

**Springfield Neighborhood Housing Services**  
**Massachusetts Department of Housing and Community Development**  
**Community Investment Tax Credit Program**  
**CDC Community Investment Plan (CIP)**

**Section 1: Community or Constituency(ies) to be served by the organization**

Springfield Neighborhood Housing Services, established in 1978, is a HUD-approved housing counseling agency. Springfield NHS is one of only two non-profit agencies in Western Massachusetts that is certified by the US Department of the Treasury as a Community Development Financial Institution (CDFI). It is located in the heart of the inner city of Springfield in Hampden County, MA. With a population of 153,060, Springfield is the third largest city in the State and is a majority-minority community with 37percent of the population reporting as White, Non-Hispanic on the 2010 census. Springfield is among the poorest cities in Massachusetts, according to the Department of Revenue FY2014 Cherry Sheets. Based on this report using per capita income, among cities with populations greater the 50,000, Springfield ranked second poorest, with only Lawrence, MA--a community in Eastern Massachusetts--reported as poorer. In fact, only five other communities were reported with per capita income lower than Springfield, and these communities were small rural communities with populations under 1,100 residents. The comparison of median family incomes offers further evidence of the poor financial profile of the community. In 1999, the median family income of \$36,285 in Springfield was 57 percent of the statewide median family income of \$63,706. According to the 2007-2011 estimates, the median family income in Springfield had risen slightly to \$41,454 but had not kept pace with the State as whole where median income had grown by 31 percent. Consequently, the median family income (\$41,454) of the residents of Springfield had fallen to 50 percent of the statewide median family income of \$83,371. Clearly, improvements in State income levels had not accrued to Springfield residents. The 2007-2011 ACS estimates reflect a 7.9 percent unemployment rate with 42 percent not in the labor force compared to a 5.5 percent rate for the state with only 32 percent not in the labor force.

The financial profile of the community residents is not comparable across the City. The Springfield NHS target area includes 21 of the 34 that form the urban core of the city of Springfield and residents of these communities have substantially lower incomes and higher poverty (some as high as 40%) than do the remaining neighborhoods in the City. These 21 census tracts are the poorest in the city. Additionally, each of the 21 census tracts has a distress level of 4 (The distress level is a national index of economic health based the unemployment rate and per capita income). The 2010 child poverty rate for Springfield is the 6th highest in the country among American cities with 44.6 percent of children under 18 living below the poverty line as compared to 12.4 percent for Massachusetts as a whole (2010 American Community

Survey, Census Bureau). Also, of the 21 census tracts served by Springfield NHS, 8 have been designated by the USDA as food deserts.

Exacerbating the wealth disparity that exists for inner city families in Springfield are the extreme academic needs that exists in NHS neighborhoods. Given that only 2.6 percent of Massachusetts Public School students live in Springfield, it is a major problem that 29 percent of the lowest performing schools in the entire state are in Springfield. Additionally, although the state graduation rate has improved steadily from 80 to 82 percent since 2007, the graduation rate in Springfield has remained 30 points below the state ranging from 53-54 percent during those years. The most recent published rate for 2011 was 53 percent. The City rate differs widely between its white and minority students. The rate among Hispanic students was 40.3 percent. While it was higher among Black students with a rate of 61.5 percent, it was 66.9 percent among white students. As this pattern has been present for several years, the percentage of undereducated, under-skilled people in Springfield contributes to sustained issues of employability. In fact, only 76 percent of the population 25 and over are reported to have attained a high school diploma compared to the state rate of 89 percent. In an economy where college education correlates so closely with earning potential, only 17 percent of the Springfield's over 25 population report holding a bachelor's degree or higher compared to 39 percent for the state. This educational profile contributes to the low percentage of the adult population with jobs. In many of the census tracts, less than 45 percent of the population 16 and older is employed. More disturbing, however, is the high percentage of people no longer counted in the workforce—an even more important factor in explaining low rates of employment. As a result of these profile characteristics, poverty remains both pervasive and persistent in the City.

Other community demographics that have a significant impact on the service area of Springfield NHS and its capacity to have the desired impact on the community reflect the depth of need to be addressed. One such demographic is that the population in the target communities has a higher percentage of people under 18 (over 30%), compared to 25percent in more affluent neighborhoods. Not only does this add further strain on limited household budgets, but it also creates an environment ripe for poor adolescent choices in the face of a poor opportunity outlook that perpetuates the cycle of poverty. Additionally, one-third of the residents in the target neighborhoods are aged 65 and above; and one-third of the residents moved into their homes prior to 1970. The challenges that an ageing population or long-term residents who are also persons with limited incomes face when trying to maintain their properties has contributed to the poorer condition found in a substantive number of properties in our target communities.

Springfield NHS is the only CDFI residential lender in Western Massachusetts. As such, it continues to be the best hope for very low-, low- and moderate-income families to achieve the goal of sustainable homeownership. As homeowners in our target communities are older and also poorer than homeowners in other neighborhoods in the city, these financially strapped families drive another issue that directly impacts the work of Springfield NHS, specifically, the target community that Springfield NHS serves is home to persons least likely to be accepted by

traditional lending outlets for either mortgages or loans for home maintenance or repair. A historical disparity of lending decisions continues to occur across races, ethnicities and income levels within the city of Springfield, MA. Using the Home Mortgage Disclosure Act (HMDA) data for 2010, 2011 and 2012, approval ratings for home purchases for White applicants were 74 percent, 73 percent and 73 percent respectively with a decline rate of 12 percent, 11 percent and 10 percent respectively. The disposition of minority loans was consistently lower at 62 percent, 66 percent and 67 percent respectively. A closer review of the data for the same three year period for Blacks and Hispanics shows an important disparity.

Year	Race	Applications Received	Loans Originated	Applications Denied*
		Number	Percent	Percent
2012	Black	59	71.19%	18.64%
2011	Black	81	59.26%	19.75%
2010	Black	98	54.08%	22.45%
2012	Hispanic	174	59.20%	24.71%
2011	Hispanic	136	67.65%	20.59%
2010	Hispanic	177	62.15%	23.16%

- *\*Percentages do not reflect all categories reported such as those who chose not to follow through.*

The two greatest reasons for denials were credit history and debt-income ratios. Although the 2012 approval rate for black applicants appears consistent with the White-Non Hispanic rate, another important trend must be noted. The application rate for Black residents steadily declined by 40 percentage points over the three-year period—a pattern not seen among other applicant populations. Additionally, the decline rates for both Black and Hispanic applicants were nearly twice that of White, Non Hispanic applicants as presented above.

The financial instability of the residents has not only been reflected in their challenges in securing credit, but in their ability to weather the financial crisis that washed out wealth and devastated families beginning in 2008. Foreclosure rates skyrocketed across the nation after the housing bubble burst, and Springfield MSA was not immune. From 2008 to 2009, there was a 17 percent increase in foreclosure rates. According to a press release from HUD in October 2008, Springfield MA had the highest local foreclosure rate across New England at 10.1 percent. Likewise, according to Realty Trac, (the leading online marketplace for foreclosure properties) as of October 19, 2009, there were 527 foreclosure properties up for sale in Springfield. In the forefront of this foreclosure crisis, Springfield NHS in 2007 and 2008 provided foreclosure prevention and counseling to 206 and 207 clients respectively. After the crisis engulfed the city, the agency’s foreclosure prevention and counseling jumped to 261 households in HUD FY 2011 and 314 clients in HUD FY2012.

One final demographic shapes the essential character of the communities that Springfield NHS serves—youth violence. A disproportionate amount of the violent crime in Springfield occurs in the our targeted service area known as the Mason Square section that is made up of 7

of the most persistent poverty census tract in the core area. This crime creates a “perception” barrier to livability and directly impacts the agency’s efforts to stabilize communities and attract new homebuyers. The magnitude of the problem is evidenced by the designation of Mason Square as a “Weed and Seed” high-crime neighborhood by Community Capacity Development Office (CCDO) in the Office of Justice Programs (OJP). The community organized to prevent, control, and reduce violent crime, drug abuse, and gang activity from 2005 to 2010. Ongoing analysis of crime by the Weed and Seed coalition found that 40 percent of all crime in Springfield occurred in Mason Square although the neighborhood is comprised of only 20 percent of the city’s total population (Mason Square GPRA Reports to CCDO). Springfield had the dubious distinction of being ranked as the 9th most dangerous city in the nation in 2005 (Morgan Quinto Research, 2007) with a violent crime rate four times the national average. The Hampden County Sheriff’s Department reports that typically half of the inmates in county jail are from Springfield, with the vast majority of them from the NHS target community of Mason Square. As a result, the Sheriff has created the After Incarceration Support System’s (AISS) program located in Mason Square. AISS provides reentry services to 800 ex-offenders annually, most of whom are from Mason Square and many of whom are fathers. The Executive Director of Springfield NHS is a member of the Board of Directors of the Hampden County Deputy Sheriffs Association that is the genesis of this initiative. In 2013, Springfield continued to be ranked among the nation’s 100 most dangerous cities as evidenced by the most recent round of violence during the fall of 2013 that forced a suspension of our community impact survey out of concern for volunteer safety. The high crime rate in the Mason Square community contributes significantly to that rating.

Despite these demographic challenges, Springfield Neighborhood Housing Services has worked earnestly to transform families and revitalize distressed communities through sustainable homeownership development, recycling of blighted properties and resident empowerment. Springfield NHS offers diverse services to address the needs of the community and fill the support gap that traditional lending institutions create through the mortgage approval disparity discussed previously. The services offered by the agency are offered in conjunction with one another and therefore complement each other in our service delivery. Consequently, the production numbers overlap in both our projections and performance.

## **Section 2: Involvement of community residents and stakeholders**

Springfield NHS is a non-profit corporation that utilizes “Full-Cycle Lending” methodology for service delivery in order to address the multiple barriers faced by the low-income, minority residents of the target neighborhood. This includes:

- Targeted neighborhood revitalization,
- Credit counseling and homebuyer education,
- Financial products for home purchase and/or repair,
- Property inspections, lead abatement and rehab services, and
- Post-purchase counseling.

Springfield NHS does not charge a fee for any of our education and counseling programs to ensure that they are accessible to those in greatest need of this kind of financial empowerment.

Since our inception in 1978, Springfield Neighborhood Housing Services has been a community-focused organization. As described in section 1, we work to serve an underserved urban community to provide the education and lending support necessary to raise families to sustainable home ownership and financial self-sufficiency. Additionally, faithful to our mission to transform families and revitalize distressed communities through sustainable homeownership development, recycling of blighted properties and resident empowerment, Springfield NHS is intimately engaged with community residents to increase awareness and foster their sense of empowerment. To that end, Springfield NHS has established several collaborations and partnerships with other community agencies such as the Old Hill Neighborhood Council, Upper Hill Neighborhood Council and the Bay Neighborhood Council through which we engage in numerous activities including the creation and preservation of affordable housing for low and moderate income households, the elimination of slums and blight, and the education and counseling of first-time homebuyers. In order to enhance our capacity to meet the needs of these communities, Springfield NHS has also entered into collaborative relationships with HAP Housing and Habitat for Humanity—a collaboration that resulted in successfully rescuing 70 abandoned and blighted properties within Mason Square.

In order to ensure that the community has a permanent voice in the work of the agency, Springfield NHS Board of Directors By-laws requires that 51 percent of our board be made up of community residents. In fact, members of each of the three neighborhood councils in our target communities are among the resident members filling 51 percent of community-resident board seats. Through this participation, as residents, they have direct say in determining the objectives set by the agency and providing feedback as to how effectively these efforts have been delivered. Additionally, in order to further the effectiveness of our outreach, Springfield NHS holds our annual meeting, attended by nearly 300 residents, that provides the opportunity to both exchange information with constituents and hear from community residents and the NeighborWorks® Community Leadership Institute hosting 8 attendees from which community development projects like the Youth Financial Fitness program was developed. Resident input is also sought during the year through two major informational community events: NeighborWorks® Week in June and as an organizer with the Old Hill/Upper Hill Neighborhood Councils at the August community-wide event where attendance approximates 1,000 residents that further the agency's outreach. A list of other events is being submitted. Resident input was the genesis of the Curb Appeal Program that responded to the residents' requests for help in maintaining the exterior of their properties. This program was funded with \$200,000 from MassMutual, \$150,000 from the Attorney General Settlement and additional monies from the City. To ensure ongoing community input, the agency has begun to participate in a NeighborWorks® of America sponsored data collection effort called Success Measures to maximize the opportunities for gathering community feedback and measuring the efficacy of our programming.

Stakeholder input is also actively sought. The remaining 49 percent of the board seats are filled with stakeholders representing the business and nonprofit community that we serve. In addition to having a voice through board presence, the input of sister agencies is obtained through ongoing collaborations and partnerships that Springfield NHS has forged. Among the agencies with which Springfield NHS has partnered are Springfield Partners for Community Action where the Financial Fitness class is offered every other month in support of the Individual Account (IDA) program that encourages attendees to get into the habit of habitual savings to create the wealth needed to buy a home, start a business or further their education; the Sheriff's department where the Financial Fitness class is offered to inmates in the pre-release program that combines job training with instruction on financial management in order to create habits for managing even their meager resources to promote wealth creation; and with the Springfield Housing Authority where residents receive financial counseling and education services to foster self-sufficiency through training that includes information on using Section 8 vouchers to purchase a home. Close working relationships with local banks and credit unions also allows Springfield NHS to reach applicants for mortgages with critical Homebuyer Education to improve sustainable homeownership. Through the close working relationship with these agencies, Springfield NHS is able to glean information on the effectiveness of its programming and its impact in addressing the needs of the community.

The Community Investment Plan was developed in conjunction with our 2013 strategic planning process. As part of the process, surveys and one-on-one interviews were conducted with staff, board members, and other critical stakeholders within the community. Their feedback was incorporated into the final plan development. Through enhanced marketing and communications efforts that include the use of newsletters and social media, Springfield NHS is able to share information about its progress on the Community Investment Plan with stakeholders and constituents more quickly and to receive feedback as well. These enhanced marketing venues provide both audiences with the opportunity to monitor our progress. Because of the partnerships with area agencies, many will also become intricately involved in supporting our efforts to implement our plan. For example, part of the plan includes increasing loan output and the number of homes developed for resale. Continuing to provide and potentially increase pre-purchase training such as Financial Fitness classes, which in many cases are offered through these partners, establishes a critical gateway to the achievement of our projected goals for lending and community development since the attendees of the classes who finish with a mortgage-ready status represent an important pipeline for our lending facility.

### **Section 3: Plan goals**

Springfield has been a city in decline since the closing of the Springfield Armory in 1968—a trend exacerbated by the loss of its crucial manufacturing base in the 1980's and the subsequent out-migration of middle class families who left in search of the better paying jobs. Evidence that Springfield was once a robust city is found in the comparison of median family

income, which was 106 percent of the U.S. median in 1960 but fell to only 65 percent by 2005–07, as reported in the ACS estimates. After the devastating national recession that began in 2008 and exploded unemployment and repressed family incomes nationwide, the median family income of Springfield residents inched even lower to 64 percent of the U.S. median, according to the 2007-2011 ACS estimates. During this period of decline, poverty in the city deepened, increasing from a rate that was a little below average in 1980 to more than twice the national rate according to the 2007-2011 ACS estimates.

Given this challenging environment, Springfield NHS provides a critical pathway to homeownership to those low and moderate income families not historically supported through traditional methods. According to the 2013 organizational performance reports, half of the clients we served were very low income; 13 percent were moderate income; 32 percent were low income and the remaining 4 percent were extremely low income. The Springfield NHS Community Investment Plan reflects the organization’s commitment to continue to serve this population.

As part of its strategic planning process, Springfield NHS recognized that there remained a gap between the current conditions within the target communities that include substantive blight, financially compromised families unable to qualify for homeownership-related financing and the high ratio of owner-occupied to renter-occupied homes that contributes to neighborhood instability and the “ideal” vision of that community. Owner-occupied homes still account for less than 50 percent of resident dwellings in our four primary target neighborhoods.

Neighborhood	Owner-occupied Homes
Bay	38.4%
McKnight	41.6%
Old Hill	47.6%
Upper Hill	45.2%

Source: [http://www3.springfield-ma.gov/cos/fileadmin/reports/Draft Springfield AI 4 8 Final.pdf](http://www3.springfield-ma.gov/cos/fileadmin/reports/Draft_Springfield_AI_4_8_Final.pdf)

Increasing homeownership in our communities is a significant part of stabilizing these neighborhoods. Springfield NHS has made substantive impact in reversing this pattern as evidenced in the Old Hill neighborhood where, in 2000, the rate for owner-occupied homes was just 34 percent according to the Springfield Statistical Profile -2000 Census, and as indicated in the table above, this rate had improved to 47.6 percent as reported in the 2010 census. This improvement is evidence of what is possible with a coordinated concerted effort. However, the agency also recognized that in order for us to achieve our mission and to continue to work toward closing the gap between the current reality for these communities and the agency’s vision of the ideal, increasing our capacity to improve our levels of internally-generated income was essential. As a result of the in-depth analysis conducted during the strategic planning process, Springfield NHS established two aspirational goals for the 2013-2017 planning process, which

focused on improving organizational sustainability and financial strength while maintaining focus on our mission of transformational change in our distressed communities and meeting the needs of our low and moderate income constituents. These goals were:

1. To increase loan origination fees to \$500,000 per year by December 31, 2017;
2. To develop fifty new properties by December 31, 2017 that will produce \$1,000,000 in developer fees.

A third goal, to collaborate with other stakeholders to improve safety (Reduce Key Metrics by 50%: Homicides, Home Invasions, Youth Violence) by December 31, 2017, was established to improve the livability of our target neighborhoods in order to facilitate the salability of our developed properties and support efforts to stabilize these communities. Benefits will accrue to the larger community as the agency continues to reduce blight and stabilize these urban core communities through sustainable homeownership because these efforts increase the number of taxable properties on the city tax rolls while reducing the socially disruptive elements prevalent in distressed communities. Resident-funded improvements encouraged by our on-going work also will continue to bring added benefits to the larger community.

One final goal, to increase total annual donations (all sources) to the operating budget to \$2 million by December 31, 2017, is aimed at providing the capital essential to attaining the financial stability and organizational sustainability needed for this work to continue.

#### **Section 4: Activities to be undertaken**

Under the Community Investment Plan, Springfield NHS has established a goal to significantly increase its loan origination production with incremental improvement annually. Springfield NHS provides several financial products that range from facilitated and brokered first mortgage loans and diverse down payment assistance programs to emergency home improvement loans. Each of the products is intended to close the gap of access to credit and create pathways to wealth creation and financial self-sufficiency for those least likely to be able to access traditional credit avenues. The agency also provides foreclosure prevention services. Through these services the agency is able to foster sustainable homeownership while stabilizing distressed neighborhoods. Springfield NHS engages in rehabilitation projects in the City's most blighted communities within the urban core. Several social benefits accrue from the work of Springfield NHS. First, neighborhoods are transformed from the predominance of absentee landlords to the increasing prevalence of sustainable homeowners. Using a three year average, of the 937 persons attending the agency Home Buyer Education Program, nearly 20 percent proceeded to homeownership. In addition to the immediate benefit to the community of the rehabilitation efforts of Springfield NHS, residents have been encouraged to invest in their properties with private resources. As a result of recent developments, residents have invested an additional \$1.8 million dollars in exterior improvements to their homes during an 18 month period during 2011 and 2013 in the neighborhoods where Springfield NHS has built or



refurbished homes. In addition to these efforts, Springfield NHS works closely with the City to address the issues of economic opportunity and increase the earning power of the City residents to allow them to not only purchase but more effectively maintain their homes and stabilize neighborhoods.

While Springfield NHS serves the whole of Hampden County, the agency targets its revitalization and stabilization efforts in the poorest core communities in the city where incomes are well below the city average. As stated previously, 54.9 percent of the clients served by the Springfield NHS have reported incomes of very low to extremely low with another 32.2 percent reported as low income. Additionally, over 60 percent of the clients served by Springfield NHS self-report as members of a minority population. This financially struggling population includes those who are the least likely to qualify for traditional financing without support. The 2012 HMDA data reflect that the decline rate for government-backed FHA, FSA/RHS, VA Home Purchase for persons in low, very low or extremely low income brackets (<50 = 22% /<79 = 15% ) was higher than the rate of those at 120% of the average median income (11%). The pattern was consistent for conventional mortgages (<50 = 26% /<79 = 13%). For minorities, the rate of decline for both government-backed funding like FHA, FSA/RHS, VA Home Purchase and conventional mortgages for Black (18%-19%) and Hispanic (20%-25%) applicants was higher than the decline rate of White (15%-11%) applicants. The two most common reasons for decline were debt-to-income ratios and poor credit history. The Springfield NHS financial products help to close this gap by providing down payment assistance loans in which the agency provides a second mortgage for 15% of the cost allowing their clients to qualify for an 80 percent first mortgage and eliminating the monthly cost of mortgage insurance. In collaboration with MassMutual, BayState Health and Springfield College, Springfield NHS offers the Employee Down Payment Assistance Program. These employers fund the down payment for employees buying homes in the community and the agency provides a match. These matching funds are becoming scarce and funds obtained through the Community Investment Tax Credit Program will recapitalize this critical program and allow this successful program to continue.

Many of our clients are not eligible for traditional financial products because of a record of financial management issues. Providing foundational education to these potential homeowners is the first step in bringing them to a mortgage-ready status. Springfield NHS offers a battery of developmental services to support the empowerment of the residents in its target market in order to further sustainable home ownership and to create pathways to wealth creation and financial self-sufficiency. The first is a series of home ownership promotion products that include: Homebuyer Education, Financial Fitness, Homebuyer Counseling, and Post-Purchase Counseling. Each of these programs is aimed at preparing the attendee to better manage their financial obligations. For example, the Financial Fitness course includes overcoming credit issues, getting and staying out of debt, money management, establishing banking relationships, creating wealth and predatory lending tactics to avoid. The Financial Fitness classes are offered not only to prospective homeowners, but also to those engaged in mortgage modification/foreclosure counseling and referred persons in need of strengthening their

financial literacy. The agency's work with clients through these educational offerings intersects with our lending facility as clients either finance their first mortgages through Springfield NHS or use the HBE certificate to qualify for a mortgage through a third-party lender. Springfield NHS has a contractual relationship with Merrimack Mortgage and Norcom Mortgage to broker first mortgages. Also, since the older housing stock in the urban core is often the most difficult to purchase since the homes have fallen into some degree of disrepair, Springfield NHS is pursuing a contractual relationship with MassHousing to access its acquisition-with-repair mortgage products to allow buyers to be better able to purchase homes in need of repair that they might otherwise not be able to afford. The second cluster of programs, Home Ownership Preservation, is designed to support existing homebuyers and to ensure that they are able to remain in their homes through foreclosure prevention counseling. Post-purchase counseling/education and foreclosure/delinquency intervention activities offer counseling through diverse venues appropriate for the audience. In addition to an education component, the program includes a review of the client's mortgage delinquency and/or foreclosure status and, in appropriate cases, assistance with mortgage refinancing or other solutions that lead to a positive outcome. The foreclosure prevention programs are critical to the Springfield NHS target community because Springfield MSA was not immune when foreclosure rates skyrocketed across the nation after the housing bubble burst. From 2008 to 2009, there was a 17 percent increase in foreclosure rates and in October 2008, Springfield MA had the highest local foreclosure rate across New England at 10.1 percent. Based on agency reporting, during the crisis, the number of foreclosure prevention and counseling clients jumped to 261 households in HUD FY 2011 and 314 clients in HUD FY2012. Currently, foreclosure, while not in the crisis state of prior years, remains an issue for many in our community.

The final strategic area of focus is the redevelopment of blighted and abandoned properties in the urban core. The target neighborhoods of the Springfield NHS, located within the Mason Square Community, are among the poorest, most compromised neighborhoods of the city. The residents of these communities experience the lowest levels of academic achievement, the highest levels of children living in poverty, the highest levels of under/unemployment, the highest incidence of poor health outcomes such as teen pregnancy and sexually transmitted diseases, the most depressed income levels and are exposed to more violence and crime within their communities than in other neighborhoods of the City. Schools in these communities are among the poorest performing. Each of these issues serves to exacerbate the distressed condition of the neighbors by increasing the potential for becoming a victim of violence and the likelihood that homes will be poorly maintained or abandoned. Springfield NHS has been working to stem the blight in these communities; however, the blight in its target neighborhoods was so pervasive because of the massive numbers of abandoned and dilapidated properties, Springfield NHS recognized that it, working alone, did not have sufficient capacity to redress all of the critical issues in its community. To better meet the revitalization needs of the community, Springfield NHS, in 2005/2006, entered into a collaborative relationship with the City of Springfield and two nonprofit developers, HAPHousing and Habitat for Humanity. In addition, Springfield College

guaranteed a \$1.5M loan to acquire properties that were blighted and abandoned, and recycle them back into productive use. Highly successful, this effort has developed more than 70 properties within Mason Square, creating energy efficient and affordable homes for more than 80 families. Neighborhood councils have also participated in the selection and prioritization of properties developed to ensure transparency. As evidence of the positive impact that the work of Springfield NHS is having on its target communities, the last several homes built were sold at market rate to families looking to purchase and live within the community. The additional resident investments of \$1.8 million dollars discussed previously have also contributed to the raise in property values. It is these efforts and the resulting success that the agency intends to continue under the strategic goal to incrementally increase its property rehabilitation activity.

**Section 5: How success will be measured and/or evaluated**

The ability to have Springfield NHS continue to meet the needs of our constituents and make substantive strides in our mission to transform and revitalize our target communities through homeownership development depends on how efficiently and effectively we deliver services. To that end, we have established desired outcomes for each of our programs that are consistent with our strategic direction. The agency’s performance on meeting those outcomes is monitored regularly. Performance is defined by both quantitative and qualitative internal criteria that measure the institutional effectiveness of the agency including how well the agency has met customer support, education and counseling class enrollment, loan production and loan portfolio performance targets and how well have those clients been served.

The internal monitoring procedures are embedded in to the agency’s operations. Quantitative targets are set for the diverse service lines that the agency offers as part of the budgeting process. The goals set for 2014 performance are:

Line of Business		2014 Goal
Home Ownership Promotion	Pre-Purchase - HBE	400
	Pre-Purchase - Financial Fitness	100
	Pre-Purchase - Rental Workshop	10
	Pre-Purchase - Homebuyer Counseling	75
	Purchased Housing - Homeowners Created	150
	Post-Purchase Counseling -	100
Home Ownership Preservation	Curb Appeal	15
	Emergency Repairs	5
	Foreclosure Prevention - Preventing Mortgage Delinquency	100
Real Estate Development	Number of Properties Developed	6
	Income Generated	\$195,000
Lending	Home Purchase-1 <sup>st</sup> Mortgage	50
	Home Purchase- Subordinate	20
	Facilitated-3 <sup>rd</sup> Party 1 <sup>st</sup> Mortgages	100

The performance against these targets is monitored as part of the monthly budget review with the board. An additional review of the targets is made against the strategic goals established in the plan on a quarterly basis. The participation of community members and stakeholders on the board offers the oversight and validation of the appropriateness of these goals. This mechanism supports long-term monitoring and is, therefore, an appropriate and reliable tool for monitoring agency performance. In addition to the internal criteria, extensive external reporting procedures add assurance that the agency will perform at desired levels.

Adherence to these standards is evidenced by performance on prior grants received. For example, Springfield NHS has received grants through Neighborhood Reinvestment and NeighborWorks® for Comprehensive, Mortgage Modification and Mortgage Scam grants totaling \$150,000 where reporting, grant documentation and compliance requirements were consistently met. Additionally, reporting and contractual requirements with other organizations such as Home, Federal Home Loan Bank, CDFI and the Commonwealth of Massachusetts have always been met successfully. However, performance on loan production and the loan portfolio has struggled over the past few years, but Springfield NHS has taken proactive steps to address the issue including requesting technical assistance from NeighborWorks® to assess our policies, practices and procedures to ensure that the corrective action will right the ship.

Likewise, client performance on the loans is closely monitored to prevent delinquency issues. Springfield NHS also monitors the performance of its housing counselors through an internal oversight process of weekly staff meetings and client feedback. Additional and appropriate training opportunities are sought routinely to maintain the currency of staff education. The agency data management system *CounselorMax* is an integral part of the monitoring process.

A final level of evaluation is done for such qualitative measures as the agency's effectiveness in improving the livability of our target communities and curbing the issues of violence described in section 1. The agency employs the Neighborworks® Success Measures program to gather community input on the improvement in these areas as well as reviewing critical trends reported through the City crime statistics. Other measures of improvement include the trend in real estate prices, which are in part a reflection of how desirable a community is to prospective buyers.

## **Section 6: Collaborative efforts to support implementation**

Springfield NHS recognizes that reaching potential clients requires community collaborations and alliances that extend the agency's outreach capacity. Consequently, as a central part of our operational strategy, Springfield NHS has established and continues to establish strategic alliances with area organizations to facilitate program implementation and to ensure the best service possible for clients.

Springfield Partners for Community Action, the federally designated Community Action Agency (CAA) for the greater Springfield area, serves about 10,000 low-income people

annually, is a long-time Springfield NHS strategic partner. This partner is an important outreach site for our financial education programs through which we move our constituents toward financial self-sufficiency and mortgage-ready status. Likewise the agency works collaboratively with the City of Springfield Office of Housing as well as with the Springfield Housing Authority and Sheriff's Department to make these programs available.

Buy Now Springfield, a collaboration of public, nonprofit and private-sector organizations, including a network of lenders, realtors and attorneys, who are working together to preserve and promote homeownership opportunities throughout Springfield, is also an important Springfield NHS partner. Springfield NHS participates in the Buy Now Springfield network as both a non-profit agency and a lender and is represented on the Steering Committee by the Springfield NHS Loan Officer.

Other partnerships that have been established, such as the alliance created with the Old Hill Neighborhood Council, HAPHousing and Habitat for Humanity for the redevelopment of the Old Hill Neighborhood, further the development of blighted and abandoned properties as part of our mission to stabilize neighborhoods. Springfield NHS also maintains collaborative relationships with area employers such as MassMutual, Baystate Health and Springfield College to promote homeownership through the Down Payment Assistance program that encourages employees of those agencies to purchase homes in the city, but especially in the Springfield NHS target neighborhoods and the Curb Appeal program that finances external repairs to qualifying residents.

In addition to these strategic alliances, Springfield NHS broadens the agency outreach through membership in several critical organizations. For, example, Springfield NHS has been a long-time member of the Mass Association of Community Development Corporations. Springfield NHS also maintains a close working relationship with the United Way and its many associated organizations.

Recognizing the dire condition of the City, civic and business leaders have been working diligently to develop strategies that will increase the educational and skill level of its residents to make them workforce ready, to attract living-wage jobs to the city, and to increase the economic vitality of the city. While there is much left to do, there are positive opportunities beginning to emerge and Springfield NHS remains a vital part of that conversation working closely with these critical stakeholders.

## **Section 7: Integration of activities/consistency with community strategy and vision**

Springfield NHS has worked in and with the hardest hit neighborhoods and communities throughout Springfield and across Hampden County for the past 35 years. This undertaking could not and has not been done alone. The common thread among all the partnerships in which Springfield NHS engages is the existence of poor working households who seek paths to upward mobility, an improved quality of life and a better future for their next generations. Springfield NHS works closely with the City to address issues of economic opportunity and increase the

earning power of the City residents to allow them to not only purchase but more effectively maintain their homes and stabilize neighborhoods. Additionally, ensuring that the work of the agency is part of a cohesive approach to addressing the needs of the community, Springfield NHS has become an integral part of the regional dialogue and not only draws that conversation into our planning efforts, but equally as important, sits at the table to influence the larger conversation.

As reflected in prior sections, Springfield is a community in economic distress whose residents are not only struggling financially but are also suffering from the effects of academic underpreparedness. Reversing the economic trends that have plagued the City for the past several decades requires a focus on the *wealth-fare* of the residents to get them workplace ready. In support of the Federal Reserve Bank of Boston’s “Toward a More Prosperous Springfield” initiative, Springfield NHS has joined in partnership with the United Way of Pioneer Valley, Springfield Public Schools, Partners for a Healthier Community, the Davis Foundation, Baystate Medical Center, along with residents and other community-based organizations to pursue a collaborative approach to address the education, health and financial stability needs in the most challenged neighborhoods in the most challenged city in the state. The Partners are working to implement the Federal Reserve Bank of Boston’s recommendations for Springfield leadership to: (a) form an emerging leaders program; (b) initiate “city to city” activities; (c) compete for National City award; (d) strengthen grant application capability, and (e) most importantly, include people from different sectors, perspectives, racial and ethnic backgrounds in revitalization activities. With this integrated approach, we hope to break the chains of the persistent poverty that hold families captive so they may learn to responsibly invest their assets and achieve financial security. As the residents of our target communities begin to approach this level of self-sufficiency, their creditworthiness will also increase, and as result, Springfield NHS will be able to move more families into sustainable homeownership.

However, creating a healthier, more workforce-ready population does not ensure that the economic conditions will improve without the introduction of additional job opportunities. As discussed, unemployment and lack of participation in the workforce are significant barriers to raising the economic conditions for families in our target communities. Given the level of poor academic attainment in the City previously described, some encouraging news about prospective employment opportunities was offered in the Federal Reserve Bank of Boston Report *Towards a More Prosperous Springfield, MA: What Jobs Exist for People without a College Education?*, published in August 2009, that reported that,

Although occupations requiring a college degree are projected to grow considerably more rapidly over the period 2006-2016 than occupations that do not require college, there will continue to be large numbers of job openings for those without a college education.

<http://www.bos.frb.org/commdev/pcadp/2009/pcadp0902.pdf>

One additional source for creating economic development opportunities for City residents involves the plans to allow MGM to host the one legislatively approved Western Massachusetts casino in Springfield, approved by city residents on July 16<sup>th</sup>. MGM promises to not only bring “thousands of permanent direct jobs, construction-related jobs and indirect jobs” (<http://www.mgmspringfield.com/economic/career.aspx>) into the City, but to create a significant training facility in the City to ensure these new employees have the proper skills to be successful. Although this is not expected to be the complete solution, it offers the possibility of a new beginning toward economic recovery and rebuilding the economic vitality of Springfield. According to Executive Director Charles Rucks, “The economic development potential comes from the jobs and tax revenue that the casino will bring to town.” ([http://www.masslive.com/opinion/index.ssf/2013/06/viewpoint\\_improving\\_housing\\_op.html](http://www.masslive.com/opinion/index.ssf/2013/06/viewpoint_improving_housing_op.html))

Even with the economic benefits that accrue to the City because of the two projects, there will be one other critical area that must still be addressed---the issue of fair, available and affordable housing. As cited by Executive Director Rucks, “An April draft report of the Pioneer Valley Planning Commission – titled “Analysis of Impediments to Fair Housing” – found that existing impediments in Springfield include, among others: imbalance between rental and homeownership in various neighborhoods and the region, and the presence of deteriorated privately owned properties that are vacant or not actively managed.” The work of Springfield NHS is an instrumental component of the solutions to these concerns. Executive Director Rucks added, “The community development potential comes from using some of that revenue to address affordable housing needs in the city and especially some of the impediments cited in the Commission’s draft report.”

While the work of Springfield NHS focuses on creating financial literacy and sustainable homeownership, our larger mission is to revitalize and stabilize our target communities. Meeting this mission involves easing the grip of the cycle of pervasive poverty through opportunity and targeted community development. By having a voice at this table, Springfield NHS is working collaboratively to raise the economic outlook for our target neighborhoods, while utilizing our services and programs to prepare the residents to maximize the opportunities being created. During the agency’s recent strategic planning process, the importance of actively participating in the organizations that impact regional policy was discussed and incorporated into the strategic vision for the next five years.

## **Section 8: Financing strategy**

The agency has been heavily reliant on funds from state and federal sources as well as external private sources. Ensuring the sustainability of the organization in the face of shrinking resources requires growth in these areas. Generating increased earned income through its financial products as well as decreasing our reliance on grants by developing a substantive private donor base and securing private corporate and foundation gifts is essential for the long-term sustainability of Springfield NHS. Therefore, Springfield NHS established two aspirational

strategic goals during its 2013 planning cycle that directly relate to the our organizational mission. Springfield NHS offers first mortgage loans to support the creation of sustainable homeowners. The first strategic goal is to incrementally increase lending activity to levels that will generate loan origination fees of \$500,000 by December 31, 2017. Historically, Springfield NHS has supported its mortgage lending by accessing the secondary market through Neighborhood Housing Services of America (NHSA). However, since the closing of that organization, loan origination has been underperforming. Springfield NHS has now replaced this function through an affiliation with Merrimac Mortgage and Norcom Mortgage. Springfield NHS is again able to broker conventional and FHA mortgage lending solutions for which we receives a 1.5 percent minimum fee that is used to cover our cost of origination. The agency has recently begun working with Peoples' Bank to support their purchase-with-repair lending products as well. Springfield NHS also provides first mortgages that it retains. Internally-generated income is bolstered by both mortgage types. These strides toward rebuilding our lending facility through new affiliations have allowed the agency to develop projections that embrace the strategic goal to incrementally increase loan origination fees. Additionally, Springfield HNS has requested technical assistance from NeighborWorks® America to assess our lending policies, practices and procedures to address the internal issues that have contributed to the underperformance in loan origination resulting in the losses incurred this year. Once loan volume exceeds 100 loans, an additional staff person will be required to support the function.

As part of the increase in loan generation, Springfield NHS will improve our loan portfolio management to more effectively prevent the delinquency rates experienced this year.

The final product category is the tandem/second mortgages that are offered to support borrowers seeking affordable mortgage solutions. The conservative projections reflect modest increases in performance with loans ranging from \$15,000 to \$30,000 with an average loan value of \$22,500 to \$25,000 throughout the three upcoming years. Three environmental factors drive these projections. The first is the agency's concerted effort to increase our client outreach and visibility in order to attract additional borrowers and capture a higher percentage of the potential loans of HBE and one-on-one counseling clients is expected to increase the pipeline of borrowers. The first step in that action plan is hiring the Community Outreach Coordinator. The second is the presumed improvement in the operation of the lending department as a result of the NeighborWorks® America technical assistance. The final step involves all of the regional efforts toward community and economic revitalization that includes attracting new buyers to the Hampden County as a result of new business development.

As a second strategic goal, the agency has established a goal to incrementally increase giving and contributions to \$2,000,000 by December 31, 2027. Achieving this goal relates to the recapitalization of the organization's cash position in order to ensure that there is adequate capital to support development services and the growth in the lending facility. However, the leadership recognizes that organizational visibility must be greatly improved to achieve this goal and has established two action steps to hire a resource development specialist and a



communications specialist. A third goal, to develop fifty new properties by December 31, 2017 through the agency's rehabilitation and renovation neighborhood revitalization activities, was also defined as a vehicle to further increase internally-generated income sources through developer fees of \$1,000,000. This goal indirectly relates to lending as the agency will strive to finance the first mortgages for a significant number of the post-renovation purchases by area residents.

In the interim, as Springfield NHS works to improve our capacity to internally generate the income needed to achieve long-term financial stability and reduce our reliance on external funds, Springfield NHS has requested a \$700,000 Financial Assistance award from CDFI Fund to be utilized to support both direct capital and the educational services that create the lending pipeline. Springfield NHS anticipates the CDFI award will result in an additional \$21 million of leveraged investment with our first mortgage product. This will assist the agency in meeting our four-year goal of increasing loan originations to \$500,000 by 2017 since this leverage will produce a total of 145 second mortgage loan originations producing a projected \$300,000 plus in origination fees from just this one product. While other loan products will not yield such a generous income stream, the investment by CDFI and our secondary market partners will allow the lowest of income groups to reach over, grab the front door of homeownership and open avenues of asset accumulation.

The receipt of the tax credits applied for in this application represent a significant element in the recapitalization of the agency. This investment will allow Springfield NHS to establish the infrastructure needed to expand our outreach to a larger constituent base while ensuring that these vital services remain available for the low and moderate income families that we have historically served.

## **Section 9: History, Track Record and Sustainable Development**

The mission of Springfield NHS is to transform families and revitalize distressed communities through sustainable homeownership development, recycling of blighted properties and resident empowerment. The agency is the only CDFI agency certified by the Treasury in Western Mass to provide mortgages to low-to moderate-income families. Despite the organization's recent challenges with our lending facility, there is significant evidence that we are having a transformative effect in the community. First, the agency created 89 homeowners just this past year. Also, since our inception in 1978, Springfield NHS has more than \$30 million in capital invested through its lending partners to facilitate and assist low and moderate-income families in the purchase and/or improvement of their homes. As part of that effort, Springfield NHS engages in rehabilitating blighted properties through our Development LLC. While the target area is Mason Square, the focus of our redevelopment efforts has been in the Old Hill neighborhood. In 2000, the percent of owner-occupied dwellings was 34 percent in that community, but through the collaborative efforts of Springfield NHS, HAP Housing and Habitat for Humanity, this rate has been raised to almost 48 percent. Also, in addition to the immediate

benefit to the community of the rehabilitation efforts of Springfield NHS, residents have been encouraged to invest in their properties with private resources. As a result of these recent developments, residents have invested \$1.8 million dollars in exterior improvements to their homes during an 18 month period in the neighborhoods where Springfield NHS has built or refurbished homes.

Since 2006, Springfield NHS has leveraged funds from such agencies as Charlesbank Homes, City of Springfield, DHCD MA Affordable Housing Trust and HOME to support five major projects that involved a combination of new construction, “gut rehab” and substantial rehabilitation of 18 single family and 2 two-family homes. Five properties have been developed and sold just since September 2011. Project performance on these last five properties reflected a substantive improvement over the revenue/expense profile of prior projects because of the increasing market value of properties in the target neighborhood that has resulted from the Springfield NHS improvements and additional private investments in the area.

Grant Revenue	\$838,272
Gross Sales Proceeds	\$515,400
Insurance Proceeds	\$127,714
Total Income	\$1,481,386
Total Expenses	\$1,476,276
Net Ordinary Income	\$5,110

The success of these projects demonstrates the capacity of Springfield NHS to continue our redevelopment efforts as we work to close the mission gap between the current reality of significantly distressed communities to the stabilized community with high ratios of sustainable homeowners that we envision.