NCSHA

May 6, 2021

MEMORANDUM

TO: Homeowner Assistance Fund Program Administrators

FR: NCSHA Staff

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

In April 2021, 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).

Fifteen HFAs responded to the survey. Eleven of the respondents administered HHF programs: AL, AZ, CA, FL, GA, KY, MI, NV, RI, and TN. Four respondents ran mortgage assistance programs with CRF funds: DE, MT, PA, and VT.

The survey asked a variety of questions pertaining to mortgage assistance programs. This report focuses on those 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. NCSHA will produce a similar report relating to the other survey questions, which centered on program marketing and compliance, in the very near future.

The responses to each of the relevant survey questions is summarized below.

What was the biggest challenge your agency faced in setting up your HHF and/or CRF mortgage assistance programs? What do you wish you had done differently?

The three biggest initial challenges cited by HFAs administering HHF were:

- Staffing;
- Securing servicer participation in their programs; and
- Acquiring and integrating the right computer software and information technology for the program.

With regard to staffing, HFAs noted it was particularly challenging hiring and training qualified staff to help administer the program under a tight timeline. One HFA reported that it experienced a lot of staff turnover in the beginning of the program and hopes to be able to offer new hires under HAF better compensation so they can hire and keep staff with more experience. Another state said it initially underestimated its staffing needs and wished it had hired more temporary and/or contract workers not subject to the state's labor rules for government workers.

Several HFAs reported it was especially difficult to get servicers to participate in the beginning of their HHF programs because servicers were wary about engaging with 18 different programs. The HFAs said Treasury was very helpful in convincing servicers to engage with the program--particularly through the development of a common servicer agreement template.

One other HFA noted that it underestimated the need in its state for mortgage assistance and initially received more applications than it could process. Their advice is for HFAs to try and manage expectations around their programs and to "under promise and overdeliver."

Those HFAs with CRF funding programs cited similar difficulties associated with setting up their programs in a short amount of time, with the exception of one HFA that has been running its own mortgage assistance programs since 2006.

Did you need additional personnel to administer your program? If so, how did you meet your staffing needs? If you outsourced some of the work, what organizations did you contract with for what services?

All HFAs administering HHF reported that they needed to bring on additional personnel to run their programs. Most hired temporary and/or contract workers for the HHF program, though one HFA said the employees hired through a temp agency generally did not work out, prompting it hire and train all new HHF staff directly. Several other HFAs also added full-time agency staff, some in addition to temporary and contract workers. One HFA was able to run the program without hiring additional personnel by transferring personnel from other offices at the agency.

A majority of 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.

One HFA administering a CRF mortgage assistance program utilized temporary employees, while the others did not hire additional staff. This is mostly because the programs required that funds be distributed very quickly, so there was little time for additional staffing. All of the CRF

HFAs anticipated that they would need additional staff to administer the Homeowner Assistance Fund (HAF).

If you had to set up a mortgage assistance program again, what would be your first step?

By far, the most common responses to this question, from both HHF and CRF HFAs, was to develop a comprehensive application system and to secure partnerships with servicers and other third parties. Several HFAs also 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 strategies did your HFA use to secure servicer participation in your programs? Did you find that you had to make changes to the mortgage assistance program to get them involved?

Nearly all HHF respondents said Treasury's efforts to engage servicers, including the 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 servicer involvement. HFAs also noted that Treasury held a monthly call with HFAs and servicers to discuss any HHF related issues, which they found helpful.

Several HFAs did note that, while Treasury helped to involve larger national servicers in HHF, the HFAs often still had to work to get smaller, local servicers to participate. HFAs also made a point of remaining in constant communication with their partner servicers and working to maintain a single point of contact for each servicer.

A couple of HFAs stressed that one way to maintain strong servicer participation is to make mortgage assistance programs as simple as possible. 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.

What role did housing counseling agencies play in your mortgage assistance programs? Based on your experience, would you suggest HFAs look to partner with counseling agencies with their HAF programs. If so, how do you recommend structuring such partnerships?

While housing counseling agencies played a role in most HHF programs, the degree of their involvement depended on the state's market and how the HFA judged the capabilities of their state's counseling network. 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.

In general, HFAs said they would recommend other states work with counseling agencies with their HHF programs, though a few did warn that some agencies may not have the capacity to handle all the applicants that come to them for assistance. One HFA that did not utilize housing counseling agencies with their HHF programs said that it was only because, as a relatively small state, they didn't feel there was any need. They suggested, however, that most states would benefit from working with housing counseling agencies, especially as some borrowers prefers a face-to-face interaction when applying for assistance.

Two HFAs did not involve housing counseling agencies to any extent in their HHF programs, due to concerns about their capabilities. Both of these HFAs do not expect to use counseling agencies with their HAF programs.

Two CRF HFAs that responded worked with counseling agencies to help borrowers apply. One said it intends to partner again with them on HAF while the other expressed concern that its state's counseling agencies would not have been able to handle much more than they did with CRF. Another CRF HFA said it did not work with counselors because it couldn't use CARES Act funding for counseling, but that they feel that counseling agencies would have been of great benefit to their program.

All respondents who worked with housing counseling agencies compensated them through a fee-for-service model.

Based on your experience, how would you suggest an agency structure its mortgage assistance program so that it can start helping borrowers quickly, while also ensuring assistance goes to those who really need it?

In general, respondents stressed these major points:

- **Simple documentation requirements.** Too often, HFAs reported, applicants were delayed in getting timely assistance because they failed to produce required documentation. When HFAs loosened these requirements, they were able to assist more homeowners faster. The use of electronic signatures was also suggested.
- **Flexible program standards**. Several HFAs suggested states be sure not to make their program eligibility standards too stringent, as they found their initial HHF program requirements precluded them from helping many homeowners who were in need of assistance. 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.

- **Grants not 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. It should be noted that one HFA thought it would be best to start out with a program that provides the assistance through zero interest loans that would be due on sale.
- **Have your infrastructure in place.** Several HFAs stressed the importance of making sure that all program operations, including staff, application software, call centers, IT systems, and partners, are 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.