us one or two or three others, and we stay busy!

**B: Why do you believe your services are so important?**

**GPM:** They are very important because a lot of the clients we service don’t speak the English language and everything that’s provided to them for the most part is always in English. We provide all of our services in both English and Spanish and sometimes in “Spanglish,” whatever makes the client more comfortable.

If we can educate our clients—because they don’t necessarily have to be members—we will be saving them not only the money but the heartache. We’ll be saving them from having financial stress in their families because they got into something they could not afford.

Providing the education and counseling to help them achieve their goals; it’s priceless. That is what Border Federal Credit Union is about – People Helping People.

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**Advice on Overcoming a Staffing Obstacle**

*Credit Union Times* reporter, David Morrison, has been covering home mortgages for several years. In speaking with *The Bridge* about his recent article on the roadblocks hindering credit union housing finance services, he stressed the importance of having staff experienced in this area.

To make his point, he drew an analogy. “It’s like being in another country. When you’re in another country, not only don’t you know the language, but you also don’t know the culture, and you don’t know the geography, and you don’t know the economy. It’s almost like you don’t know what you know. But if you bring in somebody who’s been there before, who really has a heart for housing finance, they’re the ones who are going to be able to give you some guidance as to what to start first.”

Morrison also shared the fact that a number of credit unions were starting to launch training programs for their own staff, helping them become housing finance people. He pointed out that they were doing this because they concluded that hiring from the outside on a consistent basis was going to be simply too difficult and too expensive.

“A qualified housing finance person could pretty much write their own ticket and often those tickets are too expensive for credit unions,” he said. “In the future, in the next two to five years, if you want to be able to have a pool of talent that you can draw from to fuel your housing finance program, you better start now.”
The Corporation for Enterprise Development (CFED) created its Innovations in Manufactured Homes (I’M HOME) initiative in 2005 to recast manufactured housing as a viable asset- and wealth-building tool.

The mission of CFED, simply stated, is to develop pathways to financial security and opportunity for low- and moderate-income Americans. Since the mission of Community Development Credit Unions (CDCUs) is to meet the financial needs of low-income and minority communities, I’M HOME and CDCUs have a common cause. We’ve long worked together on a range of issues, including manufactured housing, but now may be the time to ramp up the partnership.

Today’s manufactured housing is low-cost and high-quality, but often misunderstood in the affordable housing landscape. Sadly, images of poorly maintained, dilapidated “trailers” and impoverished communities define the entire market for some. Coupled with the implosion of the manufactured housing lending sector at the dawn of this century—a crash that presaged the broader housing crisis—it’s easy to understand why advocates, lenders and communities are reticent about engaging the manufactured housing market.

No doubt one of the reasons for the confusion over manufactured housing is cost. Cost should not be a knock against manufactured housing, but rather, an argument for it. Excluding land, manufactured housing costs about half ($83 versus $41) per square foot compared to site-built homes. New manufactured housing can also be very energy efficient. All this translates into savings for the buyer, and thus its appeal as affordable housing and a resource for CDCUs.

I’M HOME, with the help of partners such as the National Federation of Community Development Credit Unions (Federation), is helping rewrite the story of manufactured housing in four chapters.

First, CFED is working to put high-quality, energy-efficient manufactured homes within reach for lower-income families. Manufactured housing is governed by the so-called HUD code, the only national building code, which was first released in 1976. This code, mandated by an act of Congress and since updated, has transformed home quality. One of CFED’s major partners, Next Step USA®, works nationwide to replace older units and develop new housing opportunities with high-quality, energy-efficient manufactured homes.

Second, CFED and its partners are helping owners assume control over the land beneath their homes, through titling reform and the work of ROC USA®. ROC USA® helps families buy their communities from park owners. Without land ownership or other similar controls, a family cannot control its financial future: the landowner can evict the family from the community, and the unit owner does not have access to the mortgage options most homeowners take for granted.

Third, CFED’s I’M HOME initiative is pursuing public policy reforms. Many states limit a homeowner’s ability to title a manufactured home as real estate, a status that would open the doors to lower-cost mortgages. Some states have weak consumer or tenant protection laws, which impede communities’ ability to organize cooperatives or challenge poor conditions.

Finally—and most important for CDCUs—CFED is working to improve the mortgages available to buyers and owners of manufactured housing. CDCUs can play a key role in this sector, and some, such as HOPE Credit Union and Self-Help Credit Union, already do. Fundamentally, advocates need to get more mortgages into the hands of manufactured housing borrowers. Most home loans on manufactured homes are private property, or chattel, loans, which can cost from 2.5 percent to 9 percent more than a mortgage. These loans also have shorter repayment periods, and as a result of these terms, higher monthly payments. While fees are typically less for chattel loans, think of these as big car loans; the lower interest rate quickly repays the borrower with a mortgage, whereas higher interest rates are never recuperated by the borrower.

We know that there are opportunities in today’s environment, even without changing state laws, for CDCUs to make more mortgages to low- and moderate-income owners of manufactured homes. A recent report released by CFED reveals that manufactured home mortgages can perform as well as other mortgages, even when the mortgages are made to borrowers with relatively poor credit and small down payments. So, we know that these loans can be made responsibly and profitably (Even for a nonprofit!).

BY DOUG RYAN, Director of Affordable Homeownership, CFED
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Along with the Federation, CFED is exploring new ways to enhance mortgage lending to manufactured housing purchasers. One of the most promising areas is the creation of a sustainable secondary market for these loans, including those that lenders may otherwise retain in portfolio. Another opportunity lies in expanding the roles of state Housing Finance Agencies (HFAs). Certain HFAs, such as in Pennsylvania, have been successful in investing and servicing these types of loans using high-touch loan approaches to intervene early with an at-risk borrower.

These are promising lending opportunities for CDCUs. We also think that CDCUs can offer owners of manufactured homes and manufactured housing communities, such as those assisted through ROC USA®, complete financial services. Bloomberg recently released data indicating that 93 percent of the more than 1,800 branches closed across the nation since late 2008 were in ZIP codes where the household income is below the national median.

Like many Americans, owners of manufactured housing would welcome the chance to borrow from and bank with a local institution that recognizes the value of affordable housing and the promise of its community. CFED and the Federation will continue to work together to explore ways to enhance the financial well-being of these borrowers and communities, and manufactured housing can be a key part of the strategy.

DOUG RYAN
Director of Affordable Homeownership, CFED

expanding economic opportunity
Supporting Credit Unions’ Housing Counseling Efforts

The Federation is the HUD-approved National Housing Counseling Intermediary for Credit Unions

Since 2008 the Federation has served as the National Housing Counseling Intermediary for credit unions, approved by the US Department of Housing and Urban Development’s (HUD’s) Office of Housing Counseling. The Federation, through its network of 14 credit unions and community partners funded in part by HUD grants, currently provides housing counseling in 11 states. The Federation’s network of HUD-approved affiliates provides counseling on purchasing a home, managing household finances, preventing foreclosure, and securing rental housing as well as emergency shelter for the homeless. In its role as National Intermediary the Federation provides all network affiliates with the training and technical assistance they need to strengthen and expand their programs, meet their projected goals and comply with HUD program and reporting requirements. In 2012 the Federation Network provided HUD-approved homeownership education and counseling services to nearly 8,000 people.

The Network

The Federation’s network of credit unions and community partners bring a diversity of location, audience, products and services to the Federation’s HUD Housing Counseling Program. The network of affiliates includes:

- 1st Choice Credit Union: Atlanta, GA
- Alternatives FCU: Ithaca, NY
- A Shared Initiative: New Orleans, LA
- Border FCU: Del Rio, TX
- Center for Financial Health: Lansing, MI
- Cooperative Federal CU: Syracuse, NY
- El Paso CU Affordable Housing: El Paso, TX
- Faith Based CDC: Oceanside, CA
- Grow Brooklyn: Brooklyn, NY
- New Community FCU: Newark, NJ
- North Side Community FCU: Chicago, IL
- Opportunities CU: Burlington, VT
- Smart Money Community Services: Cincinnati, OH
- South Side Community FCU: Chicago, IL

Their Communities

All of the network affiliates work in low- to very-low income communities with low homeownership rates, where finding and maintaining housing can be a struggle. Half of the Federation network members serve rural areas, from the Texas-Mexico border to the northern fringes of Appalachia. A similar percentage serve communities that lack internet access due to an inability to afford the service or geographic isolation. Nearly all of the credit unions and partners in the Federation’s housing counseling network are providing counseling services in multiple languages for populations with limited English proficiency and are providing specialized services for members with disabilities.

Network participants work in partnership with local housing agencies, governments and social service providers and participate in community task forces and coalitions that address housing-related problems and needs. Affiliates also become informed of and help identify barriers to fair housing choices in their communities.

Champions of Service

HUD’s Office of Housing Counseling has recognized three counselors within the Federation’s network as Champions of Service: Gina Perez-McNeal of Border FCU in Del Rio, Texas, Brendan Wilbur of Alternatives FCU in Ithaca, New York and Katrina Maddox of the Center for Financial Health in Lansing, Michigan.

Border FCU (BFCU) in Del Rio is the only agency in its community on the southwestern Texas-Mexico border offering free home counseling services. Topics include first-time home buying, budgeting, credit repair, foreclosure intervention and post-purchase counseling. BFCU leverages both its low-income designation and its CDFI certification to serve the large Spanish-speaking population in its service area, and most of the credit union’s employees are bilingual. Immigrants can open accounts using ITINs or the Mexican Matricular Consular as identification. BFCU also takes a special interest in educating youth by offering a Junior Saving Account, an annual Youth Fair, a summer Financial Youth Camp, Junior Achievement and NEFE High School Financial Planning programs.

Alternatives FCU describes itself as the “head and heart” credit union, and is a national leader in combining intelligent business practices with an unwavering commitment to its mission and clients. Alternatives uses its Credit Path Model of financial empowerment to help low-income households move towards financial self-sufficiency and potentially, homeownership. Alternatives’ housing counseling helps members access their range of financial services including affordable and flexible mortgages, home equity loans and SONYMA (State of New York Mortgage Agency) mortgages, which provide down payment assistance and a lower interest rate.

The Center for Financial Health (CFH) won recognition for their commitment to client service as the 2012 Michigan State Housing Development Authority Housing Counseling Agency of the Year.
CFH grew out of the credit union movement and works closely with the Michigan Credit Union League, as well as the Lansing area offices of Astera CU, Case CU, Option 1 CU, the Michigan State University FCU and LAFCU. CFH is committed to providing the tools and resources for renters, buyers and homeowners to help them make more informed decisions. Their programs include homebuyer education, pre-and post-purchase counseling, first-time homebuyer IDA matched savings, reverse mortgage counseling, foreclosure prevention, loss mitigation and financial fitness workshops.

CFH are also leaders in incorporating client feedback into their program and have developed a comprehensive system for collecting feedback data at each step of the intake, delivery and closeout process; they follow-up with all clients six months after closure of their cases. CFH’s program continues to expand, and they recently achieved a new milestone – serving over 1,000 clients in 2012.

Expanding access to affordable home ownership is an essential element of financial independence for low- and moderate-income communities and core to the Federation’s mission. Our housing counseling initiatives aim to increase recognition of community development credit unions as a source of accurate and sound housing guidance and responsible mortgage financing.

The CDCU Mortgage Center: A Secondary Market for CDCU Mortgage Loans

Affordable housing is a key challenge facing low- and moderate-income communities and the credit unions that serve them. The Federation’s CDCU Mortgage Center LLC helps community development credit unions fulfill their members’ dream of home ownership, while building wealth and financial stability.

Secondary Market Program

The Federations Secondary Market program helps credit unions recycle capital by purchasing mortgage loans

✓ The Mortgage Center buys conforming and non-conforming loans from member credit unions
✓ Loan purchases include one-to-four family, condominium, co-op and manufactured home loans
✓ Purchases loans originated using Individual Taxpayer Identification Numbers (ITINs)
✓ The Federation may also consider the purchase of loans falling outside the parameters of major secondary markets

To learn more about the CDCU Mortgage Center contact Alice Greenwald, Interim Director, Community Development Investment Program at 212-809-1850, ext. 221 or agreenwald@cdcu.coop
The Center for Financial Health (CFH) in Lansing, Michigan is an affiliate of the Federation’s network of HUD-approved housing counselors. CFH works closely with the Michigan Credit Union League and several credit unions in Lansing. This partnership between credit unions and housing counseling agencies expands the expertise and outreach of both partners and delivers better service to the community. Outlined below are some of the Lansing families who have achieved their goal of buying or keeping a home with the help of CFH.

Mr. and Mrs. Brown moved into their Lansing home on Halloween of 1971 and raised seven children there. Five generations have moved through the home and the Brown clan now numbers over 100 including children, grandchildren, great-grandchildren, nieces and nephews. Now in her 80’s Mrs. Brown says of her home “this is a good house – kids have been sliding down the banister for forty years and it never moves an inch.” The need for new ceilings and bathrooms, however, drove Mrs. Brown to seek out CFH’s help. “My housing counselor, Katrina, was great to work with. She stayed with us for an hour and a half answering all of our questions. She was very helpful and a great lady.” Mrs. Brown now has a reverse mortgage to help with essential repairs. Though reverse mortgages are complex financial products and can have adverse consequences if the circumstances aren’t right, under the right conditions they can enable older homeowners like Mrs. Brown maintain their independence and provide financial security. CFH offers seniors seeking reverse mortgages free consultations to help them determine if they are making a prudent financial choice.
Jonathan and Maria were working with a rental counselor at CFH when the conversation turned to homeownership. The Ingham County Land Bank was selling a house just down the street from where they were renting—the same street Maria grew up on. She started dreaming about raising her two children on the same street, though there were some obstacles to overcome first. Jonathan and Maria had to improve their credit score and build up a down payment first. “We did everything the counselor said. We knew it would be hard, but we knew that we could stick to our plan. I wish I could tell people that if you just do what they say you can get what you need… it can seem so overwhelming at first.” Within months Jonathan and Maria’s scores had improved dramatically. They had become mortgage ready and were one step closer to owning a piece of the neighborhood they loved. Maria can see happily-ever-after in sight “It will be good to know that I am bringing my kids home to something that’s theirs. They’ll be able to say ‘My mom and dad own that.”

Norman Mize set himself the goal of homeownership in college, “To me it symbolized what it really meant to be an adult”. But it took him a long time to get there. “I was paying thousands of dollars in rent and I had nothing to show for it. My credit needed some work when I first talked to a real estate agent. I didn’t know how to manage my finances. Two weeks before taking Homebuyer Education I was considering debt consolidation… I worked with a counselor at the Center for Financial Health and with a counselor at the Financial Empowerment Center to figure out how to reach my goals. They made it really comfortable to ask questions. I realized I didn’t need debt consolidation, and I could do everything I needed to do to improve my circumstances myself using the plan my counselors helped me set up.” Now Norman, a single dad, is enjoying time together with his daughter in their new home. “She’s excited to make new friends and decorate her room. This is where we’re going to be for a long time.”
WHO WE ARE

We’re the National Federation of Community Development Credit Unions. Our mission is to help low income people and communities achieve financial independence through credit unions. Since 1974, we’ve helped hundreds of credit unions extend their services and increase their impact in some of our nation’s poorest communities.

We’re growing
Today, our members serve more than 2.2 million residents of low income communities with nearly $15 billion in combined assets. We’re proud to support our members at the forefront of growth and innovation. Together we can shape an even better future for cooperative finance in America.

Join us
Federation membership is an essential investment in the future of your credit union and your community. Contact our membership team today to learn more at Membership@cdcu.coop.

WHAT WE DO

CAPITAL
More than $50 million in capital to invest in credit unions as non-member deposits, near-equity secondary capital loans, risk-sharing, anti-predatory PRIDE™ deposits, CDCU Secondary Market for your mortgage loans.

GROWTH
Our CU Breakthrough™ technical services can help with CDCU Organizing, obtaining CDFI Certification, applying for Low Income Designation or Charter Expansion, developing Strategic or Secondary Capital plans, and more.

LEADERSHIP
Invented secondary capital for low income credit unions, co-founded CDFI Coalition, helped create CDFI Fund, CDCI & CDFI Bond programs, NY State CDFI Fund, shaped NCUA Final Rule on Low Income Designation.

INNOVATION
Leading edge programs include the Better Directions program for older adults, Borrow and Save payday loan alternatives program, BEST Accounts and BEST Internships for people with disabilities, Partnerships, Exchanges.

KNOWLEDGE
Educational opportunities include the CDCU Institute™, Knowledge Networks for Faith-Based Credit Unions, Disability and Latino credit union initiatives, Research and Publications including CDCU Financial Trends Reports, and more.

IMPACT
CDCUs protect and build assets in communities, reduce predatory lending, promote homeownership, increase financial security for individuals, and contribute to improved public safety and increased property values.