



Connecticut Housing Investment Fund, Inc
2011-2013 Strategic Plan

Adopted June 11, 2010



Contents

2	Introduction
3	Section One: Strategic Goals
3	A. Methodology
4	B. Environmental Scan
4	CHIF's Performance, Mission and Potential
4	Environmental Factors
7	C. Strategic Direction
7	Bring Additional Capital Resources to Underserved Communities
9	Pursue a Green, Sustainable Focus that Reflects CHIF's Mission
10	Expand Facilitative Roles Where CHIF Can Ease Access to Financial Resources
11	Build the Organizational and Operational Infrastructure
11	Refresh CHIF's Image and Renew Public Awareness
12	Section Two: Operational Goals
12	Achieve Operational Excellence
12	Grow the Loan Servicing business
13	Create an Annual Operating Plan
14	Governance Review
14	Create a Routine Process to Monitor Strategic Plan Progress

Introduction

Supporting low- and moderate-income communities with needed financial resources, products and services has been Connecticut Housing Investment Fund's (CHIF) mission for over forty years.

As it looks forward to the next five years, CHIF foresees a demanding environment. Community Development Financial Institutions (CDFI) like CHIF are called upon to do more in a time when bank investment has grown more cautious, subsidy levels have declined and the threats to homeowners and renters are multiplying. Additionally, CHIF's traditional partners - particularly housing nonprofits - are financially stressed as never before.

CHIF's Mission

The Connecticut Housing Investment Fund supports the creation and sustainability of affordable housing by providing responsive financial products and services.

Beginning in January 2010, CHIF staff and Board undertook strategic planning aware that choices in the organization's direction must reflect CHIF's core - its mission and what it does well. Further, staff and Board agreed any strategy must fill gaps in the existing environment and build in the flexibility necessary to respond to opportunities.

This document summarizes CHIF's strategic direction as well as its operational goals. It

reflects staff and Board commitment to a common target for where the organization should grow. It also describes the process for making these strategies a reality, including regularly monitoring progress and adapting goals.

During the strategic planning process, a particular theme emerged regarding CHIF's core competency that underpins this plan and merits attention at the outset. Responsiveness to customers is the common thread binding together CHIF's many programs. CHIF most excels in addressing the needs of each prospective homebuyer, each borrower and each affordable housing developer. Thus, aware of the myriad roles it might take on, CHIF will orient itself toward those that draw on its existing strengths and bring more resources to the support of affordable housing activities throughout CT.

Section One:

Strategic Goals

A. Methodology

A variety of tools were used to inform and update the Strategic Planning committee, which included surveys, interviews, Board retreats and market research.

Online staff survey – Staff responded to multiple questions on CHIF’s performance, challenges in the environment and opportunities for work going forward.

Online Board survey – Board members completed a similar survey with additional questions on the Board role and needs in terms of communication and membership.

Stakeholder interviews – VIVA Consulting interviewed ten individuals¹ who know CHIF well from the range of its work in lending, contract administration and loan servicing. A second set of interviewees², experts in the Connecticut market were asked more pointed questions about the Connecticut environment, gaps and how CHIF might best set goals and priorities for its work over the next five years in response.

CHIF’s History and Steady Commitment

Beginning in the early 1960s, Hartford-area citizens began to devote their personal time, and in some cases wealth, to addressing a profound need: opening all parts of Hartford to homebuyers regardless of race. CHIF founders like Patricia Ritter counseled families at her kitchen table, helping to enable minority homeowners to live in communities of their choosing. These roots of a deep commitment to making housing available and affordable to all continue to drive CHIF’s purpose.

¹ Interviewees included Carla Weil (GNHCLF), Andrea Pereira (LISC), Pat Spring (CT Housing Coalition), Diane Smith (CHFA), Faith Bessette-Zito (DECD), Art Casavant (People’s United Bank), Chris Trazyck (TD Bank), Lori Lindfors (Citizens Bank), Sheila Hummel (DECD), Chris Widmer (Originals, Green Planet).

² Second stage interviewees included Betsy Crum (Women’s Institute), Carol Heller (BOA), Tim Coppage (CHFA), Diane Randall (Partnership for Strong Communities), Michael Santoro (DECD), Seila Mosquera-Bruno (Neighborworks New Horizons), Mary Beth McNerny (Consultant), and Jane Daphanais (SE CT Housing Alliance).

Two half-day Board/staff retreats – Board members and CHIF staff Cal Vinal and Laurie Evans met once in February and once in March, 2010 to review input from surveys and research and discuss CHIF’s organizational challenges and strategy.

Market research – VIVA Consulting performed additional research on the national climate for CDFIs as well as Connecticut’s economic environment. Information was presented to staff and Board at the two half-day retreats.

B. Environmental Scan

The Environmental Scan and market research served multiple objectives: 1) gauge internal and external perception of CHIF’s performance, mission and potential; 2) identify key challenges and opportunities in the Connecticut housing market and environment for CDFIs; and 3) begin to assess CHIF’s priorities for strategy going forward. Two presentations to the Board and staff summarized findings. Multiple factors were taken into account in forming this strategic plan. Key points are summarized below.

CHIF’s performance, mission and potential

Externally and internally, the perception of CHIF was quite positive. Respondents to the surveys and stakeholder interviews were particularly complimentary about CHIF’s work in consumer lending and loan servicing. The organization’s Neighborhood Rebuilder program also received praise and was cited by many as a line of work where expansion would be welcome. For both its consumer and organization lending, CHIF staff was praised for accessibility, attention to customer service and responsiveness. As one example, a developer stated he would choose CHIF’s loans over other financing sources in large part because of the customer-friendliness of CHIF’s application process.

The most common feedback about places with “room for improvement” seemed to flow from the fact that CHIF is better known around greater Hartford than in other areas of the state. Further, CHIF offers a diverse range of services that, while a positive to the market, results in customers being limited in their knowledge of CHIF to their respective channel of service. Both factors mean other individuals are not necessarily aware of the range of services CHIF could provide. Frequent comments

were that CHIF would do well to bump up its efforts to broadly publicize the full range of what CHIF does.

Environmental Factors

The current Connecticut economic environment poses many challenges. These include both challenges for CHIF's traditional partners, low- and moderate-income homebuyers/homeowners and affordable housing developers, as well as for CHIF itself. Among the more significant factors are:

General economic uncertainty and falling home values

The state of Connecticut, and in particular its urban centers, have experienced two years of decline in home values. While a drop in home prices could be positive for some lower-income homeowners, it also diminishes the assets of CHIF's existing borrowers. Borrowers become cautious, unsure if a home they purchase today or already own will hold its value. Despite the recent declines, Connecticut's housing affordability gap remains considerable. In 2008, in 69% of Connecticut's cities and towns (117 out of 169), a family earning the median household income could not qualify for a mortgage to purchase the median sales price home.

A tight credit market and decrease of other financial resources including public subsidy.

Tight credit is a global phenomenon. CHIF's borrowers, particularly its developers, also must cobble together financing with fewer of the traditional resources that make affordable housing developments possible. Tax credit investment, while showing some recent improvement, has been curtailed for the past one to two years. State subsidy has been significantly cut back or in some cases eliminated, and private foundation and grant funding has diminished and is expected remain so through at least 2012. As a result, many affordable projects are either infeasible or see development timelines stretching from the usual 1–3 year horizon to 2–4 years. A big unknown is what these next few years bring in the way of development lending in affordable housing.

Connecticut housing developers under extreme financial stress.

Like their counterparts in market-rate real estate development, affordable housing developers are stressed like never before. Many interviewees acknowledged an expectation that many smaller nonprofits will not survive the next 1–3 years.

For CDFIs like CHIF, the current economy bears particular challenges. Statistics from Opportunity Finance Network's most recent survey of 120+ members describe an environment where demand for credit has increased without a commensurate increase in lending resources. Reflecting on the national economy, delinquencies have increased. As a result, many CDFIs nationally have trimmed staff or frozen salaries, tightened credit requirements and curtailed lending. While CHIF has been fortunate to avoid the need for staff cuts or other more drastic measures, it has reduced its operating expenses significantly over two years. It also encounters an increased interest in its loan products but without the capital necessary to fulfill the demand. Further, CHIF has needed to step up the search for grant funds to allow it to keep providing services at past levels.

Nonetheless, within this environment, there are clearly opportunities and places where CHIF can have an impact. First, there is recognition that the need for CHIF's services and products is even greater. As commercial sources like traditional banks tighten their credit or disappear altogether, CDFIs are called upon to step up efforts. Further, there is recognition that backing organizations with a solid history and staff capacity is becoming a priority for investors. The capital which does exist is selective, favoring stronger and established organizations like CHIF.

Finally, the national focus on energy efficiency, greening and sustainability has direct implications for low- and moderate-income homeowners and renters. CHIF, which has long played a role in green lending via its Energy Conservation Loan product, has the opportunity to expand its work in this area. The net positives can include both energy conservation and, for low- and moderate-income households, more sustainable and affordable housing via reduced expenses for energy.

C. Strategic Direction

In setting strategy for the next five years, CHIF recognizes some of the current stresses are sure to pass while others will become a fixed part of the landscape. CHIF has accordingly set a direction that acts from its core, expanding resources and programs that grow out of its traditional focus, while building in flexibility for the opportunities and challenges it will doubtlessly face. Each of these strategies is described more fully below and summarized here:

- 1. Bring additional capital resources to underserved communities.**
- 2. Pursue a green, sustainable focus that reflects CHIF's mission by offering a range of energy-related products to make housing expenses more affordable for low- and moderate-income households.**
- 3. Expand into facilitative roles where CHIF can ease access to financial resources for its long-time partners, developers of affordable housing.**
- 4. Build the organizational and operational infrastructure which allows CHIF to deliver on its strategy.**
- 5. Refresh CHIF's image and renew public awareness of the organization's current offerings.**

1. Bring additional capital resources to underserved communities.

A consistent theme in CHIF's work has been augmenting resources for communities that do not have access to capital. Throughout the environmental scan, a consistent recommendation was for CHIF to redouble its efforts in areas where CHIF already has experience and expertise. CHIF therefore intends to "do more" of what it already "does well."

1.A. CHIF will increase its capital stack, adding to the resources it makes available to provide more affordable ownership and rental opportunities.

By harnessing additional resources, including both debt and equity, CHIF can serve ready and able individual borrowers and developments that expand affordable housing. CHIF's core is providing funding to support affordable housing efforts. To accomplish this, CHIF needs to have a clear commitment to generating sufficient lending revenue to be self-sustaining at a minimum. From its current base of \$6.5 million in loan capital, CHIF will endeavor to reach the following goals in its lending pools:

- Define the target level of capital and lending terms necessary to sustain an appropriately-sized lending department.
- To move toward this goal immediately, CHIF will increase Loan Capital to \$10 million within 2-3 years.

1.B. CHIF will respond to market needs for affordable housing developers by continuing to provide existing products as well as expanding into new, related lending.

For housing developers, CHIF's current lending encompasses pre-development funding, bridge lending and construction lending in the 4-25 unit development range. Its borrowers include nonprofits, for-profits and public housing authorities developing low and mixed-income housing. CHIF intends to continue to serve these partners by replenishing these lines of business with expanded resources.

In addition, CHIF will grow into newer roles including:

- Permanent lending – With tightening credit requirements and the departure of some banks from the market, there is new need for first mortgage financing for affordable housing developers.
- Acquisition product tied to neighborhood revitalization efforts around foreclosure and bank-owned real estate – In response to the foreclosure crisis, many CHIF partners are now focused on mitigating impacts on individuals and neighborhoods. CHIF will explore the feasibility of an acquisition product in tandem with these efforts, supplementing Neighborhood Stabilization Program (NSP) funding and allowing developers to strategically acquire bank-owned properties for neighborhood stabilization.
- Construction and permanent lending for smaller multifamily development – CHIF will return to offering products for smaller multifamily lending (1-4 units), an area where conventional financing has become particularly scarce.

1.C. Building on its home lending and energy conservation lending, CHIF will expand lending which allows homeowners to stay in their homes.

CHIF has a forty-year record assisting low-and moderate-income households in purchasing their homes and a long-term commitment to helping families maintain their housing. The needs of homeowners change over time, particularly as homeowner's age. (Connecticut has the ninth highest percentage of population 65 or older in the country.) It is a loss for both a homeowner and a community when

households do not have the financial resources to modify and stay in their homes. CHIF will explore the feasibility of products that help homeowners age-in-place. CHIF believes an aging-in-place (i.e. ADA adaptive retrofit, AARP standard, etc...) home renovation program would benefit individual households as well as the communities in which they have a long-term stake. A related category, green lending products, is discussed more fully below.

2. Pursue a green, sustainable focus that reflects CHIF’s mission by offering a range of energy-related products to make the housing expense more affordable for low- and moderate- income households.

Nationally, attention is growing on the individual, societal and global costs of high energy consumption. Housing that is energy efficient is critical for communities as well as individual homeowners and renters.

CHIF understands that energy efficient housing serves its mission directly. Homeowners and renters who reduce their energy expense are more able to afford their homes.

One of the mainstays of CHIF’s work has been its Energy Conservation Lending (ECL) program in partnership with the Connecticut Department of Economic and Community Development. The program offers attractive financing for a range of cost-saving energy improvements. In the coming years, CHIF seeks to expand beyond its base with ECL and aggregate and coordinate resources for delivery of energy-related financial products. These win-win programs offer reduced home expense to low- and moderate-income individuals as well as reduced energy consumption and emissions.

2.A. CHIF will create opportunities for additional homeowners to retrofit their homes.

CHIF will seek initiatives that allow it to expand its work supporting homeowners by bringing energy efficiency to the home. Some of these programs, for example those in partnership with utilities, may be structured to serve a broader range of incomes. CHIF will maintain its focus on lower-income homeowners with any energy program while keeping aware that work in this area may additionally serve more moderate-income households.

2.B. CHIF will seek to expand resources to lower energy costs at affordable multifamily housing, and thereby reduce the housing expense for low- and moderate-income households.

Some of the greatest energy savings are generated in multifamily stock as the efficacy of innovations like solar hot water and district heating systems grows with scale. CHIF will seek to offer products that can provide the necessary capital to retrofit multifamily housing. A variety of products may prove to be the best tool. For example, a pool for leasing solar equipment using the energy tax credit is one effort CHIF plans to explore initially.

2.C. CHIF will consider the feasibility of offering a second mortgage product to first time homebuyers in its existing loan servicing pool, enabling them to make energy efficiency improvements.

CHIF's own loan servicing portfolio includes many households who are in need of energy efficiency improvements. This could be an opportunity to work within relationships CHIF already has and provide better housing for existing borrowers. CHIF will evaluate a program of lending to first-time homebuyers and other homeowners in its loan servicing portfolio for energy-related improvements.

3. Expand facilitative roles where CHIF can ease access to financial resources for its long-time partners, developers of affordable housing.

A recurring theme in feedback from CHIF's partners was the critical importance of CHIF's role facilitating financial transactions. CHIF does this regularly with its lending products, bringing capital to borrowers who could not access funding directly from traditional financial institutions. However, CHIF has not aggressively pursued expanding its loan resources so it can adequately serve a statewide customer base. Currently, there are considerable barriers in other financial tools. For example, developers once easily took advantage of awards of Connecticut's state housing tax credits. In the past several years, corporations, which are unsure they will have regular state tax liability, have been less eager to purchase credits. As a result, individual developers might contact dozens of potential investors without finalizing any commitments, a time-consuming and frustrating process. The solar leasing pool described above is a similar effort to overcome barriers in the marketplace.

CHIF will thus look for areas where its expertise and more direct access to financial markets would ease the process of financing. As noted, two possibilities for initial examination are the solar leasing pool described above as well as facilitating private investment in state housing tax credits. In both cases, CHIF would assist developers with efficiently accessing funding.

4. Build the organizational and operational infrastructure that allows CHIF to deliver on its strategy.

Committed to increasing its impact, CHIF must operate with the highest degree of efficiency possible. At the organizational level, CHIF will look for synergies and partnerships. At the operational level, CHIF will make the necessary investments in its physical plant, in its technology, in its systems and in its people to encourage efficiency. Major operational efforts are summarized more fully in the Operational Goal section below and will be further detailed in CHIF's 2010 Operating Plan. In addition, CHIF will set the following directions for its operational choices:

4.A. CHIF will promote synergy between business lines.

In considering new products and roles, CHIF will look for opportunities for synergy between its business lines. As noted above, an initial likely area would be developing an energy lending program for its existing homeowners.

4.B. CHIF will prioritize opportunities that share resources and build efficiencies/scale with other CDFIs.

As all nonprofits are called upon to do more with less, the need to use existing resources efficiently is ever greater. There are multiple CDFIs operating within Connecticut, some of which offer similar products or need to complete similar administrative tasks. CHIF will encourage initiatives where there are opportunities for sharing staff and systems. CHIF will seek opportunities where it can use its capacity to strengthen the work of the CDFI community overall and increase its own efficiencies. Likely undertakings could include offering loan servicing to smaller CDFIs for a fee, creating shared reporting templates and software, providing accounting services, etc...

5. CHIF will refresh its image and renew public awareness of the organization's current offerings.

Feedback about CHIF's reputation was consistently positive. At the same time, there were clearly gaps in knowledge about the array of work CHIF performs. This is not surprising, but not optimal. CHIF wishes to make its work known to the broadest range of potential users as possible. CHIF will undertake a soup-to-nuts reconsideration of all its marketing and public awareness materials – from its logo to its website to its collateral. As websites increasingly become the main point of access

for all users and stakeholders, CHIF will also undertake an update of its website with an eye toward increased functionality as well as improved visuals.

1. Goal: By December, 2011, CHIF will have contracted with a consultant to evaluate its visual image and formulate a recommended course of action to refresh CHIF's visual and marketing materials. The plan will include deliverables such as updates for CHIF's identity package as appropriate (logo, stationary, etc.) as well as an update of CHIF's website.

Section Two: Operational Goals

In the first section, CHIF laid out its vision for the strategies which will steer its course in the coming five years. Clear operational goals and a routine for monitoring progress are essential for staying on course. Section Two enumerates CHIF's Operational Goals and its monitoring process.

Achieve Operational Excellence by understanding determinants of financial success of each business line.

CHIF has begun a process to thoroughly monitor costs by business line. By the end of 2010, CHIF will have a clear understanding of the revenue and expenses related to each of its services. In the coming 12–18 months, it will further examine its operations by benchmarking its core loan servicing practices against those of similar organizations in order to better compete on bidding for portfolios. Issues to examine include pricing of loan servicing, staffing, technology, best practices in loss mitigation and methods for customer servicing. Based on this information, the Board will adopt policies and guidelines, as appropriate, to assure business lines operate in conformance with CHIF's goals of financial soundness and sustainability.

Grow the Loan Servicing business in a fashion to support operational needs as well as continue CHIF's tradition of excellent customer orientation. Other business lines will operate with a goal of being self-sustaining but may require grant support.

CHIF performs loan servicing for its own portfolio as well as several government entities and other lenders/funders. Loan servicing could be a source of predictable income for the organization to support other business lines which experience greater flux from year-to-year. Loan servicing is an area with considerable opportunities for leveraging economies of scale. CHIF seeks to spur growth in this area of business by heavily concentrating on servicing work throughout Connecticut and considering opportunities for expanding in adjacent states.

In response to the current environment, CHIF will further step up the personalized services it offers via loan servicing to help borrowers stay current on their loans.

For other business lines, CHIF will operate with a goal that each be self-sustaining to the extent possible. CHIF also recognizes programmatic grant funding will be necessary for specific programs and may be particularly needed during the start-up phase on any new initiative.

Create an annual Operating Plan which focuses day-to-day work in order to meet strategic goals and makes the adaptations and additions to technology, equipment and physical plant to implement the Strategic Plan.

Goals anticipated in the coming 2010 plan include the following:

Staffing

- Maximize the effectiveness of staff to emphasize customer service, functional cross training and leadership growth at middle management level
- Emphasize cross-training to leverage the relatively small staff size and serve the array of products offered
- Build leadership at the middle-management level

Technology/Equipment

- Upgrade and update systems critical to operations including new phone system and server; review potential new products for loan servicing
- Retool website both visually and in terms of what is offered to users
- Examine creating a CDFI reporting tool

Governance Review

In the coming year, CHIF will review its core governing documents and update all to align with this Plan. Further, CHIF will build its Board to reflect direction and expertise needed to achieve strategic vision and oversee related operations. CHIF enjoys the benefit of several long-term Board members. In the next 1–2 years, it plans to augment this capacity with additional members who broaden its expertise and represent Connecticut statewide. To support this effort, the Board Resource Committee will reinvigorate its charter to recruit and develop new Board members.

Build in a routine process to monitor progress on the Strategic Plan and make necessary adaptations.

A plan is only as good as its implementation. Achieving CHIF's vision requires consistent monitoring on progress. Likewise, the current environment is dynamic; CHIF cannot envision all the opportunities or challenges which may present themselves in the next 3–5 years. In order to facilitate a regular check in on progress, the CHIF Board will 1) review and assess progress on the Strategic Plan twice during the first year and once each year thereafter and 2) review the annual Operating Plans. Further, the Board will receive regular updates on progress toward benchmarks described in this Plan.



Connecticut Housing Investment Fund, Inc.

Board of Directors

2009-2010

OFFICERS

Lynn C. Blackwell, *Chair*
DMV Division Chief I
CT Department of Motor Vehicles

Michael W. Nichols, *Senior Vice Chair*
Managing Director Real Estate Investments, Aetna
Life Insurance Company

John L. Ritter, *Immediate Past Chair*
Executive Vice President
First New England Capital LTD Partnership

John J. Logan, *Secretary*
Principal, Logan Associates

DIRECTORS

Dina L. Anselmi
Associate Professor, Dept of Psychology, Trinity
College

Linda Y. Cote
Vice President, Residential Development Lending,
Webster Bank

John M. Dunne
Senior Program Manager, Corporation for
Supportive Housing

Alan E. Green
Executive Director, Hartford Housing Authority

Craig L. Sylvester
Attorney, Reid and Riege, P.C.

James S. Carter
Carter Realty, LLC

Franca L. DeRosa
Partner, Brown Rudnick, LLP

Roger E. Goldbeck
Vice President, Sales Tide-mark Press

Timothy B. Hodges
Vice President, Government Relations & Community
Reinvestment, People's United Bank

Philip S. Will
President, ProDomus, Inc

EXECUTIVE STAFF

Calvin B. Vinal
President and CEO

Laurie J. Evans
Senior Vice President of Operations, CFO & Treasurer

121 Tremont Street ▪ Hartford, CT 06105

(860) 233-5165 ▪ (800) 992-3665 ▪ Fax (860) 233-3920

www.chif.org