

## **NCSCHA 2010 Awards**

**Entry Name: Helping Hardest-Hit Homeowners Campaign**

**Category Name: Special Achievement – Special Achievement**

**HFA: Michigan State Housing Development Authority (MSHDA)**

### **Background:**

In February 2010, President Obama announced \$1.5 billion in funding for innovative measures to help families in the states that have been hit the hardest by the aftermath of the housing bubble. The Michigan State Housing Development Authority (MSHDA) was selected as one of five state Housing Finance Agencies (HFAs) to share in the Hardest-Hit Fund investment. The MSHDA award of \$154.5 million was determined through a formula developed by the U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Treasury that measured state unemployment and home value depreciation in 2009. The other four participating states are Arizona, California, Florida and Nevada.

Michigan was the first of the five state HFAs to submit and implement its plan. In June, the U.S. departments of Treasury and HUD approved MSHDA's plan to distribute the \$154.5 million in federal funds beginning July 12. The plan was designed to help more than 17,000 Michigan households avoid foreclosure, including 11,000 homeowners who are drawing unemployment benefits and struggling to make monthly mortgage payments. MSHDA estimates it will take 12–18 months for the state's Hardest-Hit Fund to be completely distributed.

### **Campaign Overview and Objectives:**

The Obama administration challenged MSHDA to devise a program that could help thousands of Michigan families keep making their payments and stay in their homes until they can find work. Michigan's Hardest-Hit Fund plan has helped homeowners who are unemployed, homeowners who have fallen behind in their mortgage payments or taxes due to a temporary layoff or medical emergency, and homeowners who can no longer afford their mortgage payments due to lower income.

### **Planning:**

MSHDA worked with its communications contractor, Pace & Partners, to develop a marketing and earned media campaign that would attract the attention of Michigan homeowners who were having difficulty making their mortgage payments. The message is simple: "A step forward when you're a step behind." MSHDA's audience is as broad as the problem is pervasive in Michigan. All categories of people are affected, in every community, from all income levels, races and ages.

Additionally, MSHDA had to *clearly* convey that applicants to the Hardest-Hit Fund program must *first* contact their mortgage servicer to confirm their eligibility and get assistance with applying to the program. MSHDA also had to communicate its intentions and program details in advance of the July 12 launch in order to spur participation by banks, credit unions and nonprofit homeownership counseling agencies.

### **Execution:**

Governor Jennifer M. Granholm announced at press conferences held in Lansing and Flint on July 7, 2010, that MSHDA, along with banks, credit unions, and nonprofit counseling agencies, would launch a statewide education campaign coinciding with the program's start on July 12, 2010.

MSHDA aimed to create statewide awareness of the three new programs that are available to Michigan homeowners who have fallen behind on their mortgage payments:

- **Unemployment Mortgage Subsidy Program** – Assistance of up to half of the required monthly mortgage payment (up to \$750) for a maximum of 12 months, or \$9,000 total, while borrowers are seeking new employment.

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- **Loan Rescue Program** – Assistance of up to \$5,000 to apply toward arrearages for households that have fallen behind on their mortgages while overcoming employment problems, divorce or serious illness.
- **Principal Curtailment Program** – A one-time matching funding between Hardest-Hit funds and current mortgage lender of up to \$10,000 to homeowners who have had a decline in income.

MSHDA also implemented a social marketing plan including Web ads, print collateral (provided to unemployment agencies, social security offices and lenders around the state), and links to its [michigan.gov/HardestHit](http://michigan.gov/HardestHit) Web page, frequently updated with the latest information. In addition, MSHDA produced a series of public service announcements (PSAs) that appeared in newspapers and on radio and television stations across Michigan, urging at-risk homeowners to contact their mortgage servicer to determine whether they are eligible for the program.

### **Innovation:**

- MSHDA's plan was developed in partnership with representatives from the Michigan Bankers Association, the Michigan Credit Union League, the Michigan Association of Community Bankers, the Michigan Association of Realtors, the Michigan Foreclosure Task Force, and MSHDA's statewide homeownership counseling network. This partnership was unprecedented in Michigan and required constant communication between MSHDA and the various organizations while details of the plan were finalized.
- The rapidness of responses by MSHDA on Hardest-Hit Fund applications has been widely praised by consumers and financial institutions as being extraordinary for a state government agency. Applications completed by homeowners and their loan service providers are submitted for approval to MSHDA, with final approval of applications occurring within 48 hours of receipt of a complete application package. MSHDA hired only five additional staff to review the applications, which are processed on a first-come, first-served basis.
- Programs were crafted with the main focus centered on unemployed and underemployed Michigan residents. More than 50 percent of Michigan's current mortgage delinquencies are attributable to declining income.
- Unlike other states' Hardest-Hit Fund plans, Michigan's programs have not relied on hiring additional homeownership counselors. Homeowners seeking assistance are working directly with their lenders, resulting in lower administrative costs plus quicker application of program dollars to those in need.
- And, unlike the Hardest-Hit Fund plans of other states that have focused on helping at-risk homeowners in certain regions, MSHDA's programs are open and available to eligible homeowners throughout the entire state.

### **Responding to state need:**

A decade-long economic downturn has left Michigan with the nation's second-highest unemployment rate and one in every four of its residents relying on unemployment insurance, Medicaid, cash assistance, or food stamps. The decline of the auto industry and American manufacturing in general has contributed to the state's struggles. Michigan is expected to have lost 1 million jobs during the downturn and still posts a 13.2 percent unemployment rate. When the count includes those who have quit looking for work as well as part-timers seeking full-time work, Michigan's rate of unemployment and underemployment is 21.7 percent. The real unemployment rate in the city of Detroit, the poorest big city in the United States, is close to 50 percent. Housing values have fallen as much as 75 percent from the market's peak in some

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neighborhoods in the most severely affected housing markets, including Michigan, Florida, California and Nevada. The foreclosure crisis has led to millions of mortgage holders losing homes nationally, including thousands of Michigan families. Michigan recorded more than 78,000 foreclosures through the first six months of this year, or about one of every 58 properties. Southeast Michigan, for example, set a foreclosure record for the first half of the year – 47,563 foreclosures, a 35 percent jump from the first half of 2009. According to data compiled by the Southeast Michigan Council of Governments, one in 28 properties in the city of Detroit is in foreclosure. Of an estimated 341,554 housing units in Detroit, only an estimated 246,447 are occupied. When the foreclosure rate is calculated with respect to the number of occupied properties, it rises to one in 20 in foreclosure.

### **Provide benefits that outweigh costs:**

- Supporting a recovery/assistance system saves the State of Michigan millions of dollars in costs because it keeps families and individuals from losing their homes to foreclosure and from entering the ranks of the homeless, preserves state and local tax bases, and maintains property values of homeowners not at risk of foreclosure.
- MSHDA sought to efficiently allocate funds not only by need but by the number of households it might help. As of August 10, 2010, MSHDA had received 89 requests for funding totaling \$405,711, with 48 percent of the requests coming from southeast Michigan. MSHDA expects these numbers to increase significantly as lenders work through their delinquent pipeline and identify more Michigan residents facing declining income.
- MSHDA worked with media partners across Michigan to receive value-added “bonus” placements in every market of radio, television and Web advertising. Over the first month alone, MSHDA received value-ad placements from nearly 60 media vendors with whom they placed paid media. MSHDA will continue to place media, including the already-produced marketing collateral, in response to growing demand.
- More than 500 earned media stories on the Hardest-Hit Fund were published or broadcast by newspapers, television and radio outlets across Michigan and nationally following the two July 7 press conferences. To date, nearly 1,000 stories have been disseminated by the news media in Michigan about the Hardest-Hit Fund.

### **Achieve intended results:**

MSHDA received over 30,000 calls within hours of the July 12 launch, the largest volume of calls ever placed in one day to a state agency in Michigan. Since then, the Hardest-Hit web site has received nearly 8,000 visits and the toll-free hot line has received over 44,000 calls. As of August 10, a total of 89 loans had been submitted to MSHDA, with 51 approvals, 22 incomplete with additional information needed, 3 rejections due to not qualifying for program, and 13 pending review.

On August 11, 2010, the Obama administration announced an expansion of the Hardest-Hit Fund initiative to provide additional assistance targeted at unemployed borrowers in states with the highest unemployment rates. This expansion of the Hardest-Hit Fund will include up to \$2 billion in funding for HFAs to offer a standard unemployment bridge program that will pay a portion of a borrower’s mortgage payment while he or she is unemployed or underemployed. Michigan’s allocation totaled \$128 million, which reflects the significant need to assist homeowners through an ongoing unemployment crisis.