
SUN Initiative Report

Boston Community Capital

September 2011

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Second Quarter and Year to Date 2011 Review

Prepared for Boston Community Capital Board of Directors

Summary

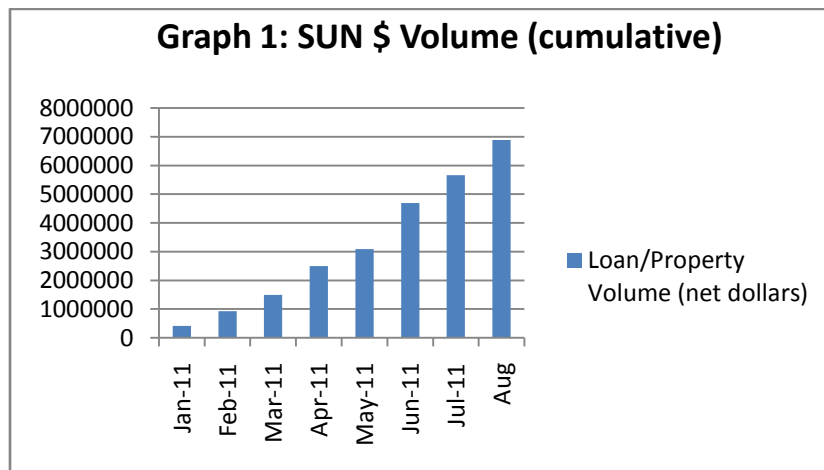
In May, after SUN failed to achieve the business progress that was projected, we began a thorough examination of management, staffing, operations, policies and procedures, compliance, and marketing and outreach in order to determine the cause of the lower than projected performance. Subsequently, we reorganized and made substantial revisions to virtually every aspect of the business.

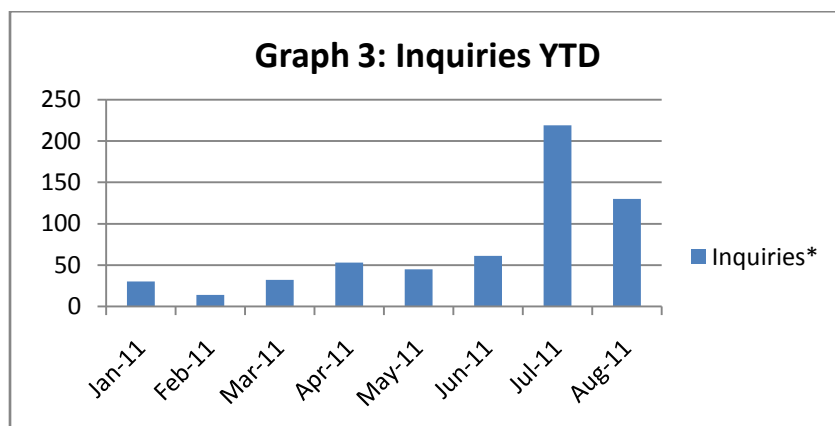
We hired four new staff member -- licensed loan originator, mortgage processor, mortgage underwriter, and real estate paralegal -- (replacing consultants and prior staff) each of whom bring many years of experience in the mortgage banking industry. (Please note that resumes for those four are included under the Board Memo part of this packet.) Each has had an immediate positive impact on the business. In addition, we have streamlined our application process and made major changes to operations -- implementing new controls and more efficient procedures. We also developed an integrated marketing and sales approach that expands and strengthens our network of referral sources, builds on relationships with trusted community leaders and elected officials, and leverages local paid and unpaid media to expand the number of new SUN clients. We are also tracking all inquiries along with their referral source and managing the business based on business metrics (see below for more details).

While we have not solved all our challenges, we have made substantial progress and we are seeing positive results from these improvements. For example, for the last three months (June, July, and August) since we changed management, we financed \$3.8 million in new activity. For those three months, this was a 94% increase in volume over any other prior three month period. Our current team worked extremely hard to expand our activity while at the same time rebuilding virtually every aspect of our operations and procedures.

Additionally, we have increased the pipeline of prospective clients, with 410 inquiries over the past three months. We have substantially shortened our response time following an inquiry and we aggressively monitor the path from inquiry to qualification to offer to purchase. Once a family has qualified for a mortgage, we can make an offer on the property. Working through inquiries and applications that had been stuck in our system as well as our new inquiries, we have also increased the number of offers we are making to purchase properties. In the past three months, we made 62 new offers, more than double the number of offers that were made in the first five months of the year. With a focus on these business metrics and others, we anticipate a proportionate increase in funds deployed and mortgages closed in the future.

Table 1: Closings (Properties and Loans)			
Period	\$ Volume (net dollars)	# Properties Purchased	# of Loans Originated
Jan	\$412,000	2	1
Feb	\$508,075	3	2
March	\$574,150	3	3
April	\$998,050	4	4
May	\$599,400	3	2
June	1,603,850	7	7
July	965,706	5	3
August	1,226,168	6	3





Since BCC started in the mortgage business, we have purchased 88 properties representing 135 units. The volume of transactions (net dollars) is now over \$17.5MM (see Table 2).

Table 2: Volume Since Inception	\$ Volume	# of Properties	Units
Total Properties Purchased and Loans (net dollars)	17,511,627	88	135

Operation/Marketing and Community Outreach

Over the past several months, much of our energy and focus has been on reviewing and streamlining our internal processes and procedures. We have worked to bring best practices and efficient operations to the organization. We have substantially revised each of our operational functions, including customer inquiry, applicant qualification and pre-approval, loan processing, loan underwriting, offer negotiation, loan closing, and post-closing customer support. We are also implementing an audit of our mortgage loan system (Encompass) to identify unused system capabilities and areas where we can improve process efficiency. With more efficient operations we expect to be able to handle a larger volume in a more cost effective manner.

During our review of the old processes we have uncovered many issues, many of which we have addressed. We are, however, still facing challenges that are a result of the old methodology and expect this transition period to last several more months as we move old clients through the new application process.

We are also measuring and tracking each process and are routinely sharing this data with staff so that everyone is focused on effective business management. We have focused on extracting the needed data from Encompass and have largely moved away from tracking information manually using Excel spreadsheets. We are using this information to understand the metrics within each step of the process so we can more accurately project the business and anticipate any bottlenecks in the process. Although we do not have a long history of data, our preliminary analysis of the information suggests that between 5-10% of inquiries result in a loan closing. Given this information, we can determine how many inquiries are required to reach our monthly closing targets.

In addition, we have initiated the outsourcing of routine loan servicing in order to leverage the efficiencies of a larger organization (systems and know how) including escrow reporting for both taxes and insurance and payment processing. We will maintain in-house customer contact and management of delinquent accounts.

We are also pleased to report that the Bank of America Pilot was finally launched at the end of August. Roughly 60 clients were called by Bank America to introduce them to the SUN program. To date we have received inquiries from 10 of these clients.

Marketing/PR/Website

On the marketing and outreach front, we are employing a test and measure approach. It is by employing a systematic methodology that we can make the best use of our marketing dollars. We are tracking all inquiries and the associated referral sources and providing our community partners with detailed updates on the status of clients they have referred to SUN. We are also building a database of community-specific success stories illustrating SUN's impact on families and individuals. In addition, we have broadened our outreach beyond Boston and Revere to other communities in Massachusetts where there is a need for foreclosure relief such as Brockton, Lynn, Lawrence, Springfield, and Lowell. This expansion will require us to expand our network of appraisers and inspectors and we are working to outsource these activities to bring improved performance and efficiencies to the process. Finally, brochures, posters, and fliers have been revamped with clear messaging.

We also have begun the redesign of the SUN website (www.sunhomehelp.org). The new website will permit individuals to submit an inquiry from the website as well as complete our pre-qualification form. This information will be automatically downloaded into Encompass and will help to streamline the inquiry and pre-qualification processes. We are also developing an on-line marketing strategy to drive potential clients to our website.

On the PR front, SUN continues to attract national attention. In July, *CBS Evening News* ran a story profiling SUN clients Monica and Mike Bassila, a Randolph couple we've helped to repurchase their home. Investment advisor Amy Domini of The Sustainability Group at Loring, Wolcott & Coolidge described the program as “win-win-win” for investors – an opportunity to “be part of the solution (to the housing foreclosure crisis).” View the *CBS Evening News* story at <http://www.bostoncommunitycapital.org/news/cbs-evening-news-features-boston-community-capital%E2%80%99s-foreclosure-relief-work>

The Chronicle of Philanthropy also profiled SUN in its July 24th issue. Senior writer Nicole Wallace spoke with us about how SUN works and profiled SUN client Cesar Santana, a father of three in Lynn, MA who was able to repurchase his home through SUN, reducing his monthly housing payment from \$1610 to \$630. See <http://www.bostoncommunitycapital.org/news/chronicle-philanthropy-features-bcc%E2%80%99s-foreclosure-relief-work> to read the *Chronicle of Philanthropy* story.

Last week, we hosted Rosemarie Ward, a reporter for *The Economist* magazine. She is preparing an article on SUN, which she expects to be published within the next month. We have also had interest from local media outlets, including reporters from Fox 25, NECN, and a number of local papers.