FLORIDA HOUSING FINANCE CORPORATION
Board Meeting
April 27, 2012
Action Items

HFA HARDEST-HIT FUND

Action

I. HFA HARDEST-HIT FUND

A. Request Approval of Additional Allocation for UMAP and MLRP Programs

1. <u>Background</u>

a) In 2010, US Treasury (Treasury) created the "Housing Finance Agency (HFA) Innovation Fund for the Hardest-Hit Housing Markets" (HFA Hardest-Hit Fund) and allocated funds under the Emergency Economic Stabilization Act of 2008 (EESA) to eighteen states and the District of Columbia. Florida received more than $1 billion. As of April 9, 2012, $101.8 million has been reserved for eligible applicants.

b) Florida Housing Finance Corporation (Florida Housing) was directed by Treasury to create and administer foreclosure prevention assistance programs that address the unique issues of the state. Treasury requires that Florida use a portion of these funds specifically for targeted unemployment programs that provide temporary assistance to eligible homeowners. These targeted unemployment programs are as follows:

(1) Unemployment Mortgage Assistance Program (UMAP) will provide up to 18 months of payments to the mortgage lender to assist unemployed/underemployed borrowers with their first mortgage until they can resume payments on their own.

(2) Mortgage Loan Reinstatement Payment (MLRP) Program will be used to bring a delinquent mortgage current for a homeowner who has returned to work or recovered from underemployment.

c) On June 18, 2010 the Board approved $317,336,200 of the awarded Hardest Hit Funds to be allocated to the two current programs. The allocation distributed to all counties in Florida based on a methodology used by Treasury to determine the hardest hit states. Counties were broken into three Tiers:

(1) Tier 1 – Counties with at least two percent of the weighted share of the state's seriously delinquent loans have been placed in Tier 1. Together these areas have 85.2 percent of the weighted share of seriously delinquent loans. Ninety percent of the $317.3 million was allocated to Tier 1 areas.

(2) Tier 2 – Each county in Tier 2 has less than two percent of the weighted share of Florida's seriously delinquent loans, but has one or more of the following characteristics: 1) A higher unemployment rate than the state average; 2) A higher seriously delinquent rate than that of the state average; or 3) Is located in a HUD Metro Fair Market Rent Area (HMFA) where one of the other counties in that HMFA is found in Tier 1, or, where there is no HMFA, are located in an Metropolitan Statistical Area (MSA) where one of the counties in that MSA is found in Tier 1. In total, the proposed Tier 2 counties have 11.6 percent of Florida's weighted share of seriously delinquent loans. Eight percent of the $317.3 million was allocated to Tier 2 counties.

(3) Tier 3 – Includes the remaining counties, which together have a weighted share of 3.2 percent of the state's seriously delinquent loans. Two percent of the $317.3 million was allocated to households in these counties through a pool that would be available on a first come, first served basis until funds are fully encumbered.

2. Present Situation

Over $5.5 million of the $6.3 million allocated to Tier 3 counties has been reserved for Hardest Hit Fund applicants who have been determined eligible for the program and have closed on their Hardest Hit Fund Loan. Five counties in Tier 2 who received a specific allocated amount have had more than 70% of their funds committed to eligible and closed applicants.

3. Recommendation

Allocate an additional $25 million to the UMAP/MLRP Programs and allow program staff to utilize these funds in counties that will exhaust their initial allocation amounts.

I. HFA HARDEST-HIT FUND

A. Request Approval to Change Certain Eligibility and Assistance Criteria for the UMAP and MLRP Programs

1. <u>Background</u>

a) In 2010, US Treasury (Treasury) created the "Housing Finance Agency (HFA) Innovation Fund for the Hardest-Hit Housing Markets" (HFA Hardest-Hit Fund) and allocated funds under the Emergency Economic Stabilization Act of 2008 (EESA) to eighteen states and the District of Columbia. Florida received more than $1 billion.

b) As of April 9, 2012, $101.8 million has been reserved for eligible applicants.

c) Florida Housing Finance Corporation (Florida Housing) was directed by Treasury to create and administer foreclosure prevention assistance programs that address the unique issues of the state. Treasury requires that Florida use a portion of these funds specifically for targeted unemployment programs that provide temporary assistance to eligible homeowners. These targeted unemployment programs are as follows:

- Unemployment Mortgage Assistance Program (UMAP) will provide several months of payments to the mortgage lender to assist unemployed/underemployed borrowers with their first mortgage until they can resume payments on their own.

- Mortgage Loan Reinstatement Payment (MLRP) Program will be used to bring a delinquent mortgage current for a homeowner who has returned to work or recovered from underemployment.

d) Florida Housing launched its pilot program for UMAP and MLRP in Lee County on October 25, 2010. After consultation with Governor Scott's office, we revised the terms of the program for our statewide implementation and have utilized the criteria in the term sheets attached as <u>Exhibit "A"</u> ever since.

2. <u>Present Situation</u>

a) It has now been a year since the statewide launch on April 18, 2011, of the UMAP and MLRP Programs. Through April 1, 2012, over 5,540 homeowners have been approved for the HHF program and over 1,904 of those homeowners have completed and exited the program (<u>Exhibit "B"</u>). Staff has evaluated the existing program parameters and eligibility criteria and, based upon this evaluation, propose that the following changes be made to the UMAP and/or MLRP Programs:

(1) Increase the number of months that homeowners may receive UMAP assistance.

(a) Through April 1, 2012, we found that only 12% of homeowners who have received UMAP payments (229 out of 1,904) became re-employed at an income that made their mortgage payments affordable to them, or received a loan modification within the six months currently allowed under the UMAP Program. In addition, data from the Bureau of Labor Statistics shows that over 42% of those on unemployment are unable to become re-employed within the 27-week assistance limit.

(b) Therefore, Staff recommends that we increase the maximum term of UMAP assistance from 6 months to 12 months.

(2) Increase the amount of MLRP assistance for homeowners and reinstate the mortgage up front.

(a) Currently, we are paying $6,000 in MLRP plus whatever may be unused in UMAP assistance to reinstate first mortgage arrearages for homeowners who qualify. For those homeowners who also qualified for UMAP assistance, MLRP is available only if they have become re-employed at an income that makes their mortgage payments affordable to them, or to help achieve a modification. In most instances, this amount is insufficient to fully reinstate a borrower.

(b) Moreover, since these homeowners are still considered delinquent while UMAP payments are made on their behalf, their credit continues to suffer and many servicers continue making collection calls to these homeowners. Reinstating these homeowners up front, up to a maximum of $18,000, will stop the collection calls and help their credit.

(c) Therefore, Staff recommends that we increase MLRP assistance to homeowners to $18,000.

(3) MLRP-only assistance is currently capped at $6,000.

(a) There are hundreds of borrowers who have been able to find employment again without UMAP assistance. These homeowners are able to resume making their mortgage payments on their own; however, because of a lengthy period of unemployment, they have no resources to pay their arrearages and bring their loan current. The current $6,000 cap under MLRP is often quite insufficient to reinstate these loans and provide the homeowners a fresh start.

(b) Therefore, Staff recommends increasing the assistance amount for applicants seeking MLRP only to $25,000.

(4) Allow more condominium units to be eligible.

(a) Currently, if the principal residence is a unit in a condominium association, then the association must be on the current FHA or Fannie Mae approved lists for an Applicant to be eligible for HHF assistance. While the reasoning behind this criterion is still sound, the reality is that both Fannie Mae and FHA are not able to keep up with the demand for reviews of condominium associations. Furthermore, there are many condominium associations who have complained that they cannot successfully navigate the process to get on one of these approved lists without spending thousands of dollars on an attorney to assist them.

(b) Therefore, Staff recommends that this criterion be eliminated from both the UMAP and MLRP Programs and replaced with a limited review of an association's financial statements.

(5) Allow homeowners to qualify no matter when their mortgage was originated.

(a) Currently, an Applicant's existing first mortgage must have been originated on or before January 1, 2009. Fannie Mae and Freddie Mac recently announced a Servicing Alignment Initiative (SAI), where, beginning January 1, 2012, they will now modify mortgages for qualifying borrowers independent of Treasury's HAMP Program. Since SAI does not impose the January 1, 2009, restriction like HAMP does, there will now be a widely-used modification alternative for our Applicants. This is also a change that Treasury specifically requested that we consider when they were in Tallahassee on September 8, 2011, for their initial implementation visit.

(b) Therefore, Staff recommends that this criterion be eliminated from both the UMAP and MLRP Programs.

(6) Allow servicers to determine if an applicant is too delinquent to participate in the program.

(a) Currently, an Applicant cannot be more than 180 days past due on their mortgage at the time of application. At the beginning of this program, many servicers identified 180 days as the point at which borrowers were too far gone and encouraged us to impose this as a criterion in our HHF Program. As the program has evolved, servicers have assigned dedicated staff to HHF who are familiar with the individual eligibility requirements of each state. Therefore, servicers are now able to look at the individual circumstances of borrowers, compare that to the assistance being provided by the state HHF Program and then decide whether they want to accept payments on that borrower's behalf. Eliminating the criterion from the front end of the application will allow servicers to make these individualized determinations. Servicers may, and in many instances will, still decide that 6 months is "too far gone" but there is at least the potential to help more homeowners this way.

(b) Therefore, Staff recommends that this criterion be eliminated from both the UMAP and MLRP Programs.

(7) The combined loan to value (CLTV) ratio cannot exceed 200%.

(a) This criterion was imposed because we did not want to provide assistance to a homeowner only for them to later walk away from the home when they realized that they would never be able to gain any equity in the property. However, with the recent changes to the Home Affordable Refinance Program (HARP 2.0), homeowners can refinance regardless of how "underwater" they are. With historic low interest rates, their new payment could be less than paying rent.

(b) Therefore, Staff recommends that this criterion be eliminated from both the UMAP and MLRP Programs.

(8) Require that there be at least a 10% reduction in income to constitute a hardship.

(a) There is currently no threshold reduction in income to constitute a hardship as long as the mortgage payment exceeds 31% of the homeowners' income. While we have not had a problem with homeowners claiming a hardship based on a small reduction in income, this is a clarification that Treasury specifically requested that we consider when they were in Tallahassee on September 8, 2011, for their initial implementation visit.

(b) Therefore, Staff recommends that we clarify our eligibility criteria to require at least a 10% reduction in income in order to constitute a hardship.

b) An Executive Summary of these changes is attached as Exhibit "C."

3. Recommendation

Staff recommends that the Board approve the changes to the eligibility and assistance criteria detailed above, subject to further approval by the United States Treasury.