



UNITED STATES  
**DEPARTMENT OF  
THE TREASURY**



## HFA HARDEST-HIT FUND PROGRAM SUMMARY

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# PROCESS SUMMARY

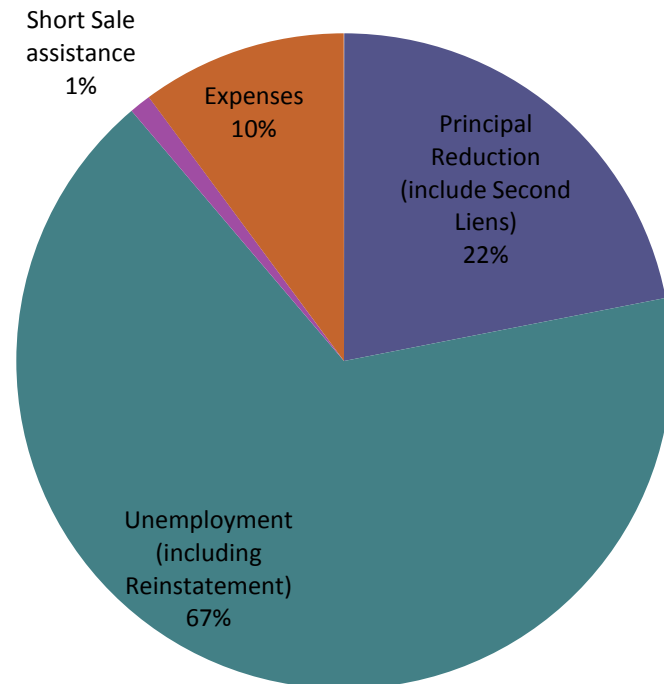
The Hardest Hit Fund (HHF) provides funding for housing initiatives developed by State Housing Finance Agencies (“HFAs”) that are tailored to their local conditions to help prevent foreclosures and stabilize housing markets.

- First HFA Hardest-Hit Funding: Announced on February 19, 2010 and approved June 23, 2010 (\$1.5 billion of funding); targets five states with home price declines greater than 20 percent (AZ, CA, FL, MI, NV).
  - Second HFA Hardest-Hit Funding: Announced on March 29, 2010 (\$600 million of funding); targets five states with high concentrations of people living in economically distressed areas, defined as counties in which the unemployment rate exceeded 12 percent in 2009 (NC, OH, OR, RI, SC). States from the first round were not eligible.
  - Third HFA Hardest-Hit Funding: Announced on August 11 and approved September 23, 2010 (\$2.0 billion of funding); targets 17 states and the District of Columbia with unemployment rates at or above the national average (AL, CA, DC, FL, GA, IL, IN, KY, MI, MS, NV, NJ, NC, OH, OR, RI, SC, TN).
  - Fourth HFA Hardest Hit Funding: Awarded on September 29<sup>th</sup> (\$3.5 billion) to all existing HHF HFAs to spend on any program. Currently placed in largest program, states submit budget and plan to Treasury by October 15 to reallocate.
- During its review, the UST HFA team negotiated documentation required (such as the HFA Participation Agreement (“HPA”)) and reviewed proposals and provided feedback regarding:
- Compliance of programs with Emergency Economic Stabilization Act or EESA
  - Review of administrative expenses to ensure reasonable and consistently reported
  - Development of reporting and compliance process / framework
- HFAs could begin deploying funds immediately after approval by UST. However, prior to significant capital deployment, each HFA must complete a readiness assessment which will focus on ensuring proper procedures and controls are in place before full-scale program implementation. In addition, within 90 days of closing, each HFA will have to deliver to Treasury a compliance and fraud control plan.



# PROGRAM ALLOCATIONS

- Programs are basically five types: unemployment assistance, reinstatement, principal reduction, 2<sup>nd</sup> lien removal and transition assistance.
- States usually control selection, and eligibility varies by state.
- Treasury has worked to create a more standardized unemployment and reinstatement program to facilitate large servicer participation but HFAs still control selection and can tailor eligibility
- HFAs are able to modify programs post-closing subject to Treasury and OMB approval.



# PROGRAM ROLL-OUT TIMING – FIRST ROUND STATES

- Set forth below is a summary of program roll-out timing; timing varies based on type of program and state law. Some programs, such as principal reduction, are harder to roll out. Some states such as Illinois and Florida have very detailed rules on state programs and government contracting that have delayed implementation.
- Prior to full-scale implementation, each HFA must complete a readiness assessment.

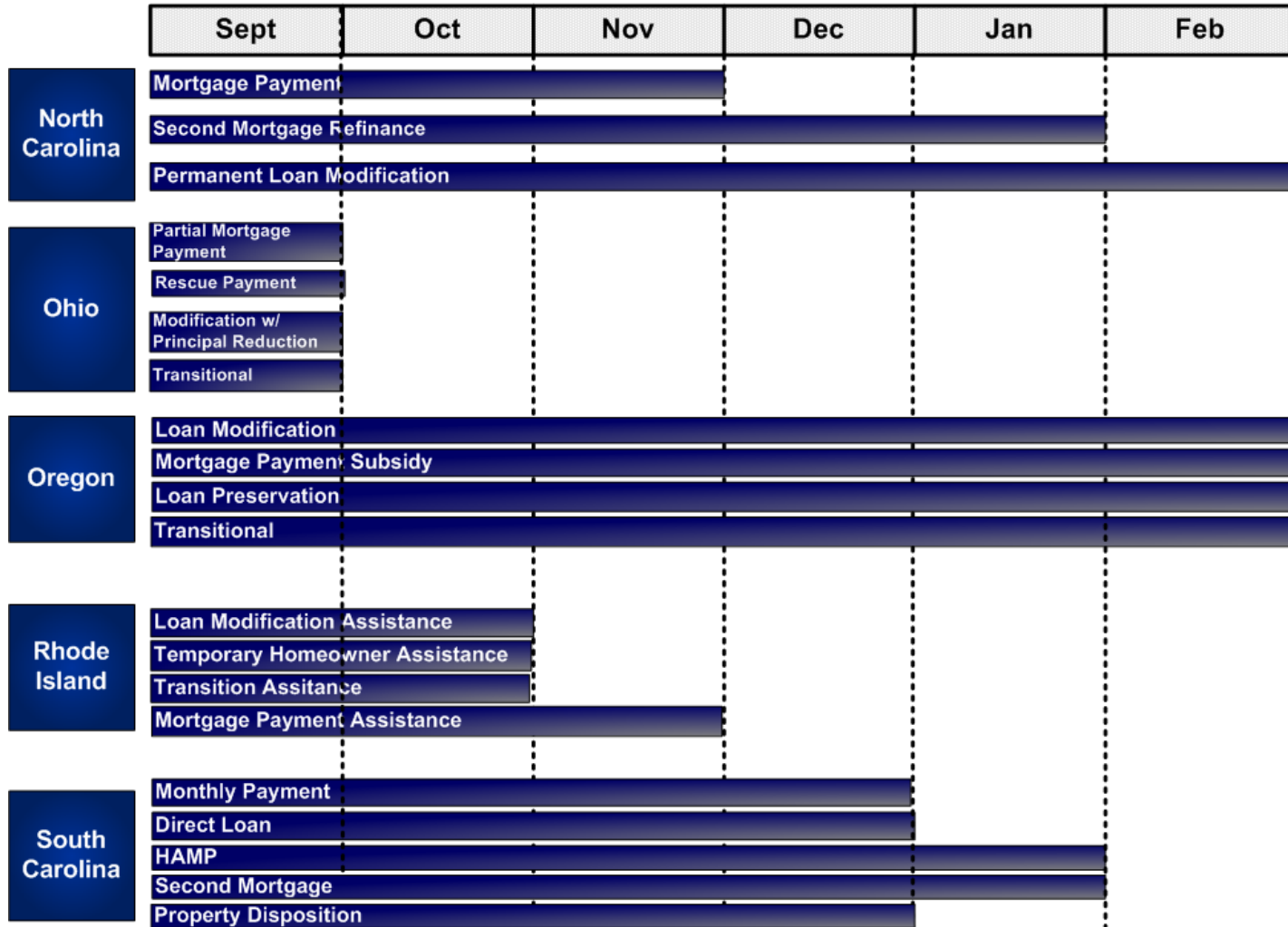
## Implementation Timeline

	July-Sept	Oct	Nov	Dec	Jan
Arizona	Permanent Modifications				
	2nd Mortgage Settlements				
	Temporary Modifications				
California	Unemployment Mortgage Assistance				
	Mortgage Reinstatement				
	Principal Reduction				
	Transition Assistance				
Florida	Mortgage Payment				
	Mortgage Reinstatement				
Michigan	Unemployment Subsidy				
	Loan Rescue				
	Principal Curtailment				
Nevada	Principal Reduction				
	2nd Lien Reduction				
	Short Sale Facilitation				
	Mortgage Assistance				



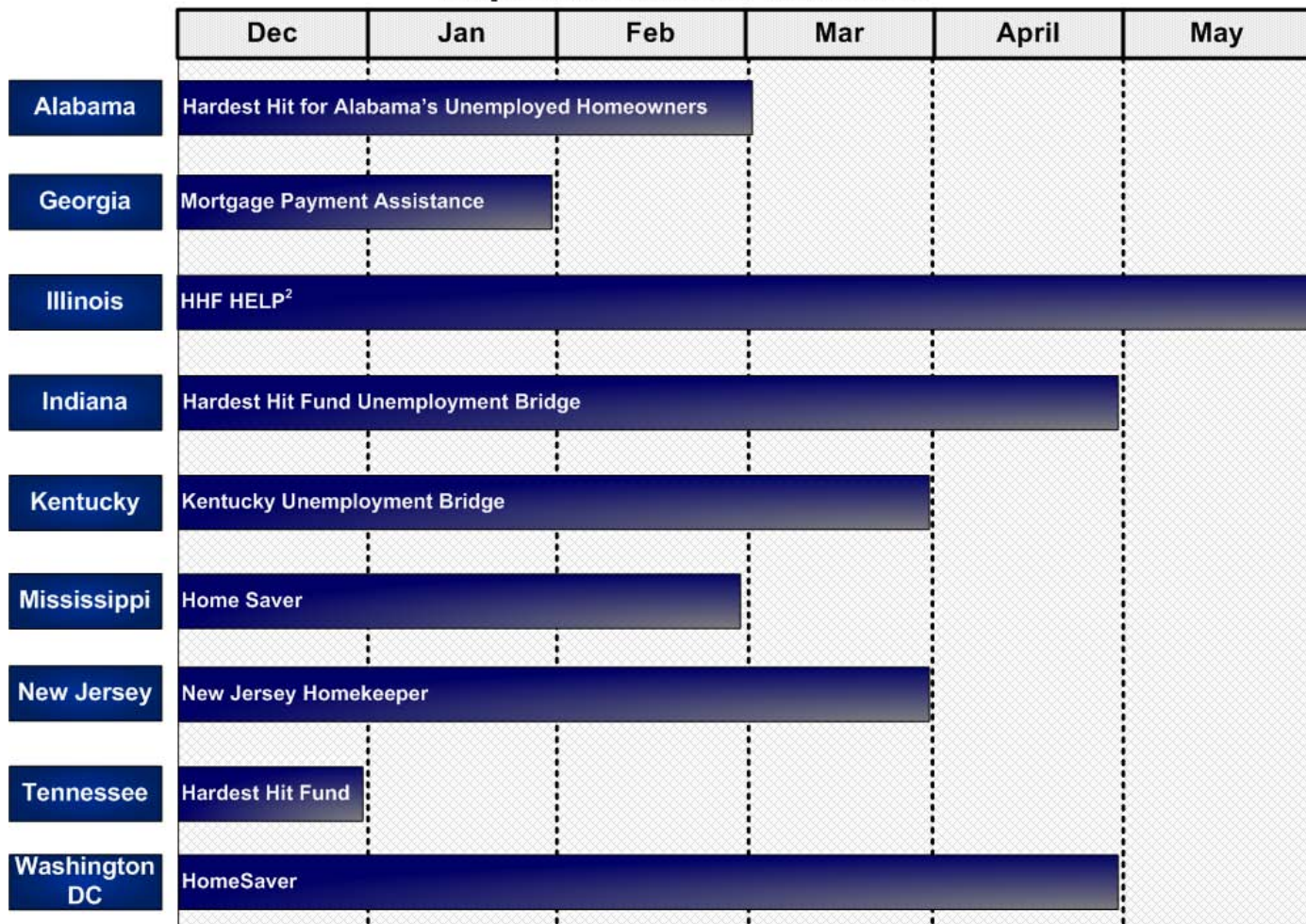
# PROGRAM ROLL-OUT TIMING – SECOND ROUND STATES

## Implementation Timeline



# PROGRAM ROLL-OUT TIMING – REMAINING HFAS

## Implementation Timeline



<sup>2</sup>Hardest Hit Fund Homeowner Emergency Loan Program



# REPORTING

- HFAs will report aggregate-level metrics (performance vs. stated program objectives) such as those listed below on a quarterly basis to Treasury through the Bank of New York Mellon, Treasury's Financial Agent for the program.
- Reports will be made public through the HFAs directly

## Borrower Characteristics

- Income category
- Race / gender
- Estimated LTV
- Delinquency status

## Assistance Characteristics

- Number / % of homeowners approved / denied
- Median UPB before / after assistance
- Median housing payment before / after assistance
- Amount spent by month

## Performance Outcomes

- Number of borrowers who remain in their homes 6 months after assistance
- \$ of leveraged assistance (matching by lenders / servicers / investors)
- % who transition into HAMP or other modification program
- % who reinstate loan and no longer need assistance



# COMPLIANCE

## Summary of HFA Compliance Requirements

### Reporting

- HFAs/Eligible Entities will develop and maintain operational and performance metrics and maintain a detailed financial reporting system to track homeowners receiving assistance, including metrics used to measure the effectiveness of programs against stated objectives.
- Eligible Entities will provide quarterly unaudited financial statements, annual audited financial statements and annual independent internal controls assessments to Treasury.

### Internal Controls

- HFA/Eligible Entity shall establish and implement monitoring mechanisms, and a system of internal controls designed to minimize the risk of fraud, mitigate conflicts of interest, and maximize operational efficiency and effectiveness to the satisfaction of Treasury
  - Perform and provide readiness assessment prior to program becoming fully operational
  - Develop anti-fraud and compliance program within 90 days of closing
  - Independently evaluate internal controls on an annual basis and provide certification regarding the effectiveness.

### Access to Information

- HFA and Eligible Entity shall provide Treasury or its designee with access to all internal control reviews and reports as well as all books and records (including loan level information).

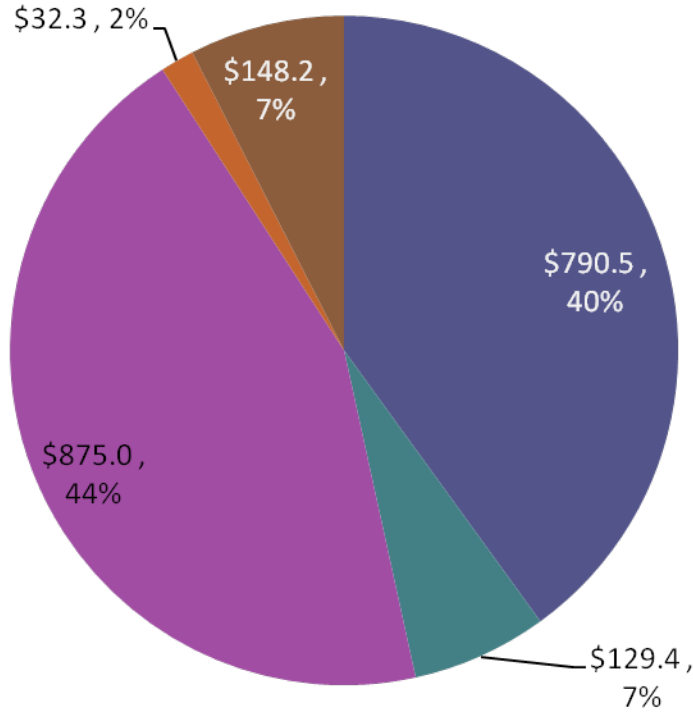
## OFS Compliance Expected Activities

- Assess that appropriate controls are established to reasonably ensure data is accurate and timely inputted for reporting to Treasury which may include transaction testing.
- Review financial statements and internal controls assessments. Periodically perform assessments of internal controls for expenses and cash disbursements which may include transaction testing.
- Review readiness assessment, anti-fraud and compliance program to reasonably ensure it will cover the appropriate areas of risk.
- Periodically perform assessments of monitoring functions to reasonably ensure adherence to program guidelines which may include transaction testing.
- Review annual independent evaluation and certification of internal controls.



# PROGRAM ALLOCATIONS AND ELIGIBILITY CRITERIA – CA

## Program Allocations



- 1st Lien Principal Reduction
- Reinstatement Assistance
- Unemployment Assistance
- Transition Assistance
- Administrative Expenses

## Eligibility Criteria

- Borrower must not have income greater than 120% AMI
- Borrower must complete and sign a Hardship Affidavit and document the reason for the hardship
- Borrower's "hardship" is a result of voluntary resignation of employment; the borrower is no longer eligible for unemployment benefits from the California Employment Development Department (EDD) or such benefits will expire within 90 days
- Borrowers who own other properties will not qualify
- The mortgage loan is delinquent (or the servicer receives documentation that substantiates an imminent default that meets hardship qualifications (some programs have limits about how delinquent you can be, e.g. no more than 3 payments).
- Mortgage amount must be equal to or less than GSE conforming limits
- Property must be borrower's primary residence and must be owner occupied
- Borrowers in active bankruptcy are not eligible
- Loan Originated before 1/1/2009

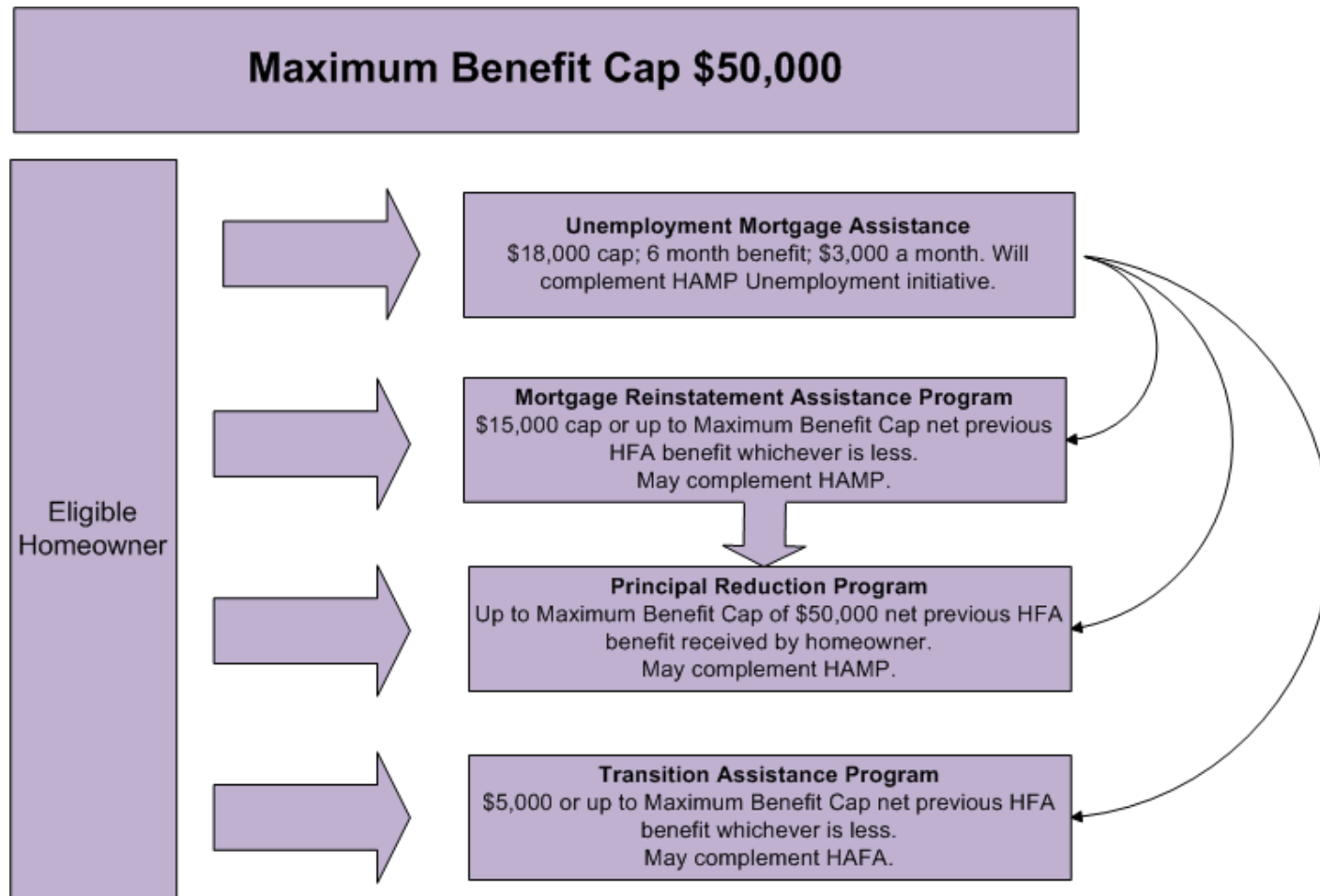
## Geographic Targeting

- Designed to target low-to-moderate income borrowers and address needs of borrowers in specific situations in lieu of targeting certain regions or counties



# PROGRAM INTERACTION – CA

- Homeowners may transition through the Unemployment Mortgage Assistance Program, Mortgage Reinstatement Assistance Program, Principal Assistance Program, and Transition Assistance Program depending on individual circumstances. These programs will interact with Making Home Affordable Programs. A maximum per household benefit cap of \$50,000 is in place.



# SUMMARY OF PROGRAMS – CA

	Unemployment Mortgage Assistance Program (UMA)	Mortgage Reinstatement Program (MRAP)	Principal Reduction Program (PRP)	Transition Assistance Program (TAP)	Total <sup>(1)</sup>
<b>Summary</b>	Assistance in the form of mortgage payment subsidy with benefit capped at \$9,000 per household and term up to 6 months.	Provides funds to assist borrowers cure delinquent first mortgage loan arrearages.	Reduce principal below 125% LTV over a three year period.	One-time incentive payment used in conjunction with servicer / lender short sale / deed-in-lieu program.	
<b>Allocation</b>	\$875M / 44%	\$129M / 7%	\$790.5M / 40%	\$32M / 2%	\$1.975M / 100%
<b>Lender Match</b>	No	No	Yes	No, leverages HAFA	
<b>Cost per Transaction<sup>(2)</sup></b>	\$18,000	\$15,000	\$50,000	\$5,000	
<b># of Households Assisted <sup>(2)</sup></b>	60,531	9,211	25,135	6,480	101,337
<b>Structure of Assistance</b>	Payment subsidy of up to \$18,000 with a max of 6 months aid with a monthly cap of \$3,000, structured as a forgivable loan.	Maximum aid of \$15,000 or 50% of past due amount, whichever is less, structured as forgivable loan.	Maximum assistance of \$50,000 structured as soft second lien with earned principal forgiveness over a 3 year term.	One-time servicer incentive of up to \$5,000.	
<b>Timing to Initial Deployment of Funds</b>	5 Months	5 Months	5 Months	5 Months	
<b>Duration of Program</b>	3 Years	3 Years	3 Years	3 Years	

(1) Total includes \$53M of administrative expenses (8% of total or 6% ex-counseling expenses)

(2) Assumes maximum assistance per borrower.

