

Down Payment Assistance (DPA)

PRACTITIONER TOOLKIT





Table of Contents

Introduction	5	STEP 4 – Select Business Model Option(s) and Establish Loan Program/ Product Strategy	11
DESIGN PHASE–STRATEGIC PROCESS		Lending Business Model Options	
STEP 1 – Determine Initial Program Goals/ Objectives	7	Lending Business Model Descriptions	
Guiding Questions – Organize and Establish Goals		Lending Revenue Descriptions	
STEP 2 – Review General/Specialty Lending Resource Guidance	8	Common Residential Loan Product Types	
Loan Production Flow Chart		Product Comparison Tool	
Data Sources for Lending Programs		Product Comparison Tool Tutorial	
Fannie Mae Becoming a Landlord – Self-Study Certification Guide		DPA Loan Program Features Design Template	
Fannie Mae Becoming a Landlord – Quiz		STEP 5 – Identify Legal, Licensing, Regulatory and Certification Requirements	13
NTI Lending Education Courses for Counselors and Lenders		Tips for Researching License Requirements	
Fannie Mae Community Seconds Checklist		Compliance Management System Overview	
CDFI Fund – Glossary of Terms		NMLS Policy Guidebook for Licensees	
FDIC Housing Finance Agency DPA Guide		NMLS Links	
NFC Rehab Program – Policy and UW Guide		STEP 6 – Evaluate Potential Space Configuration, Staffing and Technology Needs	14
NFC Rehab Program – Contractor Guide		Servicing Software Guide	
NFC Rehab Program – Closing Guide		Finding a New Servicing Software Provider	
NFC Rehab Program – Post-Closing Guide		Common LOS Overview Webinar #1 – CDFI Convening	
Shared Equity Housing Programs		STEP 7 – Identify Partnership/Capital Development Needs/Opportunities	16
STEP 3 – Conduct Assessment, Feasibility and Market Analysis.....	10	Using Data to Strengthen Your Applications – Slide Deck	
Guiding Questions – Feasibility Assessment		Using Data to Strengthen Your Applications – Session Notes and Resource List	
Business Intelligence Service Flyer		Capital Convening Master Slide Deck	
Sustainable Business Initiative and Business Intelligence Services Links			

Step 8 – Conduct Modeling and Forecasting 17

- [Residential Lender Financial Tool Template](#)
- [Lender Financial Tool Instructions](#)
- [Single Loan Fund Model Calculator](#)
- [Mortgage Lending Broker Feasibility Financials Calculator](#)

Step 9 – Develop a Business Plan 19

- [Mortgage Lending Business Plan Template](#)

IMPLEMENTATION PHASE–TACTICAL PROCESS

Step 10 – Execute Startup Strategy (From Business Plan) 20

- [FHA Nonprofit Approval Application Guide](#)
- [FHA Nonprofit Secondary Financing Application Requirements Template](#)

Step 11 – Establish Business Partner and Service Provider/Vendor Relationships21

- [Anytown DPA Program – Sample Program Overview](#)
- [Anytown DPA Program – Sample Lender Partner Application](#)
- [Anytown DPA Program – Sample Lender Partner Agreement](#)
- [Anytown DPA Program – Sample Lender Invitation Letter Instructions](#)
- [Anytown DPA Program - Sample 1st Mortgage Lender Invitation Required Document Checklist](#)
- [Angel Oak NonDelegated Correspondent Application – Sample](#)
- [Dept of Commerce FCU Broker Application – Sample](#)
- [LoanStream Mortgage Correspondent Application – Sample](#)
- [Loan Pool Agreement Sample Template](#)

Step 12 – Develop Manuals, Policies and Operating Plans.....23

- [Federal Mortgage Lending Compliance Manual Template](#)
- [Federal Mortgage Lending Compliance Manual Template Instructions](#)
- [Loan Program Manual Template](#)
- [Loan Program Manual Template Instructions](#)
- [Loan Underwriting Manual Template](#)
- [Loan Underwriting Manual Template Instructions](#)
- [Lending Operations Manual Template](#)
- [Lending Operations Manual Template Instructions](#)
- [Quality Control Manual Template](#)
- [Anytown Community Agency Business Continuity Plan – Sample 1](#)
- [Anytown Community Agency Business Continuity Plan – Sample 2](#)

Step 13 – Establish Procedures/Workflows and Roles and Responsibilities25

- [Homeownership Specialist Position Description](#)
- [Loan Originator Position Description](#)
- [Loan Processor Position Description](#)
- [Loan Program Manager Position Description](#)
- [Loan Servicing Specialist Position Description](#)
- [Loan Underwriting Position Description](#)
- [Mortgage Loan Closer Position Description](#)
- [Post-Closing Specialist Position Description](#)
- [QC Specialist Position Description](#)
- [NeighborhoodLIFT Program – Sample Process Workflows](#)
- [NeighborhoodLIFT Program – Sample Role-Based Procedures and Checklists](#)

Single Family and Residential Lending Courses

In-Person:

- [LE115 Compliance Basics for Mortgage Lenders](#)
- [LE205 Single-Family Mortgage Lending: Loan Servicing and Collections](#)
- [LE210 USDA Section 502 Direct Loan Application Packaging: Affordable Rural Homeownership](#)
- [LE225 How to Ensure Compliance in Single-Family Lending](#)
- [LE250 Community-Based Residential Lending - Outreach, Intake and Loan Application Best Practices](#)
- [LE252 Community-Based Residential Lending - Loan Processing, Underwriting and Closing Best Practices](#)
- [LE262 Community-Based Residential Lending - Program Administration Best Practices](#)
- [LE275 Financial Analysis and Business Planning for Sustainable Lending Operations](#)
- [LE320 Effective Board Governance for Lending Operations](#)

Financial Capability, Housing Education and Counseling

Webinars:

- [HO038 Government Loan Basics for Housing Counselors - Interactive Webinar Training](#)

Self-guided On Demand:

- [HO102el Mortgage Lending Fundamentals for Homeownership Professionals](#)
- [HO130el Understanding Credit Reports and Credit Scoring](#)
- [HO206EL Mortgage Math Made Simple for Homeownership Professionals](#)

Faculty Led:

- [HO105vcx Compliance with State and Federal Regulations for Homeownership Programs - Accelerated Faculty-led Course](#)

In-Person:

- [HO103 Lending Basics for Homeownership Counselors](#)
- [HO105 Compliance with State and Federal Regulations](#)

Step 14 – Develop Internal/External Program Documents, Disclosures and Legal Instruments27

- [Anytown DPA Program – Sample Required Customer Documents Checklist](#)
- [Anytown DPA Program – Sample Stacking Order Checklist](#)
- [Anytown DPA Program – Sample Income Affidavit](#)
- [Anytown DPA Program – Sample Privacy Policy](#)
- [Anytown DPA Program – Sample Closing Instructions](#)
- [Anytown DPA Program – Sample Reservation Letter](#)
- [Anytown DPA Program – Sample Commitment Letter](#)
- [Anytown DPA Program – Sample FHA Note](#)
- [Anytown DPA Program – Sample FHA Deed of Trust](#)

Step 15 – Program Administration: 1) Operations Management, Training, Tracking, Reporting and Servicing Activities, 2) Marketing and Promotional Activities, 3) Compliance, Quality Control and Audit Activities29

- [Goal Tracking Tool](#)
- [Board Governance Guide for Lending Operations and Appendices](#)
- [Annual Policy Review Guidance](#)
- [Sample Production Goal Tracking Tutorial – Set Up](#)
- [Sample Production Goal Tracking Tutorial – Long Term Trending](#)
- [Board Activity Schedule Template](#)
- [Geo Coding Calculator](#)
- [Loan Originator Business Plan – Facilitator Version](#)

Introduction

This Down Payment Assistance (DPA) Toolkit and the resource material items within it are designed to help down payment assistance lenders with the development decisions and associated considerations that will likely be needed when establishing or enhancing a DPA program.

NeighborWorks® America recognizes that there is not a “one-size-fits-all” approach to DPA program development methodology. Features and terms are often market or funding source specific. Lending business models require different operational practices. Internal organizational needs and nuances may further impact a program’s launch or modification.

Despite this complexity, the development process that an organization follows to set up just about any type of lending program is largely the same. Both nonprofit and for-profit lenders must make similar types of configuration decisions, even while motives and intentions may be vastly different.

This toolkit generally refers to “DPA program” or “DPA lender.” However, most Items in the toolkit are applicable to all types of lending programs – not just DPA. NeighborWorks network organizations seeking to develop first mortgage lending capabilities in addition to their DPA offerings can use many of the same tools for similar analysis of those other lending activities.

DPA program development generally consists of two phases spanning a total of 15 distinct steps. Each step represents a component of program development or administration that any DPA lender may need to consider when configuring their program.

The design phase is the initial part of the development process and consists of nine steps. It is essentially the strategic decision-making component of the program when it is first conceptualized, and program direction is decided. These steps include:

- Step 1** - Determine initial program goals/objectives
- Step 2** - Review general/specialty lending resource guidance
- Step 3** - Conduct assessment, feasibility and market analysis
- Step 4** - Select business model option(s) and establish loan program/product strategy

Step 5 - Identify legal, licensing, regulatory and certification requirements

Step 6 - Evaluate potential space configuration, staffing and technology needs

Step 7 - Identify partnership/capital development needs/opportunities

Step 8 - Conduct modeling and forecasting

Step 9 - Develop a business plan

The implementation phase is the secondary part of the development process and consists of six steps. This is essentially the tactical component of the program where decisions made in the design phase are crafted into business practices. These steps include:

Step 10 - Execute startup strategy (from business plan)

Step 11 - Establish business partner and service provider/vendor relationships

Step 12 - Develop manuals, policies and operating plans

Step 13 - Establish procedures/workflows and roles and responsibilities

Step 14 - Develop internal/external program documents, disclosures & legal instruments

Step 15 - Program administration: operations management, training, tracking and reporting activities, marketing and promotional activities, compliance, quality control and audit activities

The toolkit is broken into 15 sections aligning with the steps in the development process. Within each step are groups of tools and resource items that an organization might review or adopt to assist with relevant decisions being made at that step.

Steps are typically resolved sequentially as the program materializes through this building process. However, they can often be completed simultaneously or not at all, if the organization doesn’t have issues to address at a particular step and can bypass it altogether. For instance, a program that already has

a committed source of funding capital may need little, if any, partnership development focus.

The functions and management needs of the DPA operation must be integrated into the organization's current activities. New programs are not without their challenges. This process may include immediate and gradual changes in fundamental operations. Poor timing, logistical gaps and lack of staff acceptance can all derail even the most thoughtful plan.

Sponsors should solicit feedback and involvement from all parties affected by the DPA lending operation. Front line staff members are often the best source of practical methods of implementation. They can identify inefficient or unworkable business practices and, in many cases, can offer more attractive alternatives for achieving the same objectives.

Involving staff in the design and implementation process can also help to ensure that they support the creation or expansion of the DPA program. Their level of enthusiasm may be instru-

mental to the success of the operation. This is especially true in the early stages of new programs when the organization or program may be unknown in the community.

Communication throughout planning, implementation and day-to-day administration is critical. Regular methods of information dissemination should be established and consistently maintained during the entire run of the program.

NeighborWorks America visions the DPA Toolkit expanding as more tools are identified and added over time. Project sponsors will periodically consider additional materials for inclusion. We encourage the network and non-profits to submit suggestions of items for inclusion to: lobrien@nw.org.

This document contains a brief description of each item's purpose and a hyperlink to the location of the item. Ideally, users can quickly scan through to find the step(s) and items they need. Subsequent topics can then be addressed at whatever pace works best for the organization.

Determine Initial Program Goals/Objectives

STEP 1



To be successful, a DPA program should have both qualitative and quantitative goals. Most DPA lenders are rightfully interested in developing lending programs that offer more or better opportunities to underserved customers.

At the same time, most organizations also seek to develop programs that are noncompetitive and compatible with their local first mortgage lender partners' programs. Administering a DPA program typically involves expensive production costs and lower loan balances, which generally result in lower closed loan fee income and interest income than first mortgage transactions. This can drive the need for greater numbers of closed loans if cost recovery or net programmatic income is a goal of the DPA program.

At this early stage, goals and objectives may be somewhat nebulous and subject to ongoing refinement. The closer an organization is to an entirely new operation, the more likely the need for a deeper examination of goals and objectives.

The tools at this step can be used to help DPA lenders establish their program's direction and intentions. Organizations that are only modestly familiar with lending practices may also wish to explore the items in Step 2 for industry background resources on general or specialty mortgage lending practices as goals/objectives are refined.

STEP 1 TOOLS – Determine Initial Program Goals/Objectives

Name	Description
<u>Guiding Questions – Organize and Establish Goals</u>	Assessment questions a DPA lender should consider and answer during the first stage of the development or expansion process. This is intended to help organizations think through their goals and establish some Go/No Go criteria or other evaluation needs.

Review General/Specialty Lending Resource Guidance

STEP 2

The mortgage industry is complex, competitive and heavily regulated, with broad ramifications for both lenders and consumers. The DPA lender’s potential for non-compliance with legal, procedural or regulatory guidelines is significant. For the most part, the laws are designed to protect the consumer and the burden of compliance from the regulatory perspective is on the DPA lender. A lender’s ignorance of specific requirements may often be the reality but is not an acceptable excuse for noncompliance.

Mortgage interest rates move up and down regularly, creating occasional boom and bust business cycles that can greatly influence purchase volume and DPA lending activity. Many traditional lenders are unable to compete in any segment of the business and are exiting mortgage lending altogether.

Scarce inventory and hyper-competitive housing markets in many areas provide even less incentive for sellers to consider offers with DPA financing contingencies. For the most part, DPA

lenders and programs focus almost exclusively on the first-time homebuyer which can be a challenging market segment in any economic cycle.

It is important for DPA program sponsors to understand general industry conditions and business practices. Organizations that seek to pair their DPA programs with specialty lending business models such as renovation lending, Community Development Financial Institution (CDFI) partnerships, USDA, land trusts, etc., also need to know what can be expected in program-level transactions.

Tools at this step are primarily related to general or specialty lending industry topics. New DPA lenders or organizations expanding into new types of lending will likely be the primary users of tools at this step. However, even seasoned organizations may find some benefit in visiting or revisiting some of these tools.

STEP 2 TOOLS – Review General/Specialty Lending Resource Guidance

Name	Description
<u>Loan Production Flow Chart</u>	Chart describing the stages of the loan manufacturing process.
<u>Data Sources for Lending Programs</u>	List of data resources that may be helpful to understanding and demonstrating community conditions and needs, as well as program benefits. May be useful in grant applications, proposals, and market research.
<u>Fannie Mae Becoming a Landlord - Self-Study Certification Guide</u>	Fannie Mae self-paced curriculum for prospective residential (2-4 unit) landlords to familiarize themselves with the responsibilities of being a landlord.
<u>Fannie Mae Becoming a Landlord – Quiz</u>	Quiz based on knowledge retention from the <u>Fannie Mae Becoming a Landlord – Self-Study Certification Guide</u> .

STEP 2 TOOLS – Review General/Specialty Lending Resource Guidance

Name	Description
<u>NTI Lending Education Courses for Counselors and Lenders</u>	The document includes the roster of current NeighborWorks America Training Institute courses related to mortgage lending education needs for DPA lenders and housing counseling staff. Course availability is as of June 2025. Complete course descriptions are available via the course name links in the document.
<u>Fannie Mae Community Seconds Checklist</u>	Community Seconds are subordinate mortgage loans that can help make homeownership more accessible to borrowers. Although Fannie Mae does not purchase Community Seconds loans, they do require that they meet certain criteria when they are subordinate to first mortgages purchased by Fannie Mae. Lenders use this checklist as a guide to determine whether a Community Seconds loan meets Fannie Mae's requirements by answering "Yes" to all the relevant questions.
<u>CDFI Fund - Glossary of Terms</u>	A glossary of common CDFI certification reporting terms. One of a number of informational materials available at cdfifund.gov .
<u>FDIC Housing Finance Agency DPA Guide</u>	This document is provided by the FDIC to its supervised first mortgage lenders. The guide is a good primer on DPA programs offered by state housing finance agencies but is equally applicable to nonprofits and CDFIs etc. It describes typical DPA program features and general benefits and drawbacks of various program models.
<u>NFC Rehab Program – Policy and UW Guide</u>	Best Practices - Neighborhood Finance Corporation 4-part Rehab Program Guide Part 1: Policy & U/W Guide.
<u>NFC Rehab Program – Contractor Guide</u>	Best Practices - Neighborhood Finance Corporation 4-part Rehab Program Guide Part 2: Contractor Guide.
<u>NFC Rehab Program – Closing Guide</u>	Best Practices - Neighborhood Finance Corporation 4-part Rehab Program Guide Part 3: Closing Guide.
<u>NFC Rehab Program – Post-Closing Guide</u>	Best Practices - Neighborhood Finance Corporation 4-part Rehab Program Guide Part 4: Post-Closing Guide.
<u>Shared Equity Housing Programs</u>	Resources for designing and leveraging your DPA program so that it is compatible with Shared Equity Housing Programs or Limited Equity Cooperatives in your market.

Conduct Assessment, Feasibility and Market Analysis

STEP 3

The decision to develop a DPA program should only be made after careful consideration of all the issues. It is impossible for any organization to anticipate every obstacle it will encounter. Careful planning and execution, however, can help to address many items before they arise.

This planning process should begin with a simple feasibility study. In most cases, such a study can be handled internally and at minimal expense. The basic goal of any feasibility study is to determine the viability of a particular venture.

Many potential nonprofit lenders appropriately turn to lender partners and state regulators for guidance in these areas. Others have drawn on past experience or peer advice to help them through the process.

Determining feasibility is typically an informal process. Prospective DPA lenders should consider three main areas when examining lending feasibility: Market Analysis, Capacity Analysis and Outcome Analysis.

Market Analysis involves the examination of the market characteristics where the DPA program will operate. These should

include considerations of factors such as territory, customer base, product needs, competition and peer offerings, sustainability and viable alternatives.

Capacity Analysis involves the evaluation of the organization's strengths and weaknesses in operating a DPA program. This should include an evaluation of staff capacity and skills, income and expense assumptions, capital needs, business development practices and operational impacts on the organization.

Outcome Analysis involves estimating the ways in which a DPA program will affect the various types of relationships the organization has with residents of the community, lender partners and community leaders among others. It also includes an evaluation of the program's impact internally on the organization's culture and mission if applicable.

In-depth feasibility analysis may not be necessary for small-scale operations or experienced lenders. The items in this step are designed for organizations that may need to explore the feasibility process.

STEP 3 TOOLS – Conduct Assessment, Feasibility and Market Analysis

Name	Description
<u>Guiding Questions – Feasibility Assessment</u>	Assessment questions DPA lender should review and answer as it completes the feasibility assessment stage of the development or expansion process. This is intended to help organizations think through their goals and establish some Go/No Go criteria or other evaluation needs.
<u>Business Intelligence Service Flyer</u>	Business Intelligence Services delivers timely, actionable data analysis and research to inform strategy and implement programs for NeighborWorks America and its network.
<u>Sustainable Business Initiative and Business Intelligence Services Links</u>	Document contains links to: SBI Feasibility Assessment Tools include several components that may be helpful with feasibility assessment activities. <u>Business Intelligence Service Flyer</u> provides market-level housing and demographic data analysis for NWOs.

STEP 4

Select Business Model Option(s) and Establish Loan Program/Product Strategy

Mortgage laws and lending business practices vary from state to state and continue to evolve. Each organization's circumstances are also unique. Ultimately a DPA lender must weigh the individual benefits and drawbacks of various lending model options before deciding to move forward with a particular model or models.

There are several types of operating structures available, but five models, with customized variations, are typically the most appealing to DPA lenders:

1. Loan Packager
2. Wholesale Broker
3. Correspondent
4. Mortgage Lender
5. Loan Pools/Partnerships

The models vary in terms of complexity, flexibility and costs. Each presents its own set of risks, rewards and management needs. DPA programs typically operate under Models 1, 4 or 5 with occasional Model 3 lenders in the mix.

Model 2, the wholesale broker, is rarely used with DPA funds in a transaction unless there is a saleable first mortgage connected to it. However, some DPA lenders offer their own DPA programs along with first mortgage originated loans and wholesale brokering may be an acceptable operating model in those cases as well.

DPA program sponsors may also need to establish a loan product strategy. There can be more than 40 features in any loan program that may need to be considered prior to bringing it to market. Many of these critical feature decisions must be made early in the process. Feature choices impact how the program will operate, which customers will be served, and the types of income and expense the program will likely generate.

Business model selections can also influence loan product choices since investor partners may be providing capital under mutually agreed upon loan program terms or via off-the-shelf agency programs with little flexibility in origination terms.



Tools at this step are designed to help organizations understand the different types of lending models they can (or must) choose to originate loans under. Other tools can help with determining product features to offer and the associated income and expense scenarios those choices create. →

STEP 4 TOOLS – Select Business Model Option(s) and Establish Loan Program/ Product Strategy

Name	Description
<u>Lending Business Model Options</u>	Chart describing the common business models used by NeighborWorks organizations, along with information about revenue, expenses, risks, capital, and licensing requirements.
<u>Lending Business Model Descriptions</u>	Document describing in more detail the common business models used by NeighborWorks Organizations.
<u>Lending Revenue Descriptions</u>	Document explaining possible revenue sources associated with different lending models. This document is a companion to the <u>Lending Business Model Options</u> .
<u>Common Residential Loan Product Types</u>	A description of several common loan products or programs used by NeighborWorks Organizations.
<u>Product Comparison Tool</u>	A tool that allows the user to compare up to five loan products for aspects such as monthly payment, borrower cash, interest paid, and income required.
<u>Product Comparison Tool Tutorial</u>	Recorded tutorial on the set up and use of the Product Comparison Tool.
<u>DPA Loan Program Features Design Template</u>	Template that can be used by organizations to determine DPA loan program features that should be included in product design. The template includes 24 feature topics including financial components such as pricing, fee structures and recapture terms.

Identify Legal, Licensing, Regulatory and Certification Requirements

STEP 5

All 50 states regulate mortgage lending organizations and Mortgage Loan Originators in particular. Most DPA lenders have some form of oversight or reporting relationship with a state banking, real estate or finance governing agency.

Licensing types and guidelines may be different for first mortgage lending, second mortgage lending, brokers, correspondents, mortgage lenders/bankers and individual loan originators.

Loan packagers must comply with RESPA-related provisions that mandate how the DPA lender can legitimately earn a fee for packaging a loan on behalf of another organization.

Bona fide nonprofit lenders enjoy some limited exemptions from federal consumer laws but are often treated no differently than

private sector lenders when it comes to compliance with the vast majority of state and federal mortgage lending requirements.

DPA program managers seeking to offer secondary financing in an FHA transaction must be approved prior to any loan originations. Housing counselors that support the lending operation may need certifications as well.

These legal considerations and others may necessitate a review of the Items available at this step for those organizations that may not be familiar with the regulatory requirements of their DPA program's operating practices.

STEP 5 TOOLS – Identify Legal, Licensing, Regulatory and Certification Requirements

Name	Description
<u>Tips for Researching License Requirements</u>	Document providing tips for how to research the applicable licensing requirements for your state and lending model.
<u>Compliance Management System Overview</u>	Lenders should have a formal CMS and a designated Compliance Officer charged with administrative oversight. This presentation outlines CMS components and the critical roles that organizational leadership and the Board of Directors play in CMS success as well as how to structure and setup the CMS including monitoring, reporting, and training considerations.
<u>NMLS Policy Guidebook for Licensees</u>	The goal of NMLS is to improve mortgage, consumer finance, debt, and money services industry supervision, heighten communication across states, increase consistency in licensing requirements, and automate processes to the greatest degree possible. The NMLS Policy Guidebook is intended to be a resource for applicants, licensees, and state regulatory agencies using NMLS. It is intended to assist applicants and licensees in understanding the policies related to using NMLS. It is a living document that is updated regularly in response to decisions and conclusions reached through the NMLS policy-making process, as well as through experience in using NMLS.
<u>NMLS Links</u>	This document includes links to the Nationwide Mortgage Licensing System's various guides and checklist resources related to state-level organizational and individual mortgage licensing and reporting requirements.

Evaluate Potential Space Configuration, Staffing and Technology Needs

STEP 6

Almost any new business venture requires some capital infusion prior to opening the doors. DPA lenders that operate small-scale programs, where staff is already in place, probably have little, if any, startup expenses when adding additional programs.

Expenses for some organizations may be limited to personal computers, mobile devices, legal and licensing fees and loan origination systems. Others may have to consider site modifications, major equipment purchases such as workstations and IT infrastructure, hiring expenses and interim working capital, among other things.

Ensuring that the DPA program runs as smoothly as possible and at the same time meets or exceeds its production goals is a critical part of success. Management must properly balance staffing requirements, set realistic and attainable targets, and continually guide the operation towards mission objectives.

The organization's staffing needs and expertise levels may be partially dictated by licensing requirements. Loan originators, processors, closers, underwriters, counselors, management and clerical staff may all be needed, depending on the type and scale of the DPA lending operation.

The number of staff members required is based on the size of the program, the degree of difficulty in the loan transactions, and the caseload capacity of each position. Some organizations have consulted with lender/network partners or drawn on past or present program experience when assessing staffing needs. Others have absorbed production into existing staff responsibilities with little disruption in productivity.

Program managers must correctly anticipate staffing needs, set production goals and consistently manage volume moving through the operation. Staffing time needed for additional operational and financial management functions must also be addressed. Administrative and reporting requirements can consume a significant share of the staff's time and resources.

The impact of technology on the mortgage industry has been enormous over the past 30 years. Though it remains in many ways a document-driven business, huge advances have been made in streamlining the entire process. Innovations ranging from laptop loan originations to AUS platforms have condensed



approval times, often from 60 days to a few minutes. End-to-end paperless transactions have become a growing reality in many areas.

Affordable, robust loan origination software systems are widely available. These programs can

help streamline operations, reduce production costs, minimize clerical errors and protect the organization from financial losses.

The search for the proper Loan Origination System(LOS) begins with an evaluation of wants and needs in an LOS

followed by an examination of demo versions of the most likely options. Trial or demonstration versions of most major LOS software are available free of charge through web downloads, demos, or sales representatives.

Core loan origination systems are simply database-driven programs that rely on data entry to

perform routine loan application, processing, underwriting and closing functions. They can

provide additional organizational support using built-in pipeline management and reporting capabilities. Certain key features are commonplace in most widely available systems.

Nonprofits should be sure that foundational capabilities are present in any final LOS selection. In addition, many major systems come with consumer portal applications that allow the customer to communicate electronically, upload documents and sign disclosures remotely. DPA lenders should explore these portal connections in their planning activities.

STEP 6 TOOLS – Evaluate Potential Space Configuration, Staffing and Technology Needs

Name	Description
<u>Servicing Software Guide</u>	<p>Excel document that reviews Decision Steps, Servicing Software Features, NWO’s Current Servicing Software’s, How to Identify Priorities, Demos, and Implementation required when an organization is planning to search for a new Loan Servicing Software.</p>
<u>Finding a New Servicing Software Provider</u>	<p>Presentation that outlines the steps taken to find a new software and lessons learned during the conversion such as data needs, budget considerations and identifying your timeline when finding a new software provider.</p>
<u>Common LOS Overview Webinar #1 – CDFI Convening 2019</u>	<p>Slide deck of high-level features from 2019 CDFI Convening outlining comparison features of three LOS platforms: Point, Encompass & BytePro.</p>



Identify Partnership/Capital Development Needs/Opportunities

STEP 7



Both lending and operating capital are needed to sustain any DPA lending program. Either type of capital may come from grants, public entities, lenders, investors, asset sales or through short- or long-term borrowing.

The types and amounts of capital needed are driven by a host of variables including the type of lending model, the loan products being offered, volume expectations and income/expense structures, among others.

Due to the typical business model configuration, neither loan packagers nor mortgage brokers have to raise lending capital, though both models still need some form of operating capital.

The Items at this step are designed to assist DPA lenders with understanding the nature of capital relationships and developing funding relationships and commitments. Assumptions made at this stage of development are used to conduct Step 8 forecasting and will likely change as projections are refined.

STEP 7 TOOLS – Identify Partnership/Capital Development Needs/Opportunities

Name	Description
<u>Using Data to Strengthen Your Applications – Slide Deck</u>	Slide deck from webinar discussing effective use of data in applications/proposals that support lending programs, including discussion of Home Mortgage Disclosure Act, other sources, and how to request assistance from NeighborWorks America.
<u>Using Data to Strengthen Your Applications – Session Notes and Resource List</u>	Session Notes from webinar discussing effective use of data in applications/proposals that support lending programs, including discussion of Home Mortgage Disclosure Act, other sources, and how to request assistance from NeighborWorks America.
<u>Capital Convening Master Slide Deck</u>	Presentation from August 2023 outlining the results of the Capital Survey which included a survey of practices and capital needs from within the NeighborWorks Network.

Conduct Modeling and Forecasting

STEP 8

DPA lending can be a challenging line of business for many organizations. Sustainability may be critically dependent on reaching and maintaining certain production thresholds of closed loan volume.

DPA lenders often need to subsidize their new or expanding lending operation for some time. It is imperative that sponsors have as firm a grasp as possible on the likely outcomes of their efforts prior to committing organizational resources into DPA lending activities. Important questions DPA lenders should seek to forecast include:

- How many loans does the DPA lender need to close every month to break even?
- How quickly will that happen?
- How much subsidy does the operation need before it breaks even?

How much will the lending operation likely make (or lose) if financial projections are accurate?

These questions can be answered through an analysis of several assumptions in these areas:

- Planned loan program offerings
- Anticipated income and expense structures
- Prospective customer expectations
- Productivity assumptions
- Lending capital needs
- Portfolio activity

The toolkit includes a number of financial analysis items that organizations may find useful when constructing a forecasting scenario. →



STEP 8 TOOLS – Conduct Modeling and Forecasting

Name	Description
<u>Residential Lender Financial Tool Template</u>	<p>This financial model allows organizations to project expenses, revenue, client caseload and loan capital for a proposed loan program.</p>
<u>Lender Financial Tool Instructions</u>	<p>These written instructions discuss how to use the Lender Financial Tool.</p>
<u>Single Loan Fund Model Calculator</u>	<p>This financial model calculator allows an organization to assess the financial impacts associated with offering a particular loan product.</p>
<u>Mortgage Lending Broker Feasibility Financials Calculator</u>	<p>The Mortgage Lending Brokerage Feasibility Financials tool was created to help NeighborWorks organizations forecast expected start-up costs and ongoing financial results as part of a feasibility analysis of lending. It is not a formal financial business planning tool or cash flow projection, but rather a relatively quick way to make assumptions to see if mortgage lending is financially viable. This tool projects financials based on assumptions entered by the user. The categories of revenue and costs are based on industry practices. It is not specific to brokering and can be adapted to help project startup costs as well as ongoing expenses.</p>



Develop a Business Plan

STEP 9

A business plan is a presentation of information about a venture that demonstrates how and why it will succeed. The business plan tells a compelling story that describes the venture, its objectives, strategies, market and financial forecast.

The business plan can be used for external or internal purposes. If a DPA lender is seeking start-up capital, formal approval from the Board of Directors or other support from external sources, a more formal and rigorous business plan is needed. If the business plan is for internal audiences to set strategy and develop goals, a shorter plan may be adequate.

Business planning is typically a time-intensive process that includes a mix of research, analysis, and decision-making. Tools at this Step are intended to assist organizations through the planning process and the development of a formal comprehensive business plan. Any templates should be adjusted to reflect the organization’s needs.

There are also online business planning tools such as Palo Alto Software’s LivePlan or other vendors that offer customizable industry-specific business plan templates for sale at reasonable prices.



STEP 9 TOOLS – Develop a Business Plan

Name	Description
Mortgage Lending Business Plan Template	Sample template for a Mortgage Business Plan.

Execute Startup Strategy (From Business Plan)

The first Step of the Implementation Phase is to execute the startup strategy which should be detailed in the business plan if applicable. This may include actions such as acquiring development support capital, configuring the business unit, executing a technology plan, securing licenses & certifications and hiring or assigning management & line staff etc.

Tools at this Step are designed to assist organizations with considerations related to various program setup needs prior to the DPA program being launched.



STEP 10 TOOLS – Execute Startup Strategy (From Business Plan)

Name	Description
FHA Nonprofit Approval Application Guide	This guide is provided by HUD to help organizations understand the requirements associated with securing any of the three types of HUD nonprofit approvals that lenders may need to offer their DPA programs in connection with FHA programs.
FHA Nonprofit Secondary Financing Application Requirements Template	Excel-based template used to gather submission package documents for necessary FHA secondary financing approval when providing a DPA loan behind an FHA 1st mortgage.

Establish Business Partner and Service Provider/ Vendor Relationships

STEP 11

The first step of the implementation phase is to execute the startup strategy that should be detailed in the business plan. This may include actions such as acquiring development support capital, configuring the business unit, executing a technology plan, securing licenses and certifications, and hiring or assigning management and line staff.

Tools at this step are designed to assist organizations with considerations related to various program setup needs prior to the DPA program being launched. →



STEP 11 TOOLS – Establish Business Partner and Service Provider/Vendor Relationships

Name	Description
<u>Anytown DPA Program – Sample Program Overview</u>	Sample DPA program overview used in connection with other tools in Step 11 to invite 1st mortgage lender partners to participate in the nonprofit's program.
<u>Anytown DPA Program – Sample Lender Partner Application</u>	Sample DPA program lender partner application used in connection with other tools in Step 11 to invite 1st mortgage lender partners to participate in the nonprofit's program.
<u>Anytown DPA Program – Sample Lender Partner Agreement</u>	Sample DPA program overview used in connection with other tools in Step 11 to invite 1st mortgage lender partners to participate in the nonprofit's program.
<u>Anytown DPA Program – Sample Lender Invitation Letter Instructions</u>	Sample DPA program overview used in connection with other tools in Step 11 to invite 1st mortgage lender partners to participate in the nonprofit's program.
<u>Anytown DPA Program – Sample 1st Mortgage Lender Invitation Required Document Checklist</u>	Sample DPA program overview used in connection with other tools in Step 11 to invite 1st mortgage lender partners to participate in the nonprofit's program.
<u>Angel Oak NonDelegated Correspondent Application – Sample</u>	Correspondent lender application package that provides nonprofit lenders with a sample of correspondent lending requirements. SAMPLE ONLY - NOT A LENDER/INVESTOR RECOMMENDATION
<u>Dept of Commerce FCU Broker Application – Sample</u>	Correspondent lender application package that provides nonprofit lenders with a sample of broker lending requirements. SAMPLE ONLY - NOT A LENDER/INVESTOR RECOMMENDATION
<u>LoanStream Mortgage Correspondent Application – Sample</u>	Correspondent lender application package that provides nonprofit lenders with a sample of correspondent lending requirements. SAMPLE ONLY - NOT A LENDER/INVESTOR RECOMMENDATION
<u>Loan Pool Agreement Sample Template</u>	Subscription Loan Pool Agreement Template where investors purchase 'shares' of 1st and/ or 2nd mortgages originated by a nonprofit lender using agreed upon origination and sale program terms and provisions among subscribing investors.

STEP 12

Develop Manuals, Policies and Operating Plans

As DPA lenders establish goals and objectives, program expectations can be reviewed and refined. Through this process, a set of common business practices emerges, which will become the framework for the DPA program.

Once operational practices are identified, evaluated, and accepted or discarded, planned DPA lending activities can be codified in the various manuals, plans and policies the DPA program will likely need. These include manuals for loan programs, underwriting, lending operations, quality control, disaster recovery, anti-money laundering, vendor oversight and customer data safeguards among others.

As the DPA lending operation matures, policies will likely need to be revised in order to accommodate changing requirements or to revise/clarify business practices. Manual updates should be carefully monitored, updated and distributed as quickly as possible.

Tools at this step include fill-in templates and other materials that can help organizations customize their own lending manuals and plans.

STEP 12 TOOLS – Develop Manuals, Policies and Operating Plans

Name	Description
<u>Federal Mortgage Lending Compliance Manual Template</u>	Compliance Manual Template designed for organizations that are developing or updating mortgage lending related federal compliance policies and procedures. Includes common industry expectations related to areas of federal compliance.
<u>Federal Mortgage Lending Compliance Manual Template Instructions</u>	Instructions for using the Federal Mortgage <u>Federal Mortgage Lending Compliance Manual Template</u> .
<u>Loan Program Manual Template</u>	Loan Program Manual Template designed for organizations that are developing or updating mortgage lending loan program descriptions. Includes 40+ fill-in features per loan program.
<u>Loan Program Manual Template Instructions</u>	Instructions for using the <u>Loan Program Manual Template</u> .
<u>Loan Underwriting Manual Template</u>	Loan Underwriting Manual Template designed for organizations that are developing or updating mortgage lending U/W policies. Includes pre-filled content based on agency parameters.

STEP 12 TOOLS – Develop Manuals, Policies and Operating Plans

Name	Description
<u>Loan Underwriting Manual Template Instructions</u>	Instructions for using the <u>Loan Underwriting Manual Template</u> .
<u>Lending Operations Manual Template</u>	Lending Manual Operations Template designed for organizations that are developing or updating mortgage lending operational practices, workflows and roles and responsibilities. Includes content development suggestions for each section/topic.
<u>Lending Operations Manual Template Instructions</u>	Instructions for using the <u>Lending Operations Manual Template</u> .
<u>Quality Control Manual Template</u>	Template for a Mortgage Lending Quality Control Manual for organizations to monitor the quality of loans they originate for themselves or their lending partners.
<u>Anytown Community Agency Business Continuity Plan – Sample 1</u>	Business Continuity Plan sample from lending nonprofit.
<u>Anytown Community Agency Business Continuity Plan – Sample 2</u>	Business Continuity Plan sample created from FEMA suggested content template.



Establish Procedures/Workflows and Roles and Responsibilities

STEP 13

Every business venture requires a foundation of consistent practices and methods of operation. As organizations grow in staff size, open additional facilities, or expand their scope of activities, the need for comprehensive guidelines increases.

Manuals, plans and policies development form the start of a cascade process. Once relevant program manuals have been thoroughly reviewed, they should be crafted into workflows that support the DPA program’s necessary business practices.

Fortunately, the loan manufacturing process is a fairly consistent activity with only minor variations from loan to loan. Programs may have their individual nuances, but most originations follow generally recognized industry practices.

Workflow mapping is best accomplished using standard flow-chart methodology. DPA lenders will want to use swim lanes or other types of diagramming that chart the IF/THEN activity and decision-making process followed by customers, the DPA lender and the first mortgage lender etc.

Once the workflows have been mapped from a start-to-finish perspective, they can be reduced to procedural guidelines. This ensures that DPA staff and other stakeholders such as the customer and first mortgage lender are performing as intended.

To do this, DPA program designers detail the granular functional activities that should occur at each point in the workflow based on the IF/THEN decisions of stakeholders at that point in the process. Procedures should address all functions and tasks associated with the DPA program’s operation at each point in time.

Finally, these procedural expectations and checklists can be used to develop the various roles and responsibilities within the DPA program or lending business unit such as the MLO, processor underwriter or admin assistant. The assigned roles and responsibilities can then be included in the staff member’s performance objectives and position descriptions so that they clearly understand what is expected of them.

Procedures will likely change on a regular basis. Industry regulations, investor or agency requirements, and business operating practices may be constantly evolving. Workflows, procedures, and roles & responsibilities should be managed in a way that allows for easy but controlled revisions, updates and distribution.

Tools at this Step include sample position descriptions along with workflows and procedures developed for the NeighborhoodLIFT program using the process described above. These can be used to help organizations structure their own workflows and staff procedural checklists.

STEP 13 TOOLS – Establish Procedures/Workflows and Roles and Responsibilities

Name	Description
<u>Homeownership Specialist Position Description</u>	Sample position descriptions in lending and related departments.
<u>Loan Originator Position Description</u>	Sample position descriptions in lending and related departments.

STEP 13 TOOLS – Establish Procedures/Workflows and Roles and Responsibilities

Name	Description
<u>Loan Processor Position Description</u>	Sample position descriptions f in lending and related departments.
<u>Loan Program Manager Position Description</u>	Sample position descriptions in lending and related departments.
<u>Loan Servicing Specialist Position Description</u>	Sample position descriptions in lending and related departments.
<u>Loan Underwriting Position Description</u>	Sample position descriptions in lending and related departments.
<u>Mortgage Loan Closer Position Description</u>	Sample position descriptions in lending and related departments.
<u>Post-Closing Specialist Position Description</u>	Sample position descriptions in lending and related departments.
<u>QC Specialist Position Description</u>	Sample position descriptions in lending and related departments.
<u>NeighborhoodLIFT Program – Sample Process Workflows</u>	Provides three separate workflow process flowcharts from the NeighborhoodLIFT DPA program. This document can be used to help DPA lenders consider the process and timelines associated with their own programs.
<u>NeighborhoodLIFT Program – Sample Role-Based Procedures and Checklists</u>	Collection of role-based procedural checklists from the NeighborhoodLIFT DPA program. This document can be used to help DPA lenders develop procedures, roles & responsibilities associated with their own programs.

STEP 13 TOOLS – Lending Courses from NeighborWorks America Single Family and Residential Mortgage Lending

In-Person

[LE115 Compliance Basics for Mortgage Lenders](#)

[LE205 Single-Family Mortgage Lending: Loan Servicing and Collections](#)

[LE210 USDA Section 502 Direct Loan Application Packaging: Affordable Rural Homeownership](#)

[LE225 How to Ensure Compliance in Single-Family Lending](#)

[LE250 Community-Based Residential Lending - Outreach, Intake and Loan Application Best Practices](#)

[LE252 Community-Based Residential Lending - Loan Processing, Underwriting and Closing Best Practices](#)

[LE262 Community-Based Residential Lending - Program Administration Best Practices](#)

[LE275 Financial Analysis and Business Planning for Sustainable Lending Operations](#)

[LE320 Effective Board Governance for Lending Operations](#)

STEP 13 TOOLS – Lending Courses from NeighborWorks America Financial Capability, Housing Education and Counseling

Webinars

[HO038 Government Loan Basics for Housing Counselors - Interactive Webinar Training](#)

Self-Guided On Demand

[LHO102el Mortgage Lending Fundamentals for Homeownership Professionals](#)

[HO130el Understanding Credit Reports and Credit Scoring](#)

[HO206EL Mortgage Math Made Simple for Homeownership Professionals](#)

Faculty-led

[HO105vcx Compliance with State and Federal Regulations for Homeownership Programs – Accelerated Faculty-led Course](#)

In-Person

[HO103 Lending Basics for Homeownership Counselors](#)

[HO105 Compliance with State and Federal Regulations](#)

STEP 14

Develop Internal/External Program Documents, Disclosures and Legal Instruments

A custom DPA program may require its own unique set of program documents. Loan Origination Systems include widely used industry documents such as the 1003 application or the Loan Estimate.

Most systems can also be configured to include and map custom program documents such as commitment letters, program disclosures and legal instruments. This can help DPA lenders immensely by eliminating the need to re-enter the same infor-

mation multiple times in various places. Legal instrument requirements are generally state-specific. Be sure legal documents contain required content and formats, if applicable.

Tools at this step include sample program documents that can be customized for a DPA program. Follow your Loan Origination System's guidance on installing and mapping data to custom MS Word documents. →



STEP 14 TOOLS – Develop Internal/External Program Documents, Disclosures and Legal Instruments

Name	Description
<u>Anytown DPA Program – Sample Required Customer Documents Checklist</u>	Checklist for customers to gather necessary submission documents for a sample DPA program.
<u>Anytown DPA Program – Sample Stacking Order Checklist</u>	Stacking order checklist for nonprofit lenders to track documents collected for a sample DPA program.
<u>Anytown DPA Program – Sample Income Affidavit</u>	Income affidavit/disclosure for nonprofit lenders to use with customers.
<u>Anytown DPA Program – Sample Privacy Policy</u>	Privacy policy disclosure for nonprofit lenders to use with customers.
<u>Anytown DPA Program – Sample Closing Instructions</u>	Closing instructions for nonprofit lenders to use with title companies, attorneys or other settlement agents in connection with closing a loan.
<u>Anytown DPA Program - Sample Reservation Letter</u>	Reservation of funds letter for nonprofit lenders to use with customers.
<u>Anytown DPA Program – Sample Commitment Letter</u>	Commitment of funds letter for nonprofit lenders to use with customers.
<u>Anytown DPA Program – Sample FHA Note</u>	Legal instrument (Note) for nonprofit lenders to use with customers.
<u>Anytown DPA Program – Sample FHA Deed of Trust</u>	Legal instrument (Deed of Trust) for nonprofit lenders to use with customers.

STEP 15

Program Administration: 1) Operations Management, Training, Tracking, Reporting and Servicing Activities, 2) Marketing and Promotional Activities, 3) Compliance, Quality Control and Audit Activities

Once the program is up and running administration practices must be established. Operations management includes oversight of staff, customers, business partners, finances and risks along with portfolios, pipelines, training, tracking reporting, etc.

Marketing and promotional practices must also have oversight. Promotional activities and organizational messaging should be coordinated prior to any release. Copies of any marketing materials should be kept in a centralized location and monitored for compliance.

A Compliance Management System that is responsible organizational lending compliance, quality control and audit practices should also be established to ensure the DPA program meets all regulatory and investor/agency requirements.

Tools at this step include items that assist organizations with the three primary components of DPA program administration. →



STEP 15 TOOLS – Program Administration: 1) Operations Management, Training, Tracking, Reporting and Servicing Activities, 2) Marketing and Promotional Activities, 3) Compliance, Quality Control and Audit Activities

Name	Description
<u>Goal Tracking Tool</u>	A customizable goal-tracking tool that allows the user to measure actual production outcomes compared to goals on a monthly basis.
<u>Board Governance Guide for Lending Operations and Appendices</u>	Document that reviews key elements of organization governance that are necessary to ensure the Board of Directors can effectively oversee and direct lending operations. Covers components such as managing lending risk and the portfolio, financial oversight and key compliance issues. The document also includes sample financial dashboards, definitions of key financial ratios and a glossary of terms.
<u>Annual Policy Review Guidance</u>	Provides a checklist framework of topics for lending management to review on an annual basis in order to keep operations up to date.
<u>Sample Production Goal Tracking Tutorial – Set Up</u>	Recorded tutorial on the general set up and use of the <u>Goal Tracking Tool</u> .
<u>Sample Production Goal Tracking Tutorial – Long Term Trending</u>	Recorded tutorial showing tips for using the <u>Goal Tracking Tool</u> to create long-term trending.
<u>Board Activity Schedule Template</u>	A simple monthly calendar template to remind board members of organizational oversight responsibilities such as reviewing policies and procedures, audit and financial results, etc.
<u>Geo Coding Calculator</u>	Low Income Geo Coding Calculator from the CDFI Fund that provides searchable data based on agency census tract calculations.
<u>Loan Originator Business Plan – Facilitator Version</u>	The Loan Originator Business Plan is for nonprofit loan originators who need assistance with prospecting for business. It offers business sourcing methods designed to address the unique needs of organizations offering DPA programs or other community-based lending products.

