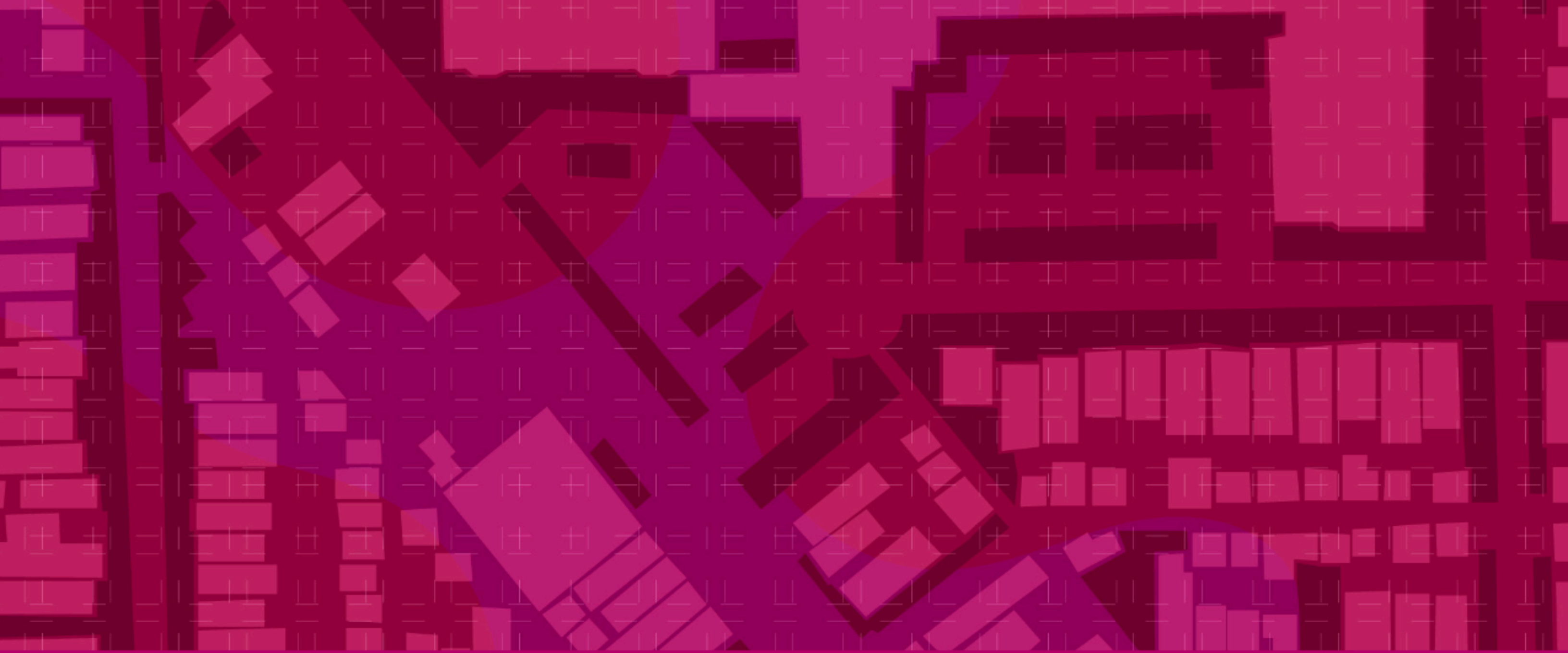

CENTER FOR
COMMUNITY SOCIAL IMPACT

HOUSING INNOVATION SERIES — PART 1

Meeting the Moment: How Credit Unions Are Tackling the Housing Shortage in Their Communities

AUTHOR

Eileen Miamidian
Technical Director,
Inclusive Financial Services
World Council of Credit Unions

This piece synthesizes secondary research on how credit unions can increase the supply of affordable housing—emphasizing the role of financial institutions to fill in the capital stack and make the development of affordable housing feasible. It also offers case studies from credit unions that are currently financing or co-developing affordable housing projects, uncovering traditional and innovative methods that credit unions use to increase housing supply.

World Council

This report is the result of a collaborative research effort between Filene and the World Council of Credit Unions (WOCCU), with WOCCU leading much of the data collection on U.S. credit unions.

REPORT NO.
655a

Filene Research Institute

Affordable housing is essential to individual financial stability and community resilience. The availability and accessibility of housing shape numerous socio-economic outcomes, including employment, health, educational attainment, and intergenerational wealth building (Desmond, 2016; Taylor, 2018). In recent decades, however, the gap between housing costs and household incomes in the United States has widened, leading to increased housing insecurity for millions of Americans (Joint Center for Housing Studies, 2023). This crisis is particularly acute among low- and moderate-income populations, for whom traditional financing models and market-based supply mechanisms have proven insufficient.

Credit unions, as member-owned, not-for-profit financial cooperatives, are uniquely positioned to advance equitable and sustainable housing solutions. Credit unions are committed to financial inclusion, local investment, and cooperative principles (Birchall, 2013). They also possess both the mission and the tools to help address the nation's affordable housing challenges. Yet, realizing this potential requires innovation—across lending practices, land use strategies, ownership structures, and capital investment mechanisms.

Previously in the Center for Community Social Impact, we've explored housing from a couple perspectives, including how credit unions have helped Americans deal with the housing crisis and lessons for creating an affordable housing fund.

This five-part series explores practical, scalable innovations in affordable housing with a focus on how credit unions can participate meaningfully in housing solutions—whether through lending, partnerships, advocacy, or investment. While the affordable housing landscape is complex, it is also rich with opportunities for credit unions to act in alignment with their core values of equity, cooperation, and member service. The pieces in this series draw on existing research, emerging models, and interviews with credit union leaders to offer valuable and actionable insights.

THE CASE FOR CREDIT UNION ACTION ON HOUSING SUPPLY

Across the United States, credit unions face a growing constraint: members qualify for mortgages, but there are no homes to buy. With a national housing shortfall between 3.7[1] and 4.5[2] million homes, the lack of supply has become a major barrier to financial inclusion and community development. The shortage touches all regions, from rural towns to urban centers, and hits low- to moderate-income families[3], essential workers, and younger households the hardest[4, 5]. The issue is not borrower readiness; it is lack of inventory.

Development barriers include expensive land[6], complex permitting[7], labor shortages in construction[8], and insufficient capital. Traditional mortgage products are not designed to resolve structural supply gaps.

Housing development relies on multiple financing layers, known as the capital stack. Layers include senior debt (lowest risk secured by the property), mezzanine and subordinated debt, preferred equity, and common equity. Affordable and workforce housing projects often add soft funds such as public grants or deferred-payment loans, and tax-credit equity such as Low-Income Housing Tax Credits. See the table on the next page for how capital is deployed and the relative risk profile of each layer[9, 10]:

FIGURE 1: CAPITAL DEPLOYMENT STAGES

STAGE	DESCRIPTION	RISKS	TYPICAL SOURCE OF FUNDING
Predevelopment	Early costs such as planning, permitting, and feasibility studies	High risk: no guarantee project moves forward, sunk cost if abandoned	Developer's own equity; Predevelopment loans from CDFIs or public programs
Land Acquisition	Purchase of the site before construction	Market risk, entitlement risk	Developer equity; Land loans (banks, CDFIs); Public/Nonprofit acquisition funds
Construction	Labor and materials to build or rehabilitate homes	Cost overruns, delays, contractor default, market downturn before lease-up	Senior construction debt; Mezzanine debt; Tax-credit equity; Public subsidies (grants/soft loans)
Bridge/Gap Financing	Temporary capital to cover shortfalls or timing gaps	Financing risk, timing mismatch, higher interest costs	Short-term bridge loans; Philanthropic PRIs; Subordinated debt
Permanent Financing	Long-term loans once the property is complete or stabilized[11]	Lease-up risk, interest rate fluctuations, long-term operating risk	Senior permanent debt; Preferred equity; Tax credit equity; Public programs (HUD, Fannie Mae/Freddie Mac affordable programs)

Many of these layers are underfunded, particularly for small-scale developers and community-based projects.

Credit unions are finding ways to participate in financing across all stages of housing development. These efforts often take shape where local needs are especially pressing: workers cannot find housing near their jobs or families live in unsafe conditions. They are adapting what they already do well, like mortgages, home equity loans, and commercial financing, to meet these new challenges. They are piloting initiatives to reduce member displacement. At its heart, this work reflects a deep commitment to members' long-term financial well-being.

This brief documents early efforts by credit unions to bring more homes to life in their communities, whether through financing new or rehabilitated units, co-investing with mission-aligned partners, or adapting lending tools for unconventional housing types. Their flexibility, local knowledge, and member focus allow credit unions to respond where other lenders will not. Credit unions can use the insights in this brief to pave a path to further involvement in the development of housing in their service areas.

CASE STUDIES

The following case studies draw on interviews with each featured credit union to capture insights on how they address the housing shortage, with each selected to showcase specific stages of construction or housing innovations.

KAUAʻI FEDERAL CREDIT UNION (HI): PRE-CONSTRUCTION, LAND ACQUISITION

Kauaʻi FCU is a $200 million credit union serving 8,600 members on Hawaiʻi's Kauaʻi island. The island faces acute housing shortages due to high land costs, limited buildable space, and strict environmental regulations. The housing market is sharply divided: a small group of wealthy second-home owners and a much larger population struggling to find affordable housing near jobs and family. While public programs serve low-income segments, Kauaʻi FCU identified a gap in workforce housing and stepped in on several fronts.

Pre-construction: State law requires homeowners to replace outdated cesspools with septic systems before receiving permits for new construction like ADUs. Kauaʻi FCU designed a pre-construction loan product that covers the typical $30,000 gap beyond the $20,000 state grant. Terms include deferred payments and low or zero interest. Staff assist members with grant applications, coordinate with contractors, and provide financial coaching. Members ineligible for grants but with sufficient equity can use home equity loans for cesspool upgrades and other improvements.

Land acquisition: Kauaʻi FCU joined a credit union–led loan to finance land acquisition for a community land trust. The deal exceeded its institutional lending capacity, so Kauaʻi FCU participated with peer lenders offering first-position financing at a low interest rate. This structure reduced overall project costs while keeping the credit union's risk manageable. Repayment was structured around lot pre-sales and follow-on construction loans. The project reflects shared values, and Kauaʻi FCU plans to finance the developer on future phases. Look forward to a future paper in this series on supporting shared equity housing models like community land trusts.

Other efforts: Kauaʻi FCU provides training on budgeting, credit, and homeownership, and helps members apply for housing grants, even without a loan. It stays engaged with housing finance organizations and public agencies to monitor housing needs and explore solutions.

LESSONS

- **Adapt to local rules:** Kauaʻi FCU created loans for cesspool conversions required for families to build ADUs.
- **Link to public programs:** Credit union staff help members apply for state grants and coordinate with trusted contractors.
- **Work through partnerships:** Kauaʻi FCU joined peer credit unions to fund land acquisition with a local land trust.

Our members don't just need mortgages; they need solutions that remove barriers to creating housing… [W]e can show that housing on Kauaʻi doesn't have to mean losing what makes the island special.

HAZELMAE OVERTURF, CHIEF IMPACT OFFICER

RETURN TO CASE STUDIES LIST

MID OREGON CREDIT UNION (OR): LAND ACQUISITION AND CONSTRUCTION LOANS

Mid Oregon Credit Union, with $759 million in assets, serves Central Oregon communities including Bend and Redmond. As of Aug 31 financials, Mid Oregon has 50,962 members. In Bend, the median home price reaches about $800,000, compared to a median four-person household income of $80,000. Employers widely recognize this gap, viewing workforce housing as a major barrier to recruitment and retention. Land use restrictions, high infrastructure costs in rocky terrain, and an influx of remote workers and retirees from higher-cost markets push prices beyond the reach of many local workers. Mid Oregon targets households earning 80–120% of area median income, a group increasingly priced out of the local housing market.

Land acquisition, entitlement, and foundational construction loan product: Mid Oregon targets developers who commit to affordable workforce homes. Eligible developments include single-family and multi-unit properties with a project cost of $2 million or less. A $500,000 grant from the Bend Chamber Foundation backs the loan as a guarantee, reducing risk if a project defaults. This enables the credit union to finance up to $1.5 million at a fixed 3% interest rate for up to 24 months per phase, covering up to 75% of project costs. With expertise in residential construction lending, Mid Oregon made few process adjustments. The commercial lending team draws on existing skills in construction lending, underwriting, and disbursement. The risk assessment entails a detailed review of cost structures to confirm that target housing prices are feasible.

Future plans to address the equity gap: Initially, Mid Oregon assumed the primary barrier for developers was access to low-cost debt. Experience has since revealed that high equity costs pose the greater challenge to keeping housing prices within the target range. Equity typically represents 25% of project financing, frequently funded by private investors at annual rates of 15–18% plus upfront fees. To address this, Mid Oregon has joined with the Bend Chamber and GoWest Foundation to design a fund to develop workforce housing. This initiative targets $10 million in capital. Acting as a non-controlling equity investor, the fund aims to reduce reliance on costly private financing, enabling more affordable projects. Combining lower-cost equity with the existing loan product should support multiple developments that use permanent affordability structures, such as deed restrictions, to ensure long-term affordability—look for an upcoming brief on *Innovations in Cooperative Housing Models*.

LESSONS

- **Leverage guarantees to expand lending:** A grant was applied as a guarantee to reduce lending risk.
- **Identify the real barrier:** Developer experience revealed that expensive equity, not debt, often constrained projects.
- **Design solutions with partners:** Collaboration with the Chamber of Commerce, housing developers, and the GoWest Foundation brought distinct skills and ideas to the discussion.
- **Stay flexible:** As CEO Kevin Cole put it, the team is "building the plane while we are taking off," by testing multiple approaches, learning quickly, and reinvesting as conditions change.

Mid Oregon is part of the community, therefore housing issues impact us as part of the total health of the community. We work with the community to find solutions to meet needs and support our members on behalf of the whole.

KEVIN COLE, CEO

RETURN TO CASE STUDIES LIST

GREYLOCK FEDERAL CREDIT UNION (MA): CONSTRUCTION—REHABILITATION

Greylock FCU is a $1.61 billion credit union serving over 100,000 members in Berkshire County, Massachusetts. Its rural community faces housing shortages and aging infrastructure. The credit union addressed a long-standing gap by financing the adaptive reuse of the historic Cassilis Farm property in New Marlborough. The project converted a Victorian mansion and nearby parcels into 11 affordable rental units and two single-family homes. It marked the town's first dedicated affordable housing development.

Greylock focused on rehabilitation instead of new construction because it aligned better with internal capacity and the institution's experience in mortgage lending. It partnered with Construct, Inc. (Construct), a trusted nonprofit developer, to secure an $850,000 Affordable Housing Program grant from the Federal Home Loan Bank.

Greylock provided a $1.2 million subsidized construction loan (that will convert to a permanent mortgage) and engaged local officials early to navigate permitting and build support, while Construct led financial education, budgeting support, and training on shared equity and ground leases to help residents transition from renting to sustainable homeownership. The layered financing structure helped reduce risk, close funding gaps, and ensure long-term affordability.

From the beginning, Greylock's management engaged its board and internal departments to show that the project would be both financially viable and aligned with its mission. It offered an opportunity to recover costs while delivering affordable housing in a rural area that traditional lenders often overlooked. Internally, teams across mortgage, commercial, and compliance worked together to manage the project's complexity, including an unusual ownership structure, multiple public subsidies, and historic preservation requirements. Staff received training in construction lending risks and underwriting for mixed use historic rehabilitation.

Greylock underlines the alignment with social mission. Senior Vice President and Chief Lending Officer Jodi Rathbun-Briggs notes, *"At the end of the day, this is about people being able to stay in the place they call home... If we don't engage in these conversations and partnerships now, the housing gap is only going to get worse."*

LESSONS

- **Start with what you know:** Focusing on rehabilitation allowed Greylock to build on internal strengths in mortgage lending.
- **Work through trusted partners:** Greylock's long-standing presence lent it credibility, but success relied on Construct, a trusted local nonprofit, to lead development and support new homeowners.
- **Layer capital strategically:** Combining its construction loan with public or private grants reduced risk and ensured long-term affordability
- **Engage proactively with local officials:** Early and ongoing coordination with local officials helped streamline permitting.

At the end of the day, this is about people being able to stay in the place they call home... If we don't engage in these conversations and partnerships now, the housing gap is only going to get worse.

JODI RATHBUN-BRIGGS, SVP + CHIEF LENDING OFFICER

RETURN TO CASE STUDIES LIST

HERITAGE FAMILY CREDIT UNION (VT): CONSTRUCTION LOANS—NEW CONSTRUCTION

Heritage Family Credit Union, an $800 million credit union in Rutland, Vermont, serves 50,000 members through 11 branches across four states. It recognized that a workforce housing shortage was straining the local economy with essential workers struggling to find homes. Strict environmental rules and zoning limits made new development difficult. Large projects rarely advanced, and small ones stalled due to financing gaps and permitting challenges.

Heritage Family initially explored ADUs, but the model proved costly and difficult to scale. Permitting rules varied from town to town, design requirements were expensive, and there was a severe shortage of contractors and skilled tradespeople for small projects.

The credit union shifted focus to small-scale infill construction and renovation of multi-unit properties to launch Roofs over Rutland in 2024. It leaned on its commercial and housing finance expertise to design construction-to-permanent loans tailored to local conditions. These included interest-only periods, milestone-based disbursements, and lighter documentation. Terms matched project timelines, factoring in permitting delays and phased rental income. To reduce borrowing costs, Heritage Family partnered with the Vermont State Treasurer's Office, which provided a low-cost credit facility, and the credit union added a modest margin to cover underwriting and servicing. This lowered rates from 6–7% to around 3.5%. Through the City of Rutland's housing task force, Heritage Family gained early access to infill sites and zoning options. It actively identified local developers, including those with whom it had no prior relationship.

Early results are promising and Chris Gomez, President & CEO, sees *Roofs Over Rutland* as an opportunity to have a deep community impact. One downtown project now houses hospital staff, and Heritage Family hopes to finance up to 100 units.

LESSONS

- **Secure internal alignment:** Heritage Family built buy-in across its board, leadership, and staff by linking housing finance to long-term community support and stability.
- **Lower borrowing costs with creative partnerships:** A state-backed credit facility allowed Heritage Family to offer rates around 3.5%.
- **Adapt to real constraints:** High design costs, permitting challenges, and labor shortages made ADUs unworkable, so Heritage Family shifted focus to infill and multi-unit housing.
- **Support the ecosystem:** The team is exploring ways to grow the local trades workforce and finance new small contractors.

Ensuring the availability of housing remains a fundamental priority if we want to ensure that our communities become the thriving, vibrant places that we dream them to be. By establishing Roofs Over Rutland and walking a path towards progress in lockstep with others willing to set aside profit in favor of a greater good, we are being true to who we are as a financial co-operative and credit union—putting the needs of our members and local communities first.

CHRIS GOMEZ, PRESIDENT + CEO

RETURN TO CASE STUDIES LIST

ORANGE COUNTY'S CREDIT UNION (OCCU): MANUFACTURED HOUSING

Orange County's Credit Union, a $2.8 billion institution, serves 140,000 members. Headquartered in high-cost Orange County, California, where traditional homeownership is out of reach for many low- and moderate-income members, the credit union turned to manufactured housing as a path to affordable homeownership. Since late 2024, it has deployed over $7 million for manufactured housing with loans averaging $100,000 and no delinquency.

The loans support owner-occupied units primarily in leased-land mobile home parks. Loans finance up to $500,000, 90% loan-to-value, no private mortgage insurance, and fixed terms up to 35 years. Borrowers fall between 80% and 100% of area median income.

Because homes in community parks on leased land do not qualify for Fannie Mae or Freddie Mac refinancing, Orange County's Credit Union holds these loans in portfolio. It built a specialized lending and servicing model. Only trained staff originate and process the loans, and a dedicated network of appraisers and escrow agents ensures accurate collateral evaluation and securitization. The credit union manages risk through prudent underwriting and internal reserves. It further anticipates participation sales to peer credit unions when nearing concentration limits.

Before focusing on manufactured housing, it also worked with a community land trust that developed income-restricted condominiums. The credit union financed homes after a national lender withdrew because they did not qualify for resale on the secondary market, showing how credit unions fill gaps in affordable housing finance. In this project, it partnered with NeighborWorks to provide downpayment and closing cost assistance for borrowers earning below 120% of area median income. The credit union deployed over $24 million in community land trust loans to first-time homebuyers. These loans continue to perform with no delinquency.

LESSONS

- **Match lending tools to market gaps:** Orange County's Credit Union financed condos with resale restrictions when a national home lender withdrew, using portfolio lending where conventional tools failed.
- **Build systems for complexity:** Manufactured housing and community land trust financing required tailored processes and vendor partnerships for titling, appraisal, and escrow and servicing.
- **Combine resources to increase access:** Down payment assistance from public partners improved affordability and reduced risk.
- **Manage exposure with loan participations:** Orange County's Credit Union sold participations to maintain capacity as lending scaled.
- **Exit models that do not align:** Co-ops may be too complex to scale.

If more credit unions got involved in less conventional housing such as community land trusts, manufactured housing, we could change the conversation about affordability.

CARLOS MIRAMONTEZ, SVP, MORTGAGE LENDING

RETURN TO CASE STUDIES LIST

SERVICE CREDIT UNION (NH): MODULAR, ADUS, WORKFORCE HOUSING

Service Credit Union, headquartered in Portsmouth, NH, was founded in 1957 to support military personnel and their families, and today serves over 350,000 members with $5.7 billion in assets. It supports housing affordability for both low- and middle-income households through modular housing finance, ADU lending, and workforce mortgage products. Each product addresses a distinct market gap through targeted risk management, product structuring, and public-private partnerships.

On one site, Service Credit Union was the lead lender for a modular workforce housing. These factory-built homes were transported for installation, but they posed financing challenges, particularly around payment timing. Manufacturers required payment before delivery, while lenders typically disburse after installation. Service Credit Union worked with the developer to define milestone-based draws that mitigated its risk while giving the manufacturer enough assurance to proceed. Strong relationships among partners allowed this compromise. The loans were structured as mortgages, underwritten with attention to construction timing and lease-up periods.

Service Credit Union also launched a consumer-facing ADU loan for lower-income homeowners, including retirees and multigenerational families. Loans are structured as home equity products and underwritten using the completed value of the ADU. Appraisers consider projected rental income when justifying post-construction value. Because permitting delays and contractor availability often slow projects, the loan allows flexible disbursement timelines and includes borrower coaching.

Service Credit Union further participates in a statewide, employer-backed housing fund, where it finances mortgages (not construction) on newly built workforce housing developments near major job centers. It partners with developers early enough to understand unit mix and timeline, then blends public down payment assistance with its own lending to support first-time buyers.

To manage risk, Service Credit Union relies on portfolio concentration caps and loan participations, particularly when a specific product grows quickly. It works with public partners to layer capital and reduce loan-to-value ratios. Each product is guided by local knowledge and dialogue with developers, municipalities, and state housing entities.

LESSONS

- **Engage early in workforce housing deals:** Early coordination ensures loan products align with both the lender and manufacturer’s requirements.
- **Lend against completed ADU value:** Appraisals include projected rental income to increase access for lower-income homeowners.
- **Match loan draws to modular schedules:** Service Credit Union coordinated with developers and manufacturers to align payments with production and delivery milestones.
- **Use participations to manage growth:** Service Credit Union sells loan shares to maintain capacity to finance future housing supply investments.

Housing is foundational. Without it, nothing else we do for members will stick.

ROBERT DERRICKSON, VICE PRESIDENT, RESIDENTIAL LENDING

RETURN TO CASE STUDIES LIST

BAY FEDERAL CREDIT UNION (CA): MULTIPLE PATHWAYS TO EXPAND HOUSING SUPPLY

Bay Federal Credit Union, headquartered in Capitola, California, has $1.7 billion in assets and serves 86,000 members. Proximity to Silicon Valley drives up housing costs in Santa Cruz and Monterey, where many residents buy second homes. California introduced measures to accelerate construction, including faster approvals for high density projects. These policies spurred new building but have not yet resolved affordability challenges. Bay Federal's housing initiatives reflect this context, with efforts spanning manufactured housing, ADUs, and pre-construction bridge loans for developers.

Manufactured housing: Manufactured mobile homes offer one of the few attainable options for essential workers like teachers, firefighters, and police officers. Financing on leased land requires special terms, such as 20-year term limits and mortgage insurance. Rent control of land leases is critical to affordability and retaining value of manufactured homes. In one Santa Cruz park, homes previously valued at $500,000 fell to $80,000 after rent control was lifted, leaving Bay Federal with negative equity positions in its portfolio. To mitigate such risks, the credit union employs attorneys to monitor landlord actions, supports residents in disputes, and advocates at state and local levels.

ADUs: California's mandate that cities adopt pre-approved blueprints has made ADUs less expensive. Bay Federal finances ADUs primarily through home equity lines of credit. In cases where projected rental income enters into underwriting, the credit union shifts to business lending, a more flexible but higher cost option for borrowers without sufficient equity.

Bridge loans for nonprofit developers: The credit union offers unsecured bridge loans to developers constructing workforce housing on underused parcels such as church parking lots. Grants ultimately fund most projects, but Bay Federal's short-term credit covers timing gaps and allows developers to complete pre-construction assessments and advance toward construction.

Bay Federal has invested in understanding housing supply finance. President and CEO Carrie Birkhofer explains, *"We built a mortgage loan officer team that faces outward—they go to real estate meetings, new home tours, and realtor mixers. This is how we learn what is happening in the market and make sure our products fit."* The credit union also participates in California's Credit Unions' housing group to exchange knowledge with peers and track emerging solutions.

LESSONS

- **Policy context shapes outcomes:** State efforts to expand housing and reduce red tape are increasing housing supply but not yet improving affordability.
- **Specialized products require safeguards:** Financing manufactured homes on rent-controlled leased land offered a real option for workforce housing, but buyers are vulnerable if rent control is removed. Bay Federal proactively engages in policy and provides legal support.
- **Small interventions unlock larger projects:** Bay Federal's unsecured bridge loans to developers awaiting grants have enabled workforce housing developments to move forward.
- **Market intelligence requires presence:** By sending staff to community and housing events, Bay Federal aligns products with actual market conditions.

We built a mortgage loan officer team that faces outward—they go to real estate meetings, new home tours, and realtor mixers. This is how we learn what is happening in the market and make sure our products fit.

CARRIE BIRKHOFER, PRESIDENT + CEO

RETURN TO CASE STUDIES LIST

LESSONS AND HOW TO GET STARTED WITH FINANCING HOUSING DEVELOPMENT

START WITH UNDERSTANDING YOUR MARKET

Every housing market is different. Zoning, construction capacity, community needs, and public-sector activity all shape what credit unions can do.

Credit unions should begin with a clear market analysis:

- What housing types are missing? (e.g., ADUs, starter homes, workforce rentals)
- What segments are most affected? (e.g., teachers, young families, low-income seniors)
- What efforts already exist? Where are the gaps?

The case studies show that credit unions can leverage their member wellbeing–driven missions and position to tap into community needs, uncover unexpected gaps, and adjust strategies accordingly. Efforts to support affordable housing shifted when nonprofit lenders were already active, prompting a focus on unmet workforce housing needs. In other instances, the barrier was homeownership readiness, which led to partnerships with community groups for credit counseling, budgeting, and shared-equity education.

Credit unions also found that promising initiatives can stall due to non-financial barriers: permitting delays, prohibitive cost of small projects, or a lack of qualified contractors. Heritage Family, for example, noted that ADU development struggled because of a shortage of skilled tradespeople. Forming partnerships with training institutions to build a pipeline of qualified labor has emerged as a possible solution.

Public-sector initiatives play a critical role in housing viability. Credit unions work with local officials to reduce development costs and remove barriers, securing support such as cesspool replacement grants in Kaua'i and down payment assistance in New Hampshire. Heritage Family participated in the mayor's housing task force, gaining early access to city-owned infill sites, while Orange County's Credit Union collaborated with housing agencies to shape projects around financeable structures. Expanding these efforts could have even greater impact, as models like California's pre-approved ADU plans show how local policy can lower development costs and accelerate supply.

ASSESS INTERNAL CAPACITY AND FIT

Credit unions can increase housing supply by aligning products, systems, and staff with the demands of each stage in the housing finance cycle. Case studies show this in practice:

- **Preconstruction support:** Kaua'i FCU extended its consumer lending to offer cesspool-replacement loans, helping members prepare properties for ADU or small home development.
- **Bridge loans:** Bay Federal offered unsecured loans to developers constructing workforce housing on underused parcels to cover timing gaps until grants arrived.

- **Land acquisition:** Orange County's Credit Union financed land for a manufactured housing project. It managed risk by outsourcing underwriting to a trusted intermediary and sharing exposure with other credit unions through participations. Mid Oregon adapted its commercial product for developers to finance land acquisition for workforce housing.
- **Rehabilitation and infill:** Greylock adapted mortgage processes to accommodate phased disbursements, flexible underwriting, and collaboration with a nonprofit developer.
- **New construction:** Heritage Family used its commercial lending capacity to support modular and infill housing, adjusting loan structures to match permitting and construction milestones.
- **ADUs:** Service Credit Union leveraged its mortgage department, familiar with collateral-based lending, to structure purchase and home equity loans for ADUs.
- **Modular housing:** Service Credit Union applied its mortgage lending infrastructure to modular homes on permanent foundations.

Staffing approaches varied. Some trained a core team for complex loan types, while others cross-trained existing mortgage or commercial lending staff. These decisions reflected volume expectations, risk tolerance, and operational priorities.

Board engagement emerged as a key success factor. Early conversations with board members created buy-in, defined risk parameters, and built confidence in new approaches.

PRODUCT DESIGN, RISK MITIGATION, AND CAPITALIZATION

Credit unions have adapted both consumer and commercial lending tools to support housing supply through:

- Extending loan terms or allowing interest-only payments during construction
- Permitting higher loan-to-value ratios or second-lien positions for unconventional collateral
- Including projected rental income in underwriting
- Accepting sweat equity or land ownership as part of the down payment
- Modifying appraisal and inspection requirements for modular homes or ADUs, using specialized appraisers and escrow agents
- Adjusting draw schedules aligned to building timelines and transitioning construction loans, into permanent loans upon completion
- Customized repayment options that reduce borrower burden during lease-up

To manage risk, credit unions implemented multiple tactics:

- Required budgets, site control, and development timelines before loan approval
- Worked only with trusted developers and vendors familiar with housing finance
- Established concentration limits for loans and sold participations to manage balance sheet exposure
- Built internal loan-loss reserves for portfolio products
- Used partner guarantees or insurance where collateral was weak
- Mobilized grant funding as a partial guarantee against loans
- Maintained senior positions in blended capital structures to balance below-market returns with reduced risk

Credit unions also leveraged participation agreements with other lenders to build shared expertise. Where public funds or donor capital were available, they layered credit enhancements or used recoverable grants to create loss reserves.

PARTNERSHIPS ARE ESSENTIAL

Housing production requires collaboration across an entire ecosystem. Partners come in all shapes and sizes—small builders, large developers, nonprofit organizations, government agencies, training centers, insurance companies, and even banks. Each fills a different gap.

Getting involved early makes a difference. In case studies, credit unions described attending local housing meetings, talking regularly with city or state staff, and staying close to projects that were not quite ready. These early conversations shaped their ideas and built relationships before funding was on the table.

Some partnered with government programs to create down payment assistance. Others stepped in when banks pulled out. A few worked with nonprofits to help members apply for affordable units or co-hosted events to build awareness. In Hawai‘i, partnership with a public grant program to replace cesspools will make ADU development possible. In Vermont, collaboration with a municipal trust is bringing small infill projects to life.

These efforts worked because everyone involved knew their role and kept the communication open. One credit union backed away from a shared-equity model that did not fit their secondary-market requirements—but stayed in touch for future opportunities. Others kept checking in on projects until the timing was right.

Tips for building partnerships:

- Stay in the conversation. Talk to housing officials, community organizations, developers, and community leaders.
- Watch for early-stage projects where a lending role may emerge.
- Know what you bring to the table—trust, flexible underwriting, or reliable servicing.
- Take time to understand your partners. Look for clear goals, realistic timelines, and shared values.

The most successful efforts grow from relationships, not transactions. Credit unions that stay curious, open, and engaged are better positioned to increase housing supply over the long term.

SCALING AND LOOKING AHEAD

The housing supply initiatives described in this brief represent early efforts to test feasibility, respond to local needs, and build internal capacity. Credit unions have launched pilot projects, refined underwriting processes, strengthened partnerships, and explored how to expand offerings beyond one-off transactions. These initiatives lay the groundwork for more standardized programs and broader engagement.

Expanding from project-based efforts to programmatic models requires shared tools and stronger infrastructure. Standardized underwriting templates, appraisal guidelines for ADUs and modular units, and common reporting frameworks for social and economic impact can accelerate replication. Tools like these also help ensure product consistency across branches and deepen board and staff understanding of housing-specific risks.

Several credit unions are developing materials to educate members on new housing types and are using these conversations to gauge demand. Broader data on loan performance, member outcomes, and housing impacts will strengthen the case for continued credit union involvement—and help unlock policy and capital support.

Opportunities to aggregate and scale also depend on infrastructure beyond the credit union. Regional or national intermediaries could pool capital and create secondary markets for specialized loan types and equity investments. Shared learning platforms, working groups, or joint ventures with experienced housing lenders offer additional ways to grow beyond individual markets.

Credit unions have expressed strong interest in learning from one another, sharing documents, and engaging in peer exchange. Participation in these conversations—through webinars, working groups, or collaborative product design—will be critical to maturing this emerging field and ensuring it remains grounded in member needs.

CONCLUSIONS

The housing crisis affects entire communities.

Shortages of safe, affordable, and workforce housing are disrupting families, limiting economic opportunity, and placing strain on employers. The impact varies across geographies and income segments—from low-income seniors in rural areas to teachers and public service workers in growing metro regions.

Credit unions are uniquely positioned to respond.

Credit unions bring community knowledge, member trust, and mission-driven capital to the table. These attributes allow them to support housing efforts that others may overlook. As one leader noted, “Credit unions have an opportunity to lead, and people want us in the room.” Their involvement reinforces the public benefit and value of credit unions.

Acting as catalysts, credit unions can shape the housing ecosystem.

Credit unions cannot solve all housing problems. But they can address specific gaps, inform enabling policies, and partner with others to bring solutions to life.

Work is evolving, and learning is collective.

This work is still emerging, and every effort adds to a shared base of experience. Credit unions are eager to learn from each other. Participating institutions emphasized the importance of staying connected, building internal champions, and continuing to experiment with new ways to serve their members and communities. As one interviewee put it, “We all have to learn our way into this.”

FIGURE 2: CASE STUDIES SUMMARY

CREDIT UNION	HOUSING PROBLEM	HOUSING SUPPLY FINANCE TYPES	LESSONS
Kaua'i Federal Credit Union	High land costs, limited space, environmental regulations	• Pre-Construction loans (e.g., cesspool to septic system conversions for ADUs) • Land acquisition (community land trust projects) • Home equity loans for upgrades	• Adapt to local rules • Link to public programs • Work through partnerships
MidOregon Credit Union	Land costs relative to median household income	• Land acquisition loans • Construction loans for entitlement, foundational work • Future: Equity co-investment fund for workforce housing	• Leverage guarantees to expand lending • Identify the real barriers • Design solutions with partners • Stay flexible
Greylock Federal Credit Union	Housing shortages in rural community with aging infrastructure	• Construction loans (rehabilitation, adaptive reuse) • Permanent mortgages (conversion) • Layered financing with grants	• Start with what you know • Work through trusted partners • Layer capital strategically • Engage proactively with local officials
Heritage Family Credit Union	Insufficient housing for workers constraining local economy	• Construction-to-permanent loans (small-scale infill, multi-unit rehab) • Previously explored ADU financing (not scalable) • Partnerships with state-backed credit facility	• Secure internal alignment • Lower borrowing costs with creative partnerships • Adapt to constraints • Support the local ecosystem
Orange County's Credit Union	Traditional housing out of reach for low- and moderate-income households	• Manufactured Housing loans (portfolio lending) • Community Land Trust housing loans • Down payment/closing cost assistance with partners	• Match lending tools to market gaps • Build systems for complexity • Manage exposure with loan participations • Exit models that do not align
Service Credit Union	Insufficient affordable housing for low- and middle-income households	• Modular Housing financing (construction draws aligned with manufacturers) • ADU loans (home equity, based on completed value) • Workforce mortgage	• Engage early in workforce housing deals • Lend against completed ADU value • Match loan draws to modular schedules • Use participation to manage growth
Bay Federal Credit Union	Housing costs driven up by local economic conditions; State regulatory changes aimed at housing development	• Manufactured Housing loans (with rent-control safeguards) • ADU financing (HELOCs and business loans if rental income considered) • Pre-construction Bridge Loans for nonprofit developers	• Policy context shapes outcomes • Specialized products require safeguards • Small interventions unlock larger projects • Market intelligence requires presence

ENDNOTES

1. **Freddie Mac.** *U.S. Economic, Housing, and Mortgage Market Outlook — November 2024.* Washington, D.C.: Freddie Mac, November 26, 2024. Accessed September 18, 2025. https://www.freddiemac.com/research/forecast/20241126-us-economy-remains-resilient-with-strong-q3-growth

2. **Zillow.** "The U.S. Is Now Short 4.5 Million Homes as the Housing Deficit Grows." *Zillow Media Room*, June 18, 2024. Accessed September 18, 2025. https://zillow.mediaroom.com/2024-06-18-The-U-S-is-now-short-4-5-million-homes-as-the-housing-deficit-grows

3. **Young, Linda, and Mai Nguyen.** *America's Housing Journey: A Storymap on Credit Unions' Engagement with the Housing Crisis.* Madison, WI: Filene Research Institute, January 10, 2024. Accessed September 18, 2025. https://www.filene.org/americas-housing-journey

4. The NLIHC's 7.3 million figure reflects a mismatch—many affordable units exist but are occupied by higher-income renters, making them unavailable to extremely low-income households

5. **National Low Income Housing Coalition.** *The Gap: A Shortage of Affordable Homes, 2023.* Washington, D.C.: NLIHC, March 2023. Accessed September 18, 2025. https://nlihc.org/sites/default/files/gap/Gap-Report_2023.pdf

6. **Glaeser, Edward, and Joseph Gyourko.** "The Economic Implications of Housing Supply." *Journal of Economic Perspectives* 32, no. 1 (Winter 2018): 3–30. https://doi.org/10.1257/jep.32.1.3

7. **Pendall, Rolf, Robert Puentes, and Jonathan Martin.** *From Traditional Zoning to Smart Growth: Regulations and Housing Development.* Washington, D.C.: Brookings Institution, 2006. https://www.brookings.edu/research/from-traditional-zoning-to-smart-growth-regulations-and-housing-development/

8. **U.S. Census Bureau.** *Monthly Construction Spending, December 2022.* Washington, D.C.: U.S. Census Bureau, 2022. https://www.census.gov/construction/c30/pdf/release.pdf

9. **NorthMarq.** "Understanding the Capital Stack in Commercial Real Estate Investing." https://www.northmarq.com/insights/knowledge-center/understanding-capital-stack-commercial-real-estate-investing

10. **Formigle, Ian.** "Understanding the Capital Stack: Risk and Return in Real Estate Investing." *CrowdStreet.* Accessed September 18, 2025. https://www.crowdstreet.com/resources/investment-fundamentals/understanding-capital-stack

11. **van Deursen, Hanneke.** "Affordable Housing Finance 101." *Shelterforce,* May 28, 2025. Accessed September 25, 2025. https://shelterforce.org/2025/05/28/affordable-housing-finance-101/

THANK YOU

Filene's Center for Community Social Impact is generously funded by:

5910 MINERAL POINT ROAD
MADISON, WI 53705

608.661.3740
FILENE.ORG

Filene Research Institute