

PROFILE OF A NONPROFIT LENDER

Housing Works

OVERVIEW	Housing Works' Security Deposit Loan
Amount	\$200-\$1200
Interest Rate	0%
Term	12-24 months
Fees	Origination fee: <ul style="list-style-type: none">▪ \$25 for loans between \$200-\$500▪ \$40 for loans between \$501-\$800▪ \$60 for loans between \$801-\$1,200
Eligibility & Underwriting Criteria	<ul style="list-style-type: none">▪ Must be a resident of a Housing Works property or a Section 8 voucher holder▪ Monthly loan payments cannot exceed 4% of monthly net income▪ If loan doesn't cover the full security deposit, borrower must supply proof of ability to pay the remaining amount▪ Proof of lease/approval from future landlord▪ Must complete online Federal Deposit Insurance Corporation's MoneySmart Financial Education Course
Loan Loss Reserve	N/A
Charge off Rate	20%

Organizational Background

[Housing Works](#) is the local housing authority for Deschutes, Crook and Jefferson counties in Central Oregon. Similar to many housing authorities, Housing Works has a long waiting list for its affordable housing units and Section 8 vouchers. For the few that are selected to receive assistance, many cannot afford the security deposit. Housing Works established a security deposit loan program in 2010 to help more residents successfully enter into affordable housing. The program is funded by foundations, banks, and individual donors, and has two staff who spend about 5-7 percent of their time on the loan program.

Loan Design

The loans can only be used for security deposits and the loan check is disbursed directly to the landlord. Since Housing Works is not a licensed lender in the State of Oregon, the annual percentage rate on loan must be below 12 percent. To ensure that the loans are in compliance with state regulations, Housing Works decided to not charge interest and just charges an origination fee based on the loan amount. To receive a loan, the applicant must be a resident of a Housing Works property or a Section 8 voucher holder.

Housing Works has a relatively high charge-off rate (over 20 percent). In the past year, its lending staff examined their loan portfolio and realized that borrowers with monthly payments over \$50 experienced difficulties repaying their loans. In order to make the loan more conducive to borrower repayment, Housing Works staff decided to extend the loan terms to 24 months, to allow for smaller payments. In addition, monthly payment amounts are restricted to four percent of a borrower's net income, so borrowers can only qualify for loan amounts that allow for a repayment within this limit. For borrowers that don't qualify for the full amount of their security deposit, they must supply proof of ability to make up the difference. Program staff reflected that this recent change to underwriting criteria seems to be helping the charge-off rate, but slows down the revolution of loan funds. Since loans are available on a first come, first serve basis, the longer loan terms may limit Housing Works' capacity to serve more clients. When the loan fund is depleted, applicants are put on a waiting list.

Loan Implementation

Referrals, Application and Loan Closing

Housing Works provides flyers to residents and voucher holders upon entry into their programs and at their annual recertification. Each resident has a housing specialist who can also refer them to the loan or financial assistance program.

Once a resident expresses interest in the loan program, lending staff typically email the application and list of required documents. The applicant must also complete an online FDIC MoneySmart financial education course. During the application period, lending staff typically communicate with the borrower and their prospective landlord to ensure that everything is in place for the borrower to move in.

Lending staff review completed applications, and the program supervisor makes a final approval (if the application is complete, most applications are approved). The applicant comes to the office for a loan closing and leaves with a copy of their loan agreement and "payment coupons" that serve as reminders for each of their payments throughout the life of their loan.

Servicing & Repayment

Borrowers can make their payment by mail or in-person through checks or money orders. Payments are due on the 15th of each month and there is a ten-day grace period. On the 26th of the month, Housing Works staff start contacting anyone who is late on a payment with a notice and a phone call. Borrowers receive late notices again at 30, 60, and 90 days. At 120 days, borrowers receive a final warning, and then their loan is sent to collections.

Housing Works staff are mission driven, and urge borrowers to communicate with them to ensure their loan is reported on time to the credit bureaus. If unable to make a payment, the borrower can work with the lending staff to restructure their loan payments to get caught up. If the loan is restructured, enabling a payment, then the loan can be reported as "on time."