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# Manufactured Home Replacement Loan Product Development

May 2018



# A lender that thinks and acts differently.

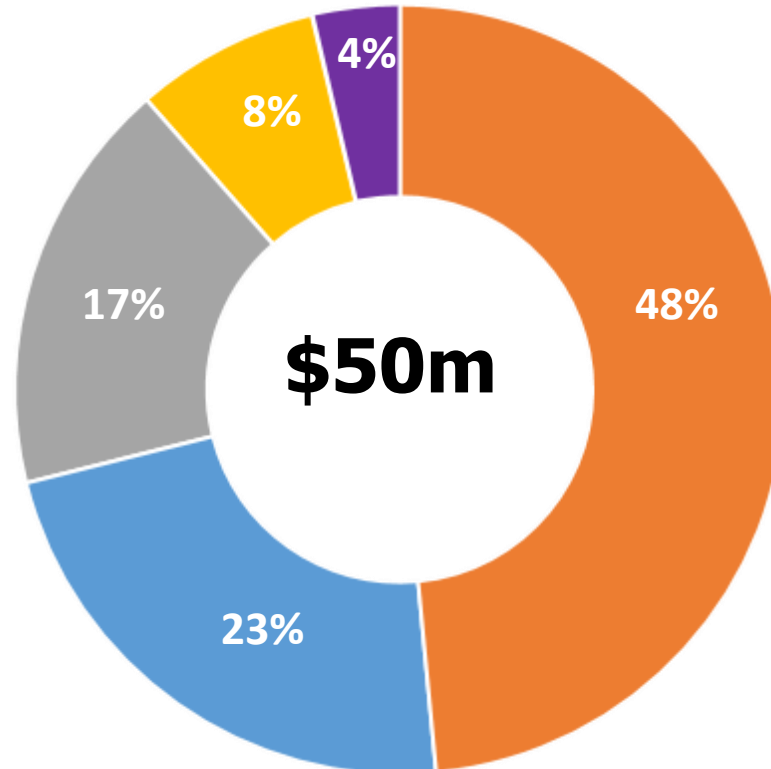
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**Since 1994, Craft3 has invested over \$478 million in entrepreneurs, nonprofits and individuals.**

- Nonprofit Community Development Financial Institution
- Mission: Economic, Environmental Family Resilience
- Lending throughout Oregon and Washington.
- Commercial and Consumer loans
- Capital from over 120 public/private grants and loans: banks, foundations, governments, and individuals.

# Investments in Commercial Energy.



- Clean Tech Manufacturing
- Commercial & Industrial Energy Efficiency
- Community Renewable Energy
- Energy Efficiency Contractors
- Waste Recycling

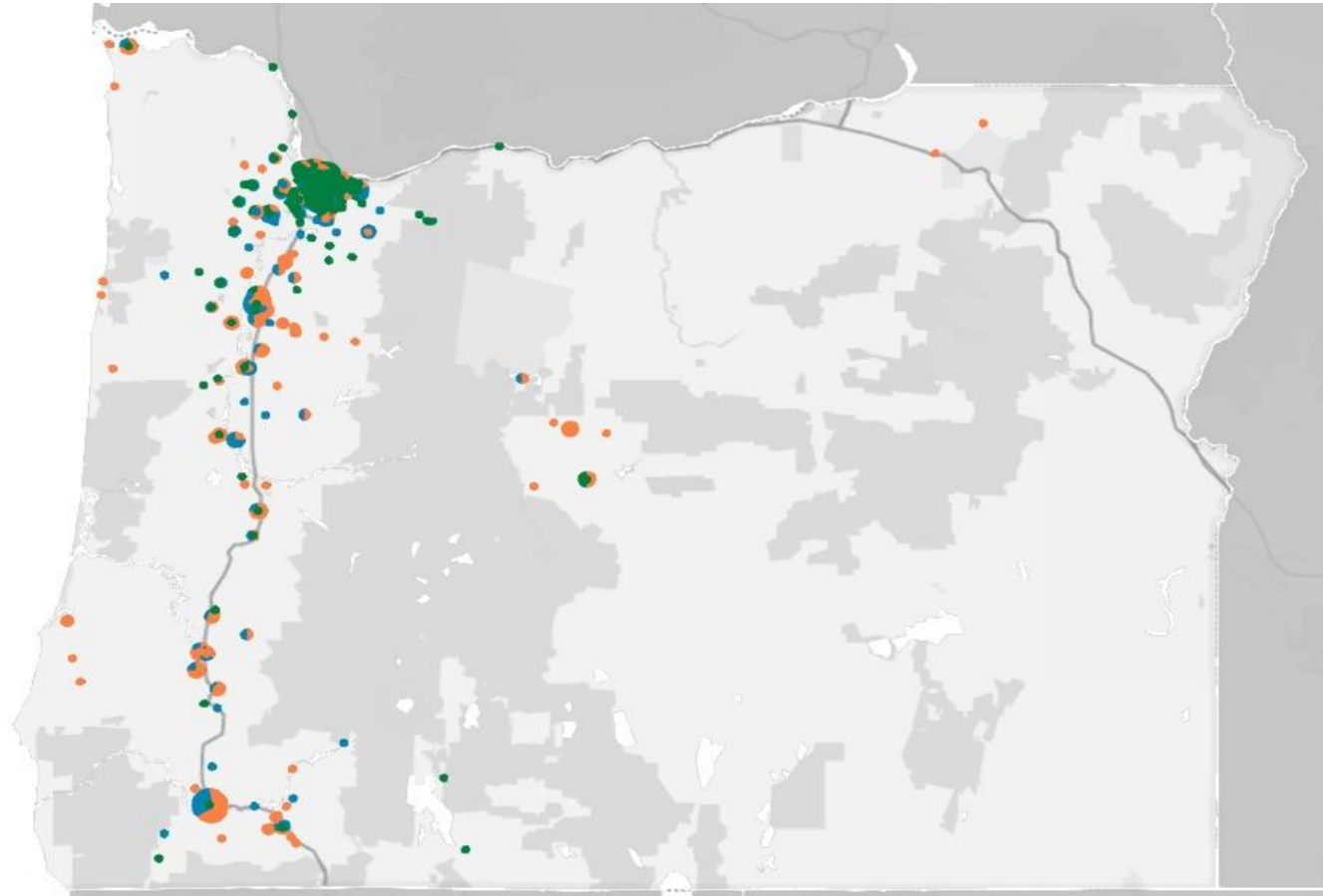
# Investing in people: consumer lending.

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- **Economic, family, environmental results in every loan**
- Addresses issues exacerbated by lack of financing or predatory lending
- Equity through creative and traditional credit screening
- Built-in tools for long-term success (e.g. maintenance)
- Cumulative Portfolio:
  - On Bill Home Energy: \$49M, Loss rate <1%
  - Clean Water: \$24.6M, Loss rate <4%



# \$40M in Oregon Home Energy Loans.



## OBR Product Mix

- General Home Energy
- Savings Within Reach
- Heat Pump

## Oregon Partners

Energy Trust of Oregon  
Enhabit (Clean Energy Works)

## OR Utilities:

- Northwest Natural
- Pacific Power
- Portland General Electric



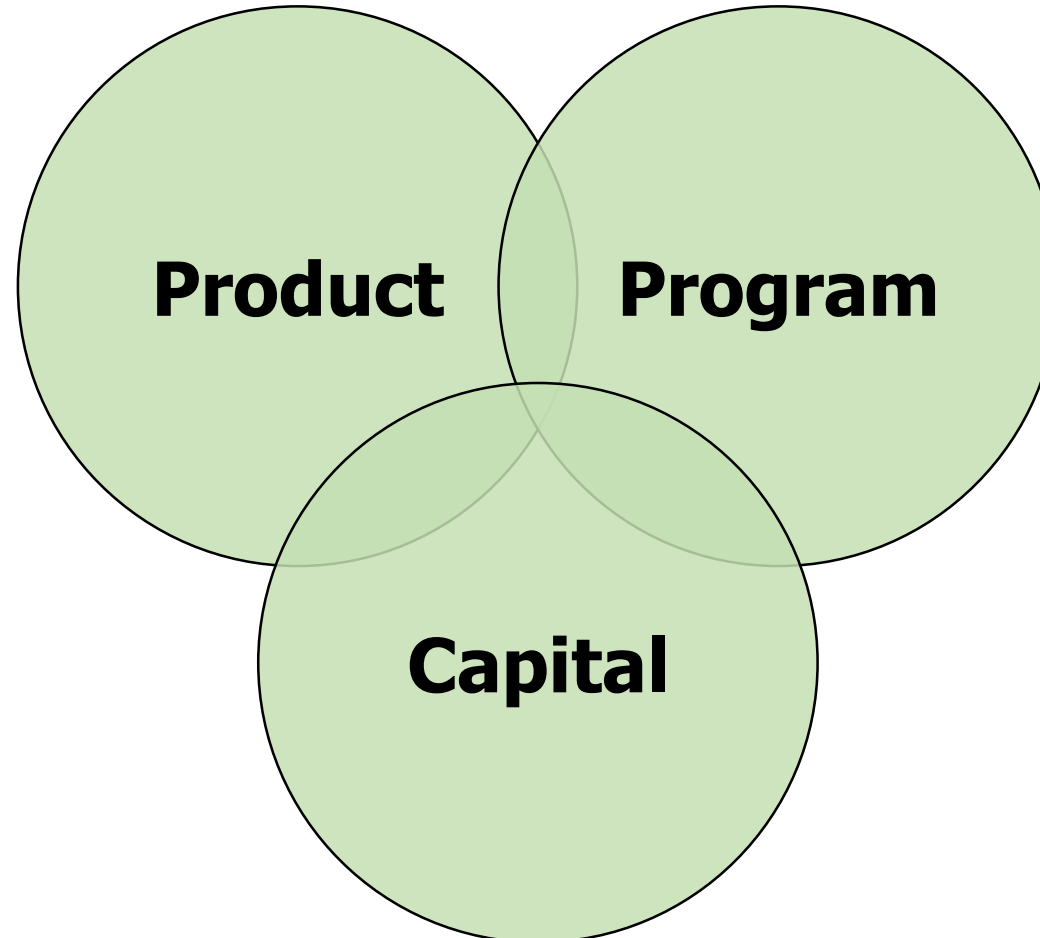
# Why manufactured home loans?



- Manufactured homes have a high energy burden: opportunity for incentives, capital solutions.
- Lending market dominated by predatory lending
- Complements state-wide efforts to stabilize rural housing
- Strong performance of similar Craft3 loans

# Consumer new product development.

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# Overview of the Manufactured Home Loan product.

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**Loan amounts** up to \$40,000 (rent + loan <30% HHI)

**100% financing** (with incentives)

Purchase/delivery

Decommission existing unit

Site prep

Temporary relocation

EE measures

Reserve for emergencies, repairs

**Term** up to 15 years

**Reasonable rates** ~ 6-8% APRs

**Creative underwriting**

FICO >590

Utility bill payment history

DTI <50%

NSF history

**Security** Chattel or Title as real property

**Servicing**

Bank Auto-Pay or OBR (no shut-off, utility has payment priority)





# Work Flow

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## Intake

### **ETO/OHCS:**

Project eligibility,  
Incentive  
Allowance

*Referral to  
Credit counseling  
Homeownership  
course*



## Scope

### **Craft3:**

Loan Pre-approval

### **Homeowner:**

Finalize SOW  
dealer/contractors



## Close Loan

### **Homeowner:**

Sign loan docs

**Craft3:** Deposits  
to builder,  
contractors



## Work

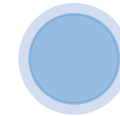
### **Work/ Installation**

- Removal/  
disposal
- Site Prep
- Delivery/  
installation
- EE installation

### **Lender:**

Final disbursement  
after, approval,  
inspection

*Partner nonprofit  
provides  
coordination,  
ongoing support*



## Repayment

### **Craft3:**

- Remit T&I, space  
rent (*maybe*)
- Emergency  
reserve available
- Track resale  
covenants

### **Homeowner:**

- Repay loan
- Enjoy benefits
  - Cost Savings
  - Health & Safety
  - Comfort



# Example project

## PROJECT

Total Project Cost \$70,000

Includes purchase, removal of old unit, site prep, delivery, EE installation, emergency/maintenance reserve.

Incentives (\$35,000)

Loan Fee \$700

**Loan Amount \$35,750**

## FINANCING

Gross annual HHI \$27,500

Gross monthly Income \$2,292

Monthly Space rent \$350

**Monthly Loan Payments \$301**  
*(at 6%, 180 months, \$750 loan fee)*

Est. Average Monthly Energy Savings (\$40)

## RATIOS

LTV 64%

DTI\* 44%

Housing costs as % of gross income 28%

*\*Assumes \$350/mo consumer debt/expenses*

## Tracking loan outcomes.

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- **Lending activity and performance:** #/\$ lent, late payments, default rate
- **Energy and Carbon savings**
- **LMI households served**
- **Housing stabilization/wealth building**
- **Workforce development:** job hours performed
- **Health benefits:** partner surveys
- **Cost-savings:** pre/post energy consumption



**Thank you.**

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