HAC'S SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM

How HAC Prepares and Runs the SHOP Program from Start to Finish

PRIOR TO NOFA

SELECTING POTENTIAL APPLICANTS AND GATHERING DATA FOR THE PROPOSAL

Decisions and Preparation:

1. **Open Round or By Invitation Only?**
   - **Performance**
     - ***HAC***
     - ***Affiliate***
   - **HAC Capacity**
   - **Established groups or new**
2. **Survey and Affiliate Application**
   - **Survey: Used to gather data quickly from affiliates to prepare HAC's responses in proposal to HUD**
   - **Applications: Sent to survey respondents for them to elaborate on their responses for proper analysis during underwriting**

NOFA RESPONSE: PROPOSAL CRITERIA

WHAT HUD LOOKS FOR

- Applicant Eligibility
  a. Experience
  b. Thresholds

- SHOP Program Design and Scope of Work
  - How HAC administers its program

- Narrative Statements
  1. Capacity of Applicant and Relevant Staff
  2. Need/Extent of Problem (demonstrate need for housing)
  3. Soundness of Approach
  4. Leveraging Resources
  5. Achieving Results and Program Evaluation

POST AWARD: APPLICATIONS AND ANALYSIS

Applications

1. Application sent to survey respondents
    1. Applications submitted must meet threshold requirements
    2. Technical deficiencies, if any, communicated to applicant with limited time for corrections
2. Underwriting team identified
    1. Training of Underwriting team, if needed, on aspects of SHOP program

Underwriting Analysis

I. Organizational Capacity & Experience

II. Financial Capacity and Experience

III. Quality of Program Design (next slide)

Self-Help Program Components Reviewed

- Property Standards
- Homebuyer Income Eligibility
- Homebuyer Financial Contributions
- Housing Counseling
- Sale Price
- Available & affordable sites
- Successful system for tracking & valuing sweat equity
- Volunteer labor component
- Energy Star/Watersense

Organizational Components Reviewed

- Self-Help Housing experience
- Capable development team
- Track record with key funding partners
- Audit and Financial Management Systems
- Committed administrative funding
- Access to development funds
- Strong Financial Base of Organization
- Access to Subsidy funds

PRESENTATION TO LOAN COMMITTEE FOR APPROVAL

- Summary of Organization
- Overview of Project
- Financial Analysis
- Risks
- Mitigants
- Recommendation

LOAN COMMITTEE

Role

What

- Ensure consistency with HAC mission
- Establish reasonableness of request
- Certify that request is within HAC policies

How

- Is the proposed project clearly explained and understood?
- Are risks clearly outlined and explained?
- Do mitigants adequately compensate for risks?

Actions

- Approve as recommended
- Add other conditions
- Reject recommendation or defer action

Possible Risks to Evaluate

Performance Risk

- The main risk in SHOP is failure to deliver units in a timely manner

Financial Risk

- Once HAC funds are in a project, how can HAC be made whole if performance fails?

Overcommitments

- Is the rate of overcommitments sustainable with SHOP funds or will it use some of HAC's own funds?

Non-Delivery/Return of Funds

- How is HAC affected if units are not delivered?
- How will HAC be made whole if funds have to be returned to HUD?

POST APPROVAL: STEP 1: BORROWER DOCUMENTATION

STAFF PROVIDES TO BORROWER A PRECLOSING CHECKLIST OF DOCUMENTS THEY NEED TO SUBMIT THAT INCLUDES:

- Corporate Documents
- Environment Documents
- Evidence of Commitments
- Project Site (Purchase Agreement, Zoning, Appraisal, Site Map, construction completion and Schedule
- Contracts (Architect, General Contract)
- Invoices and copies of canceled checks for reimbursement

POST APPROVAL: STEP 2: LOAN CLOSING

STAFF REVIEWS SUBMITTED DOCUMENTS AND COMMUNICATES WITH ALL PARTIES

- Due Diligence
- Prepare required documents (Loan Agreement, Deed of Trust, Promissory Note, Environmental)
- Coordinate with Title Company
  - Title Commitment if applicable
  - Release Documents to Title company for Closing if applicable
- Collect all signed documents
- Review and Approve Settlement Statement for Closing
- Prepare Disbursement Request (reviewed by Senior Portfolio Manager
- Submit to Finance Division for check/wire funds

POST APPROVAL: STEP 3: SUBSEQUENT DISBURSEMENTS

MANY OF THE SAME DOCUMENTS USED AT LOAN CLOSING ARE ALSO NEEDED FOR SUBSEQUENT DISBURSEMENTS

- Due Diligence
- Prepare required documents (Loan Agreement, Deed of Trust, Promissory Note, environmental)
- Coordinate with Title Company
  - Title Commitment if applicable
  - Release Documents to Title company for Closing if applicable
- Collect all signed documents
- Review and Approve Settlement Statement for Closing
- Prepare Disbursement Request
- Submit to Finance Division for Check/wire funds

MONITORING AND REPORTING

Monitoring Affiliates

- Tracking drawdowns to make sure all funds are drawn from HUD on schedule
- Quarterly Status Reports
  - Submitted by affiliates providing updated documentation and progress
  - Reviewed by staff and
- Oral or electronic updates
- On-Site Monitoring Visits
  - Portfolio risk
  - Risk Matrix
- Third Party referrals

Reporting to HUD

- Semi-Annual - A narrative report which includes innovations, best practices, challenges, delays, successes, suggestions or concerns and monitoring as it relates the overall status of grant activities
- Annual
  - Performance Measure Data Collection Report
  - Sec. 3 compliance
  - Earnings
  - SF-423
- By Request - Typically as a result of a congressional inquiry, HUD will ask state specific or target demographic data or other reporting requests

UNIT COMPLETION: DOCUMENTS TO BE SUBMITTED AND REVIEWED

- Certificate of Occupancy
- Home Energy Rating System (HERS)
- Income Eligibility
- Sweat Equity
- Homebuyer Settlement Statement
- Lien Reconveyance

PROJECT COMPLETION

BOTH AFFILIATES AND HAC HAVE CERTAIN REPORTING REQUIREMENTS BEFORE CLOSEOUT CAN BE COMPLETED

Affiliate

- Payments due to HAC paid in full
- Units reported completed
- Required documentation submitted
- Financial Closeout report submitted
- Grant Closeout executed
- Forgivable portion formally forgiven

HAC

- All funds drawn from HUD
- Financial Report Submitted to HUD
- Required documentation reviewed and approved
- Funds repaid to HUD (if applicable)
- Final Reports to HUD submitted
  - Also includes a list of SHOP assisted properties