

## **Risks in Operating an Acquisition/Rehab/Sale Program - Overview**

### **OVERVIEW:**

The definition of risk is the possibility (or probability) of failure to achieve your goal. All goals are exposed to risk. Housing development is risky, but, by understanding and identifying specific risks, these risks can be controlled or eliminated.

There are two types of risk: inherent risk and needless risk. Inherent risk is always present. There are a number of techniques that can help to control inherent risk. A non-profit developer's decision or negligence can cause needless risk. This type of risk can be prevented by knowing and following proper procedures, hiring qualified staff, providing proper training and support to your staff, and by addressing issues early.

Risk control comes at a cost and so each measure needs to be weighed for cost and benefit. Effective production managers design risk control systems using low cost techniques such as risk sharing (insurance), hiring people with appropriate experience and proactively planning and supervising to minimize risk.

Non-profits are exposed to relatively high risk because they deliberately purchase homes for rehabilitation in distressed communities, serve clients with lower incomes and operate with slim profit margins. Therefore, it is important that non-profits understand where risk exists and how to minimize it.