



# **Detroit Home Repair and Neighborhood Revitalization Story**



Presented by Corporate FACTS Inc.





# Presenter

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# Today's Discussion Points

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- Mayor's Vision
- Challenge
- Program Design
- Barriers and Solutions
- Outcomes
- Impact







# Mayor Duggan

## Vision for the Program



- Design a more effective Home Repair program.



- Convert current ineffective grant program to 0% home repair loan program.



- Increase number of households served.



- Achieve more impact in Detroit neighborhoods.
- Retain Detroit residents and preserve affordable housing.



# City of Detroit



## Market Conditions



- City lost over one million people.
- Abandoned neighborhoods and artificially undervalued housing.
- Declining economic base.



- Largest city to ever file for bankruptcy.
- Recognized by HUD as a distressed city; HUD provided significant support and guidance to City during bankruptcy.
- Chronic monitoring findings including CDBG timeliness – found over \$20 million of idle, unspent CDBG funds that could be redeployed.



- Constrained private sector lending.
- Home Repair Program managed in-house with high labor costs and inefficiencies.



# Existing Program Challenges

- Availability of grants announced once every 2-3 years.
- One-day event held at Convention Center.
- Applications accepted on first come, first served basis based on eligibility.
- Very small chance of homeowner receiving a home repair grant.
- Customer's complaints of very long processing times to approve application and to complete repairs, poor quality work.





# Concerns with Loan Program

- Low participation expected when converting from grant to loan.
- Very low-income households, especially seniors, would no longer benefit.
- Very low home value and equity disparities: in many cases home repair costs exceeded home values.
- Homeowners wanting to determine use of loan proceeds; not wanting to correct code violations as required by CDBG.
- Inability to afford a loan.



LMI Qualifications



Low Home Values



CDBG Requirements

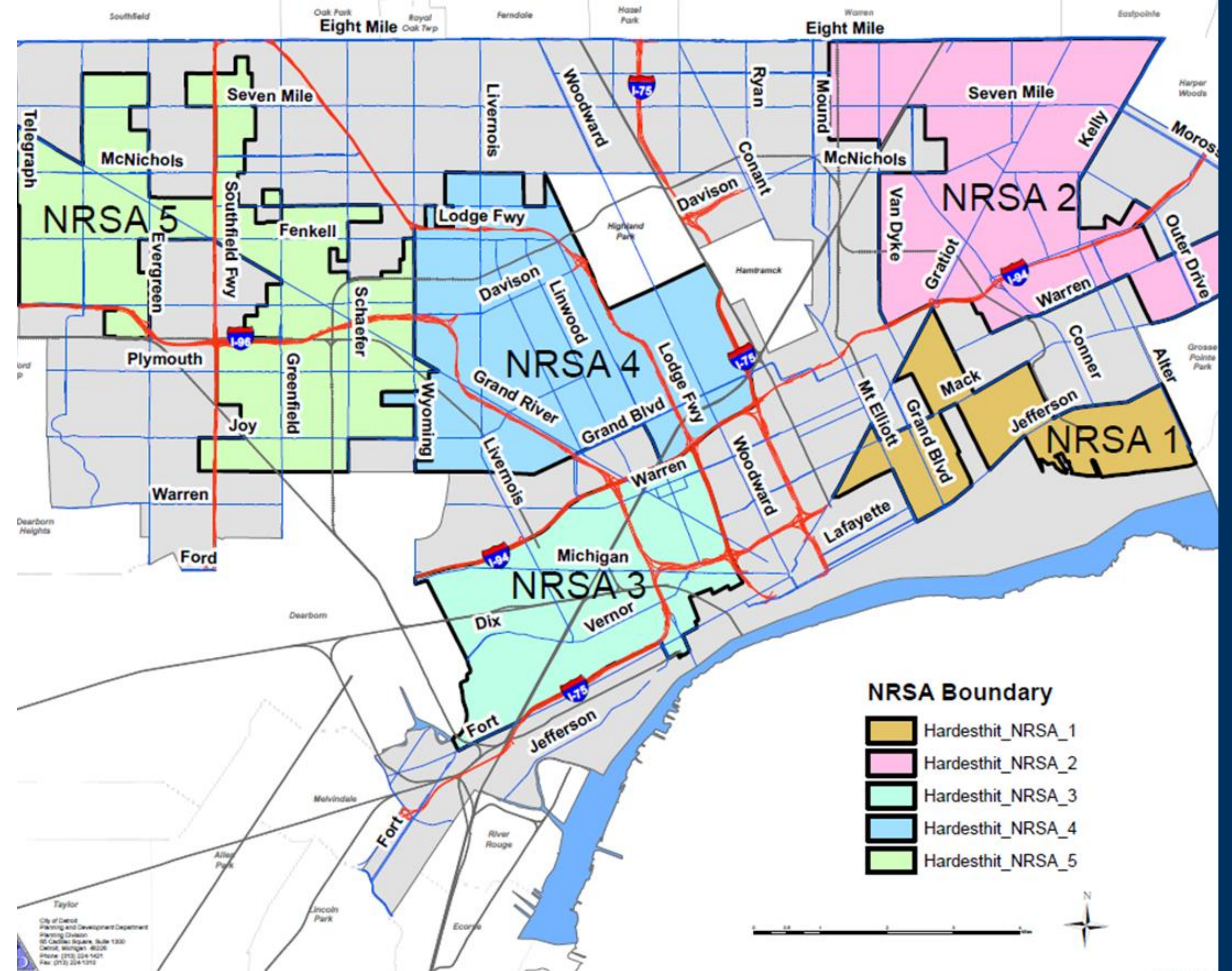


# **Program Designed to Address Market Challenges & Consumer Concerns**



# Neighborhood Revitalization Strategy Areas (NRSAs)

- Worked closely with HUD National and local Field Office to approve boundaries and strategies.
- Created five NRSAs that spanned a large geography across the city.
- Households above 80% AMI could participate.
- Economic development, blight elimination and rehab of vacant properties included.
- Large summer youth job program launched.







# NRSA Program

FYI 2015 - 2019

## Outcomes



- Successful Young Talent workforce training under the NRSA public service exemption - 15,000 Detroit youth served.

- The NRSA investments leveraged a Strategic Neighborhood Fund for ten neighborhoods, including the NRSA's. Total - \$130m for park and streetscape improvements, commercial corridor development, and affordable single-family home stabilization.



- Leveraged an Affordable Housing Fund for affordable multi-family housing developers and owners access to loans, grants, and guarantees for Detroit neighborhoods, including the NRSA's. Total \$250m to preserve and create affordable housing.

- Development of Housing Resource Centers (HRC), accessible, community-based sites administered by nonprofit housing counseling organizations, will serve as residents' first point of contact to address common housing stability challenges.



- 313 small businesses and micro-enterprises within the NRSA's received financial and technical assistance.

- The improved living environment within the NRSA's was achieved through the demolition of 9,223 dilapidated residential and 344 commercial properties and 321 business façade improvements.



- Addressed affordable housing preservation and resident retention through 335 homeowners who received zero percent interest home repair loans in the NRSA's. Leveraged 367 senior emergency home repair and lead abatement grants.

# PROGRAM DESIGN AND LOAN STRUCTURE

- 0% Interest Loan, payable over 10 years.
- \$25,000 Loan Maximum (exceptions made to remediate lead or major code violations).
- Minimum 560 credit score; up to 150% LTV.
- Used CDBG as a loan credit enhancement and to pay for activity delivery costs.
- Partnered with CDFI that attracted \$5 million in private capital to the program (\$4 million loan capital; \$1 million grant).
- Loans financed with 50% CDBG and 50% private funds.
- Private loan paid back first for entire portfolio; CDBG funds paid back after all private capital is repaid.
- Initially included 4% loan loss reserve that was subsequently removed.
- Mixed income pool of participants and credit enhanced loan structure helped to mitigate private capital risk.
- Over time, repayments will help to sustain the program.





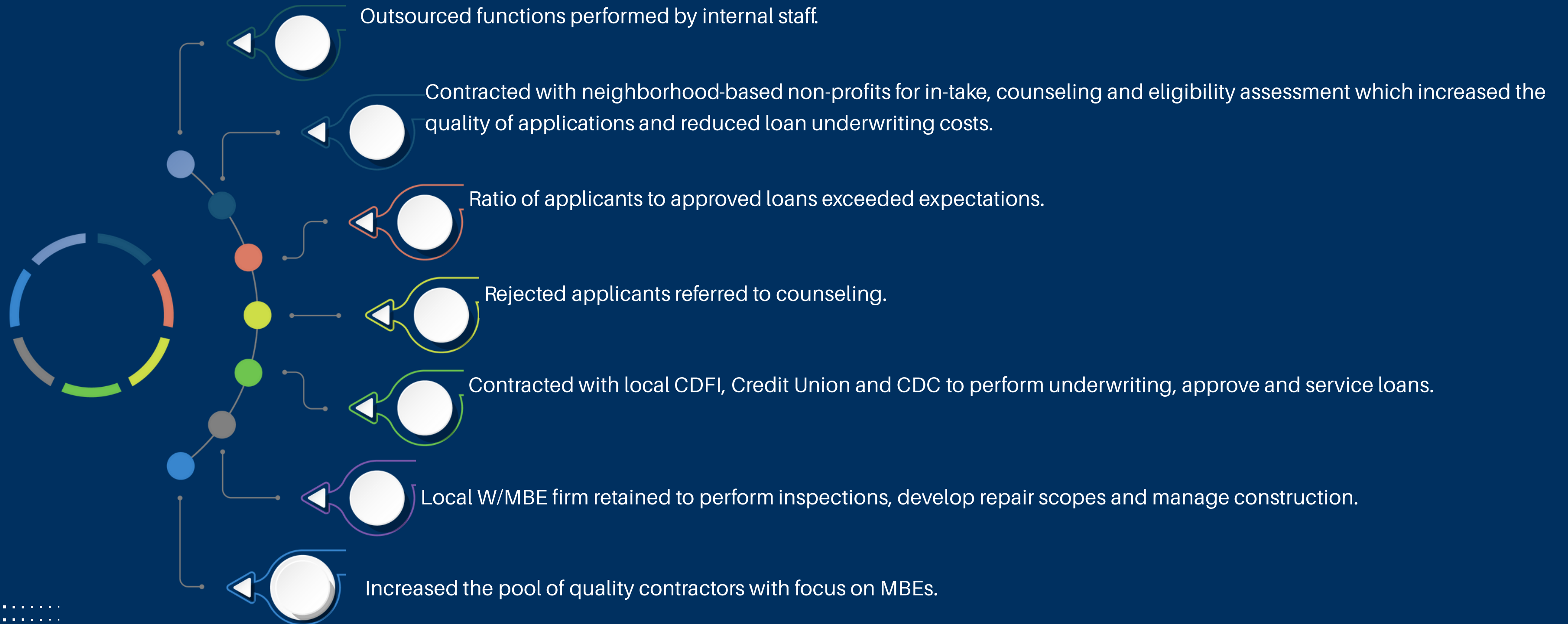
# Community Engagement

## Engaged the community to inform program design and assess demand:

- Conducted surveys and focus groups with residents in all income brackets to determine interest and willingness to assume a loan for repairs.
- Held sessions at neighborhood centers to present program to residents and answer questions before launching.
- Identified the types of repairs homeowners wanted (primarily new roofs, windows, kitchen and bath upgrades).
- Met with contractors and lenders to solicit input and feedback.



# Revamped Service Delivery System



# MARKETING AND OUTREACH



- Heavily promoted program on radio and TV through the Mayor.

- Placed program information in newspapers.



- Website allowed consumers to enter address to determine if properties were in an NRSA, to access loan qualification criteria and check credit scores for free.

- Distributed flyers across the city at community centers and CBO offices.



- Conducted orientation and training sessions with service providers.

- Conducted program information sessions at neighborhood community centers.



# HOMEOWNER PROFILE

## Age

58 years of age (73% older than 50 years)

## Years in City

Homeowner in the City for 25 years

## Credit Score

Credit score of 727 (range from 560 to 800)

## Qualifying Amounts

Qualifies for a loan of \$25,000 but chooses to borrow about \$19,000

## Household Income

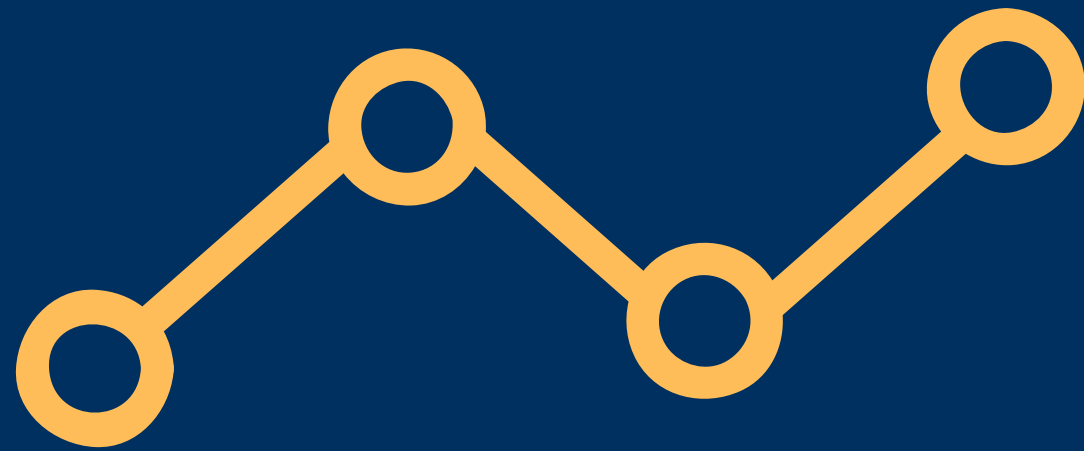
Yearly household income of \$41,000



# Program Statistics

**3,311**

**Applications Received**



District	Total Applications	%	# of Approvals
District 1	538	16%	178
District 2	477	14%	141
District 3	406	12%	125
District 4	553	17%	205
District 5	496	15%	203
District 6	322	10%	123
District 7	519	16%	174
<b>Total</b>	<b>3,311</b>	<b>100%</b>	<b>1,149</b>

**Total Capital Expended: \$12,160,618**

**(698 loans approved and 619 projects completed to date)**

# Credit Scores for Approved Borrowers and Loan Default Rates

Analysis of credit scores for 476 approved borrowers with completed home repair projects.

AMI	TOTAL Borrowers	No Score	560-599	600-649	650-700	701+	800+
<=30%	45	10	5	12	9	8	1
31%-50%	98	4	21	28	15	23	7
51%-80%	186	2	36	53	47	43	5
81%-120%	147	0	22	38	36	41	10
<b>TOTAL</b>	<b>476</b>	<b>16</b>	<b>84</b>	<b>131</b>	<b>107</b>	<b>115</b>	<b>23</b>

Number of Loans Under Repayment	Loans Written Off	Percentage
512	15	2.9%



# "Detroit Home Repair Loan Program Tops Expectations"

~ The Detroit News, February 4, 2019



*"It exceeded our expectations. It brought people who had credit to the front door of a program where they might not have access to credit otherwise."*

Arthur Jemison, City of Detroit



*"People want to do better for their home and their neighborhood and are not looking simply for a handout."*

Tiffany Douglas, Bank of America



*"I honestly have never had an interest-free loan of any kind and it made it manageable."*

Sandra Cavette, Program Participant



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**Thank you!**

*Looking forward to working together.*