

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

**Where to  
read more!**

## **1** *Understand the needs of your target population*

- 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?

**Part 3:**  
Understand the  
target population  
(pages 27-28)

## **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?

**Part 3:**  
Build Strong  
Partnerships  
(pages 28-33)

## **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?

**Part 3:**  
Build Organizational  
Capacity  
(pages 36-40)

## **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?

**Part 3:**  
Invest in Technology  
(pages 42-43)

## **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.

**Part 4:**  
Federal and State  
Lending Regulations  
(pages 45-46)

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

**Where to read more!**

### **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!**

**Part 4:**  
Policies and Procedures  
(pages 47-48)

**Part 4:**  
Loan Use  
(pages 49-50)

**Part 4:**  
Underwriting and Eligibility  
(pages 50-54)

**Part 4:**  
Loan Amount, Loan Terms, and Fees and Interest  
(pages 55-62)

**Part 4:**  
Protecting Your Loan Fund  
(pages 63-64)