

# NCSHA 2016 Annual Awards Entry Form

(Complete one form for each entry)

**Deadline: Wednesday, June 15, 2016**

Visit [ncsha.org/awards](http://ncsha.org/awards) to view the Annual Awards Call for Entries.

**Instructions:** Type entry information into the form and save it as a PDF. Do not write on or scan the form. If you have any questions contact [awards@ncsha.org](mailto:awards@ncsha.org) or 202-624-7710.

Fill out the entry name *exactly* as you want it listed in the program.

**Entry Name:** \_\_\_\_\_

**HFA:** \_\_\_\_\_

**Submission Contact:** (Must be HFA Staff Member) \_\_\_\_\_ **Email:** \_\_\_\_\_

Please provide a 15-word (maximum) description of your nomination to appear on the NCSHA website.

\_\_\_\_\_

Use this header on the upper right corner of each page:

**HFA:** \_\_\_\_\_

**Entry Name:** \_\_\_\_\_

**Select the appropriate subcategory of your entry and indicate if you are providing visual aids.**

<b>Communications</b>	<b>Homeownership</b>	<b>Legislative Advocacy</b>	<b>Management Innovation</b>
Annual Report	Empowering New Buyers	Federal Advocacy	Financial
Creative Media	Encouraging New Production	State Advocacy	Human Resources
Promotional Materials and Newsletters	Home Improvement and Rehabilitation		Operations
			Technology
<b>Rental Housing</b>	<b>Special Needs Housing</b>	<b>Special Achievement</b>	Are you providing visual aids?
Encouraging New Production	Combating Homelessness	Special Achievement	Yes
Multifamily Management	Housing for Persons with Special Needs		No
Preservation and Rehabilitation			

## **Principal Reduction for Unaffordable Mortgages**

Nobody likes a downward spiral. Yet, homeowners that found they could not afford their mortgage payments were trapped in just that: a downward financial spiral. They either walked away from their homes or exhausted other resources, digging a deeper “financial hardship” hole, before falling behind on payments and arriving at the inevitable outcome: foreclosure.

Foreclosures have negative impacts beyond their effects on the people who lost their home. Among the myriad issues the surrounding community experiences are resident instability, vacant houses, property value decline, and so on. The team who manages Keep Your Home California – California’s Hardest Hit Fund program on behalf of the California Housing Finance Agency had witnessed this downward spiral play out for many homeowners. They set out to find a solution to help with the “affordability” problem many homeowners faced before it spun out of control.

After several months of work, Keep Your Home California implemented an expansion of its existing Principal Reduction Program. The Principal Reduction Program was designed to provide up to \$100,000 in mortgage payment assistance to reduce the outstanding loan balance for qualifying homeowners with negative equity. Essentially, the program cured loan-to-value ratio issues with the first mortgage, which often resulted in lower monthly payments for homeowners after re-amortization of the new, lower first mortgage balance. However, the funds were not available to homeowners who had positive equity, even if their debt-to-income ratio was higher than nationally recognized “affordable” levels. Thus, the Principal Reduction Program “Affordability” utility (PRP-A) was added, effectively allowing Keep Your Home California to utilize program funds to solve both negative equity and affordability issues.

In June 2015, the first homeowners to receive mortgage payment assistance through PRP-A had the funds applied to their mortgage balances. As a result, the previously unaffordable monthly mortgage payments were reduced to a sustainable amount, providing the homeowners with the ability to continue making their monthly payments in the future.

The Keep Your Home California management team wanted to assist homeowners with unaffordable mortgages and they had high hopes for the effectiveness of PRP-A. They did not anticipate the dramatic effect it would have on the program, and homeowners, in just one year.

### **BACKGROUND**

Keep Your Home California is the State of California’s version of the US Treasury’s “Hardest Hit Fund” program. The 18 states and the District of Columbia that were hit hardest by the financial downturn were allocated funding to implement foreclosure prevention programs geared towards the needs of their region. California received \$2.36 billion.

Struggling California homeowners can receive up to \$100,000 in free mortgage payment assistance to prevent foreclosure through Keep Your Home California. There are four unique first mortgage programs that make up Keep Your Home California, all designed to address different aspects of the foreclosure crisis. Homeowners must meet eligibility criteria in order to qualify for assistance, and all Keep Your Home California services are provided free of charge.

## **RESPONSE TO AN IMPORTANT STATE NEED**

Keep Your Home California management reviews homeowner ineligibility reasons on a periodic basis in order to determine if changes in one or more of the program criteria would be favorable, with the purpose of enabling Keep Your Home California to assist more homeowners – and do so more efficiently.

Ineligible statistics are reviewed by staff on a regular basis, and with the Board at each Board of Directors meeting. If appropriate, staff will submit proposals for program criteria changes, based on analyses of these statistics, to the Board for their consideration and approval.

The creation of PRP-A is a prime example of analyses of ineligible statistics, and a proposal to the Board for program criteria changes, that resulted in a decrease in the number of homeowners who are found ineligible for program assistance.

The Keep Your Home California management team recognized that a large proportion of homeowners that applied for assistance were denied because the homeowners' post-assistance first mortgage payments were still unaffordable and their servicers were unwilling or unable to provide loan modifications. This was the circumstance for both the Mortgage Reinstatement Assistance Program, which provides up to \$54,000 for delinquent homeowners to “catch-up” on past-due mortgage payments, and the Principal Reduction Program. If the homeowner needed a servicer-provided loan modification to achieve a post-assistance affordable payment, the servicer denied the transactions more than 90% of the time.

California has a significant population of distressed homeowners with unaffordable mortgage payments, and many of these homeowners remained at high-risk of foreclosure because Keep Your Home California was unable to help due to the program not having an avenue to effectively provide the assistance. The problem was two-fold: the Principal Reduction Program could not be utilized by homeowners with unaffordable payments if they had positive equity or their post-assistance mortgage payment was unaffordable, and, homeowners, with unaffordable payments, who fell behind on their mortgage payments, were not being approved for loan modifications in conjunction with the Mortgage Reinstatement Assistance Program. PRP-A solved both problems.

When PRP-A was implemented, Keep Your Home California no longer combined Mortgage Reinstatement Assistance Program transactions with a servicer-provided loan modification as a means of achieving an affordable post-assistance payment. Instead, PRP-A allowed for use of a principal reduction to achieve the affordable payment in conjunction with the loan's reinstatement – thereby eliminating the need to combine the Reinstatement Assistance with a servicer-provided loan modification. Making this change mitigated the number of ineligible transactions and enabled more homeowners to obtain the help they needed to avoid foreclosure and have a sustainable mortgage payment.

## **INNOVATION**

Keep Your Home California's PRP-A expansion was innovative in various ways:

### **First “Hardest Hit Fund” state to use principal reduction funding to solve for affordability.**

California was the first state to implement program criteria allowing loan recasts to solve for mortgage payment affordability. Now that California has developed and implemented PRP-A, multiple other states are evaluating how they could implement similar programs.

**Ease of use for participating servicers.** Servicer participation in each of the Keep Your Home California programs is voluntary, and, even when a servicer is signed up for the Principal Reduction Program, they may not be able to accept the funds on behalf of a homeowner due to their agreements with investors. This was an issue Keep Your Home California encountered frequently when a modification was

necessary in order to achieve an affordable payment for the homeowner. Certain investors would not allow the servicers to modify loans, so they were prohibited from accepting Keep Your Home California assistance, leading to many homeowners being declined. PRP-A solved this problem by allowing the servicer to apply the funds to the outstanding principal balance, and then re-amortize it based on the new lower amount to arrive at lower monthly payment without doing a loan modification.

**Proactively solve a problem early in the process.** PRP-A provides an opportunity to help homeowners with their affordability issues before they fall behind on their mortgage payments. If they are facing imminent default due to affordability, PRP-A can help them avoid delinquency and attain an affordable payment. But, if the homeowner is already behind on their mortgage at the time of their Keep Your Home California application, Keep Your Home California can help them with reinstatement. PRP-A adds another point in time where Keep Your Home California can help distressed homeowners.

**Modified an existing program to save time and money.** Rather than building a brand new program from the ground up, Keep Your Home California management made the strategic decision to change the Principal Reduction Program guidelines. This approach significantly reduced the amount of staff time and system changes that would have otherwise been needed to develop a new stand-alone “Affordability” program. Additionally, the program avoided major changes to its website and marketing collateral.

## RESULTS

- 1,764 homeowners have received \$114,140,893 in funding through PRP-A (as of May 31, 2016).
- 35.3% of all Principal Reduction Program dollars funded since Keep Your Home California’s inception (February 2011; 5+ years) have been funded in the four quarters since PRP-A’s implementation (through 1st quarter 2016).
- Keep Your Home California quarterly funding records have been broken since PRP-A implementation:
  - The two biggest quarters on record were 3rd quarter and 4th quarter 2015; over \$95 million in total funding provided each quarter.
  - The largest year (four quarter period) of funding provided to homeowners was 2nd quarter 2015 through 1st quarter 2016.
- At the end of the 1st quarter of 2016, the Principal Reduction Program transaction pipeline was the largest of any Keep Your Home California program by volume, representing 43% of all transactions. PRP-A accounted for 61% of those Principal Reduction Program transactions.
  - The Principal Reduction Program had never been the largest program by volume before PRP-A’s implementation. It has been the largest program every quarter since.
- Since PRP-A’s inception, approved Principal Reduction Program transactions have resulted in a median monthly payment reduction of \$259 per month; an almost 20% reduction.
- 33 mortgage servicers signed up to participate in the Principal Reduction Program in the four quarters since PRP-A was implemented; a 22% increase in servicer participation.

## BENEFITS THAT OUTWEIGH COSTS

It is difficult to come up with an exact dollar figure that represents the cost of the development and implementation of PRP-A. As noted above, some staff time and system changes were necessary to implement the new program criteria but the additional costs were nominal. Considering that 1,764 homeowners have received \$114,140,893 in funding through PRP-A in one year (as of May 31, 2016), as well as the various other positive results cited above, PRP-A has been a resounding success and the benefits far outweigh the costs.

## VISUAL AIDS

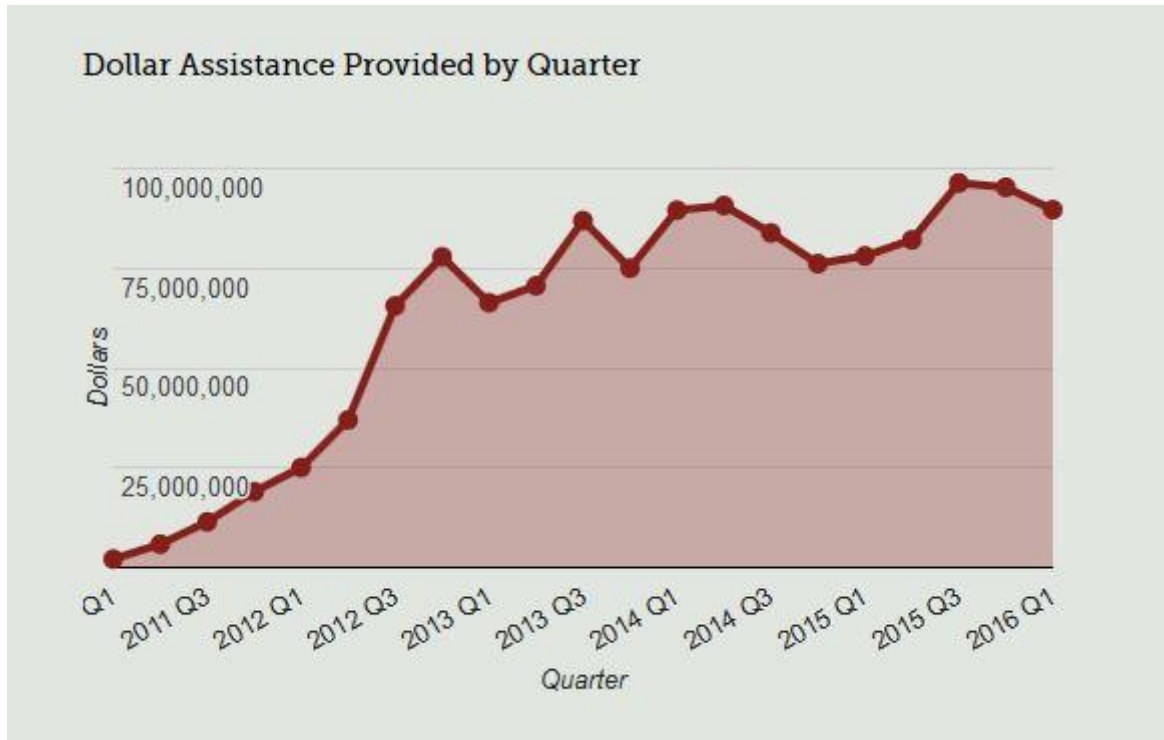
Principal Reduction Program Summary Guidelines:

<http://keepyourhomecalifornia.org/app/uploads/2016/05/PRP-Termsheet-05-2016.pdf>

Mortgage Reinstatement Assistance Program Summary Guidelines:

<http://keepyourhomecalifornia.org/app/uploads/2016/05/MRAP-Termsheet-05-2016.pdf>

Keep Your Home California “Assistance Provided” since program inception:



More data available on the “Reports and Statistics” webpage of the Keep Your Home California website:  
<http://keepyourhomecalifornia.org/quarterly-reports/>

Keep Your Home California “Quarterly Performance Data Report” to U.S. Treasury for 2016 First Quarter: [http://keepyourhomecalifornia.org/app/uploads/2013/01/HFA\\_CA\\_Q1\\_2016.pdf](http://keepyourhomecalifornia.org/app/uploads/2013/01/HFA_CA_Q1_2016.pdf)

Keep Your Home California “Quarterly Performance Data Report” to U.S. Treasury for 2015 Fourth Quarter: [http://keepyourhomecalifornia.org/app/uploads/2013/01/HFA\\_CA\\_Q4\\_2015.pdf](http://keepyourhomecalifornia.org/app/uploads/2013/01/HFA_CA_Q4_2015.pdf)

Keep Your Home California “Quarterly Performance Data Report” to U.S. Treasury for 2015 Third Quarter: [http://keepyourhomecalifornia.org/app/uploads/2013/01/HFA\\_CA\\_Q3\\_2015.pdf](http://keepyourhomecalifornia.org/app/uploads/2013/01/HFA_CA_Q3_2015.pdf)

Keep Your Home California “Quarterly Performance Data Report” to U.S. Treasury for 2015 Second Quarter: [http://keepyourhomecalifornia.org/app/uploads/2013/01/HFA\\_CA\\_Q2\\_2015.pdf](http://keepyourhomecalifornia.org/app/uploads/2013/01/HFA_CA_Q2_2015.pdf)