

**Serving The  
Underserved:  
Building Family Assets  
through Credit Union  
Home Ownership Initiatives**



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Presented by

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# El Paso Affordable Housing CUSO

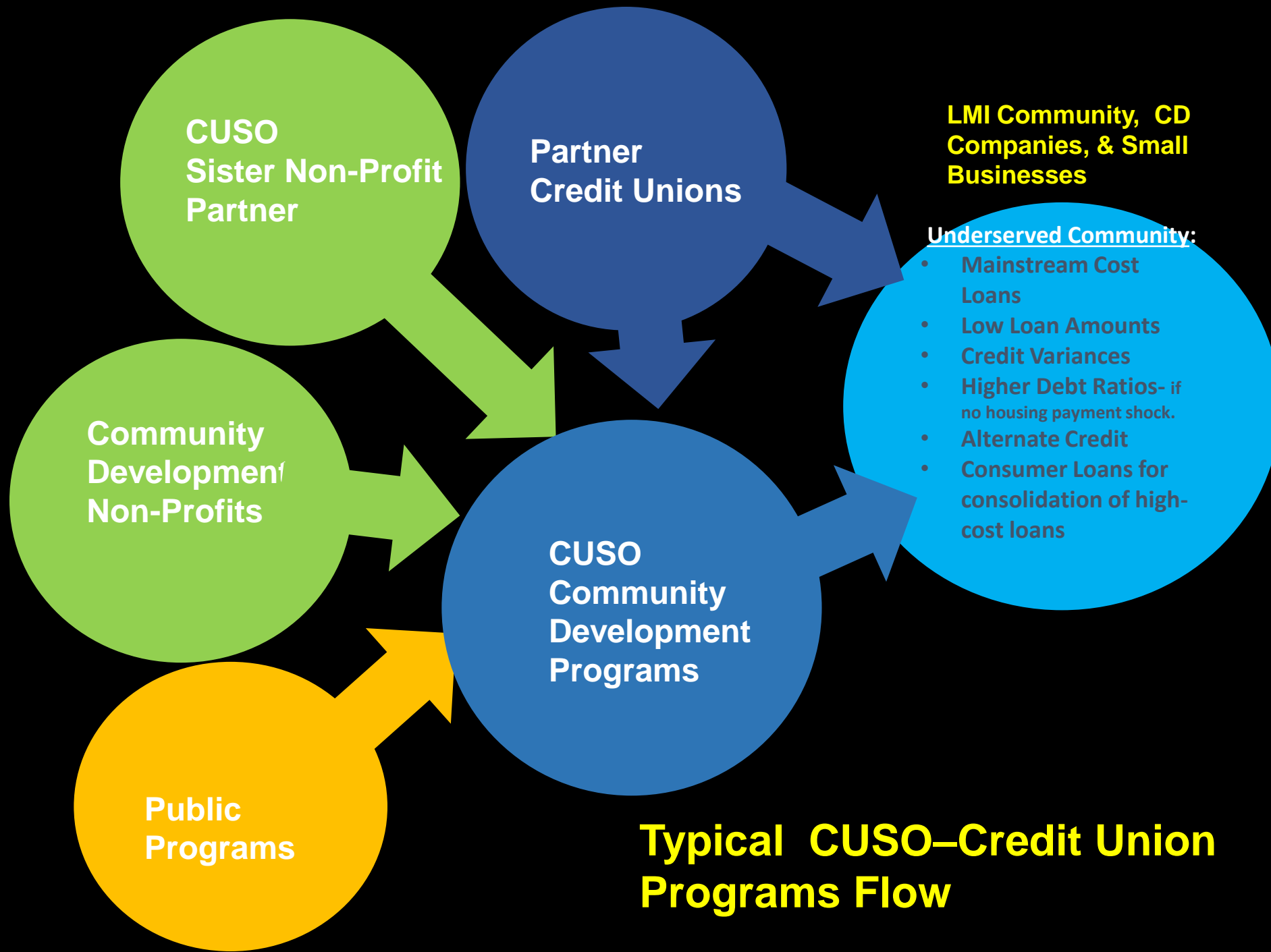
- 1999- 8 CEOs received a grant from NCUF to assess the need for an affordable housing program.
- Contracted NMSU Bureau of Business Research Dept. which determined there was a need for: 19,350 affordable homes, homeownership education, flexible qualifying home mortgages, and down payment assistance.
- The study recommended forming a stand-alone Credit Union Service Organization (CUSO) serving a consortium of El Paso based “affiliated Credit Unions” to:
  - market the services of the organization,
  - to identify potential clients, to evaluate the credit worthiness of the clients,
  - to assist those clients in any way possible so that they qualify for loans, and
  - to provide loans to clients that will eventually be sold to a member credit union.

# El Paso Affordable Housing CUSO

- In 2000, an Affordable Housing CUSO was formed to “deliver affordable housing services, as a credit union initiative to serve the underserved, and empower members of the El Paso community to realize the American dream of family wealth, access to capital, home ownership, and to join mainstream America in the level of quality life”.
- In 2001, operations began with a grant from NCUF for \$100,000 and shared resources from 8 credit unions.
- In 2002, a 501(c)3 Non-Profit Corporation sister company was formed to apply for grants from all sources, and form suitable partnerships for services development and delivery.

# CUSO-CREDIT UNION MODEL





**CUSO  
Sister Non-Profit  
Partner**

**Partner  
Credit Unions**

**LMI Community, CD  
Companies, & Small  
Businesses**

**Underserved Community:**

- **Mainstream Cost Loans**
- **Low Loan Amounts**
- **Credit Variances**
- **Higher Debt Ratios- if no housing payment shock.**
- **Alternate Credit**
- **Consumer Loans for consolidation of high-cost loans**

**Community  
Development  
Non-Profits**

**CUSO  
Community  
Development  
Programs**

**Public  
Programs**

**Typical CUSO-Credit Union  
Programs Flow**

# El Paso Market Profile

- El Paso County has a population of 800,000 and is approximately 82% Hispanic
- Market segment is in lower income percentage of US. (Area Household income 6th lowest in U.S.)
- 43% of Area Households make less than \$25,000 in annual income.
- Only 18% of families earn more than \$35,000 a year and only 4% of families have an annual income of more than \$100,000.
- 35% of Area Households receive means-tested public assistance or non-cash benefits. Recipients are afraid savings will disqualify them from assistance.
- About 28% of families and 42% of children live in poverty.
- Families in El Paso face income, language, cultural or informational barriers in accessing financial education, housing, traditional credit and other low-cost financial services.
- There is a 40k-50k shortage of Affordable housing stock
- One of the highest rates of Predatory Lending in the U.S.

# Issues Affecting Credit

- **Low credit scores due to:**
  - **Low Incomes**
  - **Debt Burden**
  - **Little or No Savings**
  - **Lack of health insurance-medical delinquencies**
  - **Financial emergencies**
  - **Lack of knowledge of credit system**
  - **No Credit Union or Bank Accounts**
  - **Inability to correct credit issues**



# Home Purchase Obstacles

- Low income
- No savings
- Hi-cost Predatory loans
- No Credit / Low credit scores
- Lack of documentation
- Unstable work history
- Lack of Uniform Appraisals
- Not familiar of home purchase process



# Solutions based on Demographics and Focus Group Findings

- Think Outside the Box—don't be limited by traditional methods in marketing, promotion, & qualifying clients
- Develop different ways of verifying client information for loans
- Develop different ways of product delivery
- Long-term Commitment and Dedication



# Design and Implementation of AHCUSO programs

- Adopted a **Holistic Approach** in servicing the low-to-moderate income community financial needs.
- Financial Empowerment had to be focused on Asset Development through
  - Financial Education,
  - Credit Management,
  - and implementation of family asset development strategies—including Savings and local community development resources,
  - access to mainstream capital,
  - Home Ownership.





# ACTION STRATEGIES

- Provide **Comprehensive Bilingual Financial Education**
- Proactive **Outreach** for Financial Education and financial assessment.
- Offer Housing & Credit Counseling
  - **Certified as a HUD Approved Housing Counseling Agency**
- Promote Savings focusing on Goal oriented savings accounts, Emergency Funds, and IDA's
- **Promote Earned Income Tax Credit Campaign**
- Education on Avoiding Predatory Loan Practices
- **Assist throughout the Homeownership Process**

# Developmental Programs

- BI-LINGUAL FINANCIAL LITERACY WORKSHOPS
- EL PASO SAVES—BILINGUAL SAVINGS PROMOTION
- HUD Housing Counseling Agency
- El Paso Coalition for Family Economic Progress--VITA Coalition
- IDA Savings Match Program
- Down Payment Assistance Programs
  - VITA IDA Savings Match Program
  - NSP2 Home Purchase Assistance
  - HACEP HUD HOPE VI Home Purchase Assistance
  - NALCAB/Rural Development Corp Lease Purchase
  - EPEZ Home Purchase Assistance
  - TVP Home Purchase Assistance
  - City of EP FTHB Program
  - TX Dept. of Housing DPA



# Mortgage Loan Programs

- HACEP HUD HOPE VI MORTGAGE LOANS
- EZ-AHCUSO MORTGAGE LOANS
- RDFC LEASE PURCHASE LOANS
- HACEP Sec 8 MORTGAGE LOANS
- HOME CHOICE TEXAS HOME OF YOUR OWN LOANS
- 3 RURAL COLONIA HOUSING Programs (Tornillo, Sparks, San Elizario)
- HOME CONSTRUCTION IN COLONIAS USING EL PASO COMMUNITY COLLEGE Workshop
- NSP2 Homeownership Program

# FREE TAX PREPARATION

## KEEP YOUR MONEY!



## FOR WHAT LIFE BRINGS

### Earn It!

Did you earn less than 38,438 in 2006? If so, you may qualify for the Earned Income Tax Credit (EITC) when you file your tax return. The credit could give you up to \$4,536 in cash!

### Keep It!

Free service is available at community Tax preparation sites. You don't need to Pay high or unnecessary fees to commercial tax preparers or take "rapid refund loans".

### Save it!

Open a savings or checking account. Increase savings or pay bills and improve your credit. Ask the Volunteers at the tax preparation site about ways to put your money to work for you.

Call 2-1-1 for locations



Coalition for Family Economic Progress  
*Building Strong Families for El Paso's Future!*

IRS VITA Program



## CALL 2-1-1 FOR INFORMATION

Asset Development -  
VITA - EITC Program

used for:

Savings

IDA Matched Savings

Credit Repair

Homeownership

Tax Advocacy and  
Assistance

Small Business Tax  
Prep

<b>AHCUSO Developmental Services Results (2002-2016)</b>		<b>Amount</b>
Financial Education & Homeownership Workshops		885
Workshops held in Spanish		55%
Financial Education Workshop Participants		14,001
First Time Saver Accounts Opened		19,000+
Alternate to payday loans—July 1, 2014 to March 1 2016		17,000+
Alternate to payday loans—from July 1, 2014 to March 1 2016		\$10.8 Million
Families Provided HUD Housing one-on-one Counseling		10,928
Tax Returns prepared by EP CFEP VITA Program (2003-2016)		112,171
Refunds Garnered for Families by EP CFEP VITA Program (2003-2016)		\$170,302,178
Estimated Tax Prep Fees Saved for Low Income Families		\$26,584,527
Affordable Home Mortgages Made	563 loans	\$48,699,500
Home Purchase Assistance made to Clients from HUD, TX DHCA, NSP Grants	563 families	\$14,991,000
Total Operating Grants Secured by AHCUSO	2001-2016	\$13.9 Million

**Building  
A Successful  
Mortgage Lending Partnership**



# Building a Successful Mortgage Lending Partnership: Initial Considerations

- Essential all CU Partners and Board Directors are **FULLY** committed to Success of CUSO
- Know the Market you will serve
- Hire Licensed Mortgage Manager experienced with Business operations
- Establish Infrastructure—office operations, software, lines of credit, policies and procedures, budget
- License entity ASAP – if applicable

# Building a Successful Mortgage Lending Partnership: Initial Considerations

- Assure adequate working capital and access to warehouse line of credit
- MUST create non-Credit Union Collaborative to Insure Success:
  - Credibility with Community
  - Grass Roots Outreach
  - Down Payment Assistance
  - Loan Program Partners
- Establish access to Secondary markets:
  - Member Credit Unions
  - GSE—Fannie Mae, Freddie Mac, FHLB

# Building a Successful Mortgage Lending Partnership: Initial Considerations

- Develop Target Market Profile & Economic Environmental Analysis
- Develop Business Plan to service Target Market
  - Loan Product needs assessment
  - Loan Product design
  - Loan Product delivery
  - Loan Servicing and/or product sale

# Building a Successful Mortgage Lending Partnership: Initial Considerations

- Develop a Niche Loan Mortgage Program:
  - Use Market Profile to determine resources needed for loan program.
  - Identify Available Resources
    - CUSO resources available
    - Identify Loan Partners for other needed resources
    - Assistance for Target Market Borrowers
  - Develop Parameters with Loan Program partners

# Building a Successful Mortgage Lending Partnership: CUSO contributions

- CUSO holds Bi-lingual Financial Literacy & Homeownership Workshops and identifies potential homebuyers.
  - Homebuyers identified as mortgage ready for conventional mortgages are referred to Credit Union Mortgage Dept.
  - Others are enrolled in Mortgage readiness program and counseled in credit management and finance management.
  - Buyers are referred to all available homeownership assistance programs and assisted with their qualification.
  - Buyers qualified for CUSO programs are provided with CUSO program loans.
  - CUSO originates, closes, and funds mortgage loans. Then packages and sells loans to Credit Unions or Seller-Servicer Credit Union for sale to Fannie Mae.

# Building a Successful Mortgage Lending Partnership: CU contributions

- Credit Unions provide CUSO with Line of Credit to Fund Mortgage Loans

--And/Or--

Credit Unions provide guaranty to a Line of Credit to CUSO from Southwest Corporate Federal Credit Union

- Seller-Servicer Credit purchases mortgage loans from CUSO and either keeps them in Portfolio for servicing or sells them to Fannie Mae.

# Building a Successful Mortgage Lending Partnership: Cooperative Support

- Member Seller-Servicer Credit Union acts a conduit for CUSO and sells loan to Fannie Mae—passes premiums to CUSO.
- CUSO collects payments from borrowers to monitor payment activity, and forwards payments to Seller-Servicer Credit Union.
- CUSO counsels borrowers before delinquencies occur, implements personal financial action plan.
- Credit Unions provide CUSO with management, in-kind resources, marketing support, and warehouse line of credit.

# Affordable Housing CUSO Home Loan Programs

- EPEZ-AHCUSO Loan Program
- HACEP-AHCUSO Loan Program (HOPE VI)
- RDFC Lease Purchase Loan Program
- Tornillo Colonia Loan Program (I & II)
- San Elizario Colonia Loan Program
- HACEP Section 8 Loan Program
- Home Choice Texas Home of Your Own Loans
- Sparks Colonia Home Loan Program
- NSP2 CUSO Homeownership Program



# Typical Housing Program Characteristics

- AHCUSO Provides First Lien Mortgage
- AHCUSO, Non-Profit partner, or Gov't Partner provides Down Payment Assistance through Grants
  - Low LTV—credit enhancement --IDAs
  - Layered DPA programs
  - 2<sup>nd</sup> Lien/Community Seconds
- NO PMI due to low LTVs
- Some Variances on Modified First Time Homebuyer programs sellable to FNMA
  - Medical delinquencies
  - Predatory loan issues
  - Alternate Credit
  - Higher Debt Ratios

# Typical Housing Program Components

Loan	Typical Loan Composition	Transaction Sources of funds
Down Pmt + Closing Costs	5% +	Buyer Funds + Grant
First Lien Mortgage	80%	AHCUSO
2 <sup>nd</sup> Lien Mortgage	15%	HUD, City, State, Foundation, CUSO

# NSP 2 Home Program



# NSP 2 Home Program

<b>Affordable CUSO Housing NSP2 Assistance</b>	
Home Purchase Price	\$110,999
Down payment Required = 3% = \$3,330	(\$3,330)
Estimated Buyer Closing Costs	\$4,400
Estimated Buyer Closing Cost paid by NSP II ( up to 3%)	<b>(\$3,330)</b>
Funding Required	\$108,739
NSP2 Purchase Assistance (Maximum \$26,500)	<b>(\$26,500)</b>
Loan Amount Needed	\$82,239
Estimated Mortgage Payment Fixed 30 yr. term @ 5%	<b>\$745</b>
Est. Loan Pmt.-----\$441 Est. Taxes-----\$263 Est. Hazard ins.-----\$41	<b>Qualifying Gross Income</b> @ 31% Housing Ratio <b>Monthly \$2,403</b> <b>Annual \$28,836</b>

# EPEZ-AHCUSO LOAN PARTNERS

- El Paso Affordable Housing CUSO
- El Paso Empowerment Zone Corp
- Credit Unions Of El Paso
- Fannie Mae
- Southwest Corporate FCU

# EPEZ-AHCUSO LOAN

- 2% Borrower funds provided by VITA
- \$5,000 Down Payment Assistance
- EPEZ 0% Interest Loan Blended 50/50 With Conventional Loan
- Sold To Fannie Mae
- Terms:  
20 Yr. Fixed, 3.75% Intr. Rate, 98% CLTV

# EPEZC-AHCUSO LOAN



# EPEZC-AHCUSO LOAN





# TORNILLO COLONIA RURAL HOUSING PARTNERS

- Alianza Para el Desarrollo Comunitario
- El Paso Affordable Housing CUSO
- El Paso Empowerment Zone Corp
- El Paso Collaborative
- HUD
- University of Texas—El Paso
- Fannie Mae
- Credit Unions of El Paso

# TORNILLO COLONIA RURAL HOUSING PROGRAM

- HUD RHED Grant
- Mission Is To Replace Dilapidated Trailer With New Construction & To Convert Contract Of Sale To Deed
- Homes Energy Efficient
- \$20,500 Total Per Family
- \$15,000 To Pay Contract Of Sale
- \$3,000 For Trailer Removal
- \$2,500 For Closing Costs
- Terms: 30 Yr. Fixed @ Mkt Rates, 70-80% LTV
- 1,400 Sqft, 4 Bedroom, 2 Bath

# TORNILLO COLONIA RURAL HOUSING PROGRAM



# TORNILLO COLONIA RURAL HOUSING PROGRAM



# TORNILLO COLONIA RURAL HOUSING PROGRAM



# TORNILLO COLONIA RURAL HOUSING PROGRAM



# SAN ELIZARIO COLONIA RURAL HOUSING PROGRAM



# SAN ELIZARIO COLONIA RURAL HOUSING PROGRAM





# Section 8 Housing Program Partners

- El Paso Affordable Housing
- Housing Authority of the City of El Paso
- Fannie Mae
- GECU
- Credit Unions of El Paso
- City of El Paso—Community Development Department
- United Cerebral Palsy—HOYO program

# Section 8 Housing Program

- Use Section 8 Homeownership Voucher to income qualify family
- Layer with down payment assistance
- Layer with Home of Your Own funds for persons with Disabilities (if qualify)
- AHCUSO makes Loan & sell to Fannie Mae
- AHCUSO Collects payment from Housing Authority & combines with borrower payment, then sends PITI to servicing Credit Union
- Terms: 30 yr. fixed, Mkt rates, 80% LTV-95% CLTV

# Section 8 Home Program to Person with Disability



# Section 8 Home Program to Person with Disability



# HACEP-AHCUSO HOPE VI HOMEOWNERSHIP LOANS



# LEASE PURCHASE HOME LOAN PROGRAM



# LEASE PURCHASE HOME LOAN PROGRAM

- Credit Challenged Families are Income Qualified for a Mortgage but placed in a home under a lease with an option to assume the loan after 2 years.
- The lease is for the same amount as the mortgage PITI payment.
- The mortgage is made to non-profit builder at market rate with the tenant having the right to assume the loan, if they meet certain credit goals established at the time of closing and increase their credit score to a target amount, usually 620.

- APPENDIX



# CUSO PARTNERS

- EL PASO EMPOWERMENT ZONE CORP
- NATIONAL CREDIT UNION FOUNDATION
- TEXAS CREDIT UNION FOUNDATION
- EL PASO COLLABORATIVE
- ALIANZA PARA EL DESARROLLO COMUNITARIO
- SPARKS HOUSING DEVELOPMENT CORPORATION
- RURAL DEVELOPMENT & FINANCE CORPORATION
- HOUSING AUTHORITY OF THE CITY OF EL PASO
- CONSUMER FEDERATION OF AMERICA
- NATIONAL ENDOWMENT FOR FINANCIAL EDUCATION
- UNIVERSITY OF TEXAS-EL PASO
- CDFI FUND
- HUD
- NFCDCU
- AMERICORP
- NFCDCU
- NALCAB
- US TREASURY
- FANNIE MAE
- EL PASO COMMUNITY COLLEGE
- HOUSING FINANCE CORPORATION
- CITY OF EL PASO
- THE CREDIT UNIONS OF EL PASO
- TEXAS DEPT OF HOUSING & COMMUNITY AFFAIRS
- PROJECT HEAD START
- VARIOUS SCHOOL DISTRICTS
- VARIOUS EMPLOYERS
- THE AMERICA SAVES CAMPAIGN
- IRS
- EL PASO COUNTY COALITION
- HABITAT FOR HUMANITY
- UNITED CEREBRAL PALSY OF TEXAS
- LA FE CLINIC
- PROJECT VIDA
- VARIOUS PRIVATE FOUNDATIONS
- VARIOUS BANKS – CRA DEPTS.

# CUSO PARTNER ROLES

Type of Partner	Partner Role	Partnership Outcome
<b>Credit Union Service Organization (CUSO)</b>	Financial Literacy and Homeownership (FLHO) Education Affordable Home Mortgage Loans Promote Savings & First Accounts	Develop & Deliver FLHO Workshops Deliver Housing Counseling Experimental Mortgage Loans CUSO Mgmt. & Staff training & Support
<b>Credit Unions</b>	Initial Capital Technical Assistance Management Warehouse Loan Conduit to Secondary Market Consumer Financial Products	Formed & Manage CUSO, Market CUSO Services to members, Access to Financial Consumer Products to underserved CUSO access to Secondary Markets Establish Servicing Portfolio from CUSO loans, Promote Savings to First Accounts & Youth Accounts
<b>Foundations</b>	Grants, Technical Assistance, Networking	Startup seed grant for CUSO or CUSO programs, CUSO Mgmt. & Staff training & support, In-kind assistance—legal, acctg, etc.
<b>Community Housing Development Organizations (CHDOs)</b>	Outreach, Lend Credibility Host site for FLHO workshops Partner for CHDO grant programs	Promote CUSO within CHDO target community Imbed CUSO programs within their services Lend Credibility to CUSO w/CHDO members

# CUSO PARTNER ROLES

Type of Partner	Partner Role	Partnership Outcome
<b>Public Organizations</b>	Outreach Host Site Partner Public Housing Programs with CUSO programs	Deliver FLHO Workshops Deliver Housing Counseling Experimental Mortgage Loans Outreach to Very Low Income families
<b>Government</b>	CDBG funds/ Down Payment Asst. IDA Program match funding Certifications/Designations Partner Gov't Housing Programs with CUSO programs EITC programs Outreach Host site	Market CUSO Services through City Housing Programs Provide Down Payment Assistance & Principal reduction assistance Provide Sites for FLHO workshops Institutionalize CUSO within Housing Prog.
<b>School Systems</b>	Outreach, Host Sites Technical Assistance, In-kind assistance	Market Financial Literacy to Parents & HS Students Provide Sites for workshops
<b>Employers</b>	Outreach to employees Employer Assisted Program IDA Program match funding	Market FLHO to employees EAP to employees as "Golden Handcuff" Offer IDA match to Employee Savings

# CUSO PARTNER ROLES

Type of Partner	Partner Role	Partnership Outcome
<b>Faith Based Org.</b>	Outreach Lend CUSO Credibility	Market FLHO to congregation
<b>GSE—Fannie Mae</b>	Secondary Market Experimental Mortgage Products Grants Technical Assistance	Develop Experimental Mortgage Products Provide Purchase commitments for loans Provide FLHO Materials Provide Resources & Grants Provide Training to CUSO mgmt. & Staff
<b>Non-Profits Social Organizations</b>	Outreach, Host Sites Down Payment Assistance IDA Programs, In-kind assistance	Market CUSO to members or target market Provide Down Payment Assistance & Provides Credibility to CUSO Partner with Non-Profit service programs