



BOSTON COMMUNITY CAPITAL

# SUN INITIATIVE

*From our community to yours:  
A blueprint for delivering foreclosure relief  
to your community*

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**COVER** SUN homeowners Sandra and Donald M., of Lawrence, MA with their daughter. When Donald lost his job at a consumer electronics store, they fell behind on their mortgage. SUN helped them repurchase their home, reducing their monthly mortgage payment by 52%.

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*Boston Community Capital is pursuing an innovative strategy to prevent occupied homes from becoming vacant and creating a strain on the community. It buys foreclosed-upon but still occupied homes from lenders at market value. Taking advantage of the diminished home values, the group buys the properties and then resells them at affordable prices to existing occupants—both owners and tenants—who can demonstrate that they have suffered hardship. This program prevents properties from becoming vacant and provides families with a sustainable and affordable housing situation; it is designed to start small and expand as needed.*

— Federal Reserve Chairman Ben Bernanke, April 29, 2011

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*Stabilizing neighborhoods and keeping families in their homes are vital goals in our fight against foreclosure. Initiatives like the SUN Initiative that present creative solutions and sound underwriting practices are important parts of the mix of non-profit, community and government programs in place to help those facing foreclosure.*

— Barbara Anthony, Undersecretary of Consumer Affairs and Business Regulation, Commonwealth of Massachusetts

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*By helping individual homeowners, SUN is not only bringing hope to its clients, but also making a difference in the quality of life of our city neighborhoods.*

— Mayor Thomas M. Menino, City of Boston

## OUR VALUES

**For 28 years, Boston Community Capital's work has been rooted in core values that drive our strategy and inform our daily actions. Our SUN Initiative emerges from these core values:**

- 1** To be an effective organization, we must respond to the changing needs of the individuals and communities we serve and enhance the traffic of ideas among many communities. Our growth and performance have been driven by our ability to recognize and respond to the evolving needs of our constituents and the changing nature of our market.
- 2** Isolation is the hallmark of unhealthy communities and organizations. We therefore endeavor to stand at the intersection of many communities and constituencies, to reduce silos, and to work with organizations and individuals from all perspectives who can advance our mission.
- 3** Low-income communities and residents need and are entitled to the same expertise and the same expectations of excellence that are available to their wealthier neighbors. We work to deliver that excellence through staffing, technology, and infrastructure that promote efficiency and innovation.
- 4** The culture of our organization should reflect the values we bring to bear on the work we do and the communities we serve. As Mahatma Gandhi said, we must become the change we want to see in the world.
- 5** Systemic change engenders powerful, broad-reaching and long-lasting results. We seek to improve industry results and to develop solutions that can be replicated on a nationwide basis.
- 6** Asking the right questions is a root source of good leadership. As our world evolves, our questions must evolve. We endeavor to increase our awareness of the transformational shifts that affect the environment in which we operate.



"My goal was to live the American Dream," says Delia O. (pictured with her granddaughter), who runs a home child care program out of her Dorchester home. When the parents of children in her program lost their jobs and were unable to pay, she used her savings to pay her mortgage. "But soon that was all gone. I began to promote my business more, putting flyers up in the community. I didn't lose faith. I knew I had to fight hard for what I'd worked for." In July 2012, SUN helped her re-purchase her home, reducing her monthly mortgage payment by 37%.

## **FOREWORD: A REALISTIC FIX FOR THE HOUSING FORECLOSURE CRISIS**

The current foreclosure crisis is not due to poor choices by individual homeowners. Most people caught up in it fell prey to a national bubble and bad lending practices. These taxpayers—schoolteachers and medical technicians, salesclerks and mechanics, veterans and parents of soldiers in Iraq and Afghanistan—are often simply people who got in over their heads. They deserve a second chance.

One reason the mortgage industry hasn't done more, its leaders say, is that it fears creating a "moral hazard"—the concept being that if homeowners in default are given too much help, other homeowners might be tempted to deliberately default in order get the same help. That hasn't been our experience at Boston Community Capital.

As part of our SUN Initiative ("SUN" stands for "Stabilizing Urban Neighborhoods"), we have prevented the eviction of over 300 Massachusetts families by securing reduced mortgage payments that line up with homeowners' real incomes—rather than with the value set by a real estate bubble that burst long ago. We've seen no evidence that doing so sets off a flood of voluntary defaults. We believe our model could be applied much more widely in this national crisis.

### **HOW SUN WORKS**

SUN's formula is straightforward. We negotiate with the lender's representative to buy a foreclosed home at the current, distressed market value—often 50% less than the amount paid by the homeowner. We then resell the home to its current occupants with a new 30-year mortgage at a fixed interest rate of 6.375% (6.545% APR) as of September 30, 2012—a rate that, although higher than the best loans available to people with excellent credit, is far lower than the rate that the high-risk clients we assist could get elsewhere—if they could get other loans at all.

We qualify our clients by closely analyzing their finances and employment situations. We work with local nonprofits to understand client histories. Even after accounting for reserves, emergency repairs and closing expenses, we are able to lower monthly housing expenses and the overall cost of a home loan to affordable levels. On average, SUN homeowners see their monthly mortgage payment and principal balance reduced by more than 40%.

By preventing evictions and vacancies, SUN helps stabilize families and their neighborhoods without creating a "windfall" for foreclosed homeowners. We require homeowners to share any future potential appreciation with our community-based nonprofit if the market rebounds, discouraging speculators and people who aren't serious about keeping their homes from coming to us.

The SUN model cannot solve every foreclosure problem. Some would-be participants don't have enough income to sustain even a sharply reduced mortgage payment. Some in the mortgage industry, citing moral hazard, refuse to sell us homes at their current values because we plan to keep foreclosed homeowners in their homes. At times, we have been outbid for a home we were trying to save, but we won't spend more on a home if that would mean we would have to offer our borrowers new mortgages that were still too high for them to manage.

SUN's program is not a bailout or a charity. It is a sustainable model—financed with debt capital from private investors—that can assist a substantial percentage of homeowners in foreclosure and relieve mortgage industry gridlock. We estimate that our approach could help 1 in 5 homeowners whose homes have significantly dropped in market price, and who are either late in paying their mortgages or in foreclosure. The approach is best suited to areas that have suffered substantial depreciation in housing prices, that have high levels of foreclosures, and that have trusted, long-standing community organizations interested in entering into partnerships to administer the program.

Renegotiating realistic mortgages that keep people in their homes helps homeowners and neighborhoods. It also helps the mortgage industry, which must come to grips with the fact that many of its borrowers can't afford to continue to make payments on mortgages that were entered into during the bubble.

Foreclosure and eviction are lengthy and expensive. As more homes become owned by lenders, those institutions will bear increasing responsibility for paying local property taxes, insurance and maintenance costs, as well as steep fines if they fail to comply with local building codes and city ordinances. While we have piloted SUN on a local level here in Massachusetts, the program could work on a far grander scale—the kind of scale that, say, large national lenders could adopt.

The groundless fear that helping some borrowers will lead to an avalanche of new foreclosures has discouraged sensible and systemic solutions to the foreclosure crisis. Our goal is that this document will serve as a blueprint for communities around the country interested in replicating the SUN model we've pioneered in Massachusetts—a model that has the potential to help strengthen and stabilize families, neighborhoods, and our nation's economic health.\*

*As of September 2012, the SUN Initiative has kept over 300 Massachusetts families in their homes by providing current fair market value loans with affordable monthly payments driven by homeowners' real incomes—rather than by home value established in a real estate bubble that burst long ago. We believe our model can be applied much more widely to help solve our nation's foreclosure crisis.*

\* Adapted from Cherry, Elyse. "A Realistic Fix for the Mortgage Crisis," Op-Ed, Los Angeles Times, October 28, 2011.

## A SHORT HISTORY OF SUN

Boston Community Capital (BCC), a community development financial institution, has been investing in programs that stabilize and revitalize low-income communities for nearly three decades. In recent years, BCC has harnessed our expertise to address the impact of predatory lending and foreclosure-related vacancies on the low-income communities we serve.

In 2006, concerned about predatory lending practices and skyrocketing home prices in stable low-income communities—home prices that far exceeded the financial capacity of neighborhood residents whose incomes remained relatively unchanged—BCC created Aura Mortgage Advisors. Initially Aura was a Massachusetts-licensed mortgage broker advising homeowners and potential homeowners in these neighborhoods; later BCC converted Aura's license to enable it to operate as a mortgage lender focused on providing affordable, fixed-rate mortgages to low-income residents and on bringing transparency to the process of obtaining a mortgage.

In 2007, BCC published "Recouping the True Cost of Predatory Lending," a white paper highlighting the impact of predatory lending on low-income communities and the potential costs if predatory mortgages began to default. We also met with policymakers and public officials to raise awareness of these unfair practices and to call for change.

In 2008, we conducted focus groups with distressed homeowners in Fall River, New Bedford and Boston to better understand the circumstances leading to their foreclosures and the tools or financial products that might help them remain in their homes. We also began to pursue a strategy to purchase foreclosed properties on an individual basis or via bulk purchase.

Finally, in late 2009, we formally launched the SUN Initiative. Through September 2012, SUN has helped preserve housing for over 300 individuals and their families; to date, we have experienced a re-default rate of less than 2%.



*Renegotiating mortgages on foreclosed homes at a reasonable interest rate keeps people in their homes and helps neighborhoods. It is not a bailout or charity, but a sustainable model that big lenders could employ.*

— Elyse Cherry, CEO, Boston Community Capital

*BCC has supported SUN's work with funding from the following sources, among others:*

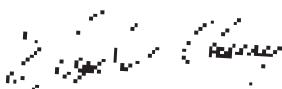
- *Research and development grant dollars from The Boston Foundation and The Herman and Frieda L. Miller Foundation*
- *Seed capital of more than \$5 million from BCC's own assets, to fund operations and our initial property purchases and mortgages*
- *First loss reserves of \$3.5 million from a private investor*
- *Debt capital sufficient to support \$50 million in mortgage lending, including loans from high net worth individuals, foundations, and \$10 million from our own Loan Fund*
- *Grant capital from the CDFI Fund of the U.S. Department of Treasury, the Massachusetts Department of Housing and Community Development, and the Office of the Attorney General of Massachusetts to support loan loss reserves and closing costs for low-income individuals and families.*
- *Loan and grant capital from the Wells Fargo NEXT Award for Opportunity Finance, with generous support from Wells Fargo and the John D. and Catherine T. MacArthur Foundation*
- *Grant capital from Open Society Foundations, Citi Community Development, Housing Partnership Network and Bank of America to support our efforts to scale the business, document our processes and procedures, and plan for replication*

#### **A LOCAL MODEL. A NATIONAL SOLUTION.**

The foreclosure crisis is a national issue—one that demands a national solution. While we have piloted SUN in Massachusetts, the program can work on a far larger scale nationwide.

With support from the Open Society Foundations and others, this report documents how SUN works; it describes the need for the program, market conditions under which it can be most successful, key features of the model, capital requirements and policies, procedures and staffing structures we've found to be most effective. We share our strategies, our rationale and our experiences. Finally, we share open questions—the challenges we continue to face and the issues we seek to address today, two and a half years into SUN's operations.

We hope this report—and its related Implementation Toolkit—will serve as a blueprint for communities and organizations around the country interested in replicating the SUN model, enabling them to start similar programs.



**Elyse D. Cherry**  
Boston Community Capital  
September 2012

## EXECUTIVE SUMMARY

### THE CHALLENGE

America's foreclosure crisis threatens our nation's economic recovery and the stability not only of individual homeowners but also of entire neighborhoods and municipalities. It is a national issue—one that demands the attention of all Americans and requires a nationally viable solution.

### THE SUN SOLUTION

Boston Community Capital sought a solution that would enable homeowners facing foreclosure or eviction to stay in their homes by matching stable incomes with mortgages based on current distressed market prices. The result: The SUN Initiative: Stabilizing Urban Neighborhoods.

SUN's formula is straightforward.

- Qualify our potential borrowers by carefully underwriting their finances and employment situations.
- Negotiate with the lender's representative to buy a foreclosed home at the current, distressed market value—which is substantially less than the amount originally paid by the homeowner.
- Resell the home, typically at current fair market value, to its existing occupants with a new fixed-rate 30-year mortgage they can afford.

On average, SUN borrowers see their monthly mortgage payment and principal balance reduced by more than 40%.

### OPERATIONS

Because the SUN Initiative is unique within the mortgage industry, our business operations combine mortgage industry best practices—including those necessary to comply with applicable laws and regulations—with proprietary processes and procedures developed specifically to best serve our borrower population.

### CAPITAL REQUIREMENTS

The SUN Initiative requires four types of capital:

- Start-up and planning funds
- Loan loss reserves
- Debt capital
- On-going operating funds

We have secured this capital through a combination of funds from our parent company, social-impact-motivated private capital, a loan loss reserve mark-up on each loan, and grant capital from individuals, foundations and government entities.

## **MARKETING AND SALES**

To build a pipeline of inquiries and applications, SUN has partnered with trusted resources—foreclosure counselors, community organizations, religious and civic leaders—to form a referral network that supplies both outreach and third-party validation.

## **SUMMARY**

As our nation strives to solve the housing crisis, Boston Community Capital's SUN Initiative offers a proven model. This grassroots approach has enabled over 300 families and individuals in Massachusetts to stay in their homes, stabilizing the neighborhoods and communities in which they reside.

We invite others to join us in our efforts to address the foreclosure crisis. This document and its companion Implementation Toolkit can serve as a starting point for organizations around the country to launch similar programs.







# SUN: A FORECLOSURE RELIEF PROGRAM

### **THE PREMISE OF SUN IS STRAIGHTFORWARD:**

Identify properties with defaulted mortgage loans from which homeowners and tenants have not yet been evicted; buy them at current distressed market value; and resell them to existing occupants at current fair market value, providing mortgage loans the homeowners can afford to pay.

Appropriate underwriting and tailored mortgage products can:

- Enable many foreclosed homeowners and tenants facing eviction to remain in their homes with fixed-rate mortgages that they can afford.
- Prevent displacement, vacancy, and further neighborhood destabilization.
- Allow mortgage lenders to obtain the best net present value for distressed properties.
- Clear the market of distressed assets, which will help housing prices to stabilize and the economy to recover.

*These four goals lie at the heart of the SUN Initiative.*

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**PREVIOUS PAGE** Phil and Lauren B. of Blackstone, MA, with their three children, ages 6, 4, and 3. SUN helped them repurchase their home from foreclosure, reducing their principal balance by 32%.

The subprime mortgage frenzy and subsequent housing foreclosures have disproportionately affected low-income communities. Yet, falling prices have somewhat restored the equilibrium between neighborhood incomes and real estate values—providing an opportunity to price foreclosed properties at current fair market values, and to keep homeowners in their homes with affordable mortgages.

### THE STRUCTURE OF SUN

SUN's parent company, BCC, has two affiliates—NSP Residential LLC, a real estate acquisition company, and Aura Mortgage Advisors, a Massachusetts-licensed mortgage lender—that enable SUN to buy, resell and finance the repurchase of properties.

- SUN targets communities with a high concentration of foreclosures, where real estate values have fallen significantly from housing bubble highs.
- SUN assists homeowners and tenants who still occupy their homes but whose mortgages are in default or foreclosure.
- NSP Residential purchases the homes at or below current distressed market value, a price that generally reflects a steep discount from the outstanding principal amount of the defaulted or foreclosed mortgage.
- NSP Residential resells these properties to the existing occupants, typically near or at current fair market value.
- Aura Mortgage provides an affordable, fully underwritten, 30-year, fixed-rate mortgage.



Steve Donovan, SUN Intake Specialist



Stephanie Caponigro, SUN In-House Counsel



## KEY FEATURES OF THE SUN INITIATIVE

Because the SUN Initiative serves a unique population, we have been careful to establish parameters for our loans and our mortgage process that best support our borrowers while mitigating our own risk. In this section we present the key features of the SUN Initiative, and share our rationale for them. They are:

- Responsible Underwriting Guidelines
- Fixed-Rate 30-Year Mortgage
- Capital Reserve Account
- Bi-Weekly Payment Structure
- Direct Withdrawal from Checking
- Loan Loss Reserve
- Property Appraisal
- Holdback Accounts
- Shared Appreciation Second Mortgage
- Earnest Money Deposit and Purchase and Sale Agreement
- Closing Costs and Fees
- Use and Occupancy Agreements and Arrangements with Pre-Existing Tenants

For a description of the procedures, staffing and organizational structure, please see the Operations Section. For examples of forms and reports, please see the Implementation Toolkit.

SUN staff negotiate with the current lender or servicer to buy the property. The negotiation period can vary from a few days to months, although once a bank works with SUN on one or two transactions, subsequent offer acceptances occur more quickly. Our current acceptance rate, on average, is 30%.

## RESPONSIBLE UNDERWRITING GUIDELINES

To evaluate the borrower's ability to pay a new mortgage roughly equal to the current fair market value of the home, we consider:

- Current income, including wages, rental income, disability income, retirement income and child support
- Work history
- Ongoing debt obligations, including consumer debt, child support and alimony payments
- The hardship situation that resulted in the original mortgage delinquency; this helps us understand if the borrower is likely to pay a new mortgage
- The borrowers' ability to save (or pay down debt) during the period in which their mortgage has not been paid; this provides some data on their ability to manage money and make mortgage payments

Careful underwriting is critical both to SUN and to our borrowers.

- For SUN, underwriting guidelines help to ensure that borrowers have the ability to consistently and promptly satisfy their monthly mortgage payment obligation.
- For borrowers, underwriting guidelines help ensure that the mortgage is affordable and that borrowers are treated fairly and consistently.
- Exceptions to the underwriting guidelines require compensating factors; management must approve all exceptions.

The goal of the underwriting process is to determine the level of mortgage debt a borrower can comfortably afford given their income and other debt obligations. The underwriter also considers whether this mortgage amount is sufficient to purchase the home at its current fair market value. Of note:

- We help borrowers re-establish a sensible level of overall debt to income. Potential borrowers often have a substantial overhang of consumer debt, having used credit card debt to stave off foreclosure. If the debt has resulted in a lien

SUN uses two primary underwriting ratios:

*Front-end debt-to-income ratio ( $\leq 38\%$ )*

$$= \left\{ \begin{array}{l} [\text{monthly principal + interest +} \\ \text{taxes + insurance (PITI)}] \\ \div \\ \text{gross monthly income} \end{array} \right.$$

*Back-end debt-to-income ratio ( $\leq 48\%$ )*

$$= \left\{ \begin{array}{l} \text{total monthly expenses} \\ \div \\ \text{gross monthly income} \end{array} \right.$$

On average, SUN reduces our borrowers' outstanding mortgage balances and monthly mortgage expenses by over 40%.

against the property, experienced SUN personnel can often negotiate satisfaction of that debt at a fraction of the outstanding amount by offering a small up-front cash payment that can be funded through the mortgage. Alternatively, we may suggest to a potential borrower that they seek information about the availability of bankruptcy relief.

- When primary borrowers have insufficient income for a mortgage, additional borrowers—a spouse, family member or friend—may join the original borrower and reapply to SUN. In these instances, SUN staff strive to ensure that:

- The additional borrowers' interests are fully aligned with those of the primary borrower.
- All parties understand that the additional borrower is likely to be added to the deed as well as to the mortgage.
- The additional borrowers fully understand their obligations, including the potentially adverse impact on credit, and liability for the outstanding mortgage amount in the event of default.
- The debt is freely assumed.
- The additional borrowers have real incentive to contribute to the mortgage payment.

## FIXED-RATE, 30-YEAR MORTGAGE

Currently, SUN has one product: a 30-year, fixed rate mortgage. The fixed interest rate is 6.375% (6.545% APR) with one point (as of September 30, 2012).

SUN had several goals in developing our mortgage product:

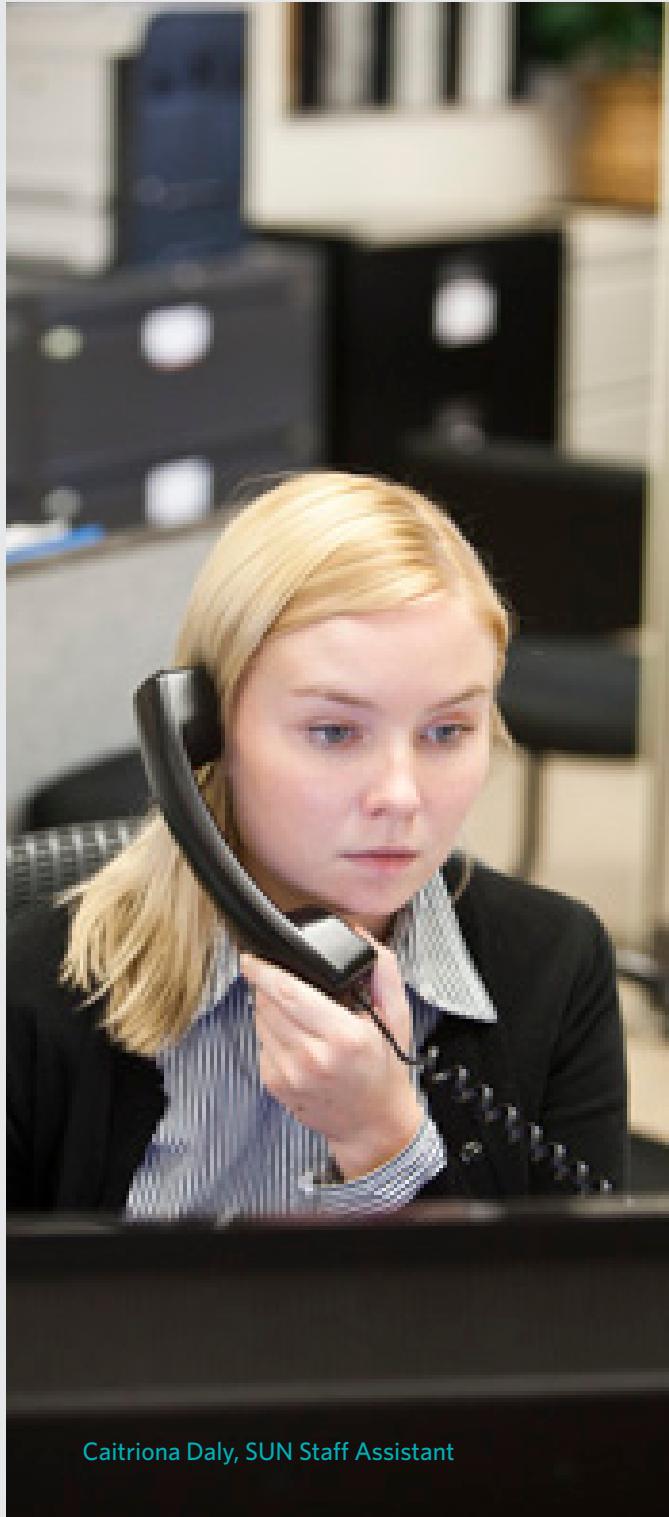
- Affordable monthly payments
- Predictable payments over the long term
- Ability for the homeowner to build equity

We think the ability to build equity is a critical component in encouraging borrowers to make regular and timely mortgage payments (thereby reducing the risk of re-default) and to maintain, or even increase, home value by investing in regular repair and maintenance.

- To balance affordability with building equity, we selected a 30-year mortgage period.
- A shorter-term product (e.g. 15-year term) would build equity more quickly, but our borrowers cannot sustain the higher monthly mortgage payment.
- A longer-term product (e.g. 40-year term) would provide a lower monthly payment, but delays the borrower's ability to achieve an equity stake.
- To create long-term predictability for the borrower, we selected a fixed-rate over a variable rate.
- We determine our rate by our cost of capital, plus a spread to defray operating costs, plus 0.125% (1/8 point) to cover the cost of outsourced loan servicing.
- Although 6.375% is currently 2-3 points higher than the best loans available to people with excellent credit, it is far lower than the rate that the high-risk borrowers we assist could get elsewhere—if they could get loans at all.

*Note: If a borrower can obtain financing at a lower rate from another lender, we encourage them to pursue it and are glad to resell them the property without financing from SUN.*

- Even at 6.375%, SUN borrowers achieve substantially reduced monthly loan payments and outstanding principal balances, with reductions on average, of over 40%.



Caitriona Daly, SUN Staff Assistant

## CAPITAL RESERVE ACCOUNT

At the time of the loan closing, SUN establishes a separate Capital Reserve Account for each mortgage roughly equal to 1.5% of the loan amount.

- The Account gives the borrower immediate access to funds in the event that a personal crisis (e.g. job loss, illness) or unexpected home expense compromises their ability to pay the mortgage.
- Additional funds—equal to the bi-weekly mortgage amount—are added to this Account twice annually, as part of the regular mortgage payment schedule.
- If funds in the Capital Reserve Account are not used over the course of a calendar year, and the borrower has been fully current on all mortgage payments, the funds either continue to accrue, providing a larger cushion for any unexpected event or repair, or are applied to the principal balance of the loan, thus increasing the borrower's equity stake and reducing the term of the loan.

Often lower-income families live close to the margin. While we rigorously underwrite borrowers to ensure that they have adequate income for day-to-day living expenses after they make their monthly mortgage payment, borrowers in our focus groups told us they needed available funds and a savings requirement to assist them in paying for or saving for unexpected events. The Capital Reserve Account provides such funds.

## 26 BI-WEEKLY MORTGAGE PAYMENTS AND FUNDING OF CAPITAL RESERVE ACCOUNTS

The standard SUN promissory note and mortgage require mortgage payments every two weeks, resulting in 26 payments per year.

- This more frequent payment schedule—as compared to standard monthly mortgage payments—helps borrowers stay current on their mortgages.
- Two of these payments are deposited in the Capital Reserve Account.

Although to best serve each individual borrower we retain some flexibility in our policies, exceptions always increase complexity and expense. Consequently, we try to limit them.

Focus group participants described living from paycheck to paycheck, without sufficient funds at the end of each month to pay the mortgage. Our goal, therefore, is to ensure that the mortgage is the first bill to be paid rather than the last. To accomplish that goal, we tie the mortgage due date to the borrower's payday.

- Most of our borrowers are paid bi-weekly, so we typically collect 26 bi-weekly mortgage payments.
- If a borrower is paid bi-monthly, we collect bi-monthly payments, calculated by totaling the 26 bi-weekly payments and dividing by 24, thus spreading the capital reserve payments over the 24 payments.
- If a borrower is paid monthly, we collect monthly payments, calculated by totaling the 26 bi-weekly payments and dividing by 12, thus spreading the capital reserve payments over 12 months.

## DIRECT WITHDRAWAL FROM CHECKING

We are required by consumer lending law to offer borrowers the option to pay by check; however, most of our borrowers pay by direct withdrawal from their checking accounts (ACH).

In focus groups, borrowers expressed enthusiasm for direct withdrawal from checking accounts. We prefer direct withdrawal, too, because it helps ensure regular payment on a timely basis, with minimal effort from the borrower.

SUN only imposes a mark-up when we can identify a clear financial benefit to the borrower through the material reduction in monthly housing expense and outstanding mortgage principal. We do not impose a mark-up:

- If we have simply enabled a borrower to remain in their home, but not reduced the outstanding principal amount and monthly mortgage expense.
- If we convey a multi-family home to an existing tenant rather than to an existing owner. Since the tenant never had a mortgage, the new mortgage cannot reduce outstanding principal or monthly mortgage expense.
- If there is substantial equity in the home and the value of the premises sufficiently secures the likelihood of repayment (for example, a \$200,000 mortgage on a home valued at \$450,000).

Note: In communities that have not experienced a significant reduction in home prices and where distressed prices may not be 25% below current fair market value, we may reduce our mark-up to ensure the new mortgage does not exceed current fair market value. Our underwriting guidelines require that Loan to Market Value (LTV) ratios are at or below 1 to ensure we are not originating "underwater" loans.

## LOAN LOSS RESERVE

SUN funds our Loan Loss Reserves in two ways:

- A private investor supplied \$3.5 million of equity to fund SUN's First Loss Reserves of 7% at the fund level.
- A 25% mark-up over our acquisition price, which is based on distressed market value of the home, creates an individual loan loss reserve for each mortgage at the loan level.

To ensure the future of SUN, it is imperative that we are able to repay our debt capital; failure to repay would curtail our ability to raise additional funds for program expansion. Thus, we need to have sufficient Loan Loss Reserves to cover losses should a borrower fail to satisfy their mortgage debt.

Because the Loan Loss Reserve contribution is built into each mortgage loan—and thus integrated into each mortgage payment—the Loan Loss Reserve is not a separate fund; it is simply part of SUN's assets.



*We were able to get our mortgage down to a payment we could afford. And it was the real value of the home and not just some ballooned payment or ballooned value of the home. It was just such a relief what they did for us.*

— Monica B., SUN homeowner, Randolph, MA



Fair Market Value is defined as the price that a willing buyer pays to a willing seller. The fair market value of residential real estate depends on the condition of the home, its current legal status, and what must be accomplished in order for the purchaser to occupy or rent out the premises.

Thus, homes encumbered by a defaulted or foreclosed mortgage loan that are occupied by an existing owner (who often must then be evicted), have a distressed market value that is typically 25-30% below the current fair market value.

Lenders sell at this reduced price to avoid the following costs:

- Substantial expense to clear the title, to foreclose and to evict the homeowner
- The usual costs of property ownership—taxes, insurance, maintenance, repair and security
- Opportunity cost of capital tied up while holding the property

In negotiating with lenders, SUN offers to buy a property at the distressed market value. Many lenders recognize that SUN's offer is their most economically advantageous alternative, and are willing to sell the home to us.

By the time we resell the home to the existing owner, we have resolved the challenges described above (the title is clear; there is no need to pursue foreclosure or eviction). Thus, the home has a greater current fair market value than it did when SUN purchased it from the bank—typically 25% more.

Therefore, even though we mark up each property 25% to build our Loan Loss Reserves, the borrower purchases it at roughly the current fair market value (and, on average, has a new monthly mortgage payment 40% lower than their previous mortgage).

See inset box on previous page for Exceptions to the mark-up requirement.

## PROPERTY APPRAISALS AND PROPERTY INSPECTION

Before we underwrite a loan and make an offer on a property, an appraiser conducts a full interior and exterior home appraisal:

- We only use licensed appraisers who comply with the requirements of the Uniform Standards of Professional Appraisal Practice.
- We ask the appraiser to determine the “distressed market value,” the price a lender could expect to receive for a short sale or foreclosure sale.
- If the appraiser notes that the home is in below-average condition, we also order a property inspection by a licensed general contractor to identify unhealthy or unsafe conditions and specifically to inspect any roofs that may need replacement or repair in the near future.
- If the licensed general contractor uncovers issues that require material corrective action, the contractor provides a cost estimate.

Rather than relying on a Broker Price Opinion (BPO), we use a full appraisal, MLS research, and in some cases a property inspection, to gain more complete information about a home’s value and condition, thereby strengthening our ability to negotiate and to underwrite.

REO holders—the banks that own foreclosed properties—are notoriously poor at routine maintenance and repair. And homeowners threatened with eviction have no incentive to put additional money into a property from which they could be required to leave at any time. Accordingly, some of the homes we inspect have multiple outstanding maintenance items, creating unsafe and unhealthy conditions; some may even violate applicable building code requirements. If so:

- We discuss with the potential borrower whether they are well-served by remaining in the home.
- We estimate the costs to repair, and confirm that the debt-to-income ratios are still within our underwriting guidelines.
- We make a purchase offer that considers these costs; by indicating the costs to repair, we support a lower purchase offer.
- After the sale back, we work with the borrower to quickly restore the home to a safe and healthy condition, with repairs typically funded by money held back from the loan.

We decline the application if:

- The borrower is unable to qualify for a loan that includes the cost of the repairs, or if the cost of repairs plus the purchase price substantially exceeds the current fair market value of the renovated home.
- The home requires substantial renovation, since we are not equipped to manage complete home renovations. However, if another organization can manage the renovation, we will reconsider providing financing once the renovations are complete—assuming the purchase price is less than or equal to the new current fair market value of the renovated home.



*We support Boston Community Capital’s efforts because SUN provides critical foreclosure relief assistance to people in my district.*

*When I get a call from a family or individual facing foreclosure, I’m glad to be able to put them in touch with the team at SUN.*

—State Representative  
Kathi-Anne Reinstein (Revere)



"(Before SUN) I had a very stable job, a rented unit, and was able to make my payments, no problem," says Rosa M. of Revere. "(Then), a few months later, the interest rate went up, and kept going up almost every three months." SUN helped this mother of four repurchase her home, reducing her monthly mortgage payment by 44%.

## HOLDBACK ACCOUNTS

The amount of the new SUN mortgage loan often includes not only the purchase price but also funds to be used for the estimated cost of necessary home repairs and in some cases to pay off a lien or judgment on the property as negotiated by SUN staff (e.g. a tax lien or credit card judgment). Such funds are held in a separate Holdback Account and are managed as outlined in a Holdback Agreement.

After the work is completed and expenses are paid, any funds remaining in the Holdback Account are either deposited in the Capital Reserve Account or applied to the outstanding principal balance of the loan. SUN management decides how to apply the funds after discussion with the borrower.

We manage holdback funds closely to ensure that the work outlined in the Holdback Agreement is completed promptly by licensed and insured contractors. We require:

- Inspection and sign-off by SUN inspectors on all work
- Proper permitting and sign-off
- Completed Holdback Requests signed by the homeowner and SUN management
- Senior management approval on the issuance of a check

For repairs, checks are issued to both the contractor and the homeowner and require endorsement by each before they can be cashed or deposited. This helps to ensure that the homeowner is satisfied with the work and approves the disbursement.

## SHARED APPRECIATION SECOND MORTGAGE

Home repurchases financed through SUN and Aura Mortgage include a Shared Appreciation Second Mortgage. Our borrowers are free to sell their home or refinance at any time. If the sale price or home value is higher than the SUN mortgage, then the increase (home appreciation) is shared with SUN under the terms of this agreement.

- Each SUN borrower signs a shared appreciation, zero-interest, non-amortizing, second mortgage.
- The “homeowner’s percentage” of the home appreciation is calculated as: SUN’s base purchase price times 125%, divided by the property’s total outstanding pre-existing mortgage principal balance at the time of SUN’s purchase.
- If the borrower sells or refinances, their share of any appreciation is limited to the “homeowner’s percentage.” SUN receives the balance of the appreciation to reinvest in the community.

The Shared Appreciation Second Mortgage requires no additional periodic payments.

The Shared Appreciation Second Mortgage ensures that SUN borrowers do not receive an unearned windfall should home values increase dramatically. The Shared Appreciation Second Mortgage also:

- Provides an incentive for borrowers to stay current on their existing mortgage and deters strategic defaults.
- Provides comfort to lenders and to neighbors who are current on their payments.
- Creates an incentive for borrowers to rebuild their credit (by making scheduled payments on their mortgage) in order to refinance at the earliest opportunity before their home’s value appreciates significantly.
- Enables SUN to assist other homeowners facing foreclosure.

The examples below illustrate how SUN's Shared Appreciation Second Mortgage impacts the Homeowner's Percentage of proceeds from the future sale of the home. Both cases assume an original mortgage amount of \$400,000 ("Homeowner's Original Mortgage(s)").

In Example 1, SUN is able to acquire the property and sell it back to the homeowner for \$160,000; the SUN Shared Appreciation Second Mortgage is \$240,000, the difference between the homeowner's original mortgage and the new SUN mortgage loan. The Homeowner's Percentage in this case is 40%, reflecting the percentage of the original mortgage loan amount which the homeowner now owes. If the homeowner is able to sell the home for \$300,000, reflecting an appreciation of \$140,000; they will receive 40% of the appreciation, that is \$56,000.

In Example 2, SUN's purchase price and, therefore, the new SUN mortgage loan, are higher—\$250,000—but the homeowner retains a larger share—62.5%—of future appreciation.

#### SHARED APPRECIATION SCENARIOS

<b>Calculation: Percent Share of Appreciation</b>	<b>Example 1</b>	<b>Example 2</b>
Homeowner's Original Mortgage(s)	\$ 400,000	\$ 400,000
Less SUN Purchase Price with Loan Loss Reserve Mark-up	\$ 160,000	\$ 250,000
SUN Shared Appreciation Second Mortgage	\$ 240,000	\$ 150,000
Homeowner's Percentage (See note)	40%	62.5%
SUN's Percentage	60%	37.5%

<b>Calculation: Value of Shared Appreciation at Time of Sale</b>		
Net Sale Price	\$ 300,000	\$ 300,000
Less SUN Purchase Price with Loan Loss Reserve Mark-up	\$ 160,000	\$ 250,000
Appreciation	\$ 140,000	\$ 50,000
Homeowner's Share of Appreciation	\$ 56,000	\$ 31,250
Homeowner's Percentage	40%	62.5%
SUN's Share of Appreciation	\$ 84,000	\$ 18,750
SUN's Percentage	60%	37.5%

Note: Homeowner's Percentage is equal to the SUN Purchase Price Plus Mark-up divided by the outstanding amount on Homeowner's Original Mortgage (the foreclosed loan).

## EARNEST MONEY DEPOSIT AND PURCHASE AND SALE AGREEMENT

Before SUN offers to purchase a property from the bank, we require applicants to provide a \$5,000 Earnest Money Deposit (EMD). They must also sign a binding Purchase and Sale Agreement at a maximum agreed-upon purchase price determined by the maximum loan approval amount and the applicant's comfort level.

- If SUN's offer to purchase from the lender is accepted, we apply the earnest money toward the closing costs associated with the loan.
- If our offer is rejected, or if the applicant's circumstances change (e.g. loss of income) and they no longer qualify for a new mortgage loan from SUN, we return the earnest money.
- If the applicant decides to withdraw from the process or otherwise not comply with the terms of the Purchase and Sale Agreement after we have an accepted offer from the lender, we apply the deposit to defray costs incurred.
- If we need to hold the property prior to resale, the Earnest Money Deposit also serves as a security deposit for use and occupancy.

If the applicant does not have the full \$5,000 when the Purchase and Sale Agreement is executed, we collect as much as possible (but no less than \$2,000) and then require the applicant to make periodic payments until the \$5,000 is collected. Our negotiators start the negotiation process after the initial payment is collected, but unless management approves, we do not move to final acceptance until the full \$5,000 is collected.

We require an Earnest Money Deposit and a Purchase and Sale Agreement as a way to assure borrower performance; we initiated these requirements after several adverse experiences. Two potential borrowers withdrew from the process after SUN negotiated the purchase of the properties and incurred significant expense. Another potential borrower remained in the home as a tenant, with SUN as the owner, rather than fulfilling their commitment to repurchase the home. Since implementation of the EMD we have not experienced any such issues.

Since most applicants are not making payments to their lenders, and may not have made payments for some time, saving for the Earnest Money Deposit re-establishes the need to budget for future mortgage payments to SUN.



## CLOSING COSTS AND FEES

We engage in two separate transactions in order to restore homeownership to the defaulting or foreclosed homeowner:

- Purchase the home from the lender or REO holder and discharge the old promissory note and mortgage.
- Sell the home to the homeowner, financing it with a new promissory note and mortgage.

Each transaction involves closing costs and fees. SUN borrowers are responsible for all costs and fees SUN incurs on their behalf.

There are closing costs associated both with SUN's purchase of the home and with its sale back to the homeowner:

- We charge a one-time fee of \$3,000 to defray the cost of acquiring the property; this cost is added to the resale price.
- Closing costs for the resale and financing typically total between \$8,000 and \$12,000; this includes escrowed expenses such as taxes and insurance. Because SUN only incurs these costs in order to sell the premises back to the borrower, we pass these costs along to the borrower and collect them at closing.
- We apply the applicants' \$5,000 Earnest Money Deposit to these closing costs, which include loan origination point and processing fees, and third-party costs for appraisals, credit reports, tax service, attorneys' fees, title insurance fees, recording fees and escrowed expenses.
- If applicants do not have sufficient funds to pay the entire cost of closing (above \$5,000), we roll the balance into the loan amount.
- Even with fees, SUN borrowers see their monthly mortgage payments and mortgage principal balances reduced, on average, by over 40%.

## USE AND OCCUPANCY AGREEMENTS AND ARRANGEMENTS WITH PRE-EXISTING TENANTS

Some lenders or REO holders require SUN to hold properties for a time between the date of purchase and the date of re-sale; this period ranges from 30 days to as long as six months. Borrowers remain in the home during this holding period pursuant to a Use and Occupancy Agreement, which is part of the Purchase and Sale Agreement that is signed at the time of the initial offer.

In multi-family residences, existing renters may also continue to occupy their units as tenants of SUN. Existing leases, if any, are assigned to SUN, and SUN collects rents and has all the liabilities of a landlord.

Once SUN has purchased the home, we become the interim owner and take on all the obligations of a landlord. Our goal, however, is to have the borrower retain as much responsibility for home maintenance as possible, even during our interim period of ownership. Accordingly, rather than entering into a short-term lease with the borrower, we enter into a Use and Occupancy Agreement under which they have the right to occupy the premises, but we are not burdened by all available tenant statutory protections. This structure also makes eviction easier should the former homeowner decide not to repurchase the home.

Existing tenants continue to occupy their premises under their existing lease or, in the case of tenants at-will, without a change in the terms and conditions of occupancy.

For single family homes, the occupants are responsible for maintaining the property. In multi-family properties, SUN uses a third-party property manager to maintain the common areas and tenant units during our period of ownership.

For more information on our Use and Occupancy Agreement, please see Process and Procedures.



A photograph of a wooden dresser with a white marble top. On top of the dresser are several framed photographs. One large photo on the left shows three people: a man, a woman, and a young girl. To its right is a smaller photo in a dark frame, and further right is another photo in a light-colored frame. A small statue or figurine sits on the far right edge.

# EXTERNAL CONDITIONS FOR SUCCESS

**IN PILOTING SUN ACROSS MASSACHUSETTS,** four key external factors—conditions in our target markets—have been essential to SUN’s effectiveness:

- Declines in property values that have re-aligned home prices with neighborhood income levels and rents
- A foreclosure and eviction process under state law that provides some rights for borrowers
- Strong community organizations dedicated to helping families and individuals in foreclosure
- Philanthropic and social impact investors committed to investing in a practical solution to stem foreclosure-related vacancies

In this section we describe each factor and its importance.

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**PREVIOUS PAGE** When Shirley T.’s landlord told her he’d fallen behind on his mortgage and was facing foreclosure, she was worried she’d be evicted from the Brockton home she shares with her two sons and her grandchildren. A program coordinator for a local community organization, she decided to take action. With SUN’s help, Ms. T. was able to purchase the foreclosed property with a mortgage she can afford.

*I had been a tenant in the building and paid rent for many years. Now, with help from Boston Community Capital and income from my sons, we'll be able to pay the mortgage and continue to live in our home.*

— Shirley T., SUN homeowner, Brockton, MA

### HOME PRICES RE-ALIGNED WITH NEIGHBORHOOD INCOME LEVELS AND RENTAL RATES

Just as the widening disparity between resident incomes and property purchase prices in the early 2000s brought on the nation's foreclosure crisis, the subsequent declines in home values—bringing them in line with resident incomes—are a key factor in SUN's effectiveness as a tool for neighborhood stabilization. Why?

- Lenders and servicers are willing to sell the property at a significant discount off the prior mortgage amount.
- A foreclosed homeowner can afford a mortgage at the home's current fair market value.
- Strong rental markets suggest a community of income-eligible potential buyers in the event of re-default, providing additional security for our investment.

Because these factors greatly increase the chances of SUN's success, we focus on neighborhoods where these factors exist.

SUN has focused our efforts on low-income neighborhoods in Massachusetts with the highest concentrations of foreclosure—communities with:

- Housing prices that surged from 2003 to 2006 and then rapidly declined
- Stable population levels with, at best, modest rates of growth
- High concentrations of aggressive and often predatory lending

Together, these characteristics have contributed to high rates of foreclosures and steep property value declines, spurring further defaults, delinquencies, and neighborhood destabilization.



## FORECLOSURE AND EVICTION PROCESS THAT PROVIDES SOME RIGHTS TO BORROWERS

Across the country, fifty separate state laws govern foreclosure; they vary greatly.

In our work, the actual time between default and foreclosure, and foreclosure and eviction, is critical; the longer the time span, the greater our chance of success. In Massachusetts, the time period from default to foreclosure averages approximately 450 days, with an additional period of time prior to eviction.

- A longer time horizon gives us more time to work with potential borrowers—both pre- and post-foreclosure—and to negotiate the terms of SUN’s property purchases from banks and REO holders.
- The longer the time between initiation of foreclosure proceedings and eviction, the greater the costs a lender incurs on the property, and therefore the greater the incentive for the lender to work with a prospective buyer like SUN. Time also translates to a higher holding cost for the lender, thus increasing our ability to buy at a steeper discount off of current fair market value.
- A state-mandated redemption period, which permits homeowners to repurchase the home from the acquiring institution prior to eviction, also can be helpful.
- Mandatory pre-foreclosure mediation, required in some states, can help direct lenders and homeowners to the program and fill the pipeline.

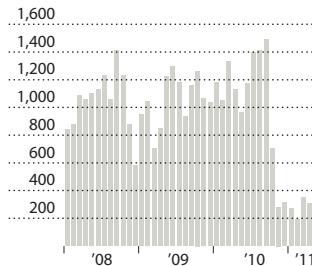


Left to Right: Ron McCormick, SUN Customer Service Liaison;  
Elyse D. Cherry, BCC CEO; and Sundee Aung Khin, SUN Closing Underwriter

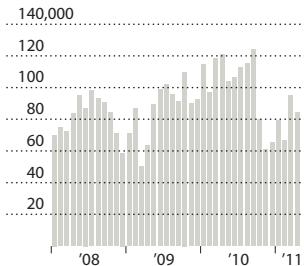
## Elongating Foreclosure

After major banks acknowledged last fall that they had been illegally processing foreclosures, reposessions of homes slowed drastically. The foreclosure process has slowed the most in states where the courts play a role like New York and Florida, where it can take years to process existing cases.

Bank repossession of homes in New York State



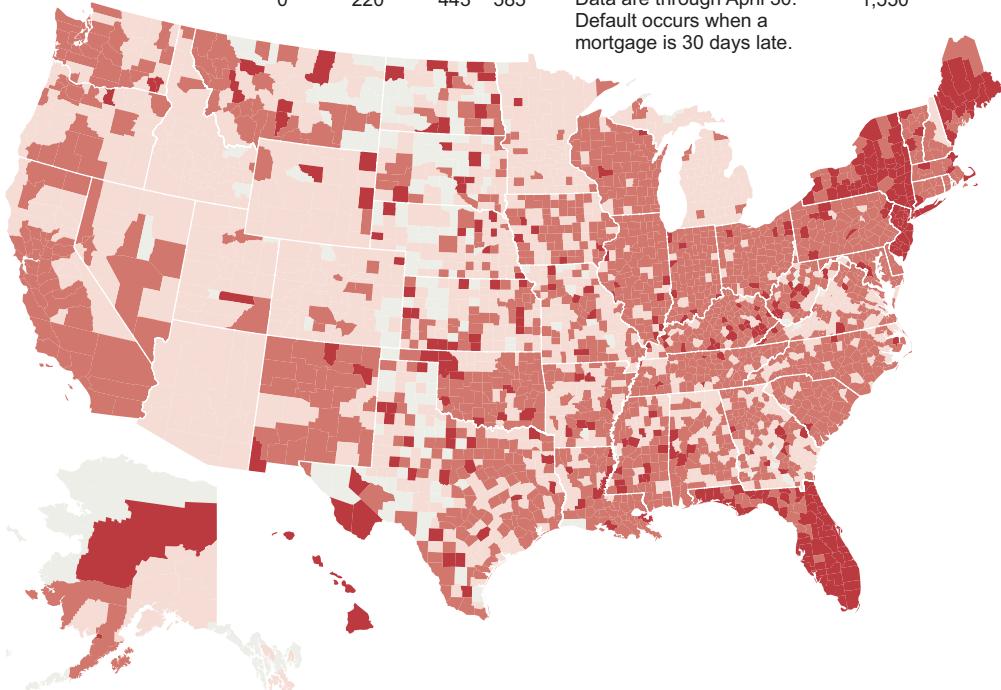
Bank repossession of homes nationally



Average number of days mortgages have been in default, by county.



Data are through April 30.  
Default occurs when a  
mortgage is 30 days late.



Source: LPS Applied Analytics

THE NEW YORK TIMES

Timelines for foreclosure and eviction vary widely and bear little relationship to any state's minimum statutory periods. Average state-mandated minimum processing periods are 327 days for states with Judicial Foreclosures and just 262 days for states with Non-Judicial Foreclosures; however, actual practice depends on variables such as processing delays, judicial system backlog, and inefficiencies

among mortgage lenders. For example, in New York, default to foreclosure averages over 900 days; in Georgia, by contrast, the average time period is less than 100 days. The longer the time between initiation of foreclosure proceedings and eviction, the greater the incentive for lenders to work with a prospective buyer like SUN. *Illustration courtesy of the New York Times, June 19, 2011.*

*Boston Community Capital invests in our neighborhoods. We rely on them as an important partner in addressing the housing foreclosure crisis in Massachusetts. BCC's staff provided invaluable input throughout the legislative session, as we crafted a law to tackle this complex problem.*

— State Senator Anthony Petruccelli (Boston)

## STRONG COMMUNITY ORGANIZATIONS DEDICATED TO PREVENTING FORECLOSURE

Infrastructure speeds progress—thus success is more likely in communities that have existing support for families and individuals who are facing foreclosure. Strong relationships with trusted groups—civic, religious, legal—both simplify the acceptance of a program such as SUN and facilitate the refinancing process.

- Community organizers empower homeowners and tenants, helping them understand their rights and advocating on their behalf in foreclosure proceedings and/or negotiations with lenders and mortgage servicers.
- Legal advocates can successfully delay evictions, providing crucial time to negotiate.
- Community partners—such as foreclosure counselors—heighten awareness of SUN and identify, screen, and refer homeowners and help them through the application and loan closing process.

SUN has benefited from BCC's existing relationships in many of the communities we serve. Because these community partners are a crucial referral source for SUN, we educate them about the program, then supply them with outreach materials. These partnerships are informal because BCC, as an intermediary, must be careful to maintain our independence.

Please see *Building a Pipeline* to learn more.

## PHILANTHROPIC COMMUNITY COMMITTED TO IMPACT INVESTING

Any financial enterprise requires capital—and an initiative such as SUN requires low-cost capital. We are fortunate to have an existing network of philanthropic and social impact investors committed to a practical solution to the foreclosure crisis. They have supplied:

- Grant dollars to support research and development
- Equity investment that serves as our first loss reserve
- Debt capital that finances our purchase of foreclosed properties and our mortgage loans to homeowners

Please see *Capital Requirements* for more information.



When Mona B. and her ex-husband separated, she sent him money every month to cover their mortgage payments. She thought he was paying the mortgage; he wasn't. They had fallen behind, and she couldn't catch up. With help from SUN, Mona was able to purchase the home she shares with her two sons, reducing her principal balance and monthly mortgage payment by 38%.



# BUILDING A PIPELINE: AN INTEGRATED MARKETING AND SALES PLAN



### **FORECLOSED HOMEOWNERS ARE A TOUGH DEMOGRAPHIC**

to reach. Frustrated by unsuccessful attempts to obtain loan modifications and targeted by scam artists promising to repair their credit or work with the lender to obtain a modification, most homeowners are skeptical of any program claiming to help with foreclosure; many simply give up.

Yet the success of SUN relies on a robust pipeline of inquiries and applications. So we embarked on a comprehensive, integrated marketing and sales plan focused on four complementary strategies:

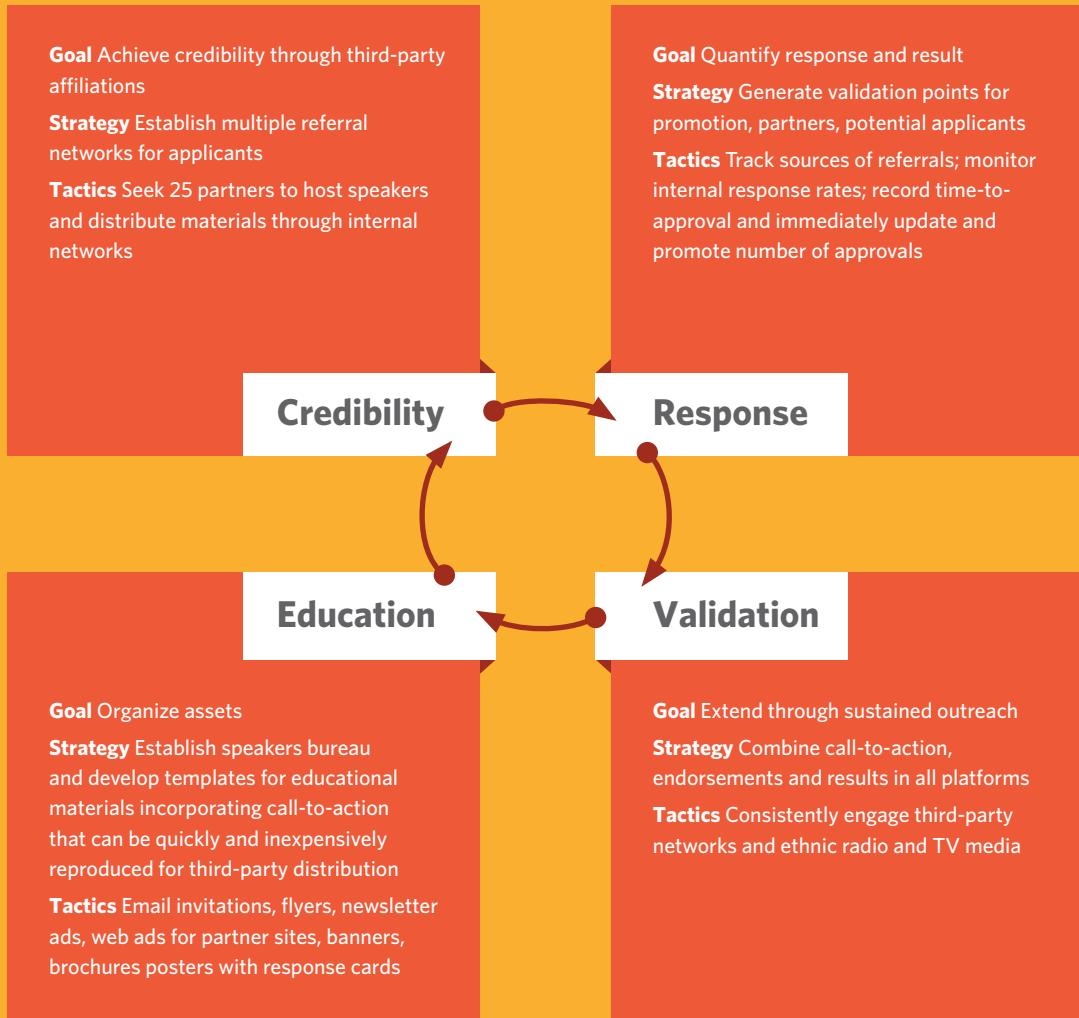
- Establish credibility and multiple applicant referral networks through third-party affiliations.
- Track and measure inquiries by referral sources to understand the effectiveness of specific marketing efforts.
- Organize marketing materials and resources for systematic outreach to communities.
- Extend validation with sustained outreach through third-party networks and unpaid media.

SUN's Integrated Marketing and Sales Plan is available in our Implementation Toolkit.

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**PREVIOUS PAGE** Lawrence CommunityWorks (LCW) housing counselor Lissette Caraballo meets with SUN homeowner Johnny P. Community organizations like LCW play a key role in referring clients to SUN, and provide valuable third-party validation of the program to foreclosed homeowners.

We have adopted a comprehensive and integrated marketing and sales strategy that combines strategic outreach through trusted partners with rigorous tracking and analysis of customer referral data. In 2012, this approach has enabled SUN to garner over 150 inquiries per month.



## ESTABLISH CREDIBILITY AND REFERRAL NETWORKS THROUGH THIRD-PARTY AFFILIATIONS

To build SUN's credibility among distressed borrowers, we harness a referral network of organizations and individuals to whom homeowners in foreclosure may turn for help. These include foreclosure counselors, housing groups, community organizations, legal advocates, religious leaders, lenders and elected officials. We then:

- Supply these groups with material to distribute describing the SUN process and borrower success stories.
- Partner with these groups to distribute information to their constituencies via the internet, mailings and events.
- Obtain endorsements from these groups creating third-party validation of the SUN program.

In February 2012, SUN partnered with the Haitian Pastors Association, True Alliance Center and State Representative Linda Dorcena Forry, herself a member of the Haitian community. We worked with them to organize a housing forum that brought together several organizations providing services to homeowners facing foreclosure.

The True Alliance Center publicized the event both in English and in Haitian Creole, focusing their efforts in Haitian churches and on local public access television and radio. More than 150 individuals struggling with housing issues attended—nearly 30% of whom turned to SUN.

The promotional flyers, event agenda and SUN materials are all in the Implementation Toolkit.

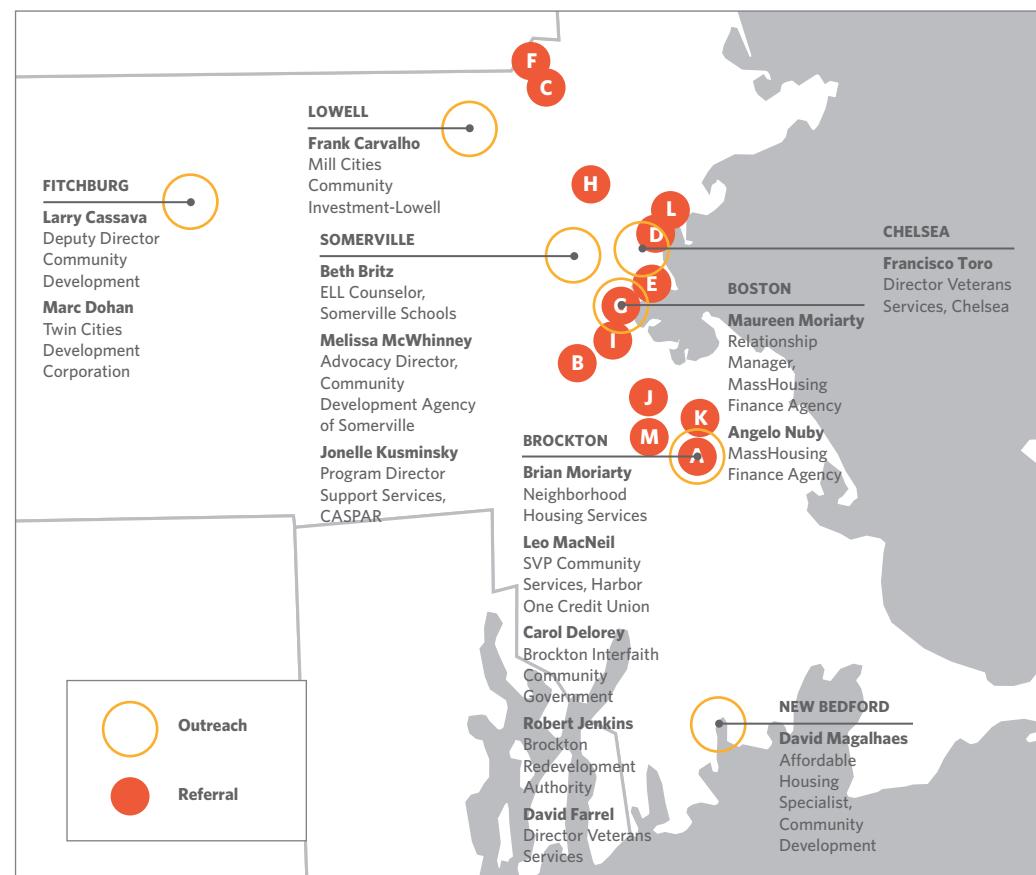
## TRACK AND MEASURE INQUIRIES BY REFERRAL SOURCES

Tracking referrals and monitoring response rates allows SUN to design outreach efforts based on effectiveness, and to replicate our most successful efforts with new community partners. Specifically, we:

- Identify referral partners who are the most effective champions of the SUN program.
- Recognize which techniques (direct mail, media coverage, trainings, etc.) generate the greatest number of inquiries.
- Target our efforts on communities where we are achieving the most traction.
- Identify and address bottlenecks in real-time and deploy resources to accommodate spikes in inquiries and applications.
- Provide regular updates and feedback to organizations that refer borrowers into SUN, reinforcing the importance of their efforts.



Comparing a summary of community outreach activity with a summary of borrower inquiries by referral source shows a direct correlation between the two.



#### SEPT 12-16 WEEKLY REFERRAL REPORT EXCERPT

- |                                   |                                       |
|-----------------------------------|---------------------------------------|
| <b>A</b> <b>BROCKTON</b>          | <b>E</b> <b>EAST BOSTON</b>           |
| Christ King Church                | Rep Basile's Office                   |
| Neighborhood Group                |                                       |
| Saint Patrick Church              |                                       |
| Chrisois                          |                                       |
| City Life                         |                                       |
| King of Christ                    |                                       |
| Anna                              |                                       |
| Attica?                           |                                       |
| Christ of King of Brockton Church |                                       |
| Catholic Church Brockton          |                                       |
| <b>B</b> <b>HYDE PARK</b>         | <b>F</b> <b>METHUEN</b>               |
| Lakay Legal Clinic                | Lawrence Community Works              |
| City Life                         |                                       |
| City Life                         |                                       |
| <b>C</b> <b>LAWRENCE</b>          | <b>G</b> <b>BOSTON</b>                |
| SUN                               | Christ Church                         |
|                                   | City Life                             |
| <b>D</b> <b>REVERE</b>            | <b>H</b> <b>MALDEN</b>                |
| Internet                          | Client Referral—Freeman               |
| City Life                         |                                       |
| Cable Channel                     |                                       |
| Mckinley School                   |                                       |
|                                   | <b>I</b> <b>DORCHESTER</b>            |
|                                   | SUN                                   |
|                                   | Greater Four Corners Action Coalition |
|                                   | <b>J</b> <b>RANDOLPH</b>              |
|                                   | City Life                             |
|                                   | Google                                |
|                                   | <b>K</b> <b>ABINGTON</b>              |
|                                   | Denise                                |
|                                   | <b>L</b> <b>SAUGUS</b>                |
|                                   | Rep. Reinstein                        |
|                                   | <b>M</b> <b>STOUGHTON</b>             |
|                                   | Friend                                |

## ORGANIZE MARKETING MATERIALS AND RESOURCES FOR SYSTEMATIC OUTREACH TO COMMUNITY

To truly harness the power of community partners, SUN has developed a toolkit of customizable materials and presentations to deploy at community outreach events and for media opportunities.

SUN works with our community partners to determine which combination of materials and personnel will best meet the needs of their constituents, and provides regular feedback on the outcomes of outreach efforts (see the first two strategies in the previous section).

If you're in mortgage default or foreclosure, or facing eviction due to foreclosure, call SUN at 617-933-5880.

This program is endorsed by CAAS (Community Action Agency of Somerville) • Cambridge and Somerville Legal Services • Somerville Community Corporation • Somerville Homeless Coalition

The SUN (Stabilizing Urban Neighborhoods) Initiative helps Massachusetts residents who have a stable income—but can't make their mortgage payments—remain in their homes with mortgages they can afford.

Massachusetts SUN Re-Mortgage #1001EM00002 Single-family house purchased 2007 2 adults, 3 children (all under 18)	Mortgage reduced <b>31% (by \$78,625)</b> Monthly payments reduced <b>41% (by \$ 945)</b>
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graph TD
    MP["Market Peak  
$253,000 mortgage  
$ 2,293 monthly"] --> UH["Unexpected Hardship  
Husband's job was reduced to less than 20 hrs/week and then to no hours. They fell behind; she returned to (nursing) school to increase their income."]
    UH --> UW["Under water  
$130,000  
Home value plummets 2009"]
    UW --> F["Foreclosure"]
    F --> R["Remortgage  
$174,375 new mortgage 2010  
$ 1,348 new monthly payment  
Lower homeowner mortgage"]
    R --> SP["SUN purchase  
$109,897  
Lower purchase price 2011"]
  
```

Mortgage loans are made by Boston Community Capital's affiliate, Aurora Mortgage Advisors, a licensed mortgage lender (NMLS # ML23467). SUN is run by Boston Community Capital, a nonprofit with a 27 year record of investing in underserved communities. Since late 2009, SUN has helped over 125 families stay in their homes.

Call 617-933-5880. Find out if you are eligible to apply. Visit [www.SUNHomeHelp.org](http://www.SUNHomeHelp.org) to learn more.

Potential borrowers want to know what SUN is doing in their community—so we design our flyers to be easily tailored to each target audience by changing the language, the endorsers and the borrower profiles. Thus, we produced the flyer pictured above for the Brockton Mayor's Task Force on Housing and Foreclosure, then with a few simple edits made it a handout for Community Action Agency of Somerville (CAAS).

*Essential tools and techniques include:*

- **EDUCATIONAL OUTREACH MATERIALS**—including FAQ, newsletters, case studies, flyers, and web links—that can be quickly and inexpensively customized. We are careful to ensure that these are culturally appropriate and in a language our audience understands.
- **SPEAKERS BUREAU** featuring staff and borrowers to explain the program and illustrate its power to community organizations and potential borrowers.
- **ENDORSEMENTS FROM TRUSTED COMMUNITY LEADERS** such as mayors, school officials, local representatives and community organizations. When included in outreach materials these endorsements allay the fears of potential borrowers wary of scam artists.
- **CONTACT MANAGEMENT SYSTEM** to manage and track outreach efforts. SUN uses Salesforce.com to store documents, automatically record emails and telephone conversations, and to share this information with licensed users across a cloud-based system.<sup>1</sup>

The Implementation Toolkit contains sample materials.



## ONE FLYER, MULTIPLE USES

**ENGLISH VERSION:**

The Stabilizing Urban Neighborhoods (SUN) Initiative brings Mayor Menino and Mayor Sarno together to make a difference in the politics of the urban neighborhood.

• Mayor Menino is a member of the SUN Initiative.

Later on your mortgage payments?  
Going through foreclosure?  
Facing eviction due to foreclosure?

**IF YOU HAVE A STABLE INCOME,**  
**SUN MAY BE ABLE TO HELP.**

The SUN Initiative is a partnership among the City of Boston, the City of Revere, the Massachusetts Department of Housing, and the Massachusetts Department of Community Development. The SUN Initiative is a community-based organization that provides services to individuals and families in Boston and Revere.

**SPANISH VERSION:**

Muchas veces los vecinos de Boston, SUN no solo les importa vivir en su casa, sino que también hace una diferencia en la política de las ciudades urbanas.

• El Alcalde Menino es miembro del Comité de SUN.

¿Está atrapado en el pago de su hipoteca?  
¿Atravesando un proceso de ejecución hipotecaria?  
¿Está al punto de ser desalojado por ejecución hipotecaria?

**SI USTED TIENE UN INGRESO ESTABLE, SUN PODRÍA AYUDARLO.**

El Comité de las Ciudades Urbanas, SUN apoya las iniciativas de vivienda en las ciudades. Esta iniciativa tiene como objetivo mejorar las condiciones de vida y vivienda para las personas y las familias.

**HAITIAN CREOLE VERSION:**

Tu迟er en pagando de vun chontratamento  
mobilite a vun?  
Esto perto de vun proceso de ejecucion?  
Advertencia de desalojo por causa de ejecucion?

**SI WI GEN YON SALU KI ESTAB,**  
**SUN KA EDE W PETIT.**

Tu迟er solo ponek moli koy vun bouch. SUN apoya vun projek  
ki mobilite a vun voun. Les bouches bouches sunn voun a vun voun.  
Mobilite a vun voun.

**PORTUGUESE VERSION:**

Você está atrasado com o pagamento da sua hipoteca?  
Passando por um processo de execução hipotecária?  
Vai ser despejado por causa de execução hipotecária?

**SE VOCÊ TIVER UMA INGRESSO ESTABILIZANTE,**  
**SUN PODE LHE AJUDAR.**

O Comitê para a Estabilização das Cidades Urbanas, SUN apoia as iniciativas de habitação das cidades. O Comitê para a Estabilização das Cidades Urbanas tem como objetivo melhorar as condições de vida e moradia para as pessoas e famílias.

We printed this flyer explaining the SUN Initiative to potential borrowers—and featuring endorsements from the Mayors of Boston and Revere—in English, Spanish, Haitian Creole and Portuguese. Summer 2011

Greg Hillier, SUN Closer/ Post Closer



*BCC has a 28-year track record of investing to build healthy communities. But historically, all of our loans have been to community organizations, not individuals. That's where community partners play a key role—validating BCC and letting homeowners know we're a credible partner.*

— Jessica Brooks, Development and Communications, Boston Community Capital

### **EXTEND VALIDATION WITH SUSTAINED OUTREACH THROUGH THIRD-PARTY NETWORKS AND UNPAID MEDIA**

As described previously, validation by trusted community organizations provides a potent introduction to SUN. So does unpaid, community-based media (television, radio and newspapers).

Such media reaches the target demographic and has an aura of validation that paid advertisements lack—people trust the media to interrogate on their behalf. To garner press and facilitate interaction with reporters, we:

- Target emails to reporters covering foreclosure for local papers.
- Ask community referral partners to advocate with media.
- Have interview subjects—staff, local borrowers, and community partners—available to speak to press.
- Present electronic materials describing the program (FAQ, organizational overview, recent articles).

Many homeowners facing foreclosure are either not familiar with accessing public resources or too embarrassed to try. Media and the internet have proven extremely effective in reaching these homeowners.

Being interviewed on local television has been the single most effective means of reaching our target audience.

- A Fox News interview garnered 68 referrals (out of a weekly total of 108). See [http://www.myfoxboston.com/dpp/news/special\\_reports/local-program-helping-families-facing-foreclosure-20110922](http://www.myfoxboston.com/dpp/news/special_reports/local-program-helping-families-facing-foreclosure-20110922)
- A Fox Morning News feature generated 35 referrals (out of a weekly total of 80). See <http://www.myfoxboston.com/dpp/morning/boston-community-capital-20111027>

Our website provides an effective, anonymous way for potential borrowers to learn about SUN and to assess their eligibility.

- Through search engine optimization (SEO) and links from other on-line sites (such as government and community websites), our website reaches new audiences.
- The website provides anonymity for applicants who may be ashamed or too uncomfortable accessing social service agencies that can connect them to public resources.
- The website enables applicants to make inquiries without an in-person meeting, which speeds and simplifies the process while minimizing potential embarrassment.



Housing Counselor Joseph DeJesus and Director of Homeownership Education Juan Bonilla at Lawrence CommunityWorks (LCW), a nonprofit community development corporation working to transform and revitalize the physical, economic, and social landscape of Lawrence. The LCW team collaborates with BCC to connect homeowners with stable incomes to SUN's foreclosure relief services.



A photograph of a middle-aged man with a shaved head and a goatee, wearing a light blue button-down shirt and a yellow and blue checkered tie. He is leaning over a desk, looking down at a stack of papers or files. In the background, there's a computer monitor displaying a grid-like interface, possibly a map or data visualization. A small framed picture hangs on the wall to the left.

# OPERATIONS

## **SUN'S BUSINESS OPERATIONS COMBINE BEST PRACTICES**

from our mortgage industry peers and our own unique approaches to uncharted territory—all while ensuring compliance with applicable federal and state laws and regulations.

The subchapters in this section describe and explain our approach to:

- Processes and procedures
- Organizational structure and staffing
- Statutory and regulatory compliance
- Legal structure
- Business metrics and information management

*The Implementation Toolkit contains job descriptions for key positions, SUN's procedures manual, pertinent forms and checklists, the organizing documents for our financing vehicle, SUN Initiative Financing, LLC, offer letters, loan documents and internal tracking reports.*

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**PREVIOUS PAGE** SUN underwriter Jamila Khan meets with processor Francisco Guillen to review a loan application. SUN hires staff with a deep understanding of the mortgage finance business, an entrepreneurial spirit and a commitment to delivering excellence to our clients at every step in our process.



*We can work, we can pay the mortgage, and we can see the end, the paying off of the house, (and) being about to have something to leave for the children.*

— Germain H., SUN homeowner, Mattapan, MA

## PROCESS AND PROCEDURES

The SUN process comprises ten key stages—from the initial inquiry to servicing the loan and managing the Capital Reserve Account. In the following pages we describe the objectives and tasks involved in each.

Because SUN is a retail, volume business functioning in a highly regulated (and changing) environment, we have developed detailed processes and procedures to help ensure that:

- All staff know and can fulfill their duties in a manner that is respectful to potential borrowers, consistent with established risk parameters.
- We make prompt decisions so that staff time is focused on applicants who are likely to qualify, and we neither offer false hope nor are disrespectful of applicants' time.
- Borrowers understand that they are entering into a partnership in which both the borrower and SUN have obligations and responsibilities.
- We process applications, underwrite loans, negotiate purchases and originate loans efficiently.
- We track and use data to drive volume and to effectively manage risk, revenue and expenses.
- SUN complies with applicable state and federal law and regulations.



## STAGE 1

### INQUIRY PROCESS

#### PRIMARY OBJECTIVES

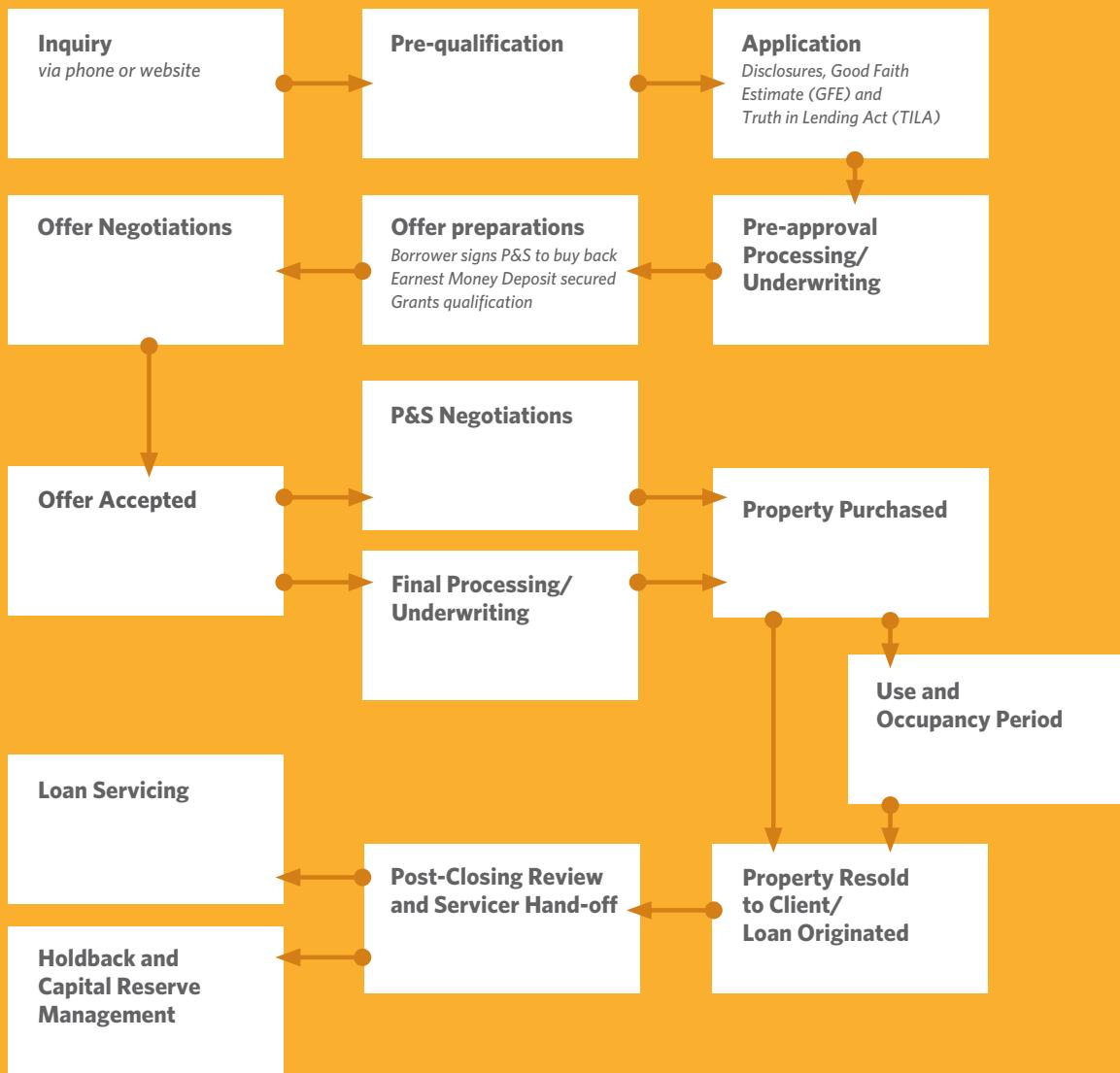
- Determine basic eligibility for the program.
- Gather and record applicant information.
- Start an applicant record in the Encompass360 mortgage loan origination software.
- Capture all referral source/marketing information.
- Collect financial documents from prospective applicants.
- Prepare the file for review by a licensed MLO.

#### KEY STEPS

##### 1 Screen for eligibility

The Intake Specialist screens applicants—either over the phone or through a form submitted online—to ensure they meet SUN’s basic eligibility requirements:

- Currently delinquent on mortgage, in or facing foreclosure, or being evicted: SUN does not lend to applicants who are able to pay their current mortgages. We never encourage homeowners to stop making payments so they can become eligible for SUN mortgages.
- Not currently in a loan modification program: Banks or servicers may terminate a loan modification agreement if a short sale process is initiated. Individuals who are working with a bank on a loan modification or have a modification agreement in place are ineligible.



- Steady income source to pay a mortgage: Income must be steady and predictable. For instance, social security income, child care support and self-employment income may all be acceptable; unemployment benefits are not, because they are temporary.
- Massachusetts residents: Only Massachusetts residents are currently eligible to participate in SUN because Aura Mortgage, our mortgage lender, is only licensed in Massachusetts.

## **2 Collect financial documents from prospective applicants**

SUN staff ask individuals who meet our basic eligibility requirements to provide top-level financial documents and a hardship letter. We also provide each eligible prospect with a full list of documents that will be needed for the SUN application process. Of note:

- Collecting financial documents at the inquiry stage reduces the number of potential borrowers whose applications are on hold later in the process, pending receipt of required information.
- Applicants who gather and submit information promptly are more likely to manage the responsibilities of a new mortgage.
- If an applicant fails to respond to any information requests after we make three attempts to reach them over three weeks, we close their file and send them a “non-responsive” letter inviting them to reapply. This keeps applicants moving through the pipeline within a reasonable timeframe.



*Improving our quality of life remains my top priority. If you are experiencing economic turmoil and facing foreclosure, Boston Community Capital and the SUN Initiative can help.*

— Mayor William A. Flanagan, Fall River

## **Internet or telephone inquiries?**

Telephone inquiries have the advantage of real time interaction: SUN staff can determine basic eligibility, ensure all questions in the Inquiry Form are completed, and answer the applicant's questions. However, SUN staff must manually enter all applicant data into the Encompass360 mortgage loan origination software—and often make multiple attempts to return calls left after ordinary business hours.

Online inquiry and application forms enable applicants to apply at their convenience. Since applicants can apply from the privacy of their home during non-business hours, this may increase the number of inquiries; internet inquiries also reduce the need for manual data entry of applicant information by SUN staff.

## **3 Prepare file for Mortgage Loan Originator**

Once the applicant's Encompass inquiry form is complete, the Intake Specialist:

- Collects property value information from the Warren Group website<sup>2</sup> and enters it into the inquiry form. This information aids the licensed Mortgage Loan Originators in evaluating the property's value during the prequalification and application process.
- Conducts a background check via the Stuart Group website<sup>3</sup> to ensure the applicant is not on the OFAC list (terrorist list).

During the intake phone call or after receipt of the completed inquiry form via the internet, the Intake Specialist schedules a pre-qualification phone call for the applicant with a licensed Mortgage Loan Originator from SUN.

*I felt like 100 pounds or more was lifted off my shoulders the day I walked out of there. Totally gone.*

— Annmarie Z., SUN homeowner, Brockton, MA

## STAGE 2 PRE-QUALIFICATION PROCESS

### PRIMARY OBJECTIVES

- Use SUN's debt-to-income ratios to make a preliminary assessment of whether the applicant has sufficient income to support a mortgage at the current value of the property.
- Gather documents and prepare the applicant file for a full application and disclosure meeting with a licensed Mortgage Loan Originator.

### KEY STEPS

At the pre-qualification stage, the licensed Mortgage Loan Originator:

- Estimates the property's current fair market value based on The Warren Group data, the Multiple Listing Service (MLS) database and other databases as appropriate.
- Determines the likely income needed to support a mortgage for that property.
- Reviews the applicant's collected financial documentation (if available).
- Conducts a 30-minute phone interview with the applicant to complete the pre-qualification forms. These customized Encompass forms automatically populate the 1003 Application Form.

Since in-person loan application meetings typically last at least two hours—and can be substantially longer if there are multiple borrowers or if interpreters are needed—we make efficient use of staff resources by first engaging in a pre-qualification process. This also eliminates the need for applicants to travel to the office if their income or debt ratios are significantly higher than our guidelines. While we never discourage an application, we do provide feedback on the likelihood that an applicant will be successful.

## STAGE 3 LOAN APPLICATION AND DISCLOSURE PROCESS

### PRIMARY OBJECTIVES

- Complete the 1003 Application Form and establish an application date for compliance.
- Further understand the applicant's situation (e.g. hardship) and his/her ability to make a mortgage payment at the level likely required.
- Collect missing income and debt information and make a further assessment of the applicant's ability to meet underwriting debt-to-income requirements.
- Clearly communicate SUN's requirements to the applicant by reviewing all the disclosure documents.
- Make a decline or approval recommendation.
- Comply with the early disclosure timing requirements of the Truth-in-Lending Act (TILA), the Real Estate Settlement Procedures Act (RESPA), and Massachusetts' disclosure requirements.
- Prepare the application for processing and underwriting.



SUN homeowners Felix F. and Shania B. of Brockton, MA. When Ms. B. lost work because of an extended illness, Mr. F., a medical interpreter, struggled to pay the mortgage himself. With SUN, the couple reduced their mortgage principal balance by 27%.

#### **KEY STEPS**

At the in-person application and disclosure meeting, the MLO and applicant finalize the application form and review all pertinent disclosures. At the end of the meeting, if all requirements have been met, the MLO signs the application, and the application moves on to Pre-Approval Processing and Underwriting.



*At SUN, our process is grounded in comprehensive underwriting. We work to understand a homeowner's whole financial picture—debt and income, the circumstances that led up to the foreclosure, and the household's current situation—to ensure that the borrower will be able to pay an appropriately-sized mortgage on an ongoing basis.*

— Rachael Dorr, General Manager, SUN Initiative

#### **1 Disclosures and Authorizations**

SUN strives to make the mortgage loan process clear and predictable for our applicants. This is especially important since virtually all applicants have had past challenges meeting the obligations of their mortgage loans. Moreover, SUN's program has some unique features, such as the Shared Appreciation Second Mortgage, which we want to be sure borrowers understand. The list of disclosures and authorizations we provide to applicants includes:

- Aura Mortgage Advisors Disclosure Acknowledgement Form
- Completed, signed and dated Mortgage Loan Application (1003)
- Credit Authorization
- Description of SUN Important Terms and Disclosure
- Social Security Number Verification
- Patriot Act Customer Information Documentation Form
- Shared Appreciation Second Mortgage Disclosure
- Pre-Approval Certification, Authorization and Property Disclosures
- HUD Home Inspection/Lead Paint Disclosure and Lead Paint Hazards
- Notice to Home Applicant Credit Score Disclosure
- Good Faith Estimate with Good Faith Estimate Itemization
- Interest Rate Lock/Float Agreement
- Truth in Lending Act Disclosure Statement and Itemization of Amount Financed Addendum
- HUD's Special Information Booklet – Buying Your Home Settlement Costs Guide
- Servicing Disclosure Statement
- Appraisal Disclosure
- Tax Return Authorization Form 4506-T
- Bi-Weekly Payment Agreement Disclosure
- Acknowledgement of receipt of Good Faith Estimate
- Notice to Massachusetts Property Applicants
- SUN Privacy Policy Disclosure

## 2 Required documentation

The foundation for a sound underwriting process is a fully completed application with all documentation provided. SUN requires applicants to provide all of the basic documentation listed below prior to the loan application meeting. Additional documentation may be required for loans with multiple co-borrowers, or for loans on multi-family properties. For example, applicants who own multi-family homes need to provide copies of leases. Loan analysis cannot be completed until all documents have been received.

- Hardship letter
- Recent mortgage statements
- Documentation of outstanding debts (credit card payments, child support, alimony, student loans, car payments, etc.)
- Tax returns from previous two years
- Pay stubs from previous 30 days
- Employment history with W-2s for previous two years; self employed applicants must provide a profit and loss statement
- Bank account information for previous 90 days

Often our applicants face unusual circumstances—hardships—which caused them to stop paying their previous mortgage. Such hardships may be a predatory loan, loss of employment or a personal hardship such as illness or divorce. The applicant prepares a hardship letter to:

- Clarify for underwriters why the applicant stopped paying their prior mortgage and why they will be able to stay current with the new payment.
- Help negotiators explain the hardship to the foreclosing mortgagee to support a lower purchase price.

Please see the Implementation Toolkit for a template of the hardship letter.

## 3 Bankruptcy Filings

The MLO researches prior bankruptcy filings via PACER, an electronic public access service that enables users to obtain case and docket information from federal appellate, district, and bankruptcy courts.

## 4 Application Date

The MLO must establish a clear Application Date to comply with the Equal Credit Opportunity Act, TILA and RESPA. The MLO signs and dates the application in the Interviewer Section of the 1003 when SUN has:

- A signed and dated Application (Form 1003) completed by the borrower
- Signed Disclosure Acknowledgement Form for all disclosures
- Credit report (pulled credit)<sup>4</sup>

This is the official application date.

## 5 Application Fees

There is no application fee for the SUN Initiative. SUN collects all fees and expenses at the time of closing; these costs are fully disclosed to the applicant prior to closing, as required by the Truth in Lending Act. We first disclose SUN's fee structure during the initial application meeting, and then again after the offer is accepted and a purchase price established.

Before the application and disclosure meeting, SUN staff send applicants a Required Document list; if the applicant is pre-qualified, the MLO also requests any missing documents. At the application meeting, if any documents are still missing the MLO issues an Additional Needs Letter, officially listing all missing documents, and stating a deadline (typically two weeks) for providing this information; the deadline may be extended at the MLO's discretion. This letter helps applicants keep focused on moving their applications forward.

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## **STAGE 4**

### **PRE-APPROVAL PROCESSING AND UNDERWRITING**

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#### **PRIMARY OBJECTIVES**

- Evaluate the application and determine the maximum loan amount for which the applicant(s) qualify.
  - Pre-approve, suspend or deny the application based on the current property value and the applicant(s)' ability to make a mortgage payment at a loan amount consistent with that property value.
- 

#### **KEY STEPS**

##### **1 Processor prepares the application for underwriting**

- Reviews the application for completeness, verifying application information (employment, social security number, etc.).
- Reviews the credit report.
- Orders required documents (title, appraisal, property inspection, etc.).
- Reviews the Good Faith Estimate and Truth in Lending forms.
- Reviews and completes Form 1008, the Uniform Underwriting and Transmittal Summary .

##### **2 Underwriter reviews the file**

###### **Reviews and Revises Forms 1003 and 1008**

The Underwriter reviews Forms 1003 (mortgage loan application) and 1008 and revises them as required based on an overall review of the application and related documents. Form 1008, the Uniform Underwriting and Transmittal Summary, summarizes the key information in the application to aid the Underwriter in assessing the borrower's current and future financial potential to repay the mortgage. This includes:

- Loan amount
- Appraised/estimated value
- Loan-to-Value ratio
- Payment information
- Housing and Total Debt ratios
- Income and debt
- Assets
- Additional compensating factors

#### **Evaluates income sources and reviews credit**

Because SUN applicants generally have very low credit scores, we do not use their credit score as a determinant of loan approval. We use the credit report to understand the applicant's history of credit usage and to help us determine whether the applicant is likely to be able to honor the terms of a new mortgage.

#### **Determines likely needed loan amount**

- Determines current fair market value for the property using the appraisal data and MLS comparables.
- Reviews the appraisal and inspection report and establishes the cost for property repairs, if necessary. The applicant's total loan amount includes the cost of repairs to bring the home to a safe and healthy condition.
- Reviews title reports and determines whether funds need to be added to the loan amount to satisfy unpaid liens (e.g. water, sewer, real estate taxes).
- Considers the mortgage amount the borrowers are comfortable paying.
- Determines whether the applicant may be eligible for any grant support.<sup>5</sup>



*I've spent 15 years in the mortgage industry. I've never worked at a place that focuses so closely on balancing a borrower's needs with careful underwriting.*

— Sundee Aung Khin, SUN closing underwriter

### **Calculates front-end & back-end ratios**

SUN's approval guidelines require that the front-end and back-end ratios not exceed 38% and 48%, respectively. Exceptions to these ratios require management approval and must have compensating factors that the underwriter documents.

**FRONT-END RATIO** is the percentage of the gross monthly income (of all co-borrowers on the loan) that is required for their housing payments.

Monthly housing expense (i.e. mortgage expense) includes principal, interest, taxes, and insurance.

#### *Front-end ratio*

$$= \left\{ \begin{array}{l} \text{monthly housing expense} \\ \div \\ \text{gross monthly income} \end{array} \right.$$

**BACK-END RATIO** is the percentage of the gross monthly income (of all co-borrowers on the loan) that is required to pay all debts, including the mortgage.

#### *Back-end ratio*

$$= \left\{ \begin{array}{l} \text{total monthly debt expense} \\ \div \\ \text{gross monthly income} \end{array} \right.$$

### **Review all documentation including Hardship Letter and Prior Mortgage Agreement**

We believe our assessment of an applicant's ability to pay a mortgage should be based on more than numbers. The Underwriter examines the applicant's hardship letter and previous loan agreements—then makes a decision to approve, deny or suspend an application, and records the decision logic on Form 1008. This is helpful for the second-tier review of a denied file or for final underwriting of a pre-approved file once an offer is accepted.

At the end of the underwriting process, the Underwriter records the decision logic on the 1008, indicating either an approval or a decline of the file. This is helpful for the second-tier review of a declined file or for the final underwriting of a pre-approved file once an offer is accepted.

### **APPROVAL**

- At the time of approval, the Underwriter completes Form 1008 indicating the decision.
- The Underwriter then completes a Pre-Approval Letter form for the potential borrower with a list of needed conditions, detailing information or documents that are needed before the loan can be approved and committed by the Closing Underwriter.
- The processor mails and/or emails this Pre-Approval letter to the borrower, then tracks and collects the documents needed to clear the underwriting conditions.
- The loan file passes to the Negotiation Department.
- When the documents on the listed conditions are received, the Underwriter clears them prior to the loan closing.

### **SUSPENSION**

- When we suspend a file, the 30-day clock stops (per the Equal Credit Opportunity Act) until we receive all requested information.
- The Underwriter sends a Suspension Letter to the borrower itemizing the documentation and/or information that is required for the Underwriter to make a decision.
- The Processor tracks and collects these documents.
- When the documents and information are received, the Underwriter continues to evaluate the file to make a decision.

### **DENIAL**

- At the time of denial, the Underwriter completes Form 1008 indicating the reason for denial.
- All denied files undergo a second-tier review by another underwriter or manager with approval authority to ensure that all possible solutions have been evaluated prior to final denial.
- If the application is still denied, the second-tier review underwriter calls the applicant(s) to inform them of the denial and the underlying reasons. This provides applicants the opportunity to ask questions and better understand the loan decision.
- SUN sends an Adverse Action Letter (Denial Letter) to the applicant(s) within 30 days of the application date assuming there is no suspension.
- A Mortgage Review Board Notice accompanies all denial notices. This notice provides the applicants with a notice of their right to have their application reviewed by an independent review board. The Notice ensures compliance with the Massachusetts Mortgage Loan Review Board requirements.

*(From) the first phone call with my loan officer, BCC made me feel so happy and so comfortable. Boston Community Capital gave me hope.*

— Pamela N., SUN homeowner, Hyde Park, MA

## STAGE 5 OFFER PREPARATION AND NEGOTIATION PROCESSES

### PRIMARY OBJECTIVES:

- Secure the borrower's commitment to repurchase the home if SUN is successful at negotiating an acceptable offer.
- Determine the offer amount and prepare the offer package.
- Disclose SUN's role as a Real Estate Broker on the purchase transaction, if applicable.
- Negotiate with the bank/servicer to reach an acceptable price to purchase the property.
- Negotiate an acceptable payoff of any other mortgages or liens.

### KEY STEPS

#### 1 Seller's Purchase and Sale Agreement and Earnest Money Deposit

- After the file is pre-approved by the Underwriter, the applicant and the Negotiator sign a Purchase and Sale Agreement committing the applicant to buy back the property from SUN, and for SUN to sell it back to them, if the negotiator can purchase it at an acceptable price. An acceptable price results in a loan amount that is equal to or less than the maximum approved loan amount after considering SUN's Loan Loss Reserve mark-up, repair costs, closing costs, and so forth, and one with which the applicant feels comfortable.
- Applicants provide a \$5,000 Earnest Money Deposit, to guarantee that they will repurchase the property once SUN acquires it from the bank or servicer.
- If needed, a Use and Occupancy Agreement outlines the terms of the occupancy.

### 2 Offer Price and Negotiations

- Negotiators review market comparables (using MLS) and the distressed appraisal—ordered by the processor prior to underwriting—to determine the property's distressed market value.
- Negotiators highlight the cost of needed repairs and the risks the mortgage lender, servicer or REO holder may incur as it seeks to foreclose or to continue to hold the property. (For example, a leaking roof may pose a health risk to its occupants and also decrease the value of the home.)
- Negotiators use the hardship letter to support the argument that the default was not avoidable. Hardship letters can also bolster the argument that the borrower will not be able to support the prior mortgage moving forward, and therefore needs a reduced principal balance and monthly mortgage payment.
- Negotiators work directly with the applicant(s) throughout the process—informing them of responses, and seeking their approval for any counter offers. Applicants make the ultimate decision on whether an offer or counter offer is made.
- Negotiators consult with Underwriters as they prepare counter offers in instances where the resulting mortgage loan will be at or slightly above the preapproved loan amount.



SUN homeowner S. D. of Springfield, MA. SUN helped Ms. D. reduce her monthly payments by 24% and her mortgage principal balance by 33%.

**Short Sale Negotiations** take place before the home is foreclosed, while the borrower is still the owner of record. The Negotiator persuades the bank to settle rather than to incur additional losses and fees that are likely to accrue during a full foreclosure process. Then SUN and the borrower sign a Purchase and Sale Agreement and present it to the bank. The offer also requires significant documentation to prove financial hardship. Although SUN's relationships with banks and servicers allow us to shorten the time frame for a short sale, it often takes several months to receive a response to a short sale offer.

**Post-foreclosure negotiations (REO)** occur after the foreclosure is complete but before the homeowner is evicted. At this point the bank is no longer concerned whether the borrower might

be able to cure the outstanding default; they are simply seeking to liquidate the asset at the highest possible value and to minimize the cost of holding the property.

**Second or Third Mortgages and other liens** must be negotiated for payoff at this point in the process. When dealing with second mortgagees, Negotiators must work within the payoff limit set by the first mortgagee, though sometimes the second mortgagee is unwilling to settle for that amount. In the case of a short sale, the revival of the second mortgage is a problem and can prevent SUN from moving forward. In the case of an REO, SUN works with the borrower to reduce the second mortgage revival risk.



In most of SUN's target markets, the distressed market value is typically 25-30% below current fair market value. Even if the borrower can afford a higher amount, SUN seeks to purchase the property at or below this distressed market value—in order to avoid originating a new mortgage that is already underwater once we include the 25% mark-up, rolled-in closing costs and costs of any needed repairs.

### **3 Disclose SUN/NSP as Real Estate Broker**

In short sale transactions, the lender often requires a real estate broker be involved.

- NSP Residential is a licensed brokerage firm.
- Currently, SUN submits short sale offers through a third-party realtor who acts as the listing agent; however, because NSP Residential is also a licensed brokerage firm, we typically co-broker with the listing agent and collect half the brokerage fee. This helps defray our operating costs.
- SUN discloses to all parties (applicant, bank, investor) our role as a real estate broker working to facilitate the transaction.
- Eventually, we will serve as the listing agent, where possible, and collect the entire brokerage fee, which we will use to defray operating costs.

In REO sales, the REO holder hires the real estate agent and tends to pay a very small commission—less than \$1,000—so the opportunity to share the broker's fee with the listing agent often does not exist. Fortunately, over half of our accepted offers are under short sale scenarios.



*They bought my house, fixed it, and sold it back to me. And the best thing—I didn't have to move.*

— Carlene B., SUN homeowner, Brockton, MA

### **4 Arm's Length Affidavits**

A number of banks have begun to require the signing of an "Arm's Length Affidavit" stating that the purchaser will never sell or rent the property to the former homeowner. Since the purpose of SUN is to sell homes back to the former homeowner, these Arm's Length Affidavits interfered with our ability to complete transactions.

Our Solution: A change to the governing statute.

As of September 2012, Chapter 244 Section 35C (h) of the General Laws of Massachusetts states:

*"In all circumstances in which an offer to purchase either a mortgage loan or residential property is made by an entity with a tax-exempt filing status under section 501(c)(3) of the Internal Revenue Code, or an entity controlled by an entity with such tax exempt filing status, no creditor shall require as a condition of sale or transfer to any such entity any affidavit, statement, agreement or addendum limiting ownership or occupancy of the residential property by the borrower and, if obtained, such affidavit, statement, agreement or addendum shall not provide a basis to avoid a sale or transfer nor shall it be enforceable against such acquiring entity or any real estate broker, borrower or settlement agent named in such affidavit, statement or addendum."*

## **STAGE 6**

### **FINAL UNDERWRITING AND PREPARING THE FILE FOR CLOSING**

#### **PRIMARY OBJECTIVES**

- Negotiate, if necessary, the final Purchase and Sale Agreement to purchase the property and obtain the signed agreement for the purchase closing.
- Fully underwrite the file and clear any closing conditions.

#### **KEY STEPS**

##### **1 Negotiate and Obtain Signed Purchase and Sale Agreement (REO) or Final Approval (Short Sale)**

For REO properties, the Negotiator continues to work with the seller to obtain a signed Purchase and Sale Agreement to purchase the property. In the case of short sale scenarios, the Negotiator works to obtain the short sale approval letter. At this time we also negotiate any second liens requiring payoff.

Building code requirements for smoke and carbon monoxide detectors vary by state. In Massachusetts, sellers must obtain smoke detector certificates from the local fire department. This process can often prove challenging because, in Massachusetts, there has been a recent change in the code requirements for smoke detectors and carbon monoxide detectors and many of our properties require an upgrade to a hard-wired system before the home will pass inspection. To help ensure that homes pass inspection, SUN has the listing agent preview the property and work with the applicant to satisfy the new requirements before the official inspection occurs. In addition, we have built strong relationships with the fire departments in the communities in which SUN operates in order to reduce the time needed to obtain an inspection.

#### **2 Final Underwriting**

The Closing Underwriter performs the same tasks as the Pre-approval Underwriter, but now using the specific purchase price. The Underwriter:

- Updates Forms 1003 (Application) and 1008 (Underwriting Summary) to reflect new information, and requests updated documents from the applicant if documents in the file are more than 30 days old.
- Identifies any new information that may be needed and issues new conditions as needed based on the file; the Processor or Closer then secures this information.
- Completes the Cash Needed to Close Worksheet.
- Reviews the file and calculates the final loan amount based on the purchase price, any holdbacks and any payoffs, and considering the cash being brought to closing by the borrowers.
- Calculates the resulting front-end and back-end ratios ensuring they are still within the guidelines.
- Calculates the Loan-to-Value ratio to ensure the originating loan is not underwater.
- Presents any exceptions (along with compensating factors) to management for approval.
- Ensures the following documents are received, if applicable; SUN's closer coordinates securing these documents:
  - Title
  - Municipal Lien Certificate
  - Smoke Detector Certificate
  - Water Reading
  - Title V certificate (to assure compliance with applicable regulation for properties with septic systems)
  - 6D Certificates (to document payment of condominium fees)
  - Lead paint certificate
- After all the conditions are cleared, the Underwriter issues a loan commitment and clears the file for closing.



Pictured: Jamila Khan, SUN Underwriter; and Renee Burgher, Legal Analyst

Laws governing lead paint liability vary by state, so check with local counsel prior to establishing lead paint inspection and remediation procedures. SUN requires a lead paint inspection for all homes that meet all of the following criteria:

- Built before 1978 and not known to have been de-leaded
- With children under 6 living in the home (tenants or otherwise)
- Not being immediately sold back to the owner due to a required holding period

In Massachusetts, any party in the chain of title can be held strictly liable for poisoning caused by lead paint in the home, so if the conditions listed above exist and the home has lead paint present, we require the property to be remediated before we purchase it. We recommend grant sources which applicants can use to help defray these costs. In some cases, we add the cost of remediation to the loan amount.

### 3 Re-disclosure

Since initial disclosures are performed prior to an accepted offer and before the actual purchase price is determined, to comply with RESPA (Real Estate Settlement Procedures Act) virtually all SUN applicants are re-disclosed by the MLO before the final purchase closing. This is most often done right after the offer is accepted and a purchase price is determined; re-disclosure also may be required at other times in the process based on new information.

- During re-disclosure, the applicant and MLO review the updated Good Faith Estimates and Truth and Lending worksheets, which reflect the final loan amount and closing costs based on the offer acceptance price.
- The re-disclosure must occur within three days of SUN staff learning any new information which requires re-disclosure and at least three days prior to closing. (Initial disclosure must occur at least seven days prior to closing.)

SUN has both a Pre-approval Underwriter and a Closing Underwriter due in part to our closing volume. Moreover, because of the lengthy time between pre-approval and purchase—and again between purchase and resale should there be a holding period—we underwrite all files at least twice (three times if there is a holding period). Having two individuals—one at the front end and one at the back end—ensures that each file is reviewed by two experienced underwriters before we purchase the property.

## STAGE 7

### PURCHASE PROPERTY, USE AND OCCUPANCY, SALE BACK WITH NEW MORTGAGE

#### PRIMARY OBJECTIVES

- Purchase the subject property.
- Hold the property under a Use and Occupancy Agreement, if required.
- Sell the home back to the borrower as soon as possible with an affordable new mortgage.

#### KEY STEPS

##### **1 Purchasing the Property**

Once the loan is fully underwritten and approved, the Closer prepares the closing documents. SUN uses:

- The document preparation product that accompanies Encompass, our enterprise mortgage lender software platform
- Staff to prepare related documents not adaptable to Encompass
- Outside real estate attorneys to conduct the actual closings

##### **2 Back to Back Closings**

If the foreclosing mortgagee does not require a holding period, SUN sells the property back to the borrower within hours of the purchase.

#### **3 Use and Occupancy**

In approximately 30% of cases, mortgage lenders for SUN's properties require a holding period ranging from 30 days to six months. In these cases:

- SUN applicants remain in the home under terms of a Use and Occupancy agreement signed at the time of the initial offer.
- Renters remain in their units with SUN serving as the landlord.

As the purchaser of the home, SUN becomes the landlord of the borrower and any tenants during the use and occupancy period. Clear documentation and communication on the following subjects are critical:

##### **Property Maintenance**

In single-family homes, occupants are responsible for maintaining the condition of the home (with the exception of normal wear and tear); if the boiler fails, for example, the occupants are responsible for repairing or replacing it. If the home is a multi-family property, we engage a property manager to maintain the common areas and rental units; borrowers are responsible for normal maintenance inside their own units.

##### **Existing tenants in multi-family homes**

Roughly 45% of SUN properties have two or three residential units. SUN assumes all existing leases and security deposits; tenants remain with all the statutory rights governing residential tenancies. Should tenants fail to pay the rent, SUN has the risk of loss. SUN is liable for property conditions.

##### **Use and Occupancy Fees**

**FOR SINGLE FAMILY HOMES**, SUN charges the occupants the amount of the future monthly mortgage payment, plus \$100 per month to cover water and sewer costs.

**FOR MULTI-FAMILY HOMES**, SUN charges the future borrower a use and occupancy fee equal to a market rate rent, which together with the rent from the remaining units must cover the mortgage payment, real estate taxes, insurance, water, sewer, property management, common area, and minor maintenance costs. SUN retains any excess funds to help defray our risk as interim owners.

*To minimize risk during the holding period, SUN:*

- Secures an insurance policy with the appropriate levels of coverage for the property.
- Secures flood insurance for properties located in a Flood Zone.
- Engages a professional property manager for all multi-family properties.
- Collects an Earnest Money Deposit and has the applicant sign a Use and Occupancy Agreement before purchase.
- Clearly explains the applicant's responsibility during the use and occupancy period.
- Provides incentives for the borrower to re-purchase the home promptly:
  - The borrower pays market rate rent in multi-family homes, which typically exceeds the cost they will pay once they are collecting rent and applying it toward their mortgage.
  - No portion of the occupancy fee applies toward the mortgage obligation.



*The foreclosure crisis has hit some New Bedford neighborhoods hard, forcing owner occupants out and giving outside investors a cheap way in. SUN offers homeowners a way to stay in the homes they worked so hard to buy, and closes the door to absentee ownership.*

— Mayor Jon Mitchell, New Bedford

#### **4 Resell Back to the Borrower with Mortgage**

In preparation for selling the home back to the borrower(s), the Closer prepares a closing package for the closing attorney that includes:

- Itemization of Amount Financed
- Note
- Mortgage
- Rider (if applicable)
- HUD-1
- HUD-1 Addendum, if applicable
- Truth in Lending Act Disclosure
- Escrow Account Disclosure
- Hazard Insurance Requirements
- Notice of Right to Copy of Appraisal
- Compliance Agreement
- Flood Zone Form
- Tax Information Sheet
- Transfer of Servicing Disclosure Statement
- Hazard Insurance Endorsement Letter
- IRS W-9
- IRS 4506-T
- Signature/Name Affidavit
- Affidavit of Occupancy
- USA Patriot Act Information Form
- Negative Information Disclosure
- Uniform Residential Loan Application (Form 1003)
- Credit Score Disclosure
- Smoke Certificate and UFFI Indemnification
- Lead Paint Certification, Disclosure and Indemnification
- ODI Checklist
- Auto Deduction Authorization
- Bi-weekly Agreement
- First Payment Letter
- Shared Appreciation Mortgage and Shared Appreciation Promissory Note
- Special Instructions
- Tax Agreement and Tax Information Form
- Holdback Agreement
- Title Commitment>Title Policy

SUN staff upload the closing documents into Encompass and SUN retains the physical files for the duration of the loan plus five years, as is required.

The Closer is responsible for scheduling the closing with the borrowers and the closing attorneys.

## STAGE 8

### POST-CLOSING OF FILE

#### PRIMARY OBJECTIVES

- Confirm that all closing documents are available in Encompass and in hard copy form; upload any missing documents.
- Ensure the accuracy of the file and SUN's compliance with all regulations.
- Hand off the loan to SUN's third-party loan servicer.

#### KEY STEP

##### Review the Closed Loan File

After the mortgage is executed, notarized and recorded at the applicable registry of deeds, and all closing documents are complete, a SUN Closer reviews and completes the file:

- Uploads all closing documents into Encompass.
- Completes HMDA form with information for future reporting.
- Compares HUD-1 Settlement Statement with Good Faith Estimate.

- Reviews final TILA for accuracy of all disclosures with emphasis on APR accuracy and inclusion of all required pre-paid finance charges.
- Confirms that Early Disclosures and At-Application disclosures were provided in a timely manner.
- Reviews Note to ensure accuracy of closing date, first payment due date, maturity date, borrower's names/signatures, payment amount, witness signature, etc.
- Reviews Mortgage to ensure accuracy of closing date, maturity date, property address, title/title policy address, borrower names/signatures, etc.
- Reviews Bi-Weekly Payment Agreement to ensure accuracy of closing date, first bi-weekly payment due date, first monthly payment application, borrower's names and signatures, etc.
- Reviews Shared Appreciation Note and Mortgage to ensure accurate buyer names, dates, maturity dates, and accurate statement of buyer/lender shared appreciation percentages.
- Checks the Registry of Deeds to ensure that the subject mortgage and the Shared Appreciation Mortgage have been properly recorded.

Annually, a third-party reviews 25% of closed loans for quality, regulatory compliance and adherence to SUN's Policies and Procedures.



Constance Delzant, SUN Senior Negotiator



*All we do is pay mortgage and pay school. But that's ok. We can do it. I mean, now we know we can do it. And that's what they've done for us, Boston Community Capital.*

— Derrick H., SUN homeowner, Mattapan, MA

## STAGE 9

### LOAN SERVICING AND DELINQUENT ACCOUNT MANAGEMENT

#### PRIMARY OBJECTIVES

- Collect mortgage payments.
- Hold tax and insurance payments in escrow.
- Pay insurance premiums.
- Pay property taxes.
- Annually analyze escrow for each account and provide analysis to borrower(s).
- Issue required IRS Form 1098 showing interest paid.
- Regularly report to credit agencies.
- Manage delinquent accounts.

#### KEY STEPS

##### **1 Loan Servicing: Mortgage Payments and Escrow Accounts**

SUN partners with Graystone Solutions to service our loans. Graystone performs the following tasks on behalf of SUN:

- Provides both an automatic direct bank debit (ACH) and a direct billing option for each borrower. Most borrowers use the direct debit to pay their mortgage.
- Manages escrow accounts for property taxes, insurance, and capital reserve payments.
- Pays insurance and property taxes on behalf of each borrower.
- Performs an annual escrow analysis for each borrower.
- Issues required IRS Form 1098 showing interest paid.
- Regularly reports to credit agencies, helping borrowers rebuild their credit.
- Provides online access to payment information for SUN staff.

#### **2 Delinquent Accounts**

SUN manages all delinquent accounts internally, contacting the borrower within forty-eight hours of the delinquency.

- If the issue can be easily addressed (e.g. getting new bank information for a borrower who has changed bank accounts but has forgotten to inform SUN), SUN staff make the necessary changes for the borrower.
- If the borrower has depleted his/her resources because of a temporary job loss or payment for a necessary repair (e.g. a failed heating system), SUN staff can often use a borrower's Capital Reserve Account to bring the borrower current on the mortgage.
- If the borrower has fallen behind but is able to continue current payments, SUN staff work through the menu of options to work out the delinquencies.
- If the borrower simply stops making payments, stops communicating and resists contact, SUN begins the foreclosure process. This is a last resort; to date, we have started foreclosure proceedings on less than 2% of our portfolio. Foreclosure processes are legal proceedings and typically require strict compliance with federal, state and local laws.

#### **3 Reports to Credit Agencies**

Reporting to credit agencies enables borrowers who are current with their payments to rebuild their credit, becoming eligible for the more favorable interest rates available to strong credit borrowers in the commercial market.



John and Christine H.'s home is a former barn, built in Duxbury, MA in the 1700s and moved piece by piece to its current location in Kingston, MA. When John lost his job as a business development manager in 2010, Christine supported their mortgage on her administrative assistant salary while he looked for work. After hearing about SUN from a friend, they gave us a call. SUN helped them reduce their monthly payments by 30% and their principal balance by 24%.



*Everyone at BCC is so professional. Everyone is responsive and gets back to you quickly and keeps you updated. Every step was smooth. And now, things are so much better.*

— John H., SUN homeowner, Kingston, MA

## **STAGE 10** **HOLDBACK AND CAPITAL RESERVE ACCOUNTS**

### **PRIMARY OBJECTIVE**

Manage Holdback and Capital Reserve Accounts to cover needed repairs and other emergencies.

### **KEY STEPS**

#### **1 Manage Holdback Accounts**

SUN staff manage Holdback Accounts with the assistance of our property inspectors. Management is time consuming; all situations are different and often require further investigation to ensure sound decisions.

#### **Repairs**

SUN's staff release funds from Holdback Accounts to make needed repairs as outlined in the Holdback Agreement.

#### *Borrowers submit the following documents:*

- A signed and completed Holdback Request Form: In most instances, the request starts with a phone call to a SUN staff member. The staff member then completes the form, and the borrower signs it.
- A fully executed copy of the Construction Contract, which must include SUN's Construction Rider (so contractors cannot attach a lien to the home).
- A copy of the Contractor's license to help ensure the work is being performed by someone that is qualified to do it.

- A copy of the Contractor's insurance certificate to reduce any risk to the borrower in the event a worker or tenant is accidentally injured during the construction project.
- A copy of all required city/town permits (with sign-off when the final payment is requested) to ensure the work meets all building codes; this is important not only to the borrower but also for resale and in the event of insurance claims.

SUN determines if the scope of work and associated cost is consistent with the Holdback Agreement and that the request does not exceed the amount in the Holdback Account.

#### *SUN's property inspectors:*

- Ensure that the work is being performed per the contract.
- Verify that the permits are consistent with the scope of work.

To prevent fraud, SUN issues checks payable jointly to the borrower and the contractor and mails them to the borrower. Checks are never solely payable to the contractor or given directly to them.

SUN charges a fee for each property inspection performed under the Holdback Agreement. This covers the cost of SUN's third-party inspectors.

#### **Liens**

If the Holdback Agreement is for funds to pay off a lien rather than to repair the home, then the check is made payable to the borrower and the lien holder (or in some instances directly to the lien holder). Proof of a settlement agreement must be submitted for the release of funds.

#### **Excess Funds**

SUN management, after consulting with the borrower, applies excess funds either to the principal balance of the loan and/or the Capital Reserve Account. In no event does SUN release excess funds directly to the borrower.

## **2 Manage Capital Reserve Accounts**

SUN staff manage the release of funds from the Capital Reserve Account; these are generally for either mortgage payment assistance or emergency home repair assistance. The borrower submits a completed and signed Capital Reserve Request form.

- If the capital is to be used for a mortgage payment, this is the only required form, although SUN may also request proof of hardship.
- If the funds are for a home repair, then all the documents required in a Holdback Request are required; however, inspections are often not required given the generally smaller cost and scope of the repair. As with Holdback Accounts, checks are payable jointly to the homeowner and the contractor.

### **Continuous Process Improvement**

At SUN we constantly strive to improve operations and to adapt our processes and procedures to changes in the market. These four strategies have been particularly helpful:

#### **Flowcharting / mapping of SUN processes**

The creation and maintenance of flowcharts detailing SUN's processes include the following steps:

- Review existing procedures.
- Define and review end objectives.
- Interview staff to understand various roles and responsibilities.
- Create process flowcharts of procedures.
- Review with staff/management.
- Review procedures for compliance with all regulations and laws.
- Amend procedures based on identification of issues.
- Update charts and procedures regularly.

#### **Process checklists**

Process checklists reflect the specific tasks performed by each staff member in each functional area. SUN's checklists are used to:

- Complete and disclose an application.
- Process a file.
- Underwrite a file.
- Deny a file.

## **3 Emergency Circumstances**

In some cases, the amount needed for a repair exceeds the amount in the Holdback Account, Capital Reserve Account and the savings of the borrower. In rare cases, SUN provides a small zero interest short-term loan to the borrower until a Capital Reserve payment can be made to cover the loan. In other cases, the borrower repays the loan on a monthly basis (adding, for example, \$100 to their bi-monthly payment). These are emergency situations where, for example, a heating system has failed and the home is without heat.

- Negotiate a purchase.

- Close a file.

- Post Close a file and hand off to servicing.

- Manage the Holdback and Capital Reserve Accounts.

#### **Information tracking, customized reports and data analysis**

Tracking key metrics and routinely analyzing this information has been key to SUN's success.

- SUN staff record and track all client information in the Encompass360 mortgage loan origination software. This platform was modified and adapted to the SUN process and is critical to SUN's operational efficiency.
- All staff have access to Encompass and all staff routinely access the Encompass data and reports to perform their jobs and manage their daily activity.
- Management uses Encompass' reporting features to generate custom reports. These reports are routinely analyzed to measure daily/weekly/monthly progress and to identify and even anticipate challenges.

#### **Staff Training:**

- Train staff on all procedures to ensure quick and accurate adoption.
- Continuously solicit staff feedback and amend procedures when necessary.

## ORGANIZATIONAL STRUCTURE AND STAFFING

There are multiple options for staffing a foreclosure relief organization. At SUN, we combine full-time staff with external resources and third-party vendors. Most staff cross-train, allowing us to shift resources to accommodate changes in pipeline volume and staff absences.

Alternately, a foreclosure relief program could be created by combining a suite of services offered by an existing mortgage lender and an acquisition entity—both of which already have suitable staff in-house.

What is essential is that both management and staff combine a deep understanding of the mortgage finance business with an entrepreneurial spirit and a dedication to the population they serve.

The Implementation Toolkit contains job descriptions and curricula vita of all SUN staff.

## MANAGEMENT

The General Manager of a foreclosure relief organization must clearly understand the regulations governing a mortgage company, be comfortable working with a financially troubled low-income population, be entrepreneurial and take a practical approach to thorny issues. The General Manager:

- Works closely with the President and the SUN staff to provide strategic, tactical and operational leadership for the business.
- Manages the daily operations of the business, including management of all SUN staff.
- Ensures compliance with all applicable regulations and requirements.
- Oversees marketing, community outreach and business development.

The President and the General Manager must become licensed mortgage loan originators (MLOs) and must be approved by the Division of Banks. At SUN, we also specifically seek management with a background in real estate law.



*My wife went to a few meetings with BCC and gave me a scenario how it was possible for us to buy our house... BCC really, really worked for us when we needed it. We ended up buying our house. I feel so proud of that. Now we are doing it right.*

— Edward S., SUN homeowner, Revere, MA

## TECHNICAL STAFF

A foreclosure relief effort calls for specific technical skills, provided by staff with deep backgrounds in mortgage finance.

### LICENSED MORTGAGE LOAN ORIGINATOR (MLO)

By law, MLOs must be employees of the licensed mortgage lender and be licensed by NMLS. Effective MLOs also must be skilled at working with diverse populations and must have some underwriting knowledge. An MLO:

- Makes a preliminary decision on an applicant's eligibility.
- Works with the applicant to complete a loan application package.
- Remains in contact with the applicant throughout the loan process.
- Communicates daily with processors and underwriters to assist them in gathering the financial information necessary to make a decision to approve or decline the loan.

In aggregate, SUN's three MLOs process approximately 150 inquiries per month. One MLO prequalifies prospective borrowers via phone; the other two meet with borrowers and complete applications.

### MORTGAGE LOAN PROCESSOR

- Prepares files for underwriting, including ordering titles, appraisals, and other documents.
- Pre-underwrites the file.
- Clears any underwriting conditions.
- Works closely with the Underwriters, Mortgage Loan Originators and other staff as required.

### MORTGAGE UNDERWRITER

- Approves, suspends, or denies mortgage loan applications.
- May pre-approve applicants for a maximum loan amount and/or perform the final underwriting and clear the file to close.
- Works closely with the entire SUN organization and interfaces daily with Negotiators, Processors, MLOs and Closers.

SUN employs three underwriters: One focuses on pre-approval underwriting (Pre-approval Underwriter), one focuses on final underwriting (Closing Underwriter) after a purchase price is negotiated with the bank, and one floats between pre-approvals and final underwriting depending on the organization's need. SUN's Pre-approval Underwriter can underwrite 25–35 files per week. The Closing Underwriter can clear to close approximately \$3–4 million in loans per month (roughly 15–20 loans).

### NEGOTIATOR

- Negotiates the property purchase from the mortgage holders, typically banks or loan servicers.
- Works with the Underwriter and the applicant to understand what the applicant can afford.
- Determines the offer and counter-offer prices for the property, ensuring the resulting mortgage is not only below the maximum loan amount agreed upon by underwriter and applicant but also at or below the current fair market value for the home.
- Collects an Earnest Money Deposit from the applicant.
- Collaborates with the Underwriter, the applicant and SUN's closing staff to obtain an accepted offer from the bank or servicer.
- Builds relationships with banks and servicers to facilitate the negotiation process.

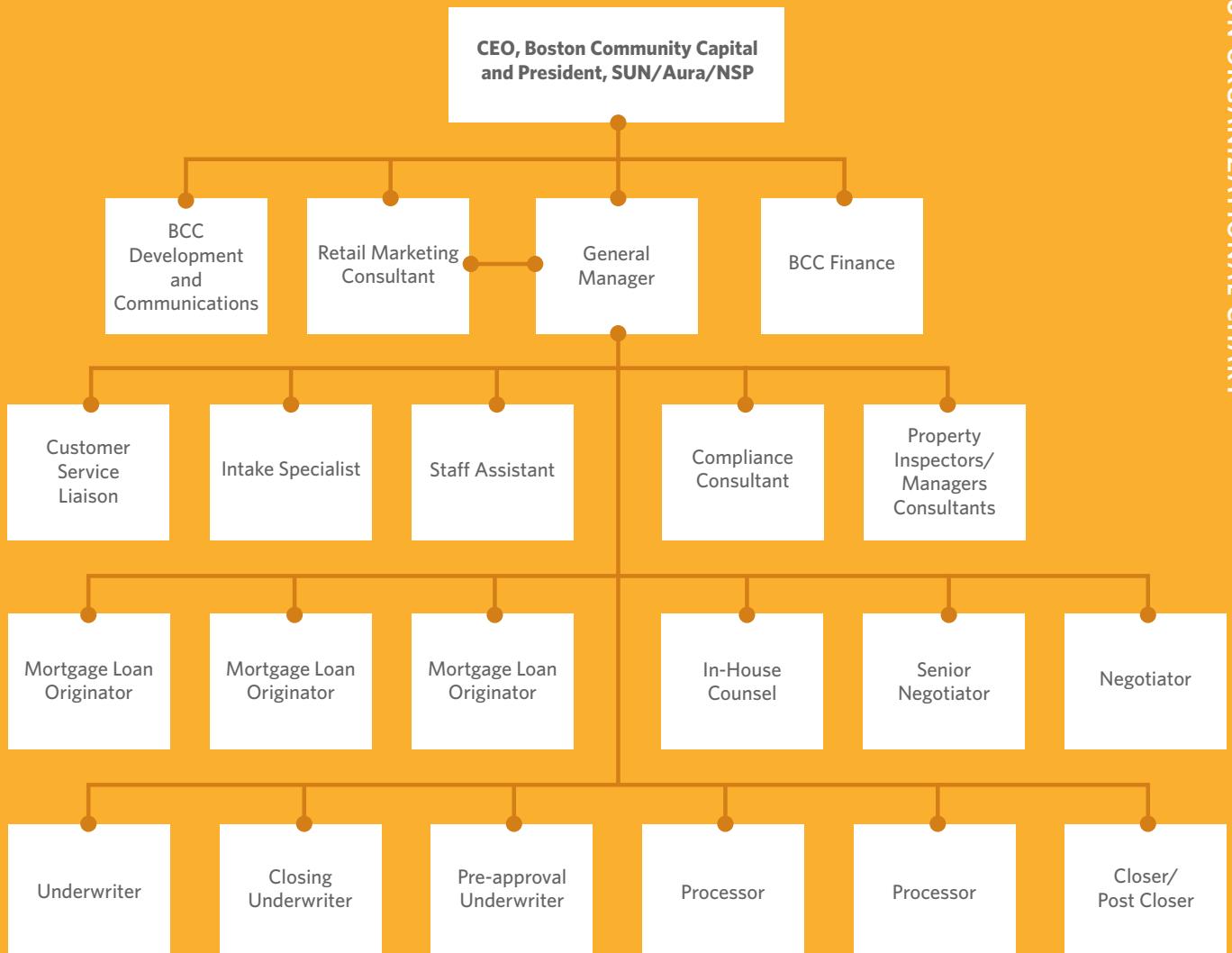
Senior Negotiators may also serve as closing attorneys and perform title and other legal work. Senior Negotiators have a J.D. degree with extensive real estate closing experience.

SUN employs three negotiators and seeks paralegals and attorneys with real estate experience for these positions.

### CLOSER/POST CLOSER

- Facilitates the purchase of the property and its resale to the borrower, securing smoke certificates, final water readings, hazard binders, 6D certificates, and Title V (septic system) certificates.
- Prepares the documents required for closing.
- May have post-closing responsibilities, preparing the file for servicing, uploading post-closing documents, managing the borrower during any use and occupancy period, and managing the Holdback and Capital Reserve Accounts.

## SUN ORGANIZATIONAL CHART



SUN has 17 full-time employees operating under the strategic leadership of the President and the day-to-day leadership of a General Manager. Our organizational structure is relatively flat with team leaders in each functional area.

## NON-TECHNICAL STAFF

### MARKETING/COMMUNITY OUTREACH

- Builds the inquiry pipeline.

### INTAKE SPECIALIST

This role—a prospective applicant's first point of contact—requires excellent customer service skills.

- Fields inquiries from prospective applicants.
- Completes and uploads inquiry forms for review by MLOs.
- Schedules prequalification calls for the MLOs.
- Collects needed financial documents.

### CUSTOMER SERVICE LIAISON

The Customer Service Liaison has primary responsibility for managing the client relationship after the loan is originated.

- Works with clients to stay current with their payments.
- Helps to ensure a smooth handoff to loan servicing.
- Manages Holdback and Capital Reserve requests.
- Serves as the primary point of contact for borrowers after loan closing.

### SUN STAFF AND COMPENSATION

Staff	Salary
Mortgage Loan Originators	\$40K - \$55K
Mortgage Processors	\$40K - \$55K
Mortgage Underwriters	\$50K - \$65K
Mortgage Closers	\$35K - \$50K
Negotiators	\$45K - \$65K
Senior Negotiators	\$60K - \$85K
Customer Service Liaison	\$35K - \$45K
Intake Specialist	\$35K - \$45K
Staff Assistant	\$30K - \$45K
General Manager	\$120K - \$170K

\*Based on Northeast salaries

## GENERAL AND ADMINISTRATIVE STAFF

SUN utilizes resources from our parent organization to provide:

- Finance
- Communications and Investor Relations
- Human Resources
- Administrative Assistance

## THIRD-PARTY VENDORS

SUN has a network of third-party vendors, providing geographic coverage for our entire target market.

- Property Inspectors
- Real Estate Closing Attorneys
- Appraisers
- Real Estate Brokers
- Compliance Auditor
- Compliance Consultants
- Corporate Counsel
- Property Managers
- Loan Servicer

### Key Qualifications

All SUN staff must understand our entire loan origination process, stay current on mortgage-lending regulations, keep accurate borrower files, and ensure all documents are properly filed and stored as required by state law. Above all, in each hire, we seek:

- Deep and real commitment to a high volume, efficient organization, providing excellent customer service
- Knowledge of their job function
- Accountability for their role
- Commitment to meeting target metrics at each stage of the process
- Strong communication skills, including multiple language capabilities as dictated by the target demographics
- Ability to recognize differences between SUN's program and a traditional mortgage lender
- Strong problem solving skills
- Willingness to assume new tasks as required



SUN helped Julio D., a machine operator, repurchase his New Bedford home, reducing his monthly mortgage payments by 39% and his principal balance by 37%.

## STATUTORY AND REGULATORY COMPLIANCE

### DISCLAIMER:

This section is intended purely as an overview of the requirements and regulations the SUN Initiative must meet. It is not comprehensive and the descriptions provided are only summaries. Applicable laws vary state to state and the regulatory environment is constantly shifting. It is imperative that any organization wishing to launch a similar program thoroughly research the regulations applicable in its market.

The mortgage industry is highly regulated and organizations operating within it must understand and comply with all applicable Federal and State requirements. Moreover, the regulatory environment is dynamic; SUN actively monitors the new statutory and regulatory developments and their legal interpretations.

At SUN, we utilize third-party resources to ensure we are in compliance. These include:

- Mortgage Compliance Consultant
- Compliance Attorney
- Compliance Audit organization to review our closed loans

We also provide our staff with regular training on compliance.

*Significant statutes and regulations that affect SUN include:*

#### Federal Statutes and Regulations

- SAFE Act and NMLS
- Fair Lending Practices
- HMDA (Home Mortgage Disclosure Act)
- TILA (Truth-In-Lending Act)
- RESPA (Real Estate Settlement Procedures Act)
- ECOA (Equal Credit Opportunity Act)
- FACTA (The Fair and Accurate Credit Transactions Act)
- FCRA ( Fair Credit Reporting Act)
- Flood Disaster Protection Act

#### State Statutes and Regulations

- Massachusetts Division of Banks requirements
- Annual renewal of licenses
- Second Tier Reviews

#### General Requirement

- Record Retention

The following summary provides the key elements of each regulation and the steps SUN takes to remain in compliance.



## 1 SAFE Act and NMLS

The Federal Housing and Economic Recovery Act of 2008 included the Secure and Fair Enforcement for Mortgage Licensing Act, or SAFE Act. SAFE raised minimum Lender and Mortgage Loan Originator (MLO) licensing standards throughout the United States and established the Nationwide Mortgage Licensing System (NMLS) to create uniform MLO licensing standards and a publicly searchable database of MLO information across all states.

- SUN complies with the standards established by the SAFE ACT and the additional Massachusetts requirements.
- SUN's lending entity, Aura Mortgage Advisors, LLC, is licensed and registered with the NMLS and the Massachusetts Division of Banks.
- All SUN MLOs are licensed and registered with the NMLS and the Massachusetts Division of Banks.
- SUN's senior managers (President and General Manager) are licensed MLOs.
- *SUN takes the following actions to remain in compliance:*

### **SUBMITS QUARTERLY NMLS MORTGAGE CALL REPORTS:**

The Mortgage Call Report (MCR) is a requirement of the NMLS as of 2011. These quarterly reports include information on loan officers, loan application data and loan origination data.

### **SUBMITS ANNUAL NMLS STANDARD OF FINANCIAL CONDITION (FC) REPORTS:**

NMLS also requires the filing of an annual Financial Condition Report. SUN completes this requirement by the March 31st deadline.

### **COMPLETES THE MLO ANNUAL CONTINUING EDUCATION REQUIREMENTS:**

Before December 31st of each year, licensed MLOs are required to complete additional education requirements in ethics and other required areas.

### **ANNUALLY RENEWS ALL LICENSES:**

SUN renews its MLO licenses and Mortgage Lender license annually, as required.



*BCC explained to us the whole process—how long roughly it was going to take, what was expected from us, and what we had to do. They kept us informed on what the next step was going to be and we knew (when) something was going to happen. BCC did everything they could to get things done, to help us out.*

— Donald M., SUN homeowner, Lawrence, MA

## 2 Fair Lending Practices

The Fair Housing Act (FHA), the Home Mortgage Disclosure Act (HMDA) and the Equal Credit Opportunity Act (ECOA) prohibit discrimination in lending and require collection of data to ensure this result. SUN is committed to following the spirit and the letter of all applicable Fair Housing and Fair Lending Laws. SUN collects all required data during the application process within our Encompass software. Our guidelines and staff training ensure that we do not discriminate in any aspect of a housing transaction by considering:

- Age
- Race
- Ethnicity
- Color
- Religion
- Sexual Orientation
- Disability/Handicap
- Sex
- Marital Status
- Familial status (defined as children under the age of 18 living with a parent or legal custodian, pregnant women, and people securing custody of children under 18)
- Receipt of Public Assistance
- The fact that the borrower exercised a right under Consumer Protection Laws

### **3 HMDA (Home Mortgage Disclosure Act)**

This regulation requires that regulated lenders collect loan data that can be used to:

- Determine whether financial institutions are serving the housing needs of their communities.
- Assist public officials in distributing public-sector investments so as to attract private investment to areas where it is needed.
- Identify possible discriminatory lending patterns.

SUN is not a regulated lender but collects this data to ensure that the goals of HMDA are being met and to strengthen our social impact reports to grant providers and other partners.

### **4 TILA/RESPA Compliance Overview**

The Truth in Lending Act (TILA) and Real Estate Settlement Procedures Act (RESPA) are two major federal regulations governing mortgage lending. They require clear, accurate and timely disclosure of the fees, terms and costs associated with the mortgage transaction—including any changes to initial closing-cost estimates. This area of regulation is evolving rapidly. The newly created Consumer Financial Protection Bureau has proposed combining Good Faith Estimates (GFE) and Truth in Lending Act (TILA) disclosures in one document. The HUD-1 Settlement Statement required at loan closing is also subject to revision.

- MLOs perform the initial disclosures (GFE and TILA) at the time of application, prior to negotiations and before a specific purchase price is determined.
- MLOs re-disclose nearly 100% of files after the purchase price has been negotiated, because the price affects the loan amount and related charges.
- At closing, the Closer reviews loans for compliance with GFE and TILA and for delivery of the required HUD-1 settlement cost disclosures.
- Encompass, SUN's mortgage loan software system, alerts staff if there may be a compliance issue.

#### **Key Details of Good Faith Estimate (GFE) and HUD-1**

GFE, a requirement of RESPA, provides estimates of loan-related costs to borrowers on a standard form. Changes from estimates are limited, and increases beyond set tolerances require lenders to re-disclose or be prohibited from passing along increased costs.

SUN's Standard Closing Costs are disclosed on the GFE. The Processor/MLO, the Closer and the Settlement Agent use them in complying with RESPA's initial disclosure requirements and in determining whether changes from initial estimates exceed tolerances. RESPA distinguishes between closing costs, loan fees and third-party costs.



*I fought for so long, and finally something really, really worked.*

— Mona S., SUN homeowner, Onset, MA

#### CLOSING COSTS

Closing costs include:

- One Year's Pre-Paid Hazard Insurance (POC to Insurer)
- Initial escrow payments for taxes, insurance and HOA (for condominiums)
- Recording Fees
- Municipal Lien Certificate (in some cases)
- The State Tax Stamps Fee (calculated at \$4.56 per \$1,000.00)

#### LOAN FEES

Loan fees also paid at closing include:

- Origination Fee (Although we offer a zero point option, virtually all borrowers choose the 1 point option)
- Underwriting Fee
- Odd-Days (per diem) Interest (based on a 360 day calculation)

#### THIRD-PARTY COSTS

Third-party costs collected at closing include:

- Settlement Agent Fee (including any courier fees)
- Title Insurance (Lender and Owner Coverage)
- Abstract/Title Search
- Appraisal Fee
- Credit report Fee
- Processing Fee
- Flood Zone Determination Fee (includes life of loan service)

#### Key Details of the Truth in Lending Act (TILA)

- All applicants must receive an initial TILA disclosure within three business days of application and at least three days prior to closing.
- Additional TILA disclosures are required whenever the Annual Percentage Rate (APR) changes within certain tolerances (1/8th of one percent for fixed-rate mortgage loans).
- Re-disclosure must be at least three business days before closing.
- Refinance transactions require borrowers be given a three-business-day right of rescission before funding an owner-occupied mortgage refinance transaction.

#### Additional Requirements of RESPA

- RESPA requires that lenders provide applicants with a Servicing Transfer Disclosure Statement within three business days of the application, disclosing whether the lender intends to service the loan or transfer it to another lender.
- RESPA provides information about complaint resolution; borrowers must receive the HUD Special Information Booklet at application describing various real estate settlement services, shopping for a mortgage, how to read the new GFE form and the HUD-1.
- SUN delivers this booklet to all applicants at the time of the application meeting with a MLO.



Pictured: Liz Pacl, SUN Mortgage Loan Originator; and Renee Burgher, Legal Analyst

## **5 Equal Credit Opportunity Act (ECOA)**

The Equal Credit Opportunity Act dictates the timing of the loan decision and communication of the decision to the applicants. ECOA also requires that applicants for mortgage loans receive a copy of the Appraisal Disclosure, which informs the applicants of their right to receive a copy of the appraisal report.

- SUN regularly reviews all files for compliance and provides an initial loan response within 30 days from the official application date, unless the file is suspended due to the need for additional information.
- SUN discloses to applicants their right to receive a copy of the Appraisal report. SUN delivers a copy of the report to borrowers at least three days prior to closing as required by the Home Valuation Code of Conduct (HVCC).

## **6 The Fair and Accurate Credit Transactions Act (FACTA) and Fair Credit Reporting Act (FCRA)**

The Fair and Accurate Credit Transactions Act (FACTA) requires lenders to provide applicants with a Credit Score Disclosure if the lender uses credit reports in connection with loans secured by residential real estate. The Fair Credit Reporting Act (FCRA) requires that all information received from Credit Reporting Agencies be held in the strictest confidence.

- SUN requests a Credit Report from a third-party service, such as Advantus Credit Services, for each applicant on a mortgage application.
- At the time of application the MLO:
  - Notifies the applicant(s) of their credit score.
  - Provides the applicant(s) with information on how credit scores are calculated and informs them of their right to contact the Credit Reporting Agency if they have questions or concerns regarding their credit score.
- As with all personal information, SUN protects credit score information from accidental disclosure.

## **7 Flood Disaster Protection Act**

Properties located in a special flood hazard zone must have flood insurance in place prior to closing. The insurance policy must:

- Accurately describe the property.
- Accurately describe the flood zone code.
- List SUN as loss payee with the minimum coverage amount determined as follows: the lesser of the outstanding principal balance of the loan or the replacement cost value (RCV) up to the maximum allowable coverage (generally \$250,000).

## **8 Massachusetts Division of Banks Annual Financial Statements**

Massachusetts Division of Banks (DOB) has compliance oversight responsibilities for mortgage lenders in Massachusetts. SUN maintains good communication with this organization at the most senior level.

In compliance with State Reporting Requirements, SUN submits annual audited financial statements to the Massachusetts Division of Banks by March 31st each year.

## **9 Annual Renewal of Licenses**

SUN renews our MLO licenses and Mortgage Lender license annually, as required.

## **10 Second Tier Reviews**

Either management or a second underwriter review all files that we initially decline to ensure that we have pursued all appropriate avenues.

## **11 The MGL Chapter 184 17B Notice**

This Massachusetts-required disclosure must be provided to applicants at the time of application. It informs applicants that the closing attorney represents the lender and explains the applicant's right to engage a lawyer to represent their interests in the transaction. This is evidenced by the signed Disclosure Acknowledgement form.

As a licensed Massachusetts Mortgage Lender, we comply with the provisions of Massachusetts General Laws Chapter 255C and its implementing regulation 209 CMR 42.00.

## **12 Record Retention**

SUN retains our loan records for inspection for a minimum of three years, as required by the Massachusetts Division of Banks. In addition, federal statutes impose the following requirements:

### **Denied and Withdrawn Loans:**

For a minimum of 25 months after a mortgage loan application is denied or withdrawn, SUN maintains the loan documentation, including:

- Completed loan application form
- Income verification
- Credit information
- Applications
- Other documentation considered in the loan underwriting process

### **Closed Loans:**

SUN keeps documents for closed loans for 5 years following the loan payoff and release. All documents are scanned and retained in electronic storage. We retain original, hard copies for the following documents:

- Final Signed Loan Application (1003)
- Loan Note
- Signed Second Mortgage Agreement
- Signed Holdback Agreements
- HUD-1
- Final Truth-in-Lending Act Disclosure
- Title Policy
- Bi-Weekly Payment Agreement

As seen in this sample training program, we routinely train all staff members on applicable regulations and compliance issues.

### **TOPIC/PROGRAM DESCRIPTION**

#### **RESPA/TILA Compliance**

Fundamentals of complying with the two major federal regulations (review of specific requirements for GFE/HUD-1/TILA/Servicing Transfer Notice, HPML loans)

#### **Fair Lending Regulations (ECOA, FHA, FCRA, CRA)**

Understanding the technical and substantive provisions of each of the Fair Lending Laws. (Note: We have not included HMDA since Aura is exempt from compliance with that regulation)

#### **Massachusetts Requirements for Mortgage Loans (including High Cost Loan Test, Mass UDAP Law, Mass Disclosure Rules)**

#### **Flood Disaster Protection Act Property Appraisal Regulations (Dodd-Frank, UAD) and Best Practices for Appraisal Review**



## LEGAL STRUCTURE

The SUN Initiative combines the work of three legal entities, each of which is an affiliate of Boston Community Capital, a 28-year-old non-profit corporation.

### SUN Initiative Financing, LLC:

SUN accepts debt capital and provides it to NSP Residential, LLC to purchase the loans and to Aura Mortgage to fund the loans. Because the member interests in SUN Initiative Financing, LLC are owned jointly by NSP Residential LLC and an outside for-profit partner, SUN is a for-profit entity with its own tax return. NSP Residential is its managing member.



Pictured: Rachael Dorr, SUN General Manager; and Sharon Shepard, Managing Director of Boston Community Venture Fund

### NSP Residential (NSP), LLC:

NSP Residential acquires properties under the SUN Initiative and then sells them back to the original homeowner. NSP is also SUN's licensed real estate brokerage firm. The sole member of NSP Residential is Boston Community Capital, Inc. a non-profit corporation. All purchased properties are pledged to SUN Initiative Financing, LLC. Use and occupancy fees are collected by NSP, and the net fees are transferred to SUN Initiative Financing, LLC.

### Aura Mortgage Advisors (Aura), LLC:

Aura originates mortgage loans under the SUN Initiative. Aura is a licensed Massachusetts Mortgage Lender and Broker. The sole member of Aura is BCLF Ventures Inc., an affiliate of Boston Community Capital and a nonprofit 501(c) (3) corporation. Principal and interest payments payable to Aura are transferred to SUN Initiative Financing, LLC to service debt capital.

The SUN entities are annually audited as affiliates of Boston Community Capital. In addition, a stand-alone audit for the SUN entities is submitted to the Division of Banks by March 31st of each calendar year.



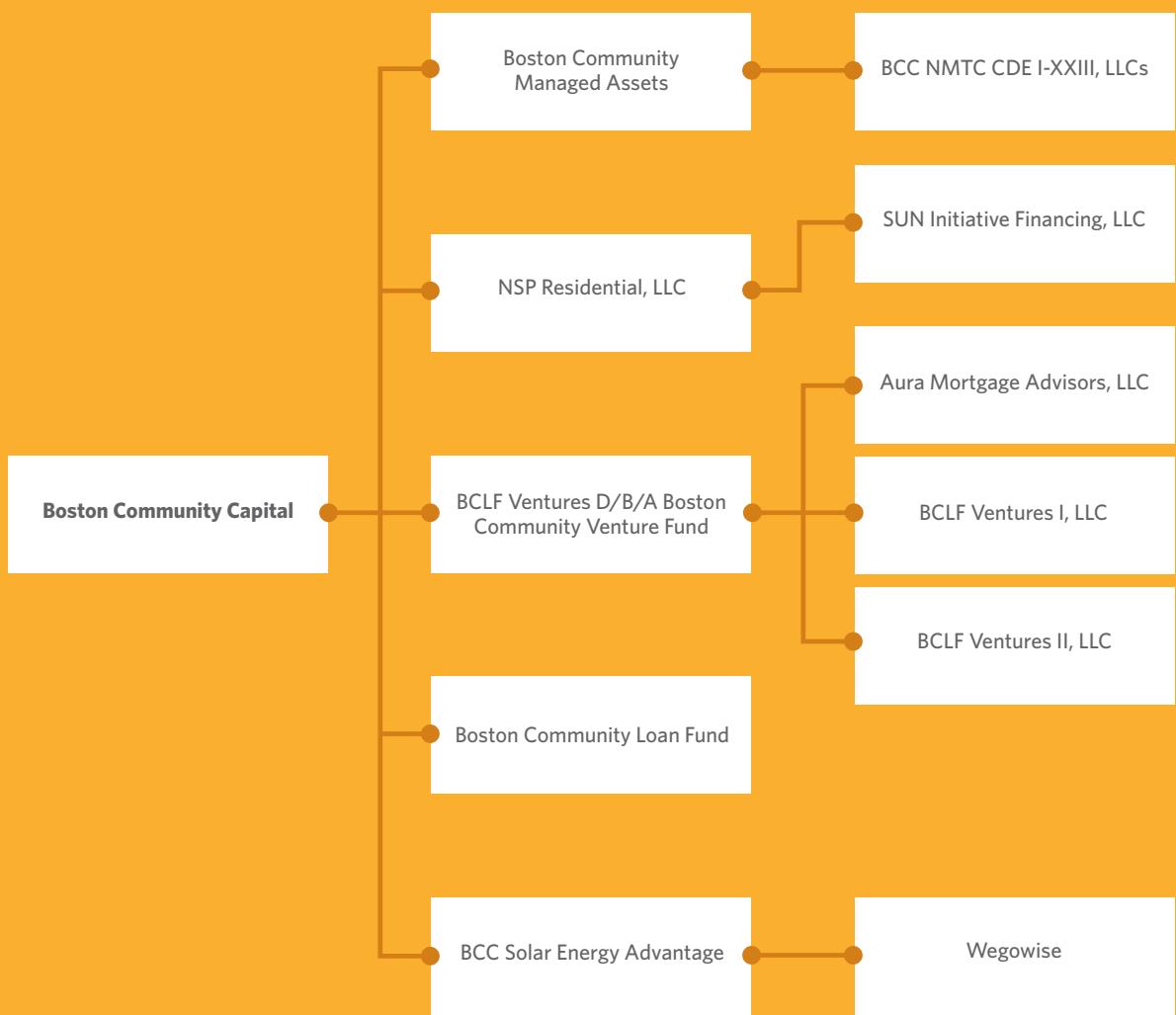
*This house means everything to me and my children. I immigrated to the U.S. in 1995. Being a mother of two, I wanted to ensure that my children had a place to call home and where they can raise their children. Today I have four grandchildren, and I would love to keep raising them in this house.*

— Delia O., SUN homeowner, Dorchester, MA



Pictured: Anne Marie LaSalvia, SUN Mortgage Loan Originator; and Carola Aguilar, SUN Processor

## BOSTON COMMUNITY CAPITAL'S LEGAL STRUCTURE



## BUSINESS METRICS AND INFORMATION MANAGEMENT

To maximize success, SUN management consistently tracks and analyzes our business data, weighing progress against key business metrics. In this section we describe our two information management software systems and list the metrics we employ.

### INFORMATION MANAGEMENT SOFTWARE\*

#### ENCOMPASS360 MORTGAGE LOAN ORIGINATION SOFTWARE

We use a customized version of the Encompass360 mortgage loan origination software, Banker Edition, to manage all electronic records for each applicant/borrower. Ellie Mae, Inc. ([www.elliemae.com](http://www.elliemae.com)) markets this software.

\* We explored alternate mortgage software management systems, but chose Encompass because of our familiarity with it and its customization capabilities. While Encompass has a CRM system, it proved difficult for our marketing staff to access, and it didn't have some of the email features found in salesforce.com. Other organizations should consider the available software options to determine whether their needs would be equally or better served by other platforms.

#### Key points:

- The Encompass client record includes all applicant/borrower-related information, interactions and all relevant staff work on the loan file that are not recorded elsewhere. SUN's custom forms include:

##### INQUIRY FORM:

Captures contact information, mortgage background information, marketing information and property value information.

##### PREQUALIFICATION FORMS:

Automatically populate, during the pre-qualification process, the 1003 Form (the uniform mortgage loan application) with information about employment, income, hardship, demographics and debt-to-income ratios.

##### NEGOTIATION FORM:

Records all offers and counter offers made on each property along with the bank/servicer contact information. Also records the final accepted offer price, purchase price and Negotiator's specific comments.

##### HOUSEHOLD EXPENSE FORM:

Records household expenses to aid the borrower in capturing and thinking through their expenses.

##### VALUE ESTIMATE FORM:

Estimates the value of the home during the pre-qualification process.

##### HOUSEHOLD MAKE-UP FORM:

Records the number of household members in order to track the number of people SUN directly impacts.

- Encompass is hosted over the internet, and so client data are accessible anytime from anywhere; Encompass takes appropriate steps to ensure that all client data is securely protected.
- Most data entered into the Encompass forms can be analyzed and used to create reports.
- SUN uses over 50 custom reports to measure business performance and to assist us with our reporting obligations.

The Implementation Toolkit contains a complete list and examples of custom forms and reports.

#### SALESFORCE.COM CUSTOMER RELATIONSHIP MANAGEMENT (CRM) SOFTWARE

SUN uses salesforce.com to track contact information for and communications with our marketing partners.

## KEY BUSINESS METRICS

### Defining Monthly Volume:

We track our monthly top-line growth through the capital we commit each month. It includes Properties Purchased (the capital required to purchase a property) and Net Loans Originated (the amount of the actual mortgages issued net of the purchase price). Because we hold roughly one-third of the properties we purchase for one to six months before reselling them to the borrower, we feel this measurement accurately reflects our activity.

### BUSINESS METRICS REVIEWED DAILY/WEEKLY

Individual staff members report on their work against daily, weekly and monthly budget targets to identify problem areas and clarify accountability. Further, staff and management both routinely review Encompass folders to identify any bottlenecks or other operational issues. We regularly evaluate the following specific business metrics:

- Monthly volume (capital committed each month)
- # of Inquiries weekly/month-to-date: Cross-referencing referral sources shows which of our marketing efforts are most effective.
- # of Files Sent to Processing weekly/month-to-date: This provides insight into the productivity of the MLOs and the quality of the inquiries we are receiving.
- Per MLO:
  - Status of every file under review
  - # of application appointments
  - # of denied applications
  - # of withdrawn applications
  - # of additional needs files
  - # of pre-qualification calls made
  - # of pre-qualification applicants denied
  - # of pre-qualification applicants approved
  - # of pre-qualification applicants non-responsive

- # Files underwritten daily/weekly/month-to-date: Daily disposition of these loans (# approved, # suspended, # denied and reason for denial)

#### *Of note:*

- Our Pre-approval Underwriter is able to underwrite five to seven files a day.
- All denials have a second tier review.
- Management reviews borderline cases.
- # Files sent to Negotiations weekly/month-to-date
  - Measures the number of pre-approved loans.
- # Offers Made, including first offers, counter offers and accepted offers:

#### *Of note:*

- The average time elapsed from first offer to offer acceptance is roughly sixty days.
- Approximately 33%–50% of the accepted offers in any given month come from offers made in the prior month.
- Approximately 90% of accepted offers in any given month come from offers made in the prior three months.
- On average, our current offer acceptance rate is 30%.

- # Properties Purchased Monthly/Quarterly/year-to-date and the Total Cost to Purchase:

- This data is tracked via Encompass reports, plus a monthly closing spreadsheet with closing dates, loan amount, title report status, water reading ordered and received, smoke certificate ordered and received, etc.
- # Loans Originated Monthly/Quarterly/YTD and the Total Mortgage Loan Amounts
- # of Units and # of Individuals Impacted Monthly/Quarterly/YTD
- Requests for Capital Reserve Draws
- Grant Funding Eligibility (as required)
- Bank Specific Reports (as required)
- Compliance Monitoring Reports (weekly)

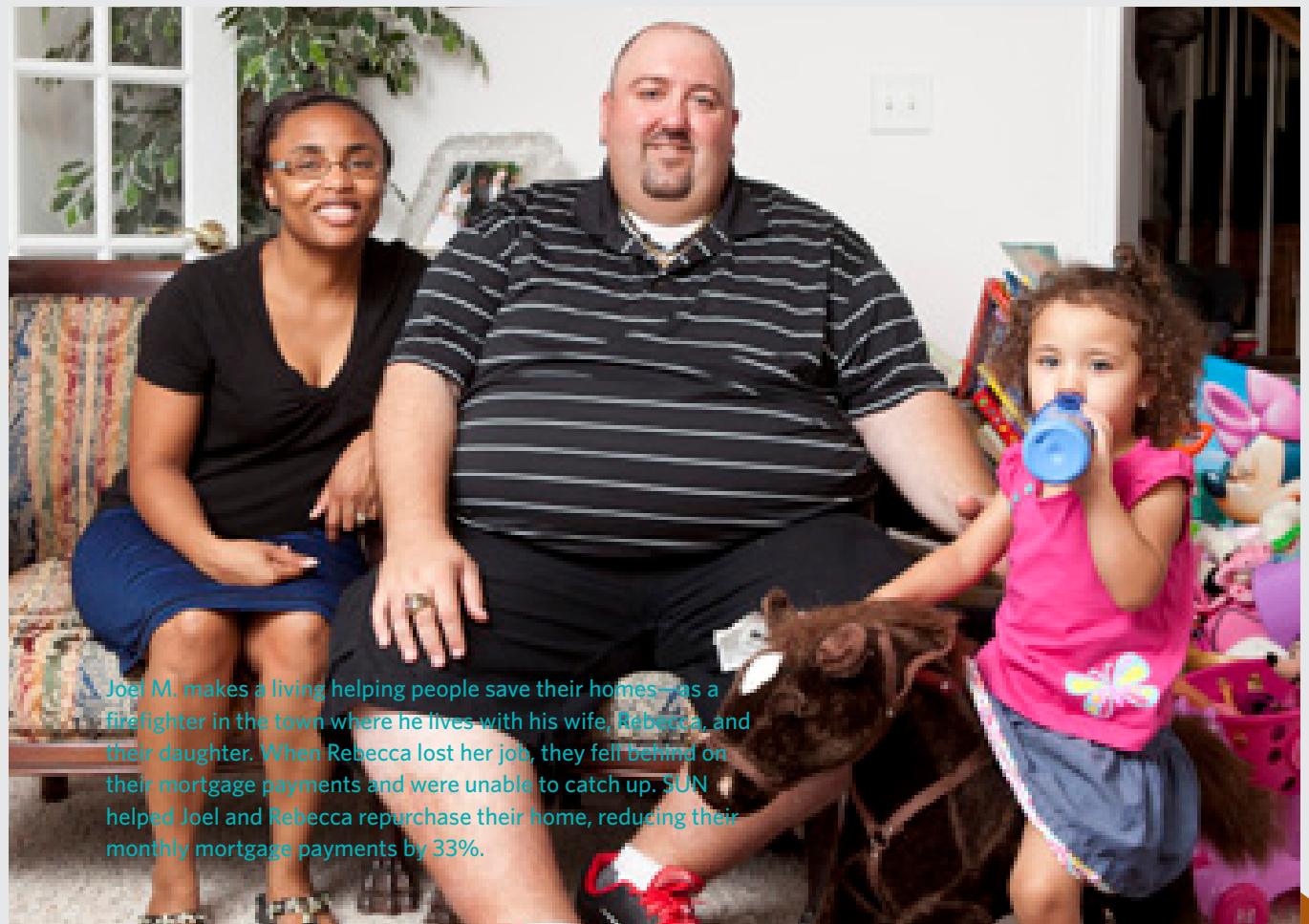
#### BUSINESS METRICS REVIEWED QUARTERLY

- Average reduction in mortgage principal—currently just over 40%
- Average reduction in monthly mortgage payments—currently just over 40%
- Offer Acceptance rates—on average 30%
- Attrition rates at the various stages in the process (withdrawals, incompletes, declines, etc.)
- Average loan amount—currently just over \$200K
- Borrower demographics



Analyzing our business metrics, we are able to estimate our current attrition rates through each step of the process—and, by extension, project our monthly loan volume based on a variety of inputs.





Joel M. makes a living helping people save their homes—as a firefighter in the town where he lives with his wife, Rebecca, and their daughter. When Rebecca lost her job, they fell behind on their mortgage payments and were unable to catch up. SUN helped Joel and Rebecca repurchase their home, reducing their monthly mortgage payments by 33%.

While our current operating budget assumes \$2-2.8 million per month, we manage carefully to stretch goals; by achieving these numbers over several months, we can anticipate increasing monthly closings to more than \$4 million. Note that there are fewer files at each step in the process as applicants are declined, withdraw or are non-responsive.

#### CURRENT STRETCH GOALS FOR SUN

Description	Goal/week	Goal/month
Inquiries from borrowers around the state	55-75/week	220-300/month
Files sent to processing from the MLOs	24-26/week	96-104/month
Files sent to Underwriters	22-24/week	88-96/month
Files sent to Negotiators	16-20/week	64-80/month
First offers made per week	15-18/week	60-72/month
Offers Accepted	5-7/week	20-28/month
Properties: Purchases/Loans Originated	5-6/week	20-24/month



# CAPITAL REQUIREMENTS



## **LAUNCHING AND OPERATING SUN REQUIRES**

four distinct types of capital:

- Start-up and planning funds
- Loan Loss Reserves
- Debt Capital
- Operating Funds

In this section we describe the sources and uses of each type of capital.

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**PREVIOUS PAGE** It wasn't one thing that caused Carlos and Johanna A. to fall behind on their mortgage. They lost hours at work, their home needed repairs, and their second unit was vacant for several months. SUN helped Mr. and Mrs. A. repurchase their Worcester home, reducing their monthly mortgage payment by 53% and their principal balance by 58%.

*An investment in SUN stabilizes families and communities, and helps provide a sustainable solution to the housing foreclosure crisis. When my investors call and ask what their portfolio is doing, this is what they're talking about.*

— Amy Domini, Founder, The Sustainability Group at Loring, Wolcott & Coolidge

## START-UP AND PLANNING FUNDS

BCC launched SUN with \$3.7 million in start-up funding allocated by its Board of Directors to support the launch of a foreclosure relief effort. These monies were used to fund the planning and one-time start-up costs of the business, as well as to cover our initial home purchases and mortgages. To date, BCC has contributed over \$5 million of our own funds to support SUN operations.

### Market Study

- Researching the foreclosure problem and the conditions that created it
- Examining the local real estate market and current fair market values
- Interviewing potential industry partners
- Conducting focus groups with foreclosed homeowners

### Business Plan Development

- Developing and refining a business plan for launching SUN

### Program Launch

- Initial home purchases
- Initial mortgages

## LOAN LOSS RESERVES

Sound banking practices require that SUN maintains adequate Loan Loss Reserves; adequate reserves also make it easier to attract debt capital. SUN secured these reserves in two parts:

- Fund-level: A private investor supplied \$3.5 million of equity to fund SUN's First Loss Reserves of 7%.
- Portfolio-level: 25% mark-up on the distressed market value of each acquisition creates an individual loan loss reserve for each mortgage.

### Start-up costs included:

- Senior management time
- Consultants
- Specialized vendors
- Legal fees to document the transaction
- Home purchases
- Mortgages

*Note: Existing BCC infrastructure enabled us to eliminate some typical start-up costs, such as an accounting system.*

## DEBT CAPITAL

SUN's ability to issue affordable mortgages rests on our capacity to raise low-cost debt capital.

- We borrowed debt capital to support \$50 million in lending at 4.25% for a five-year term. \$10 million came from BCC's loan fund; the balance came from social impact-motivated capital sources.
- We are attempting to recapitalize the loan pool by selling the income stream from our existing mortgage loans on the secondary market.
- Our goal is to recycle the initial loan pool several times, thus multiplying its impact.

NOTE: We found that the cost of debt capital raised through traditional market channels was prohibitively high (>12%); by demonstrating that properly underwritten mortgages have low rates of re-default, we hope to lower the cost of capital for others interested in replicating the model.

## OPERATING FUNDS

As with any business, SUN has ongoing office and infrastructure costs. Some of these are one-time costs, while others are ongoing operational expenses. We offer a quick checklist below, then provide more detail.

### One-Time Costs

- Hiring
- Select consultants and third-party vendors (e.g., web design consultant)
- Select legal fees, filing and licensing costs
- Outfitting of office space
- Marketing plan and materials

### On-going operating expenses

- Staff salaries and benefits
- Select consultants and third-party vendors
- Legal fees (titles, appraisals and closing fees)
- Credit Report fees
- Insurance
- Rent and utilities
- Information Technology (Internet, Encompass licenses)
- Memberships and licenses
- Office supplies
- Marketing and advertising

### ONE-TIME COST: HIRING

The success of an organization is directly correlated to the strength and skill of its staff; hence, staffing deserves appropriate time and resources both at start-up and during operations.

#### STAFF ADVERTISING:

We identified quality candidates for most staff areas via ads placed in a variety of channels. Of note, ads on Indeed.com were the most productive; ads in trade journals and on mortgage lending websites were not productive.

#### PLACEMENT AGENCY:

Because it was difficult to find qualified, licensed Mortgage Loan Originators, we used an agency to help fill these positions. We paid a fee of 25% of annual salaries.

#### HR CONSULTANT:

We engaged a consultant to assist with the search for the SUN General Manager—a key hire for the organization.

#### RELOCATION FEES (IF APPLICABLE):

We were able to identify local candidates for all our positions and therefore did not incur any relocation fees.



*Boston Community Capital has a proven track record of making a difference in low-income communities. When they approached us with an innovative solution to the housing foreclosure crisis, we were pleased to have the opportunity to invest.*

— Lisa Hall, President and CEO, Calvert Foundation

## **ONE-TIME COST: CONSULTANTS AND THIRD-PARTY VENDORS**

As part of the start-up phase, SUN management identified, researched, reference-checked, and selected a number of third-party vendors to perform needed services. As appropriate, we negotiated contracts and created procedures and forms to enable SUN staff to efficiently interface with these vendors. Often we chose to use BCC's established vendor; and we often work with two or three firms for the same service.

In addition, we utilized the following consultants during our start-up phase:

### **OFFICE DESIGN CONSULTANT**

### **WEBSITE DESIGN AND DEVELOPMENT:**

We launched SUN with a basic informational website; the cost was under \$15,000. Our phase two site, currently under construction, will support online inquiries and applications and will interface with our mortgage lending software.

### **MORTGAGE SOFTWARE CUSTOMIZATION AND IMPLEMENTATION CONSULTANTS:**

Because the SUN process is significantly different from that of a traditional mortgage lender, we had to customize Encompass for our program. We engaged consultants at start-up and as needed to implement program changes to:

- Customize the platform
- Create customized forms
- Train start-up staff
- Create reports to manage the business

## **ONE-TIME COST: LEGAL COSTS**

A launch entails significant legal expenses—requiring compliance attorneys, corporate attorneys, and real estate attorneys. Finding firms or individuals to provide discounted or pro bono rates can save significant costs.

### **CORPORATE STRUCTURING**

- Setting up LLCs, including filing fees for SUN, Aura, and NSP Residential
- Licensing for Mortgage Lender and/or Broker, Real Estate Brokerage Firm

### **LEGAL AGREEMENTS FOR OPERATIONS**

All legal agreements were either drafted or reviewed by counsel.

- Program Agreements
- Loan Pre-Approvals and Commitments
- Offers to Purchase
- Purchase and Sale Agreements to Purchase
- Purchase and Sale Agreements to Sell Back

- Use and Occupancy Agreements
- Shared Appreciation Mortgage and Note
- Aura Mortgage and Note
- Holdback and Capital Reserve Agreements
- Leases for rental properties of Multi-Unit properties
- Eviction Notices and Foreclosure Agreements
- Disclosures
- Third-Party Vendor Contracts
- Fundraising/Closing documents
- Leases for office space

## **ONE-TIME COST: OUTFITTING OF OFFICE SPACE**

We secured proximate office space that enabled SUN to easily share resources with BCC and its other entities. Set-up costs included:

- Office space design: We engaged a professional consultant to design the work space.
- The space supports good communication among team members while minimizing noise.
- Two small conference rooms house borrower meetings at each stage of our loan process (application, offer, closing and post-closing).
- A waiting area for borrowers is essential, as appointments often overlap and many borrowers come to the office without an appointment.
- Office furniture: Panels, tables, desks, chairs, and adequate file storage are necessary.

### **TECHNOLOGY**

- Phone system: All staff require direct dial access.
- Computers (individual and network): All staff have laptop computers.
- Copiers, printers, faxes: Day-to-day operations demand multiple high volume printers and copiers (we recommend two of each).

## **ONE-TIME COST: MARKETING MATERIALS**

To launch SUN, we created a suite of marketing materials targeting media, partners, and potential borrowers.

### **DESIGN AND DEVELOPMENT**

We used a third-party vendor for this work.

### **PRINTING**

## **ONGOING OPERATING EXPENSES: STAFF SALARY AND BENEFITS**

Salary and benefits are SUN's largest ongoing expense.

Please see Operations: Organizational Staffing and Structure for a chart of median salaries.

## **ONGOING OPERATING EXPENSES: CONSULTANTS/THIRD-PARTY VENDORS**

SUN utilizes a number of consultants and third-party vendors to operate the program.

### **PROPERTY INSPECTORS:**

Full property inspections cost between \$150 and \$400/property. Less than 30% of files sent to processing have an inspection completed (as determined by the appraisal report). Borrowers only reimburse SUN for these costs if the loan closes. Holdback Agreement property inspections cost between \$70 and \$200 depending on the location and complexity of the project. These expenses are reimbursed to SUN under the terms of the Holdback Agreement.

### **PROPERTY MANAGERS:**

SUN secures property maintenance on all multi-family homes during the use and occupancy period. We pay \$100/month for a two-family property and \$150/month for a three-family property during this holding period.

### **REAL ESTATE APPRAISERS:**

SUN has established a network of appraisers servicing the entire state. Fees range from \$350 to \$450 per property. Appraisals are completed on all files sent to Underwriting. These fees are only reimbursed for loans that close.

### **COMPLIANCE CONSULTANT:**

SUN uses a Compliance Consultant for routine compliance issues. We pay \$75/hour.

### **COMPLIANCE AUDITS:**

The Compliance Audit firm/individual reviews SUN's closed loans. Cost varies depending on the number of loans, but is typically under \$100/hour.

### **ACCOUNTING AUDIT FIRM:**

Annual Audit fees are roughly \$8,000 per legal entity, except for an additional premium of \$4,000 for the first time audit.

### **LOAN SERVICING FIRM:**

SUN uses Graystone Solutions, which charges \$8.95/mo/loan. Other fees apply as well, such as a set-up charge, a termination charge, etc.

### **OFF-SITE STORAGE:**

SUN uses SafeGuard Records Management for off-site record storage. The cost is less than \$100/month. Retrieval costs are on a per use basis.

### **SHREDDING SERVICE:**

SUN uses Shred King, a third-party document shredding service to deal with the large volume of documents containing confidential and proprietary information. Our cost is under \$60/month.

### **INTERNET TECHNOLOGY SUPPORT VENDOR:**

SUN uses BCC's established third-party vendor for all IT services. Our cost is \$2,100/month on average.

### **ACCOUNTING SOFTWARE VENDOR**

### **CRM SOFTWARE VENDOR**

### **MORTGAGE LENDER SOFTWARE VENDOR:**

We chose Encompass360 mortgage loan origination software. We found that licensing it under a SAAS model with access over the internet for a monthly fee based on the number of licenses was the most cost-effective approach.

## **ONGOING OPERATING EXPENSES: LEGAL FEES**

### **REAL ESTATE CLOSING FEES (NSP AND AURA):**

SUN engages real estate attorneys for closings both in purchasing property and in reselling it back to the homeowner. With fees at \$800 per closing, excluding any out of pocket expenses, our total legal closing costs are approximately \$1600 for each property. We anticipate providing some of these services in-house in the future to be able to increase program revenue and control costs.

### **COMPLIANCE ATTORNEYS:**

SUN has established a pro bono relationship with an attorney that specializes in compliance.

### **TITLE EXAM AND REPORT:**

SUN orders title reports on all files sent to Underwriting. We pay \$250-\$400/property for these reports and are only reimbursed for loans that close. Municipal Lien Certificates, available in Massachusetts, show all outstanding real estate tax liens and water/sewer/municipal electric charges. We order these at the same time as title to obtain a full picture of liens on the property that must be paid at closing.

#### **COLLECTIONS/FORECLOSURE/EViction:**

SUN uses both outside counsel and internal staff to address collections, foreclosures and evictions. Legal rates for this work are between \$150 and \$250 per hour.

#### **CAPITAL RAISING DOCUMENTS:**

Ongoing fundraising produces continuing legal expenses associated with investor relations and selling the loans in the secondary market. Fees vary but are often \$400+ per hour at discounted rates.

#### **ANNUAL FILING FEES FOR COMMONWEALTH AND LOCAL COUNTIES:**

Filing fees are \$1,500/year for Massachusetts and \$300/quarter for counties.

#### **ONGOING OPERATING EXPENSES: CREDIT REPORT FEES**

SUN pulls credit reports and tax return reports on all borrowers listed on an application. These fees are only reimbursed for closed loans. SUN pays \$15/credit report and \$25–\$40/tax return report.

#### **ONGOING OPERATING EXPENSES: INSURANCE**

##### **PROPERTY INSURANCE FOR USE AND OCCUPANCY PERIOD:**

While exact fees vary depending on the property specifications, condition, location and age, costs are generally \$800–\$2,000/property annually.

##### **PROFESSIONAL LIABILITY INSURANCE FOR BROKERAGE AND LENDING ENTITIES:**

Annual costs for Professional Liability coverage are approximately \$7,500 for Aura and \$3,200 for NSP.

#### **ONGOING OPERATING EXPENSES: RENT AND UTILITIES**

SUN rents 1,750 square feet at \$23/sf triple net lease; our utilities, taxes and insurance are additional. Our utilities cost less than \$100 a month.

#### **ONGOING OPERATING EXPENSES: INFORMATION TECHNOLOGY**

**PHONE SYSTEM:** Estimated at \$1,700/month

**E-FAX SERVICES:** Estimated at under \$300/month

**COMCAST INTERNET:** Estimated at \$130/month

**THRIVE IT SUPPORT:** Estimated at \$2,100/month

#### **ONGOING OPERATING EXPENSES: MEMBERSHIPS AND LICENSES**

**WARREN GROUP:** Cost is under \$100/month.

**MLS:** Cost is \$250/quarter.

**NMLS:** For the renewal of all licenses the cost is under \$4,000/year.

**ENCOMPASS LICENSE FEES:** SUN pays roughly \$3,000/month for 20 user licenses.

**ACCOUNTING SOFTWARE:** BCC pays \$6,600/year for all BCC entities.

**SALESFORCE.COM CRM SOFTWARE:** SUN uses SalesForce.com without charge under Salesforce.com's non-profit program.

#### **ONGOING OPERATING EXPENSES: OFFICE SUPPLIES**

SUN's spends between \$1,100 and \$1,500/month on office supplies.

#### **ONGOING OPERATING EXPENSES: MARKETING AND ADVERTISING EXPENSES**

Ongoing marketing and advertising expenses include community outreach, public relations efforts and reprinting existing materials.

**PUBLIC RELATIONS CONSULTANT:** SUN pays an hourly rate of under \$100/hour.

**MARKETING CONSULTANT:** SUN pays \$7,500/month for on-going consulting services.

**MARKETING MATERIALS (REPRINTS)**

**WEBSITE MAINTENANCE**

**TRAVEL AND MEETING EXPENSES**



When his sister-in-law died in a car crash, this Roslindale father took in his two nieces to live in the home he shared with his wife and five children. As a result, the family struggled to keep up payments on an adjustable rate mortgage. SUN helped them repurchase their home, reducing their monthly mortgage payments by 63% and their mortgage loan balance by 52%.

## QUESTIONS TO CONSIDER

The SUN Initiative remains a work in progress. We continue to push forward—iterating, honing and improving it. These are some of the questions we are currently asking ourselves:

- 1** Should the program be open to everyone who has late payments or is in foreclosure, rather than being limited to lower-income people and communities?
- 2** Is a portfolio of loans more/less stable if it contains loans solely from high HUD Foreclosure Index areas and areas in which market prices have dropped substantially, rather than from areas that have enjoyed a lower rate of foreclosures and had more stable market pricing?
- 3** What is the right approach to building note-based Loan Loss Reserves?
  - Should all transactions have a 25% reserve?
  - Should the reserve amount be 25% of the savings from the original mortgage?
  - What role does the loan-to-value ratio play in determining the amount of the loan loss reserve?
  - Should a very low loan-to-value ratio have the same note-based loan loss reserve as a high loan-to-value ratio?
  - What role should income ratios play?
- 4** Is there a way to lend to customers who have been evicted through foreclosure who would like to buy a different house? What is the right way to price such transactions?

## IMPLEMENTATION TOOLKIT

To learn more about the SUN Initiative and our Implementation Toolkit, please contact:

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While we have designed this report to help you understand both the mechanics of the SUN Initiative and the rationale behind it, you may find it helpful to have more specific materials to build upon in setting up your own program.

To help, we have assembled the Implementation Toolkit, containing key materials—from underwriting guidelines to promotional flyers—that we have developed for each programmatic area.

### APPLICATION AND MORTGAGE PROCESSING COMMUNICATIONS, FORMS AND MANUALS

- Frequently Asked Questions
- Getting Prepared for your Application: Documents Required
- Underwriting Guidelines
- Holdback Agreement
- Cash Needed to Close Worksheet
- Purchase and Sale Agreement
- Use and Occupancy Agreement
- Aura Procedures Manual
- Encompass Custom Forms
- Inquiry Form
- Pre-qualification Form
- Negotiation Form
- Inquiry Letter: Hardship & Liability Package
- Non-responsive Inquiry Letter
- Mortgage Loan Officer Checklist
- Disclosure and Acknowledgement Forms
- Additional Needs Letter Template
- Processor Checklist
- Underwriter Checklist
- Denial Checklist
- 1008 and 1003 Forms
- Adverse Action Letter

- Mortgage Review Board Notice
- Negotiator Checklist
- Broker Disclosure
- Lead Paint Removal: Grant Resources
- Property Management Hand-Off Form
- Closing Package Sample
- Closing Checklist
- Post-Closing Checklist
- Holdback Request Form
- Construction Rider
- Sample of a Redacted Completed Package from Property Inspectors
- Capital Reserve Request Form

### SALES AND MARKETING

- Sales and Marketing Plan
- Referrals
- Endorsements and Materials
- Promotional Flyers, Event Agenda, and SUN Materials in Haitian Creole, Spanish and English
- Marketing Materials
- Graphical Representation of Marketing Plan

### OPERATIONS

- Processes and Procedures Flowchart
- Job Descriptions
- RESPA/TILA Training Materials
- Fair Lending Training Materials

### FINANCIALS

- Monthly Closing Spreadsheet Example
- Quarterly Metrics Report

#### Footnotes

1. As a nonprofit, BCC qualified for 10 free licenses to Salesforce.com —see [http://foundation.force.com/products\\_donation\\_eligibility](http://foundation.force.com/products_donation_eligibility) for details.
2. [http://rers.thewarrengroup.com/sor/signin\\_early.asp](http://rers.thewarrengroup.com/sor/signin_early.asp)
3. <https://specialalerts.stewart.com/search.jsp>
4. Each of Aura's approved credit reporting agencies automatically runs OFAC (Office of Foreign Assets Control) scans to identify any person that may pose a threat to the U.S. national security. The results of the scans are stated in the report. In the event the scan results in a match on the OFAC listing, the loan file is referred to management.
5. SUN can access two pools of grant funds – one from a Neighborhood Stabilization Program-3 (NSP3) grant from HUD administered by the Massachusetts Department of Housing and Community Development and one for victims of predatory lending practices administered by the MA Attorney General – to defray borrowers' closing costs and/or partially cover the costs of loan loss reserves. In some cases, these grants may lower the borrowers' loan amounts sufficiently to change a loan denial to a loan pre-approval.



Left to Right: Jessica Brooks, BCC's Senior Vice President of Development & Communications; Sharon Shepard, Managing Director of Boston Community Venture Fund; Elyse D. Cherry, CEO of BCC; and Rachael Dorr, SUN General Manager

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Our SUN investors and our SUN borrowers partner with us every day. The lessons we learn from them enhance our ability to expand SUN beyond our Massachusetts roots.

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Sandy Bodner Strategic Communications LLC built our pipeline, boosted our local media coverage and not only created our integrated marketing and sales plan but also helped us understand why such a plan was critical to SUN’s success. Rochelle Lefkowitz and her team at Pro-Media Communications helped build support for our efforts among a national constituency. Our counsel, Edwards Wildman Palmer LLP, and our pro-bono regulatory counsel, Sean Mahoney from K&L Gates LLP, helped us navigate the legal and regulatory complexities of residential mortgage lending and copyright.

At its core, Boston Community Capital is an interme-diary bringing together partners from different spheres—homeowners, lenders, community organizations, investors and policymakers—aligning interests and forging partnerships that stabilize and strengthen our communities. We are grateful to these individuals and organizations—and to all our partners—not just for their assistance with the SUN Initiative and our blueprint but also for helping Boston Community Capital, every day, to fulfill our mission of building healthy communities where low-income people live and work.



SUN is a program of Boston Community Capital.  
[www.bostoncommunitycapital.org](http://www.bostoncommunitycapital.org)

Since 1985, Boston Community Capital has worked to build healthy communities where low-income people live and work through socially responsible lending and investing. We focus on projects that provide the building blocks for stronger communities—affordable housing, good jobs, needed goods and services—while linking neighborhoods with economic opportunity. Since launching SUN in late 2009, we have helped over 300 Massachusetts residents facing foreclosure to remain in their homes.

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