### Setting up a Housing Stability Loan Program in 10 Steps

<table>
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<th>Step</th>
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<tr>
<td>1</td>
<td><strong>Understand the needs of your target population</strong></td>
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|   | a. What are the unique needs of renters in your community?  
  |   i. How do low-income renters in your community describe their relationship with mainstream financial institutions and/or fringe lenders or both?  
  |   b. What factors should your program keep in mind as you specifically design the loan to meet this diverse population’s needs? |
| 2 | **Develop strong partnerships** |
|   | a. What financial capability, social and financial services exist in your community that can compliment a loan program?  
  |   i. Who can you refer clients to for additional supports?  
  |   ii. What organizations can help refer good candidates for loans?  
  |   iii. What organizations or services may be able to offset some of the borrower’s costs to minimize loan needs?  
  |   b. What systems do you need to understand to ensure the loan product does not create unintended consequences? |
| 3 | **Build organizational capacity at all levels** |
|   | a. Do staff have enough time and skills (population specific and lending specific) to offer loans?  
  |   b. What expertise and involvement is needed from the board or organizational leadership?  
  |   c. Will you develop a loan oversight body/loan review committee? |
| 4 | **Invest in technology that will allow you to grow** |
|   | a. What loan management software will you use?  
  |   b. How else can you leverage technology to meet the needs of borrowers? |
| 5 | **Learn about state and federal regulations** |
|   | a. See Appendix B to find your local regulating body and an overview of federal legislation that impacts small dollar lenders. |

**Where to read more!**

- **Part 3:** Understand the target population (pages 27-28)
- **Part 3:** Build Strong Partnerships (pages 28-33)
- **Part 3:** Build Organizational Capacity (pages 36-40)
- **Part 4:** Invest in Technology (pages 42-43)
- **Part 4:** Federal and State Lending Regulations (pages 45-46)
6 Create policies and procedures
   a. How will you ensure that your policies and procedures are fair
      and transparent, but flexible enough to meet the needs of your
      borrowers?
   b. How will you revise and update your policies and procedures as
      your organization gains experience in providing housing
      stability loans?
   c. See Appendix C for a sample of one organization’s policy and
      procedures.

7 Determine allowable loan uses
   a. Think back to your target populations needs
      i. What uses will meet your target populations’ needs AND
         assist borrowers in achieving greater housing stability?

8 Develop clear eligibility and underwriting criteria
   a. Consider the traditional five C’s of underwriting (credit, capacity,
      capital, character and condition), your mission, and your typical
      borrowers’ financial situation.
      i. What nontraditional underwriting criteria will you use that
         will minimize risk and increase access to loans for your target
         population?
      ii. How will you determine capacity to repay the loan?
      iii. What type of data and verification will you review
           and/or require?

9 Decide on loan amounts, terms, and pricing
   a. When deciding on loan amount and terms take into account:
      the varying costs of moving and maintaining housing; affordable
      payment sizes; number of loans your organization plans to
      provide; and amount of loan capital.
   b. When determining loan pricing, think about market-based, risk-
      based, and cost-based loan pricing.

10 Build in measures to protect your loan fund
    a. Think about securing certain loans with collateral and/or
       embedding a forced savings component, collecting references, or
       asking for a co-signer on loans.
    b. Create a loan loss reserve.

Start offering loans!