NCSHA Awards Entry Description
Special Achievement

North Carolina's Home Protection Program
North Carolina Housing Finance Agency

North Carolina lost more than a quarter of a million jobs from 1998 to 2004. The steady trend was punctuated in 2003 by the largest plant closing in the state's history, when the bankruptcy of Pillowtex put 4,300 people out of work overnight and boosted the unemployment rate in Rowan County to 12.2%. During the same period, the state's annual home foreclosure rate nearly tripled, from 15,283 to 42,882. The predominant cause in 2004 was increasing job loss in textiles and the traditional manufacturing sectors, and the effects were concentrated in counties where the layoffs were greatest.

The Home Protection Program responds creatively to the layoffs by helping workers who lose their jobs because of changes in economic conditions to avoid foreclosure on their homes. The program was created during the 2004 legislative session through the collaboration of the North Carolina Housing Finance Agency, members of the General Assembly, the North Carolina Justice Center and the North Carolina Housing Coalition. It offers displaced workers the only financial assistance available in the state to help them save their homes and provides counseling to hundreds of others who do not qualify for direct loans.

The pilot began in 2004 with a $1.725 million appropriation and operations in eight of the hardest-hit counties. Although it has met difficult challenges, by 2008, the Home Protection Program (HPP) was available in 61 of the state's 100 counties, with substantial enough results to earn a permanent commitment by the state. The General Assembly voted the program a recurring $3-million annual appropriation this July and authorized statewide expansion.

Among the accomplishments that earned HPP's new status:

- **330** homeowners have been approved for bridge loans to help save their homes.
- **440** homeowners have benefited from a 120-day stay-of-foreclosure
- **2,000** homeowners have benefited from financial counseling
- **217** borrowers are in job training, returning to school for further education, or preparing for new jobs
- **$40 million** of property has been saved from foreclosure.

How It Works. In designing the program, NCHFA benefited from having as a model Pennsylvania Housing Finance Agency's Homeowners' Emergency Mortgage Assistance Program (HEMAP), and from PHFHA's generous assistance in avoiding major potholes. However, the two situations had nearly as many differences as similarities, especially in scale. The 22-year-old HEMAP was created to soften the impact of steel mill closings, with an initial appropriation of $25 million.

In contrast, our task was to squeeze as much benefit for families as we could from North Carolina's initial appropriation of $1.725 million. We looked for counties where the most jobs had been lost, but where re-employment opportunities continued to exist and local counseling agencies had the capacity to bring the program to displaced workers. We identified eight counties and a counseling agency to serve each.

Although we've tweaked the program in various ways, the basic benefits, eligibility requirements and operations have changed little since HPP was introduced. Displaced workers apply directly to the local counseling agency, which determines their general eligibility, helps them complete the application, and forwards it to NCHFA for underwriting. Counseling agencies receive operating reimbursement and marketing funds from NCHFA. Benefits for displaced workers include:

- A 120-day stay-of-foreclosure is issued once NCHFA's preliminary review determines possible eligibility. Even if the application is ultimately denied, this stay gives homeowners time to organize their finances and perhaps avoid foreclosure by selling their property. The issuance of stays-of-foreclosure by a state agency was unprecedented.

- Short- or long-term assistance up to $20,000. Depending on needs, NCHFA can bring the homeowners' mortgage current or make mortgage and other loan-related payments on their behalf for up to 18 months. The assistance is recorded as a lien on the property and is structured as a zero-interest deferred loan to be repaid at the end of 15 years, or when the home is sold.

- Everyone who applies, whether eligible for the loan or not, receives housing counseling from the local agency on their options for avoiding foreclosure or minimizing loss.

Who Is Eligible? Displaced workers are eligible if they:
- Live or work in one of the designated counties
- Have lost their job because of changing economic conditions
- Were current on their mortgage prior to losing their jobs
- Have a new job commitment, are enrolled in approved training or education, or are in a job search
- Show evidence that potential jobs will allow them to resume mortgage payments.

Plenty of Challenges. Evaluating the applications plunged NCHFA underwriters and local counselors into uncharted territory. By the time most applicants come for help, their finances are a tangle and many are only days from foreclosure. Many had lived from paycheck to paycheck before their layoff; others used credit cards extensively and depleted their retirement savings. By the time they apply for help, virtually no one has the kind of credit our loan underwriters would consider essential to own a home.

Even decisions about the causes of a job loss have more shades of grey than blacks or whites. The more we have worked with the program, the broader our interpretation. One loan went to a hotdog vender who had served lunch to factory workers until the plant closing put him out of business. Although he was self-employed and not affiliated in any way with the plant, we considered his lost job to be caused by changing economic conditions and approved his loan.

Perhaps hardest of all is determining whether displaced workers have a realistic chance to find a job that will allow them to resume mortgage payments. HPP loans are a scarce resource: unless the recipient has a good possibility of keeping the home, bridge funds simply prolong the agony and divert resources from a worker with a better chance to recover.

Getting the Ball Rolling. Four years of experience has not made underwriting HPP loans less labor-intensive. Other steps have enabled NCHFA to establish solid working relationships with the counseling agencies and get the word out more effectively in the affected communities. To launch the program, and at each expansion, NCHFA staff have offered training classes and one-on-one sessions for the counselors. We encourage phone conferences about difficult cases. We've provided special training for our own underwriters and instituted group case reviews to ensure consistency and reduce pressure. To help get the word out, we've enlisted the Employment Security Commission, human resource departments of closing plants, and the Community College System, which is a major provider of GED courses and worker re-training. As the program has matured, Clerks of Court, servicers and foreclosure attorneys have actively provided referrals. In addition to providing funds for local marketing, NCHFA has provided templates for local press releases, postings on its web site, and a brochure for distribution by the counseling agencies and other partners. As a result, the state's network of partners supporting displaced workers has been expanded and communication has been strengthened.

We've simplified processes where we could. Although the statute originally required repayment to begin at the end of the loan term, we soon realized that servicing hundreds of $25 repayments a month was costing more than it brought in. We converted to deferred loans, repayable at the end of 15 years.

What It Costs. In the first four years, appropriations for the HPP totaled $5.425 million. Approximately 25% of the money is used to pay the counseling agencies for services, and the remainder funds loans. NCHFA pays its own costs, as its policy is not to seek or accept operating funds from the General Assembly. In the first 42 months, NCHFA has paid $770,000 in salaries and direct costs to manage the program. While some of these costs are associated with program development and start-up, we expect HPP loans to continue to be much more expensive to underwrite than our first-time homebuyer loans, even as volume increases. However, the program has been integrated into NCHFA's Foreclosure Prevention Team and it has improved our staff's ability to respond to the threat of foreclosure for other reasons as well worker displacement.

Measuring Success. NCHFA believes that such a significant investment is justified by its mission—and besides, as noted above, no other funds are available to help displaced workers keep their homes. The results have been the life-changing.

- A Caldwell County couple raising their three grandchildren worked in the furniture industry for years and made their house payments on time. The plant closed. The family was facing foreclosure when they learned about the Home Protection Program in a GED class. The grandmother is now training to become a licensed practical nurse. HPP paid the past-due mortgage amount and will pay the monthly payment until she re-enters the job market.

- The Bladen County mother of a disabled son had been a certified nursing assistant until her employer closed. Five months behind on her mortgage, she obtained employment at lesser pay. The Home Protection Program brought her mortgage, property taxes and insurance current. With budgeting help, she is adjusting to her reduced income and has started a savings account.

- In Forsyth County, a young mother was laid off from her manufacturing job and was in danger of losing her new home. With HPP assistance, she enrolled in a nine-month program toward certification in radiology. She is a B+ student, on track for a better career than she ever thought possible.

NCHFA has gained important side benefits. Strong relationships that developed with counseling agencies through the HPP have helped us gain a $3 million NeighborWorks grant this year to pay for foreclosure prevention counseling for families caught up in subprime loans or other difficulties. The goodwill that the HPP earned with legislative leaders likely strengthened our request for a Trust Fund appropriation to finance development. In a year of budget short-falls, the Trust Fund's recurring funding was increased to $10 million from $8 million, and an additional $7 million was appropriated to develop housing for persons with disabilities.

Our experience seems useful to other HFAs. Illinois Housing Development Authority has gained AFL-CIO support for a home protection program based on ours, which is now before the Illinois legislature.

But the most important measure of success is summed up by this homeowner: *I was recently laid off from my job. I have four small children, one is disabled, and we live off my income. My wife has to stay home and take care of our daughter. I do not plan to waste this time I am not working. After I obtain my GED, I will be eligible to take classes in refrigeration and heating and air service. When I go back to work, we will have no problem paying our mortgage. If this program can help, it would be a great blessing to our family and a large step in helping us find financial security.*