



Best Practices in HFA Mortgage Assistance Program Design: Lessons Learned from HHF and CRF

Presented by NCSHA Staff



Methodology

NCSHA surveyed state HFAs that administered the federal Hardest Hit Fund (HHF) program in the aftermath of the Great Recession or administered short-term emergency homeowner assistance programs in 2020 with federal Coronavirus Relief Fund (CRF).

Survey respondents:

- **11 HHF HFAs: AL, AZ, CA, FL, GA, KY, MI, NV, RI, and TN**
- **4 CRF HFAs: DE, MT, PA, and VT**

Focus of this Report

This report focuses on those survey questions most relevant to program design and delivery, which we feel is of the most critical need to HFAs as they develop their Homeowner Assistance Fund (HAF) plans.

A forthcoming report will summarize lessons from HHF and CRF homeownership program marketing and compliance.

A more comprehensive summary of the responses received to each of the questions will be available to HAF program administrators at NCSHA's HAF Document Library:

<https://www.ncsha.org/document-library-for-crf-and-hhf-programs/> (password protected).

3 Major Challenges and Solutions

Adequate staffing – agencies need to assess where they need to add staff or contractor capacity and budget appropriately to acquire and retain the necessary expertise up front.

Securing servicer participation – agencies should work together to align programs and servicer agreements to the extent feasible to attract the interest of servicers with multistate footprints and will need to manage expectations regarding what they can do with fund in levels that, in some states, will be short of need.

Acquiring and integrating the right computer software and information technology for the program – agencies need to identify the right software to develop an application system that is scalable and ready to start on day one.

Deeper Look at Capacity

All HFAs administering HHF needed additional personnel to run their programs; some used temps and other outside firms, with mixed results.

Most HHF HFAs partnered with housing counselors in their states, most commonly to conduct applicant intake. Some HFAs also contracted with counseling agencies to assist with their underwriting and call center operations.

Several HFAs also outsourced aspects of their HHF program operations to third-party vendors, including underwriting, call center operations, and quality control.

All of the CRF HFAs anticipated that they would need additional staff to administer the HAF.

Advice on Getting Started

HHF and CRF HFAs all stressed the importance of a comprehensive application system and to secure partnerships with servicers and other third parties.

Several HFAs cited the need to develop clear program guidance and said they would look to develop common guidance with other HFAs.

One HFA responded that the first step it would take is to establish that it would provide assistance to homeowners as a grant rather than a loan.

What Worked to Engage Servicers in HHF?

Treasury's development of the Common Data File (the method by which servicers and HFAs transmit data about program applicants) and the common servicer agreement were integral to increasing and maintaining involvement of larger services. (NCSHA is actively encouraging Treasury to develop similar resources for HAF).

It was important for multistate servicers to identify a single point of contact for HFAs.

HFAs still had to do the legwork with smaller servicers.

Servicers valued simple programs. One HFA noticed early in its HHF program that some servicers would only participate in its Loan Modification and Reinstatement programs which were considerably simpler than its other HHF assistance options.

Role of Counselors

Counseling agencies played a varying role in most HHF programs.

Eight HFAs said they partnered with housing counseling agencies in their programs, mainly to conduct intake and help applicants apply.

Several HFAs also had housing counseling agencies conduct preliminary eligibility reviews for potential applicants. One HFA described counseling agencies as the “first line of defense” for their HHF program.

Role of Counselors, cont.

It's critical that HFAs carefully assess counselor capacity to deliver.

HFA generally paid housing counseling agencies compensated them through a fee-for-service model.

Key Elements of Program Design

Simple documentation requirements are essential. More documentation means more delays. Electronic signatures are recommended

Flexible program standards are key. States should avoid overly stringent requirements. One state specifically suggested that the program's income requirements not be set too low.

Start with reinstatement programs. Several HFAs said, based on their experience, the most effective way to help struggling homeowners is to first give them the assistance they need to reinstate their mortgage (and also cover other overdue housing-related expenses such as utilities and overdue property taxes). If the homeowner requires more assistance, they will be in a better position to work out a loan modification with their servicer.

Key Elements of Program Design, cont.

Grants instead of loans. A few HFAs also said that, based on their experience with HHF, they would structure any new mortgage assistance in the form of borrowers rather than loans. This is because grants are more generous and require less documentation and paperwork.

Have infrastructure in place before launching. All program operations, including staff, application software, call centers, IT systems, and partners should be completely ready to go before the assistance program becomes operational. Otherwise, HFAs can find themselves overwhelmed with applications while homeowners seeking assistance can become frustrated by delays and technical problems.



Questions?

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