

Massachusetts HAF Program Treasury Response Term Sheet

<u>Criteria</u>	<u>Terms</u>
<u>Brief description</u>	<p>The Massachusetts HAF program is designed as a single program with one application with same eligibility requirements for different design elements. It is primarily designed as a mortgage reinstatement program to provide funds to eliminate or reduce past due payments and other delinquent amounts, including payments under a forbearance plan, on forward mortgages, reverse mortgages, loans secured by manufactured homes, or contracts for deed, due to a financial hardship associated with the Coronavirus pandemic for the purposes of preventing mortgage delinquencies, defaults, and foreclosures. The program’s design elements include:</p> <ul style="list-style-type: none"> • Mortgage payment assistance • Mortgage principal reduction, including with respect to a second mortgage provided by a nonprofit or government entity • Payment assistance for homeowner’s utilities, including electric, gas home energy, and water (as needed to facilitate reinstatement) • Payment assistance for homeowner’s insurance, flood insurance, and mortgage insurance (as needed to facilitate reinstatement) • Payment assistance for delinquent property taxes to prevent homeowner tax foreclosures • Payment assistance for down payment assistance loans provided by nonprofit or government entities • Financial assistance to allow a homeowner to reinstate a mortgage or to pay other housing related costs related to a period of forbearance, delinquency, or default • Facilitating mortgage interest rate reductions • Payment assistance for homeowner’s association fees or liens, condominium association fees, or common charges <p>HAF Funds may be used to bring accounts fully current, with no remaining delinquent amounts, and to repay amounts advanced by the lender or servicer on the borrower’s behalf for property charges, including property taxes, hazard insurance premiums, flood or wind insurance premiums, ground rents, condominium fees, cooperative maintenance fees, planned unit development fees, or homeowners’ association fees that the servicer advanced to protect lien position. At the time of program launch (Phase I), other eligible uses are only considered when they prevent a reinstatement. The program administration plan may be modified to allow additional uses (Phase II). Payment may also include any reasonably required legal fees.</p>
<u>Maximum amount of assistance per homeowner</u>	<p>There is no maximum amount of assistance per household through this program. Re-applications are permitted at a later stage of the program and may be subject to elevated review. HAF funds are to be used only for the homeowner’s primary residence.</p>

**Homeowner eligibility
criteria and documentation
requirements**

Same as General Eligibility Requirements plus:

- Statement of current ability to resume any required regular payments after account is reinstated (OR) Statement of current inability to resume mortgage payments due to unemployment, underemployment, or other continuing hardship, and ability to resume any required regular payments with a loan modification. A front-end ratio calculation will be performed at the time of application to determine risk of non-sustainability.
- For reverse mortgages, Homeowner is either in default due to property charges or has entered a repayment plan to repay such charges, and homeowner otherwise qualifies.

If applicable and the following prevents reinstatement:

- Homeowner is at least one installment payment in arrears on utilities, such as electric, gas, home energy, and water that prevents a mortgage reinstatement.
OR
- Homeowner is at least one installment payment in arrears on one or more property charges that prevents a mortgage reinstatement, including: property taxes, insurance (hazard, flood, wind premiums), HOA fees, condominium fees, and cooperative maintenance or common charges.

In the case in which an eligibility proxy is used, homeowners do not need to provide income verification documents. In all other cases, acceptable income verification documents include the following. Minimum allowable documentation is preferred to reduce burden.

- Gross (pre-tax) wages, salaries, and overtime pay, commissions, tips, and bonuses
 - Most recent pay stub and documentation of year-to-date earnings if not on pay stub, OR
 - Two most recent bank statements showing income deposit amounts
- Self-employment income:
 - Two most recent monthly bank statements showing self-employed income deposit amounts, OR
 - Most recent signed and dated quarterly or year-to-date profit/loss statement that reflects activity for the most recent three months, OR
 - Most recent complete and signed business tax return, OR
 - Most recent complete and signed individual federal income tax return
- Unemployment benefit income:
 - Department of Unemployment Assistance (DUA) determination of benefits AND/OR
 - Letter for DUA verifying your Pandemic Unemployment Assistance benefits
- Taxable Social Security, pension, disability, death benefits, adoption assistance, housing allowance, and other public assistance:
 - Documentation showing the amount and frequency of the benefits, such as letters, exhibits, disability policy or other benefits statement from the provider, AND
 - Documentation showing the receipt of payment, such as copies of the two most recent bank statements showing deposit amounts
- Non-taxable Social Security or disability income:

<u>Criteria</u>	<u>Terms</u>
	<ul style="list-style-type: none"> ○ Two most recent bank statements showing deposit amounts, OR ○ Award letters or other documentation showing the amount and frequency of the benefits
<u>Loan eligibility criteria specific to the program</u>	<p>Delinquent by at least one payment by at least 90 days, including any payments during a forbearance period or otherwise in default, as reflected in documentation from the payee or the payee’s agent.</p> <p>In the case of a reverse mortgage, has outstanding property charges whether in default or in repayment plan.</p>
<u>Form of assistance</u>	<p>All assistance will be structured as a non-recourse grant.</p>
<u>Payment requirements</u>	<p>Mortgage payments will be made directly to the lender or servicer or other third-party payee authorized by the servicer or authorized to collect eligible charges in accordance with reinstatement instructions received from the payee.</p> <p>Insurance payments will be paid directly to the insurance provider or other applicable third party authorized to collect eligible charges.</p> <p>Utility payments will be paid directly to the utility provider or other applicable third party authorized to collect eligible charges.</p>

- HAF Metrics and KPIs OVERVIEW -

- Metrics are to be collected daily for the first month and then transition to weekly tracking.
- Metrics can be aggregated to monthly and quarterly cadences for reporting purposes.
- Metrics that are KPIs are highlighted.
- Some metrics do not have targets because they are tracked only for contextual information.
- There are 4 types of metrics:
 - **Throughput** – How quickly are applications processed?
 - **Aid** – Who is receiving HAF funds? How much are they receiving?
 - **Macroeconomic indicators** – Is Massachusetts returning to “normal”?
 - **Equity assessment** – Are we distributing funds equitably across gender and race/ethnicity?
- Some of these targets depend on capacity of our tech provider.

- THROUGHPUT KPIs -

Applications:

Metrics	Goals
# of applications received	Contextual output
# of applications accepted	Contextual output
# of applications denied	Contextual output
Reasons for application denial	Contextual output
# of applications in each processing phase	Consistent and short response time, depends on tech provider
# of applications completely processed	Consistent and short response time, depends on tech provider

Time:

Metrics	Goals
# of days in each processing phase	Consistent and short response time, depends on tech provider
# of days from application to payment	90 days for 80% of applications submitted

- AID KPIs -

Households Denied:

Metrics	Goals
Household AMI	Contextual output
Household size	Contextual output
Race/Ethnicity of head of household	Contextual output
Gender of head of household	Contextual output
Geography (Municipality)	Contextual output

Loan type	Contextual output
-----------	-------------------

Households Served:

Metrics	Goals
# of households served	Meet demand as projected
Household AMI	60% of households <100% AMI
Household size	Contextual output
Race/Ethnicity of head of household	25% of households are socially disadvantaged
Gender of head of household	Contextual output
Geography (Municipality)	Contextual output
Loan/servicer type	Contextual output
Aid type	Contextual output

Funds Distributed:

Metrics	Goals
Amount of total funds distributed	Meet demand as projected until all funds are distributed
Household AMI	60% of funds distributed to households <100% AMI
Household size	Contextual output
Race/Ethnicity of head of household	Contextual output
Gender of head of household	Contextual output
Geography (Municipality)	Contextual output
Loan/servicer type	Contextual output
Aid type	Contextual output

- MACROECONOMIC KPIS -

Metrics	Goals
30+ day delinquency rate	Pre-pandemic level
60+ day delinquency rate	Pre-pandemic level
90+ day delinquency rate	Pre-pandemic level
Foreclosure rate	Pre-pandemic level

- EQUITY ASSESSMENT -

Metrics*	Goals
----------	-------

Gender parity for denial rate	Regular review of data for equitable distribution to manage and respond appropriately to any noted disparities.
Racial/ethnic parity for denial rate	Regular review of data for equitable distribution to manage and respond appropriately to any noted disparities.
Gender parity for time from application to payment	Regular review of data for equitable distribution to manage and respond appropriately to any noted disparities.
Racial/ethnic parity for time from application to payment	Regular review of data for equitable distribution to manage and respond appropriately to any noted disparities.
Gender parity for aid type (and amount when appropriate)	Regular review of data for equitable distribution to manage and respond appropriately to any noted disparities.
Racial/ethnic parity for aid type (and amount when appropriate)	Regular review of data for equitable distribution to manage and respond appropriately to any noted disparities.

** Analysis will take into consideration geography, loan type, household AMI, and other potential confounding factors.*



Commonwealth of Massachusetts
Executive Office for Administration and
Finance

Massachusetts Homeowner Assistance Fund (HAF)

Established by the American Rescue Plan Act of 2021 (ARPA)

HAF Plan Submission to the U.S. Department of the Treasury
In Partnership with MassHousing and the Massachusetts Housing Partnership



September 10, 2021





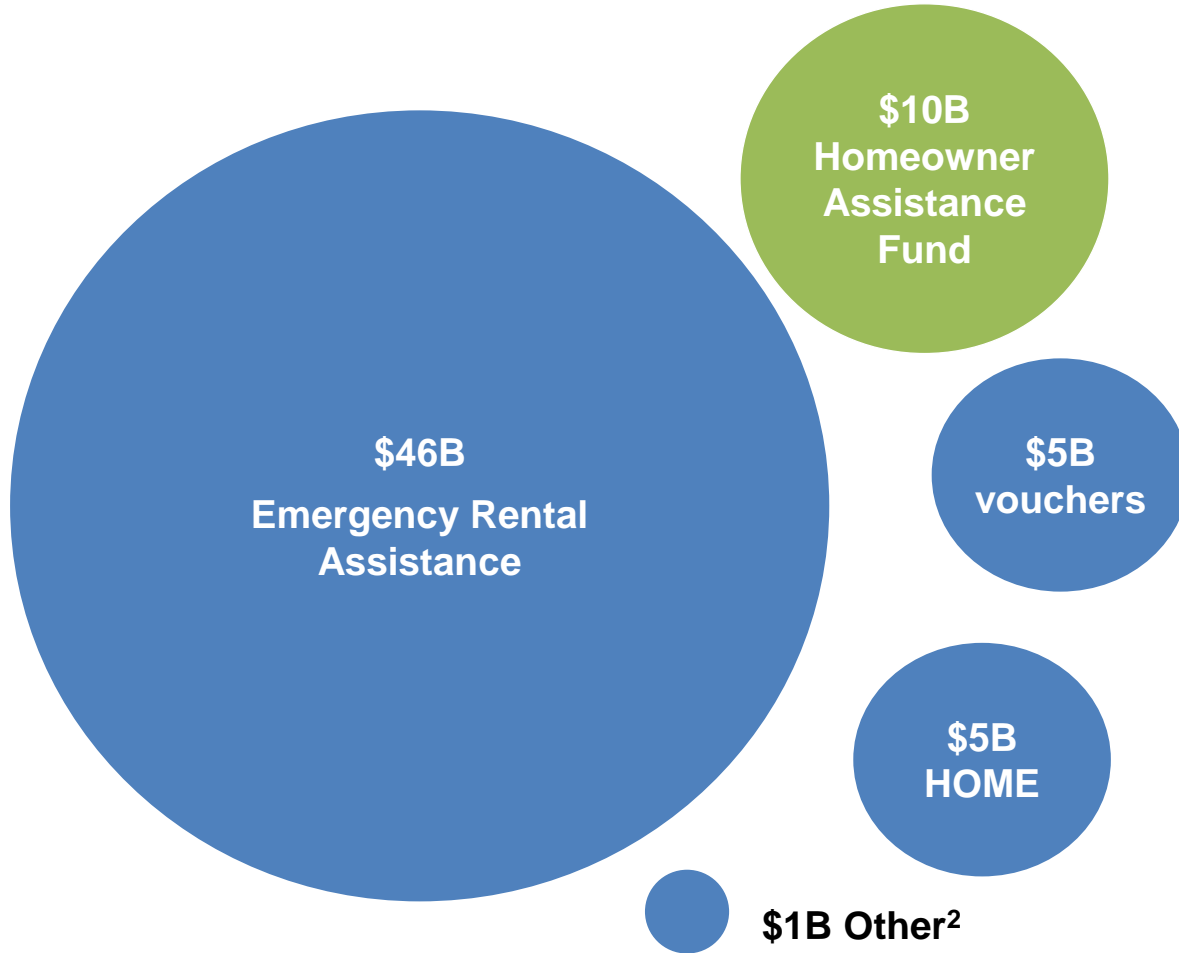
Table of contents

0. Introduction

1. Homeowner needs and engagement
 2. Program design
 3. Methods of targeting HAF funding
 4. Performance goals
- Appendix



Housing relief measures in the American Rescue Plan Act (ARPA)¹



- The HAF is the second largest housing relief fund in ARPA
- Of the \$10B appropriated nationally, **Massachusetts is eligible to receive \$178M in funds** (determined by formula)
- ARPA bill defined that HAF funds may be used for expenses relating to preventing homeowner:

mortgage delinquencies, defaults, foreclosures, loss of utilities or home energy services, and displacements of homeowners that have experienced a COVID-19-related hardship

1. \$25B of the ERAP funding was passed in the CRA, the remaining funds in ARPA
2. \$750M Native American assistance, \$139M rural housing assistance, \$100M housing counseling, \$20M fair housing

ARPA: Homeowner Assistance Fund (HAF) Overview (2/2)



Eligibility

- Homeowners must be able to provide proof of:
 - Financial hardship occurring after January 21, 2020
 - Incomes equal to or less than 150% of AMI
- U.S. Treasury allows homeowners may verify income through documentation, or if not available, a written attestation and acceptable data-informed proxy



Targeting

- 60% of the funds must be used to assist homeowners with incomes:
 - $\leq 100\%$ of AMI or,
 - $\leq 100\%$ of median income for the US, whichever of the two is highest
- Remaining amounts must be used to assist socially disadvantaged groups
- Treasury requires HAF plans to address targeting & outreach



Qualified Expenses

- HAF participants may use funding from the HAF only for the following types of qualified expenses:
 - mortgage payments, principal reduction, interest rate reduction, refinancing costs, mortgage reinstatement costs, utilities and internet bills, property taxes, housing-related insurance, HOA fees, certain home repairs, and counseling
- Massachusetts HAF Program: Payments are to be made to servicers or other owed party (not directly to homeowners)

Glossary of Terms and Examples

Focus of Massachusetts HAF Program



Term	Definition	Example
Current	Describes a homeowner's loan that is up to date on all outstanding payments.	Homeowner A has made all their mortgage payments and is in good standing.
Delinquent / Default	Describes a homeowner's loan that has not been current because one or more payments has been missed.	Homeowner B was not able to make their mortgage payments for 3 months and their loan is considered 90 days delinquent. The loan is not in forbearance, and Homeowner B has not received a loan modification, deferral, or other relief. Homeowner B is at risk of foreclosure.
Forbearance	A formal agreement that creates a temporary pause in a homeowner's loan payments. While the mortgage servicer or lender agrees not to take action against a homeowner for missed payments during this time, the homeowner is still obligated to repay any missed payments after the forbearance period.	Homeowner C requested forbearance for their mortgage servicer because they experienced a COVID-19 related financial hardship. During the forbearance period, Homeowner C is not considered delinquent and does not need to make loan payments; however, those payments are still owed to the lender.
Reinstatement	An option for a homeowner after a period of forbearance or delinquency. The homeowner pays back any missed payments in one lump sum and is brought to a current status.	Homeowner D pays back the total amount of missed payments all at once to avoid foreclosure process.
Deferment / Deferral	An option for a homeowner after a forbearance period. Missed payment amounts are moved to the end of a homeowner's loan term, immediately bringing a homeowner to a current status.	Homeowner E works with their servicer to continue to make their monthly mortgage payments and move all the missed payments to the end of their mortgage term to avoid foreclosure.
Modification	An option for a homeowner after a forbearance period. Changes are made to the original terms of a homeowner's loan, such as reducing interest rates, extending repayment periods, etc.	Homeowner F works with their servicer to lower their monthly mortgage payments by extending the life of their loan and/or reducing the interest rate to avoid foreclosure.
Foreclosure/ Deed in Lieu/ Short Sale	A process for loans that have become delinquent where a lender either obtains ownership of a home or the property is sold to pay off all or part of the debt.	Homeowner G missed making multiple loan payments on time and is unable to work with their servicer to bring the loan current. They have lost their home, which has been sold (either to the lender or a third party) to pay off the debt.



Table of contents

0. Introduction

1. Homeowner needs and engagement

2. Program design

3. Methods of targeting HAF funding

4. Performance goals

Appendix



Table of contents

0. Introduction

1. Homeowner needs and engagement

- **1a. Data driven assessment of homeowner needs**

- 1b. Evidence of public participation and community engagement

2. Program design

3. Methods of targeting HAF funding

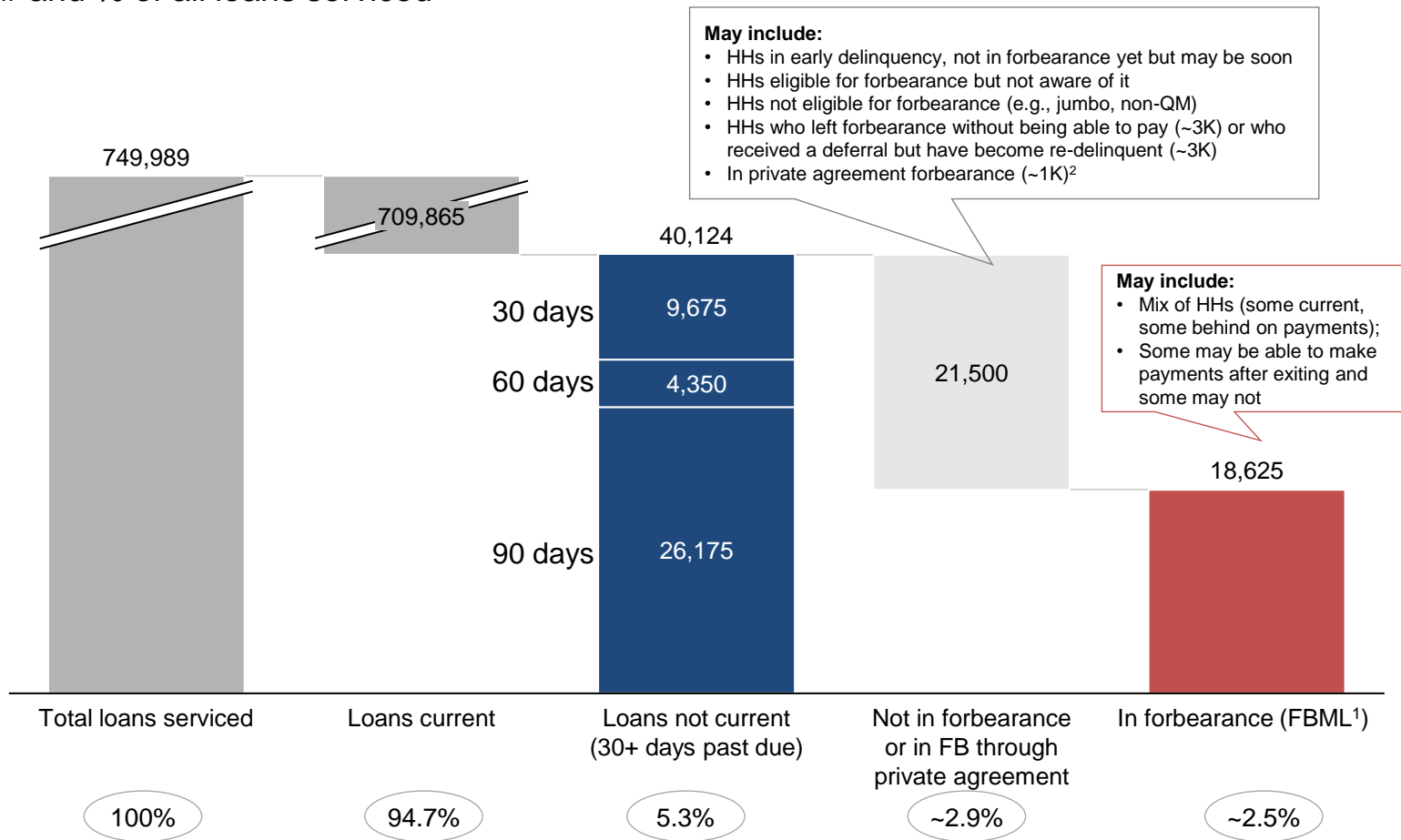
4. Performance goals

Appendix

Homeowner Needs: ~40k loans were 30+ days past due in MA (as of Q1 2021)



MA loans with installments past due at end of Q1 2021 and estimate of forbearance, # and % of all loans serviced



There may be a mix of different types of borrowers who are past due, some higher risk than others

By March 2021, the Fed reported that **~70%** of borrowers in forbearance nationally **were not making payments**, a higher share than any month in 2020.

By March 2021, **~50%** (~18K) of all forbearance borrowers in MA had **left forbearance** over the past year, of which **15%** (~3K loans) exited without becoming current, and **27%** exited through payment deferral/partial claim program.²

By July 2021, nationwide, **two-thirds** of homeowners that left forbearance during the last 15-months **became current**, while **one-third exited with a deferral plan or remained delinquent**.³

*How HAF funds may stretch: From **\$178M HAF funds**, solving only for loans in forbearance would provide **~\$9.5K per borrower**. Doing the same for this 90+ day delinquent pool would give **~\$6.8K each**.*

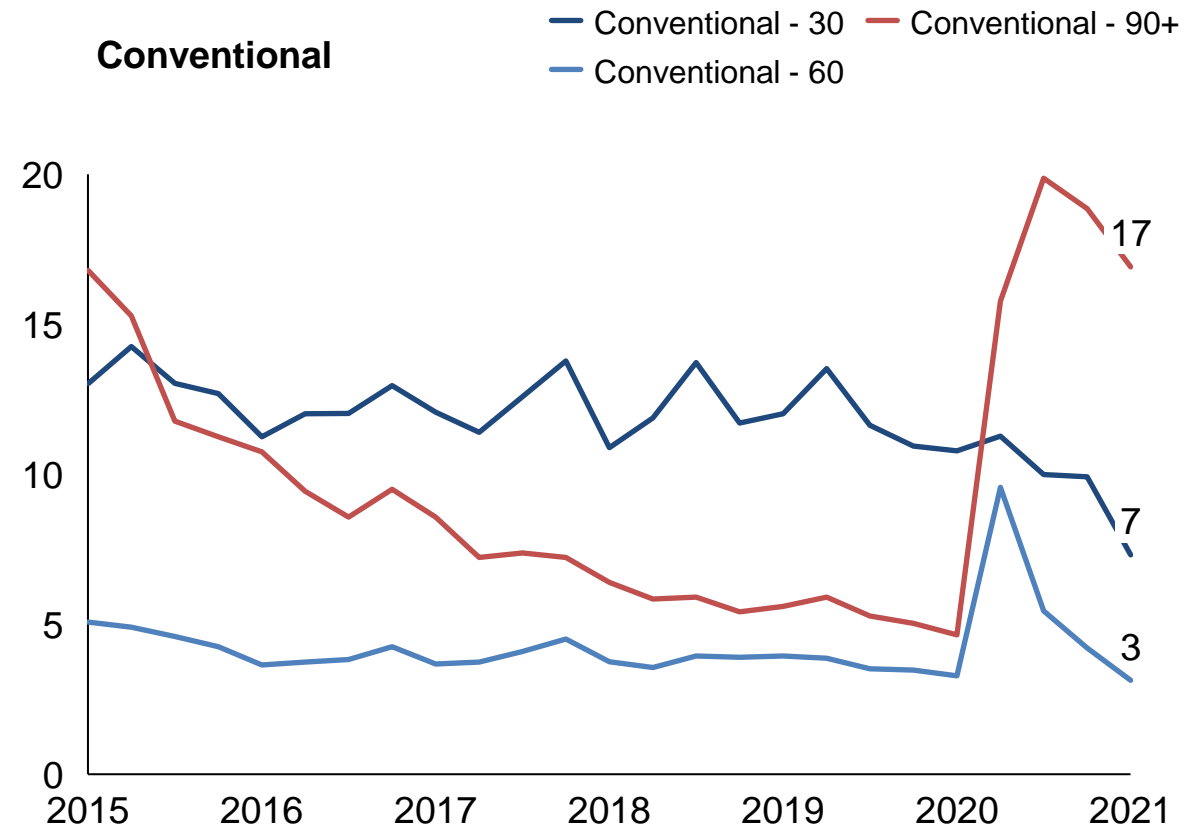
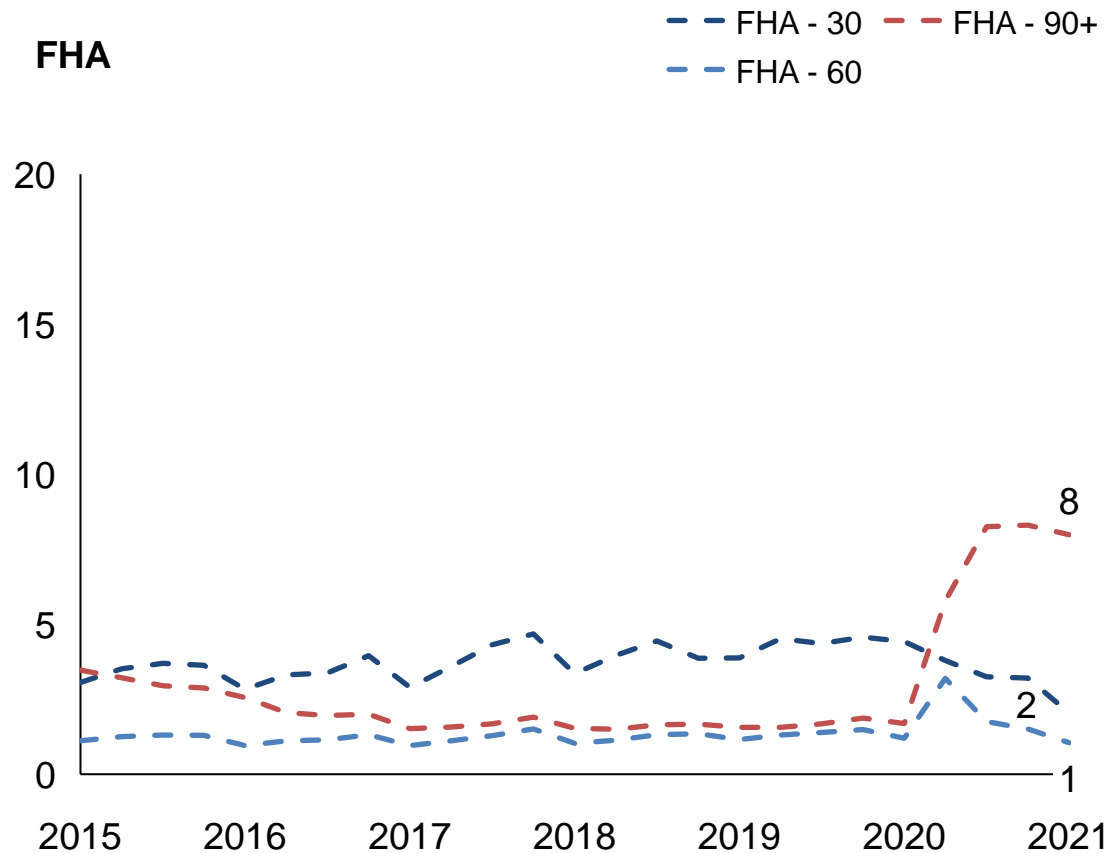
Source: MBA, Fannie Mae, Ginnie Mae, Freddie Mac, NY Fed, Urban Institute, MBA weekly call survey, Black Knight McDash Flash (June 2021)

1. Federally-backed mortgage loan
2. For those that left forbearance (~6K): 18.5K FBML have exited forbearance since June 2020. For non-FBML size (~1K): assume 20% non FBML holds for delinquency pool. Of those, apply 10% from MBA

Homeowner Needs: 30-60 day delinquencies are at or below pre-pandemic levels; 90+ day delinquency levels remain higher, suggesting we have a 'stock' problem, not 'flow'



MA delinquent loans at end of quarter by type¹,
Thousand delinquent loans



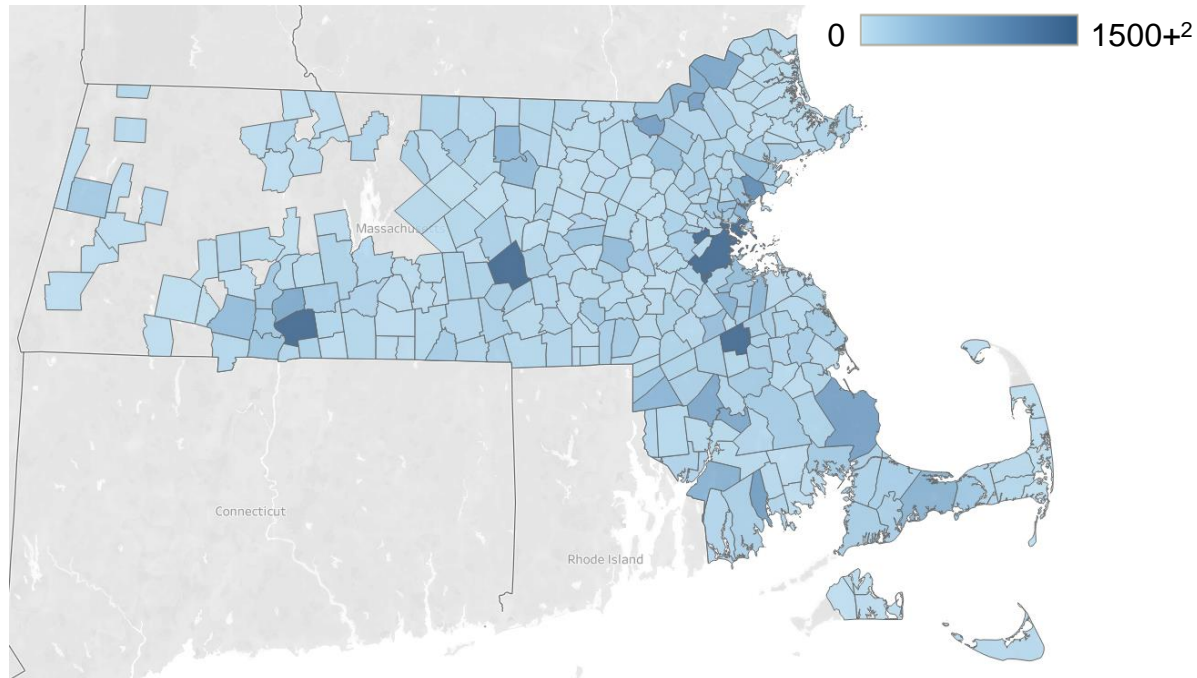
1. Excludes USDA and VA. Conventional loans are conforming GSE-backed, not including Jumbo Loans.

Homeowner Needs: Loans either delinquent or in forbearance



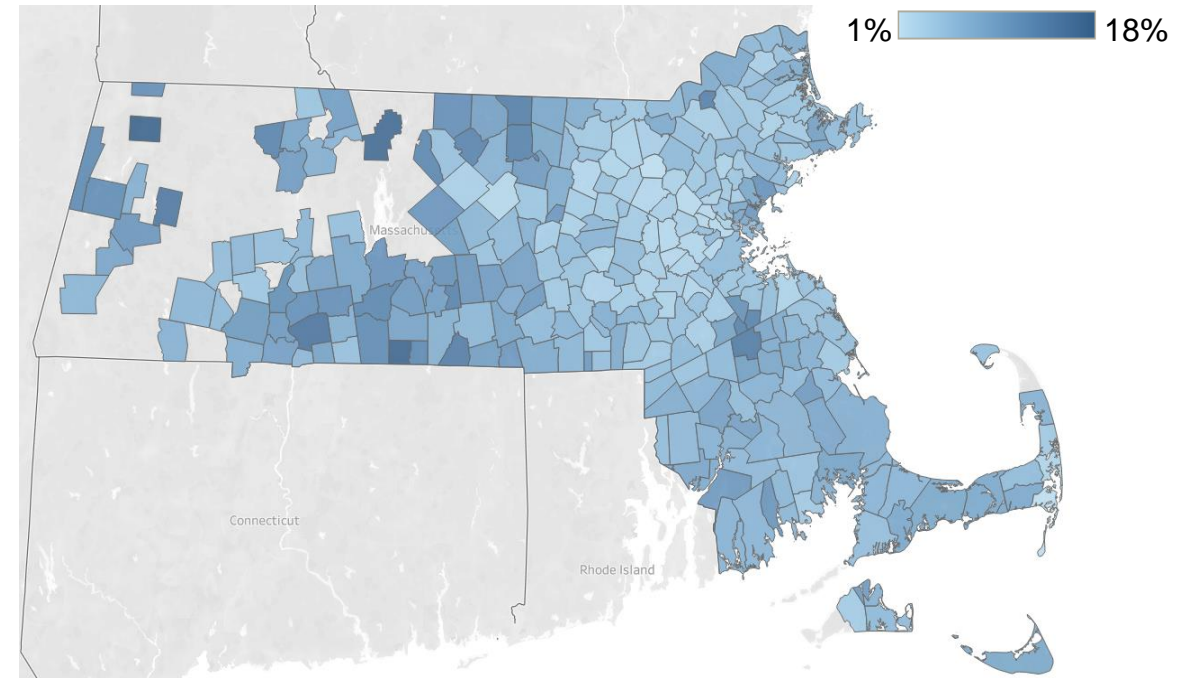
The largest **number** of loans that are delinquent or in forbearance are in urban areas

Loans in forbearance or delinquent (30 day+) by municipality¹, Jan 2021, Mortgages in sample



Areas in Central Massachusetts have higher **rates** of loans in forbearance or delinquency

Percent of loans in forbearance or delinquent (30 day+) by municipality¹, Jan 2021, % of sampled loans in each municipality²



Targeting outreach to areas with **high borrower delinquency and forbearance rates** could help capture **residents in need**. U.S. Treasury has also encouraged jurisdictions to target borrowers for assistance based on other factors, such as loan type and demographics

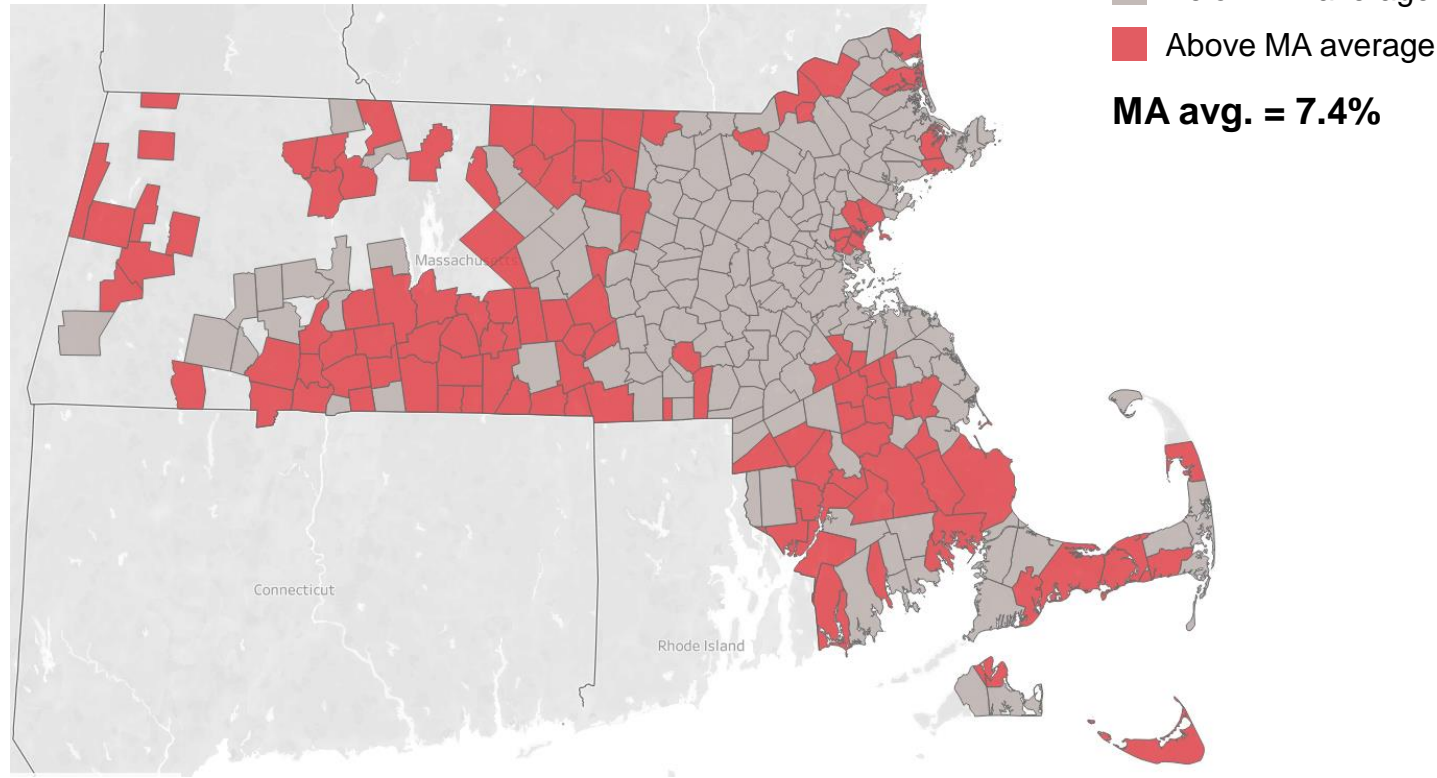
1. Missing areas are not covered by Black Knight data
2. Figures represent Black Knight data set sample of loans and does not reflect actual loan volume in MA. Black Knight's sample covers ~33% of loans
Source: CFPB HMDA, Black Knight, ACS 2018-2014 table, IPUMS NHGIS

Municipalities with above-average delinquency or forbearance rates have higher shares of minority² and lower income residents



Loans in forbearance or delinquent (30 day+) by municipality¹, Jan 2021

% of mortgages in sample



Municipalities where the % of loans in forbearance or delinquency are above MA average have higher shares of minority² and lower income residents than municipalities below average

	Municipalities above avg.	Municipalities below avg.
Avg. "minority share"² of the population	32%	25%
Avg. % of pop. < 50% of AMI	31%	24%
Avg. % of pop. < 80% of AMI	48%	35%

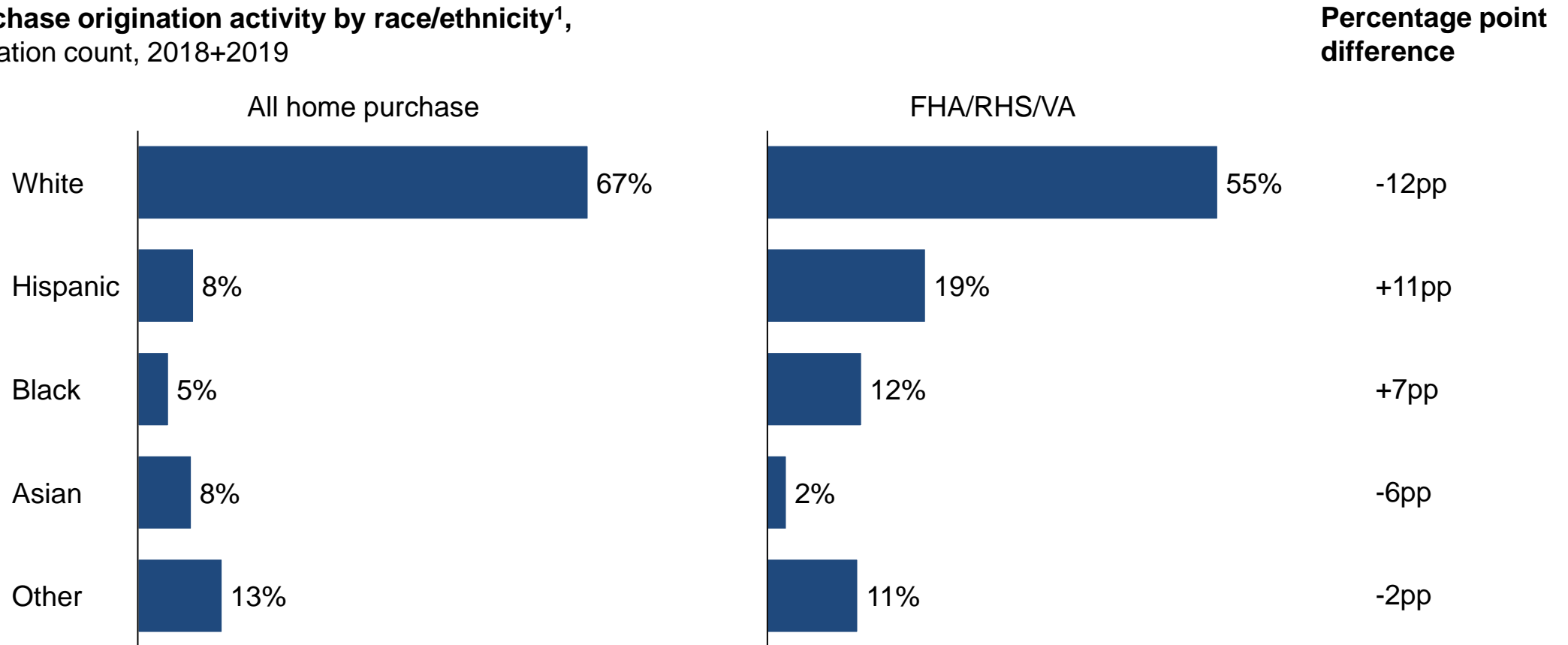
1. Missing areas (not in grey or in red) are not covered by Black Knight data
 2. Black Knight data defines "minority share" as "Black + mixed race + Hispanic white + other race divided by total population"
 Source: Black Knight, ACS 2018-2014 table, IPUMS NHGIS

MA Hispanic and Black residents are disproportionately represented in FHA/RHS/VA origination pools



Non-Hispanic white residents notably rely less on these programs

Home purchase origination activity by race/ethnicity¹,
Total origination count, 2018+2019



1. Hispanic includes all racial groups. Other racial groups are exclusively non-Hispanic

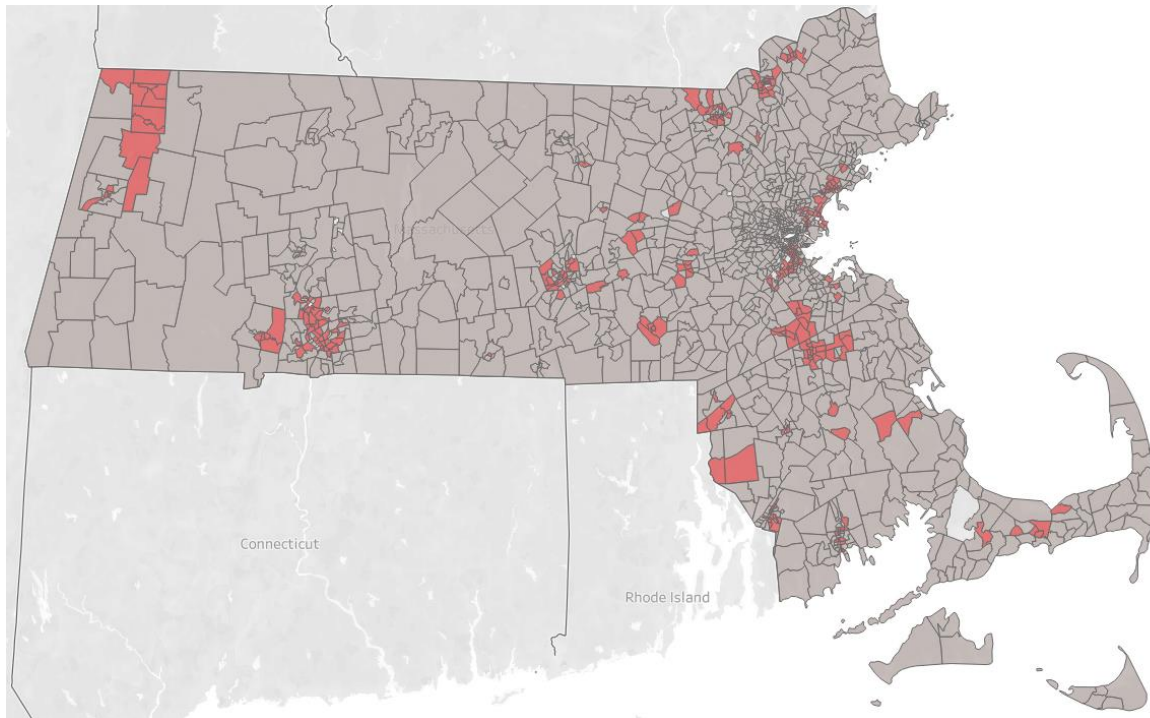
Areas with higher loan-to-value (LTV) conventional loans also have a higher percentage of non-white residents



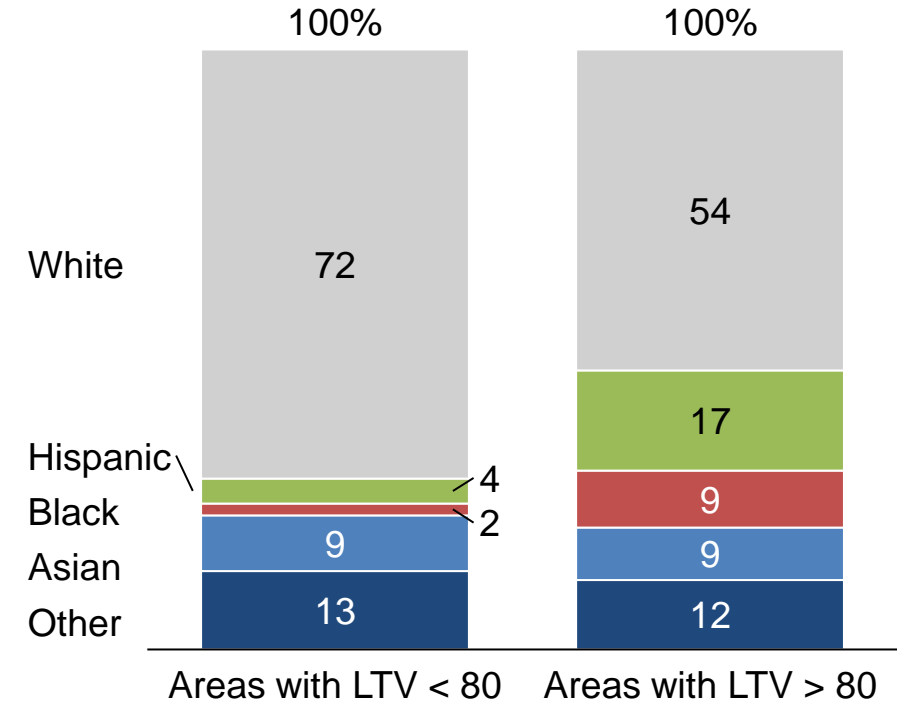
Minority populations are disproportionately represented in higher-risk areas

Conventional home purchase origination activity by census tract, Split by high LTVs (more or less than 80)

■ LTV below 80 ■ LTV above 80



Average % of the population in each demographic across census tracts by loan type, % of population



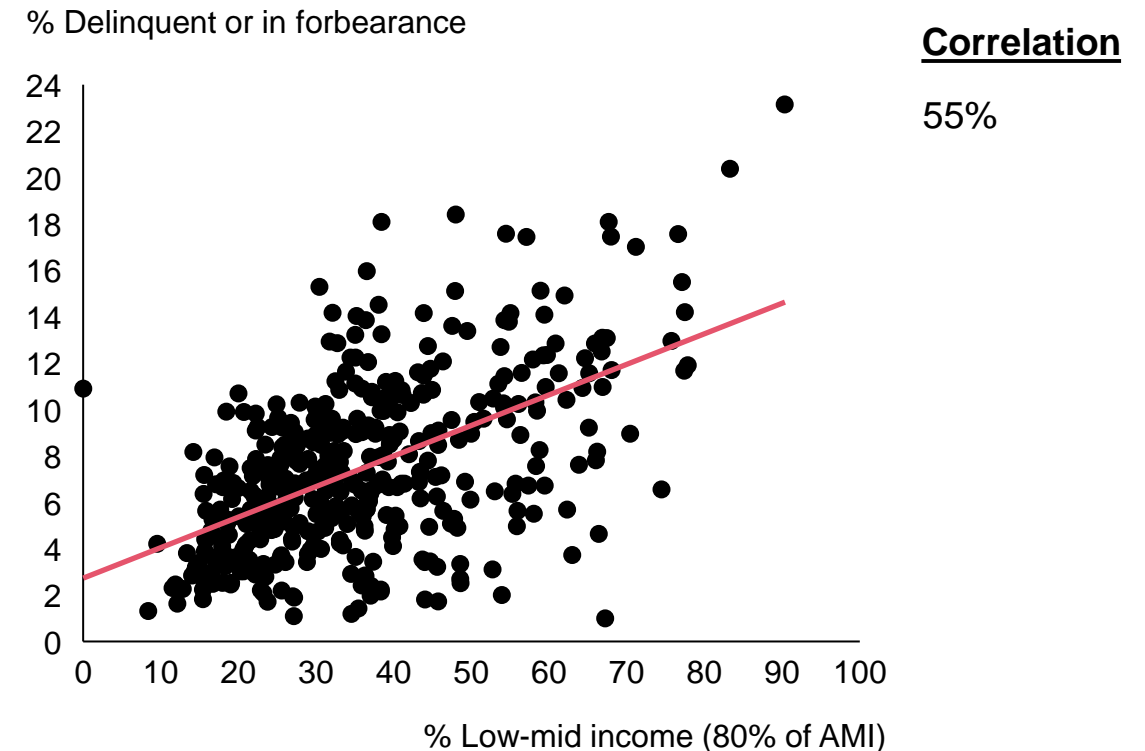
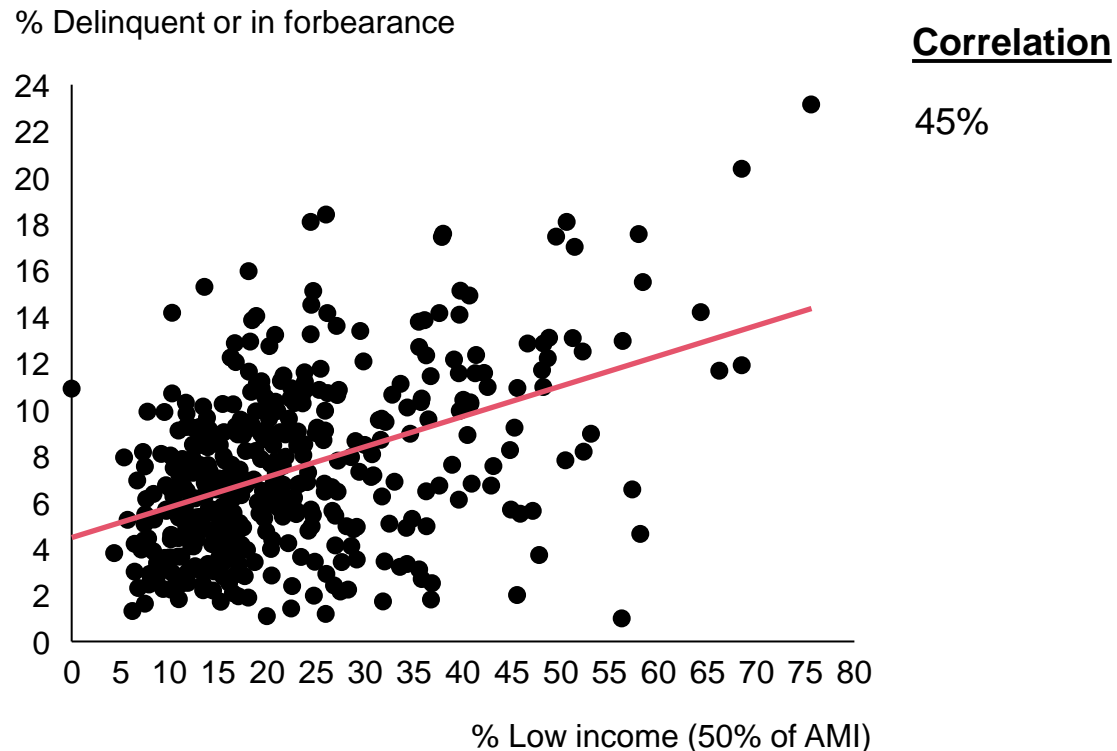
1. Hispanic includes all racial groups. Other racial groups are exclusively non-Hispanic

Areas with higher shares of delinquencies or loans in forbearance tend to have higher share of low and low-mid income residents



Delinquent (30 day+) or loans in forbearance by income¹ and zip code, Jan 2021

% of mortgages in sample (Y), % in population group (X)



1. Black Knight income categories: share of population living below 80% (low-mid) or 50% (low) of AMI

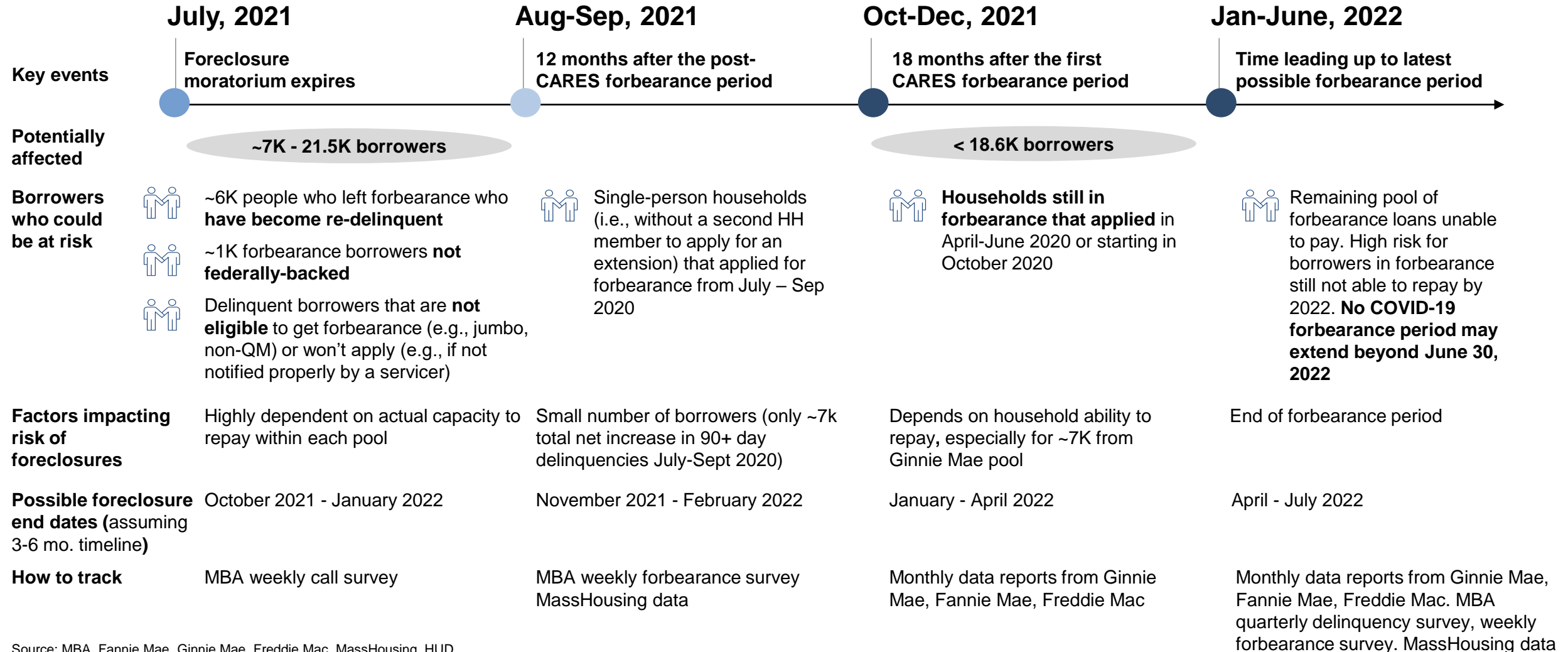
Source: Black Knight, ACS 2018-2014 table, IPUMS NHGIS

Different groups of borrowers may be at risk of foreclosure at different times depending on their characteristics (timeline)



AS OF JUNE 2021, PRIOR TO EXTENSION OF MORATORIUM IN LATE JULY

Relative risk: Less More

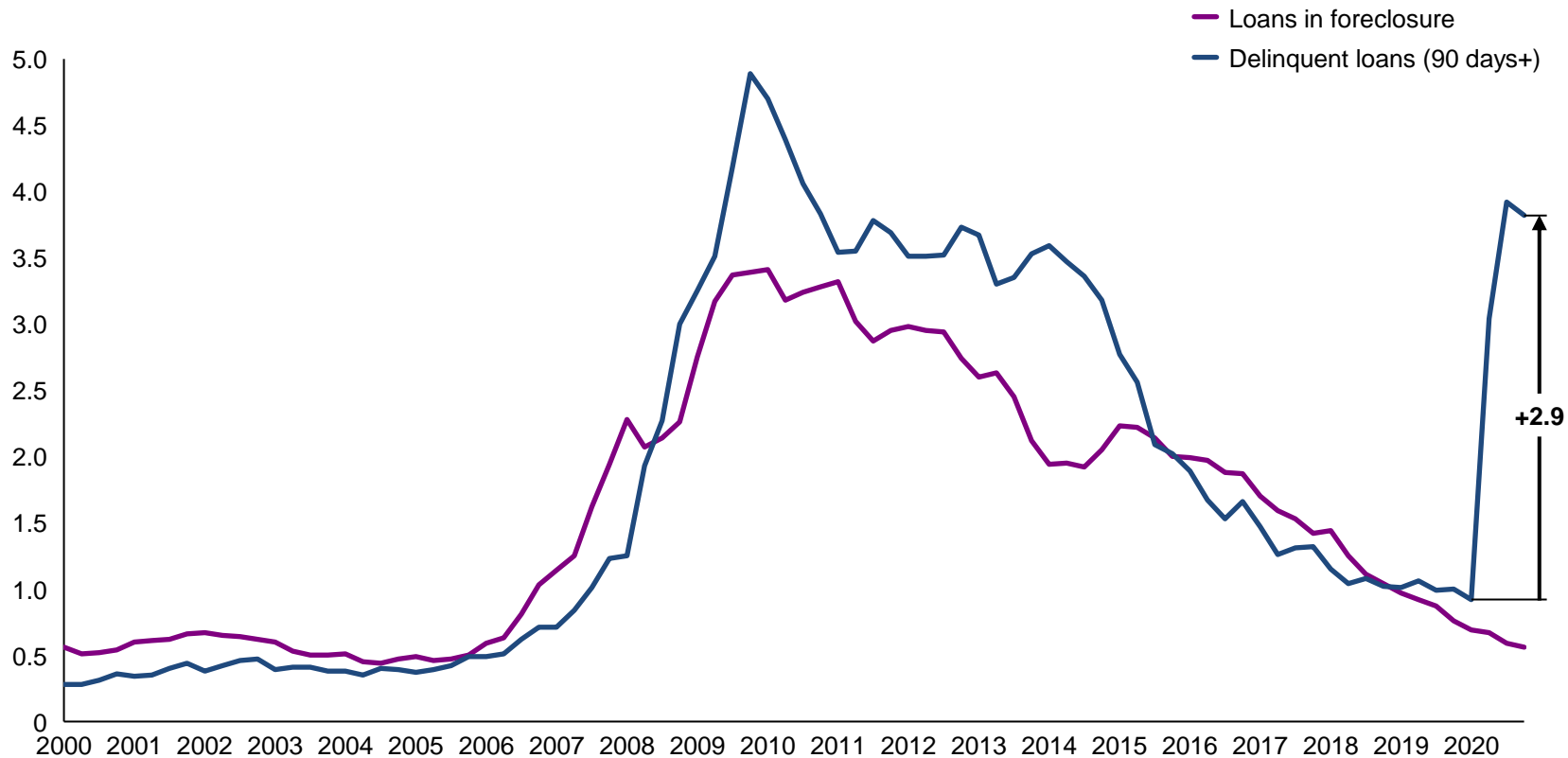


Source: MBA, Fannie Mae, Ginnie Mae, Freddie Mac, MassHousing, HUD

MA historical relationship between delinquencies and foreclosures has likely been altered thus far by COVID-19 relief measures



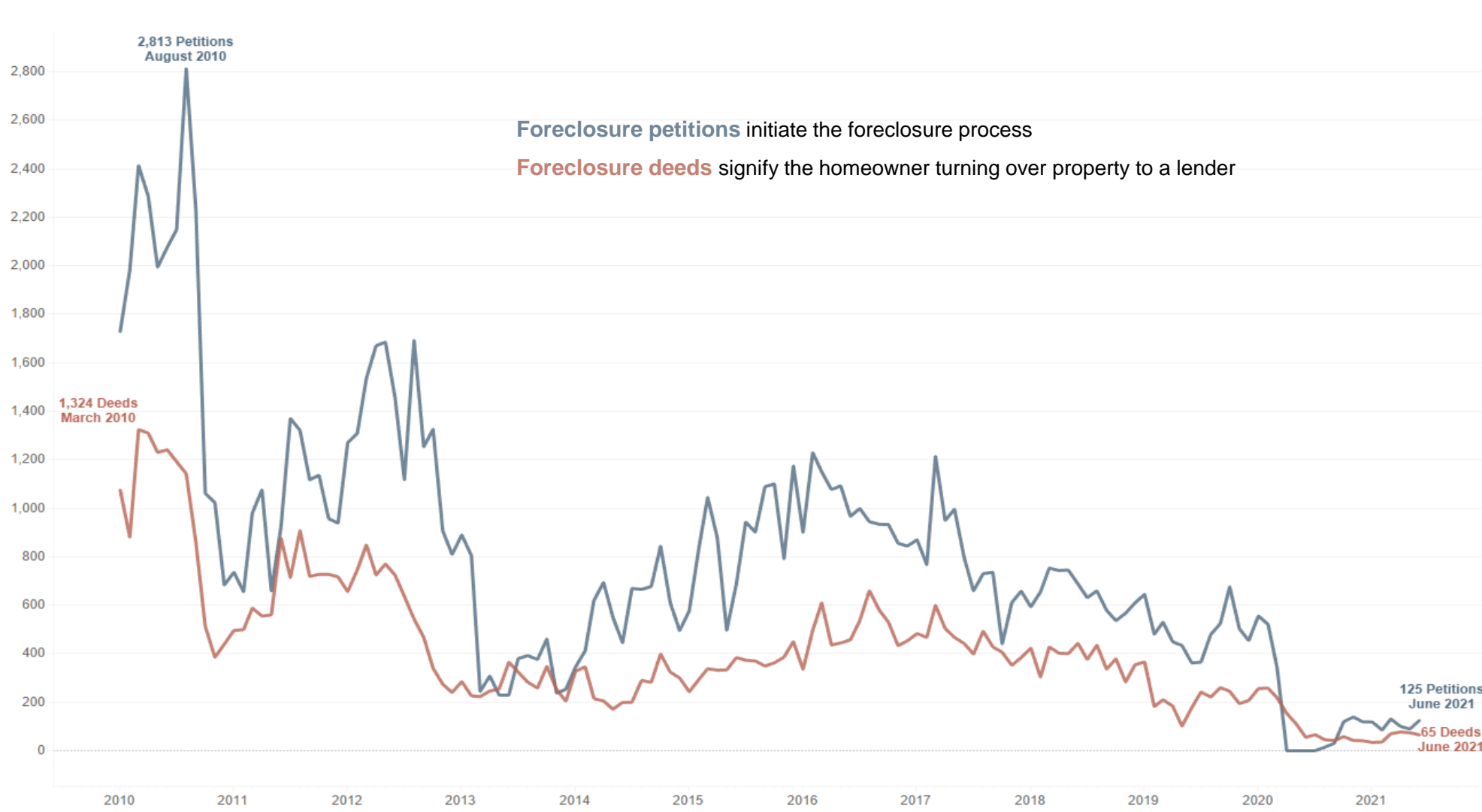
MA delinquent loans (90 days +) and loans in foreclosure at end of quarter, % of all loans serviced



Historically (before 2020Q1), both indicators were very closely correlated (~95%)

High delinquency rate could still mean high risk of foreclosure if after exiting forbearance or after the foreclosure moratorium expires borrowers who are delinquent are unable to repay or maintain their monthly payments

Historic Context: Massachusetts Foreclosure Petition and Deed Data



	Petitions	Deeds
June 2019	362	177
July 2019	365	242
August 2019	479	221
September 2019	524	260
October 2019	676	245
November 2019	503	194
December 2019	454	207
January 2020	556	256
February 2020	521	258
March 2020	343	218
April 2020	0	154
May 2020	0	111
June 2020	0	55
July 2020	0	66
August 2020	14	45
September 2020	31	42
October 2020	120	58
November 2020	139	42
December 2020	119	41
January 2021	118	34
February 2021	85	36
March 2021	131	70
April 2021	100	77
May 2021	89	74
June 2021	125	65

Source: Warren Group, as of 7/1/2021



Table of contents

0. Introduction

1. Homeowner needs and engagement

- 1a. Data driven assessment of homeowner needs

- **1b. Evidence of public participation and community engagement**

2. Program design

3. Methods of targeting HAF funding

4. Performance goals

Appendix



Public Engagement Process: Public Hearing Hosted on June 16, 2021

Website Posted in advance of Public Hearing

The HAF draft implementation framework is now available for review:

- [Homeowner Assistance Fund draft implementation framework June 2021](#)

The Executive Office of Housing and Economic Development (EOHED) will hold a remote public hearing on the HAF draft implementation framework on June 16, 2021 at 10:00 AM. See below for additional information about the public hearing. If you would like to offer comments at the public hearing, **you must sign up in advance**. To ensure all interested persons are able to offer comments in the time allotted for the public hearing, each individual must limit comments to no more than two minutes.

EOHED is also accepting written comments on the HAF draft implementation framework. Written comments must be submitted by 5:00 PM on June 18, 2021. Written comments [can be submitted here](#).

Notice of public hearing on
HAF draft implementation framework

Date: June 16, 2021

Time: 10:00 AM

Access information: <https://zoom.us/meeting/register/tjMtfuirrDkpEtfaLFJ4XwN-2Zoi8xkcHEpr>

Agenda:

- Brief presentation of the HAF [draft implementation framework](#);
- Public comments

Material available to download

Sign ups for comments during public hearing

Written Comment submission page

Date and Access Information

Agenda



Planning Process through June

- ✓ Meetings with HCAs biweekly over the course of 4 weeks to gather input on plan design
- ✓ Multiple calls with large servicers in MA, other states, and local housing groups
- ✓ MA set up a website to provide a notice for the public hearing including written materials and feedback forms
- ✓ 60+ invitations sent to servicers, HCAs and RCAs, and nonprofits for public hearing

Overview of Public Engagement Materials

1 Background & What is HAF?

Glossary of terms as used in this material

Term	Definition
Delinquent/Default	Describes a homeowner's loan for which one or more payments has been missed but foreclosure has not yet been initiated
Forbearance	Lender's agreement not to take action against a borrower for delinquency/default for some period of time

Homeownership Assistance Fund (HAF) Overview (1/3)

Housing relief measures in the American Rescue Plan Act (ARPA)¹

The HAF is the second largest housing relief fund in ARPA. Of the \$10B available nationally, Massachusetts is eligible to receive \$178M in funds

HAF funds are to help homeowners that have experienced a COVID-19-related hardship

Homeownership Assistance Fund (HAF) Overview (2/3)

Eligibility

- Homeowners must be able to provide proof of:
 - Financial hardship occurring after January 21, 2021
 - Incomes equal to or less than 150% of AMI
- Homeowners may verify income through documentation, or if not available, a written attestation and acceptable proxy

Targeting

- 60% of the funds must be used to assist homeowners with incomes:
 - ≤ 100% of AMI or,
 - ≤ 100% of median income for the US, whichever of the two is highest

Homeownership Assistance Fund (HAF) Overview (3/3)

HAF plan

Due June 30th, 2021, the HAF must detail:

- Data on needs of homeowners
- Design of each program that will be implemented using HAF funds
- Performance goals
- Readiness to implement programs
- Targeting and outreach plan for prioritized / disadvantaged groups

Treasury must approve the HAF plan in whole or in part before distributing funds.

2 Data on MA

As of Q1 2021, approximately 40k loans (5%) were 30+ days past due in MA, representing borrowers at a range of levels of risk

PRELIMINARY

MA loans with payments past due at end of Q1 2021 and estimate of forbearance, # and % of all loans serviced

There may be a mix of different types of borrowers who are past due, some higher risk than others

Loans either delinquent or in forbearance

The largest number of loans that are delinquent or in forbearance are in urban areas

Areas in Central Massachusetts have higher rates of loans in forbearance or delinquency

Loans in forbearance or delinquent (30 day+) by municipality¹, Jan 2021, Mortgages in sample

Percent of loans in forbearance or delinquent (30 day+) by municipality², Jan 2021, % of sampled loans in each municipality²

Municipalities with above-average delinquency or forbearance rates have higher shares of minority² and lower income residents

Loans in forbearance or delinquent (30 day+) by municipality¹, Jan 2021

% of mortgages in sample

Municipalities where the % of loans in forbearance or delinquency are above MA average have higher shares of minority² and lower income residents than municipalities below average

MA avg. = 7.4%

	Municipalities above avg.	Municipalities below avg.
Avg. "minority share" ² of the population	32%	25%
Avg. % of pop. < 50% of AMI	31%	24%
Avg. % of pop. < 80% of AMI	48%	35%

3 Overview of approach

How relief could be delivered to homeowners

Program	Through MassHousing and Mass. Housing Partnership	Applying to Housing Counseling Agencies (HCAs)	Servicer participation
Objectives	Cure quasi-governmental portfolios (all eligible loans) with reinstatement (and other support as needed)	Borrowers apply for assistance to a Housing Counseling Agency (HCA) that facilitates review, approval, and payment	Servicers may play a role in reaching out to homeowners to share information on what help is available to them

Key questions

Question 1: What type(s) of assistance will be important to help homeowners at risk?

Question 2: What factors will make homeowners especially vulnerable to housing instability and should be considered for outreach?

Question 3: How can MA best reach households who are most at risk?

Question 4: How can MA balance helping many homeowners while also ensuring each homeowner has enough?



Table of contents

0. Introduction

1. Homeowner needs and engagement

2. Program design

3. Methods of targeting HAF funding

4. Performance goals

Appendix

Program Policy Design Elements: Intended to be consistent with Treasury guidance on Aug 2nd, with four policy exclusions at program launch

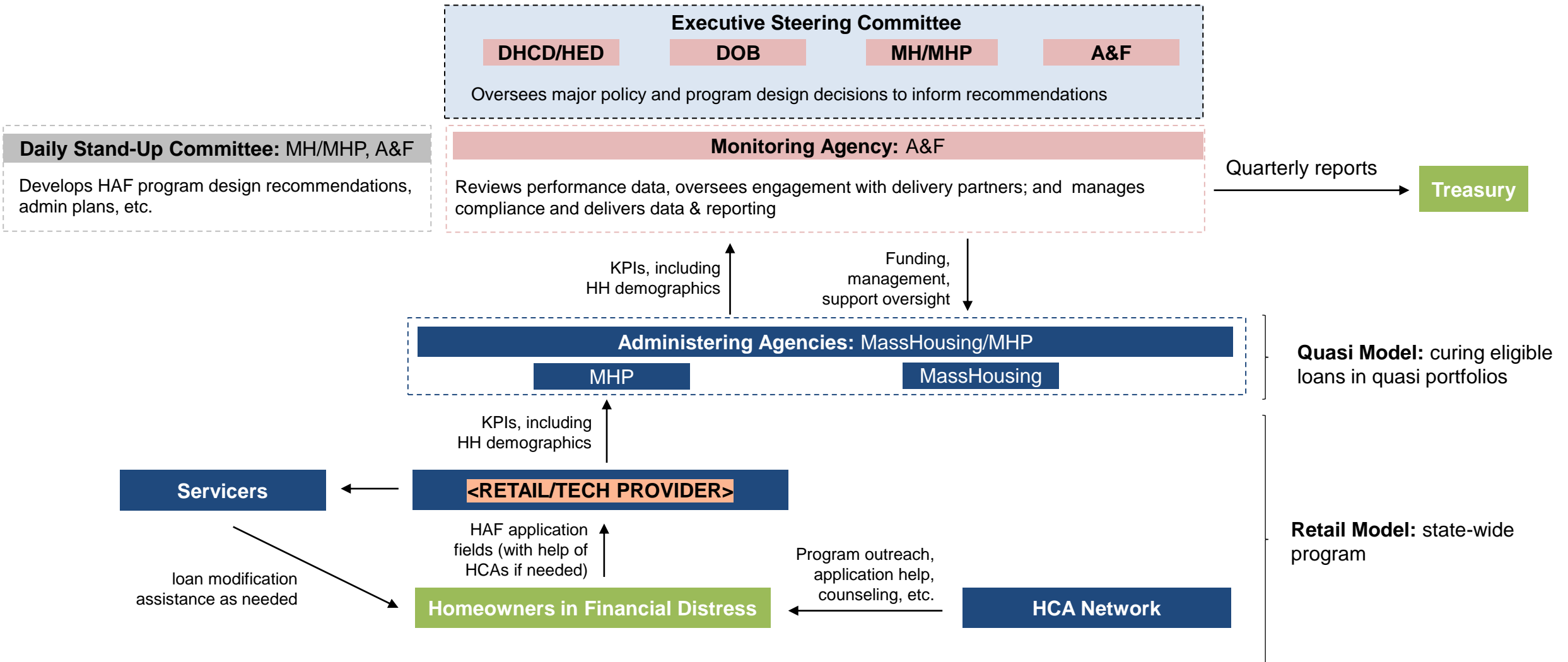


Eligible Uses (Treasury Guidance)	Design Element	Policy Considerations
Past due principal and interest	✓	As part of a reinstatement.
Insurance, including mortgage	✓	As part of a reinstatement.
Fees	✓	Condominium fees are a “super lien” and generally must be cured for reinstatement.
Taxes	✓	Tax liens are a “super lien” and generally must be cured for reinstatement.
Loan modifications	✓	As part of treatment of long delinquencies or homeowners who cannot afford homes long-term.
Mortgage principal reduction	✓	As part of a reinstatement and loan modification package to achieve sustainable affordability.
Counseling	✓	5% of total funds are allowable.
Utilities	⊗	As needed for reinstatement. Funds available through LIHEAP and LIWAP for households with <60% AMI.
Internet	⊗	Eligible under EDI (but not currently used).
Repairs	⊗	Too costly and complex to administer.
Other Policies (Treasury Guidance)	Design Element	Policy Considerations
Mortgages on 2-4 units	✓	Concentration of 2-4 unit properties is correlated with lower-income neighborhoods. Must be owner-occupied (as stated in Treasury guidance)
Use of proxy eligibility	In Testing	A proxy with self-attestation is recommended to help with throughput of the retail model, especially with target population (location-based proxy using census tracts with <100% AMI for homeowners <u>and</u> >10% homeowners of color). Income verification documents will be asked if proxy fails.
Delinquency minimum	✓	Payments for delinquencies must have a minimum of 90 days.
Re-delinquent borrowers	✓	Return to forbearance plan if they qualify, otherwise loan modification.
Borrowers in foreclosure or in loss mitigation	✓	Case by case basis paying eligible expenses, reinstatement, counseling, etc.
Maximum per household funding	⊗	No absolute maximum per household (to revisit after the initial phase). Jumbo Loans are ineligible.



Flows of information between entities

■ Lead
 ■ MA
 ■ Delivery partners
 ■ Other entities



Roles and Responsibilities



	Responsibilities	Leaders
Contracting	<ul style="list-style-type: none"> Issue contracts with MH/MHP for quasi model Issue contract with <RETAIL/TECH PROVIDER> for retail model 	<p>A&F</p> <p>MHP</p>
Design and stand-up	<ul style="list-style-type: none"> Finalize program design and drafting the admin plan Oversee engagement with administering agencies (MH, MHP) Select retail technology path forward and implement 	<p>A&F, MassHousing, MHP</p> <p>A&F</p> <p>MHP</p>
Partner performance and guidance long-term	<ul style="list-style-type: none"> Beyond launch, provide continued support and guidance for implementing partners 	<p>MassHousing, MHP</p>
Compliance	<ul style="list-style-type: none"> Ultimately responsible for spend (to Treasury); defines structures / KPIs to ensure compliance across programs Ensure compliance in program administration (e.g., managing audits) 	<p>A&F</p>
Interaction with Treasury	<ul style="list-style-type: none"> Sending quarterly reports Managing funds received 	<p>A&F</p>
Servicer compliance	<ul style="list-style-type: none"> Provides servicers compliance notification of rules 	<p>Division of Banks (DOB)</p>
Outreach and engagement	<ul style="list-style-type: none"> Stakeholder engagement Marketing to homeowners 	<p>MassHousing, MHP</p>



Overview of Program Model: Three delivery channels for homeowners

Program Objective (for all channels)

Address homeowner financial distress primarily through mortgage loan reinstatement

Loan Triage Strategy (for all channels)

- 1) Delinquent
- 2) Exited forbearance – delinquent
- 3) Exited forbearance – current but have deferrals
(not for initial phase, to revisit based on demand)

Three delivery channels:

	Description	Process
1 Statewide Retail Lead Partner: MHP procuring a <RETAIL/TECH PROVIDER>	<ul style="list-style-type: none"> • Provide financial assistance to borrowers outside of the MassHousing/MHP portfolio through <RETAIL/TECH PROVIDER> 	<RETAIL/TECH PROVIDER> will accept applications from homeowners directly and will facilitate reinstatement payments to servicers.
2 MHP (Quasi, “Retail”) Lead Partner: MHP using <RETAIL/TECH PROVIDER>	<ul style="list-style-type: none"> • Cure eligible loans in MHP portfolio with reinstatement <ul style="list-style-type: none"> • Over 1,000 of ~10,500 total loans are 90+ days delinquent • Focus on servicers of One Mortgage loans to identify and disburse funds for its distressed portfolio using <RETAIL/TECH PROVIDER> <ul style="list-style-type: none"> • Working with over 50 loan servicers • 500 borrowers in deferment as of last July (including 90 currently in deferment) 	Refer to HCAs for additional counseling if needed
3 MassHousing (Quasi, “Bulk”) Lead Partner: MassHousing	<ul style="list-style-type: none"> • Cure eligible loans in MassHousing portfolio with reinstatement <ul style="list-style-type: none"> • Over 2,200 of ~17,000 total loans are delinquent • Focus on its internal program, beginning with the FHA portfolio: <ul style="list-style-type: none"> • 37% of MH’s FHA borrowers in distress are households of color; 47% live in Gateway Cities • ~208 FHA borrowers are in forbearance, deferment, or have re-defaulted 	MassHousing staff will work with their own borrowers directly and MH will facilitate reinstatement payments. Refer to HCAs for additional counseling if needed

Process Flow Overview: Illustrative



Reinstatement to current

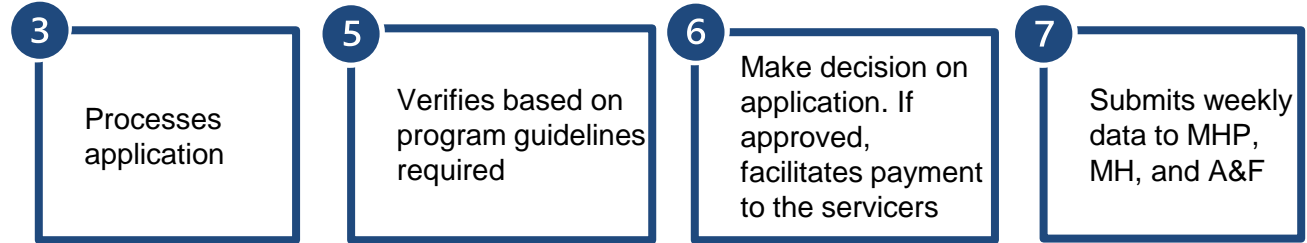
Post-reinstatement interventions (as needed)



Homeowners



<RETAIL/TECH PROVIDER>



HCA's



Proxy Eligibility: Approach to Test



Two approaches for income verification are permissible:

- (1) The household may provide a written attestation as to household income together with supporting documentation such as paystubs, W-2s or other wage statements, IRS Form 1099s, tax filings, depository institution statements demonstrating regular income, or an attestation from an employer; or
- (2) The household may provide a written attestation as to household income **and the HAF participant may use a reasonable fact-specific proxy for household income, such as reliance on data regarding average incomes in the household's geographic area.**

Recommendation:

Use proxy eligibility for homeowners living in census tracts that have a homeowner median income of **<100% AMI** and **>10%** homeowners of color.

Coverage:

22% of all Massachusetts homeowners would qualify under this proxy method, and would not need to provide other income verification documents if they apply for HAF.

Considerations:

- Opportunity: Reduce application processing burden
- Risk: Increase in ineligible homeowners receiving HAF assistance

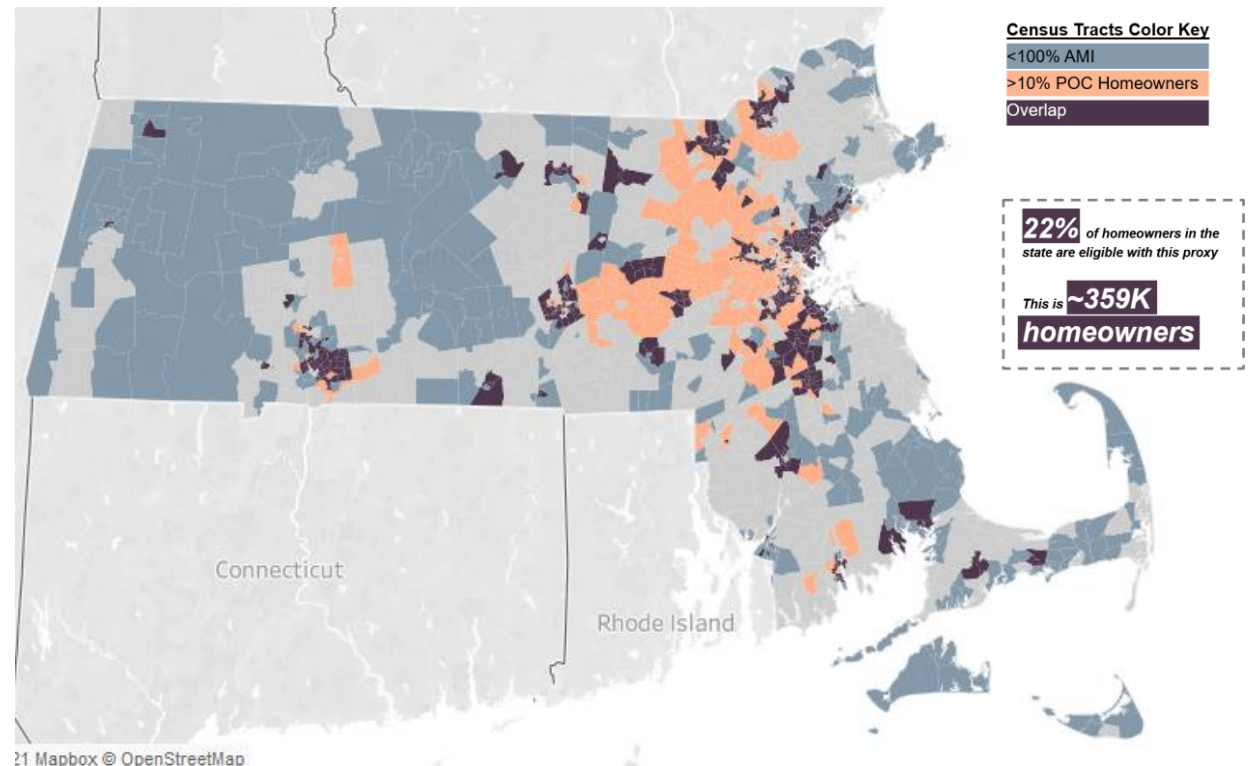




Table of contents

0. Introduction

1. Homeowner needs and engagement

2. Program design

3. Methods of targeting HAF funding

4. Performance goals

Appendix

Outreach: Potential strategies for reaching target populations (e.g., <100% AMI, socially disadvantaged, FHA) per Treasury guidance



* Examples from Eviction Diversion Initiative (EDI)

Channel	Methods	Where & How to Target
* Physical geographic targeting and outreach	Door Knocking Flyers, Billboards, posters	Geographies where many loans are delinquent
* Digital and media campaigns targeting geographies and populations	Instagram, YouTube, and Facebook ads Radio ads TV ads	People matching income and demographic criteria Geographies where many loans are delinquent
* Partnering with community orgs. (e.g., HCAs, churches)	Provide access to library of videos for partner to use to send out to their populations	Most relevant list of partners in highly impacted geographies for delinquencies and/or high concentrations of socially disadvantaged populations
Servicers , especially of FHA loans	Encourage servicers to reach out to their borrowers	<100% AMI and socially disadvantaged with emphasis on FHA loans
Employers	Outreach to major employers; encourage them to provide information and resources	Employers that employ high numbers of low/mid-income HHs or have a large footprint in impacted geographies
Other benefits programs (e.g. SNAP)	Advertise in physical locations Send information to people receiving benefits	Programs with high overlap with target populations
Municipalities	Coordinate on outreach (e.g., via property tax records)	<100% AMI and socially disadvantaged HHs (if known to municipality)
HOAs and COAs	Provide access to library of videos for partner to use to send out to their populations	Most relevant list of partners in highly impacted geographies for delinquencies and/or high concentrations of socially disadvantaged populations



Key factors from EDI:

Languages: Multiple languages used across all materials

- English on all material
- Spanish for YouTube and digital ads
- Community partners were given additional materials in more languages

Content: Ad content reflected target population, e.g.,

- Representation (e.g., female and POC narrators)
- Older populations also shown

Trusted Sources:

- Messaging to historically disenfranchised communities came from trusted voices and resources

Repeated Exposure:

- Maximized reach with repeated exposure to information and advertisements

Outreach: Potential regional consumer and foreclosure counseling organizations, many currently contracted by Division of Banks (DOB)



MA Subgrantees Subcontracted service providers

Massachusetts

Example: Way Finders, Inc. (Springfield) *

Example: NeighborWorks Housing Solutions*

TBD

Subcontracted service providers

Subcontracted service providers

Subcontracted service providers

Western Massachusetts

Berkshire County Regional Housing Authority*
 Berkshire Housing Development Corporation (Pittsfield)
 Chicopee Neighborhood Development Corporation (Chicopee)
 City of Springfield - Office of Housing (Springfield)
 Franklin County Regional Housing & Redevelopment Authority*
 HAP, Inc. (Springfield)
 Holyoke Housing Authority (Holyoke)
 Rural Development, Inc. (Turner Falls)
 Springfield Partners for Community Action (Springfield)
 Valley Community Development Corporation (Northampton)*

Central Massachusetts

NewVue Communities (North Central Massachusetts)*
 Southern Worcester County Community Development Corporation (Southbridge)
 Worcester East Side CDC (Worcester)
 RCAP Solutions (Gardner/Worcester)

Boston

Allston Brighton Community Development Corporation (Allston and Brighton)*
 Asian Community Development Corporation (Boston)
 City of Boston, Dept. of Neighborhood Development (Boston)*
 Codman Square NDC (Boston)*
 Ecumenical Social Action Committee, Inc.* (Jamaica Plain)
 Financial Education Associates (Boston)
 Massachusetts Affordable Housing Alliance (Dorchester)
 Metro Housing Boston
 Neighborhood of Affordable Housing (East Boston)*
 Nuestra Comunidad Development Corporation (Roxbury)
 Urban Edge Housing Corporation (Roxbury)*
 Veteran's Benefit Clearing House (Boston)
 Viet-AID (Dorchester)

Greater Boston

City of Cambridge Community Development Department (Cambridge)
 Chelsea Restoration Corporation (Chelsea)*
 Community Service Network (Stoneham)
 Medford Community Housing (Medford)
 NeighborWorks Southern Mass (Quincy & Brockton)*
 Quincy Community Action Programs (Quincy)*
 Somerville Community Corporation (Somerville)
 South Middlesex Opportunity Council (Framingham)*
 WATCH CDC (Waltham)

South Shore, Cape & Islands

Catholic Social Services (Fall River and New Bedford)
 City of New Bedford, Housing & Neighborhood Development (New Bedford)
 Community Development Partnership (Eastham)
 Fall River Community Development Agency (Fall River)
 Housing Assistance Corporation (Hyannis)
 Housing Nantucket (Nantucket)
 Housing Solutions of Southern Massachusetts (Kingston)
 NeighborWorks Southern Mass (Brockton, New Bedford)
 Plymouth Redevelopment Authority (Plymouth)
 Pro-Home (Taunton)
 Town of Nantucket Planning Office (Nantucket)

North Shore and Merrimack Valley

ACT Lawrence (Lawrence)*
 Centro De Apoyo Familiar (CAF) (Lawrence)
 Coastal Homebuyer Education, Inc. (Newburyport)
 Community Action, Inc. (Haverhill)
 Community Service Network, Inc. (Stoneham)
 Community Teamwork, Inc. (Lowell)
 Gloucester Housing Authority (Gloucester)*
 Harborlight/North Shore Realtors (Beverly)
 Homeowner Options for Massachusetts Elders*
 Home Preservation Coalition of the Merrimack Valley*
 Lawrence Community Works (Lawrence)*
 Lynn Housing Authority and Neighborhood Development (Lynn)
 Merrimack Valley Housing Partnership (Lowell)*

* Chapter 206 grantees – Regional Foreclosure Education Centers (2021 total award = \$1.87M)

* Chapter 206 grantees – Consumer Counseling Organizations (2021 total award = \$0.67M)



Table of contents

- 0. Introduction
- 1. Homeowner needs and engagement
- 2. Program design
- 3. Methods of targeting HAF funding
- 4. Performance goals**
- Appendix



Performance goals - overview

PRELIMINARY – NOT EXHAUSTIVE

Treasury Guidance

Each HAF participant must establish **goals and benchmarks**, by **program and by targeted population**, for assistance using HAF funds. The performance goals must:

- Identify how they **address homeowner needs** identified by the HAF participant in its plan
- Be **disaggregated by key characteristics** such as mortgage type, racial and ethnic demographics, and/or geographic areas (including rural communities), as appropriate for the jurisdiction
- Each HAF participant must include a goal focused on **reducing mortgage delinquency among targeted populations**

1. As defined by US Treasury guidance



Program goals could be tracked through dashboards across **different program types...**

- Commonwealth overall
- MH/MHP
- Retail approach
- By Servicer

...broken down by “targeted populations:”¹

- <100% AMI
- Socially disadvantaged
- FHA/VA/USDA loans


KPIs can be processed in parallel to track operational performance, e.g.,:

- Applications processed
- Time required to process



HAF performance goals and operational KPIs

PRELIMINARY – NOT EXHAUSTIVE

 Details to follow

	Performance goals	Operational KPIs
Objectives	Ensure delivery of HAF program funds addresses need articulated in Treasury guidance and identified by MA	Provide visibility into progress of program delivery for tracking & reporting purposes to MA
Metric	<p>Total population served and benefits paid (overall and by program)</p> <ul style="list-style-type: none"> • % below 100% AMI • % socially disadvantaged¹ • % FHA/VA/USDA <p>Delinquency rates in target¹ populations (overall)</p> <ul style="list-style-type: none"> • % below 100% AMI • % socially disadvantaged¹ • % FHA/VA/USDA 	<p>Total under active review</p> <p>Total waiting on action from homeowners</p> <p>Total approvals</p> <p>Total funds awarded, \$</p> <p>Total denials</p> <p>Avg. time from app to award</p> <p>New applications this week</p> <p>New approvals this week</p> <p>New funds awarded this week, \$</p> <p>Reasons for denials</p> <p>Totals approved for veterans/seniors</p> <p>HH size</p> <p>Funds from other programs</p>

1. As defined by US Treasury Guidance

Initial perspectives on potential performance goals for target populations



PRELIMINARY – NOT EXHAUSTIVE

Dimensions to measure	Example goals	Rationale	How to monitor	
Total population served and benefits paid (reported statewide and by program)	% below 100% AMI	60% of HHs served / \$ spent	60% of the funds must (per Treasury guidance) be used to assist homeowners with incomes <100% AMI ¹	Collect program level data on HHs served, broken down by income, race/ethnicity, and loan type
	% socially disadvantaged ²	30% of HHs served / \$ spent	Remaining amounts must (per Treasury guidance) be prioritized for assistance to socially disadvantaged² individuals¹ 30% reflects the percent of home purchase originations in MA going to non-white households ³	
	% FHA/VA/RHS	35% of HHs served / \$ spent	Treasury encourages HAF participants to prioritize assistance to homeowners who have FHA/VA/RHS mortgages 35% is the percent of all 90+ days delinquent loans in MA as of Q1 2021 which were FHA/VA/USDA ⁴	
Delinquency rates (reported statewide)	Overall 90+ day delinquency rate	1.2% ⁵	1.2% is the statewide pre-COVID 90+ day delinquency rate , which historically has been closely correlated with foreclosures.	Track MBA data on 90+ day delinquency rates overall and for FHA/VA/RHS loans specifically
	FHA/VA/RHS	2.2% ⁵	MA has the data required to track 90+ day delinquencies specifically for FHA/VA/RHS loans, which was 2.2% pre-COVID⁵	
	Overall 30+ day delinquency rate	4.1% ⁶	4.1% is the statewide pre-COVID 30+ day delinquency rate⁶ – actual rates pre-COVID for these subgroups may have been higher	Track overall 30+ delinquency rate through MBA data Track high frequency Black Knight data from Treasury on delinquency rates ⁸ for “high minority” ⁷ and “low income” ⁷ areas as a proxy for socially disadvantaged and <100% AMI
	<100% AMI	4.1% ⁶	MA does not have data on delinquency rates among <100% AMI or socially disadvantaged ² groups. To aid jurisdictions in developing a HAF plan, US Treasury provided data on 30+ day delinquencies⁸ broken down by “high minority”⁷ and “lower income”⁷ which could be used as a proxy	
Socially disadvantaged ²	4.1% ⁶			

1. Per US Treasury guidance
2. Defined by US Treasury guidance as “Black Americans, Hispanic Americans, Native Americans, and Asian Americans and Pacific Islanders”
3. Percent of non-white home purchase originations from HMDA, 2018-2019
4. Percent of loans 90+ days delinquent in Massachusetts that are FHA/VA/USDA, MBA, as of Q1 2021
5. Percent of loans 90+ days delinquent in Massachusetts, MBA, as of Q3 2019 (overall and FHA/VA/RHS specific rates)
6. Percent of loans 30+ days delinquent in Massachusetts, MBA, 2019 simple average
7. Terms as used by US Treasury in data provided to MA
8. Black Knight data on loans 30+ days delinquent not in forbearance plus loans in forbearance

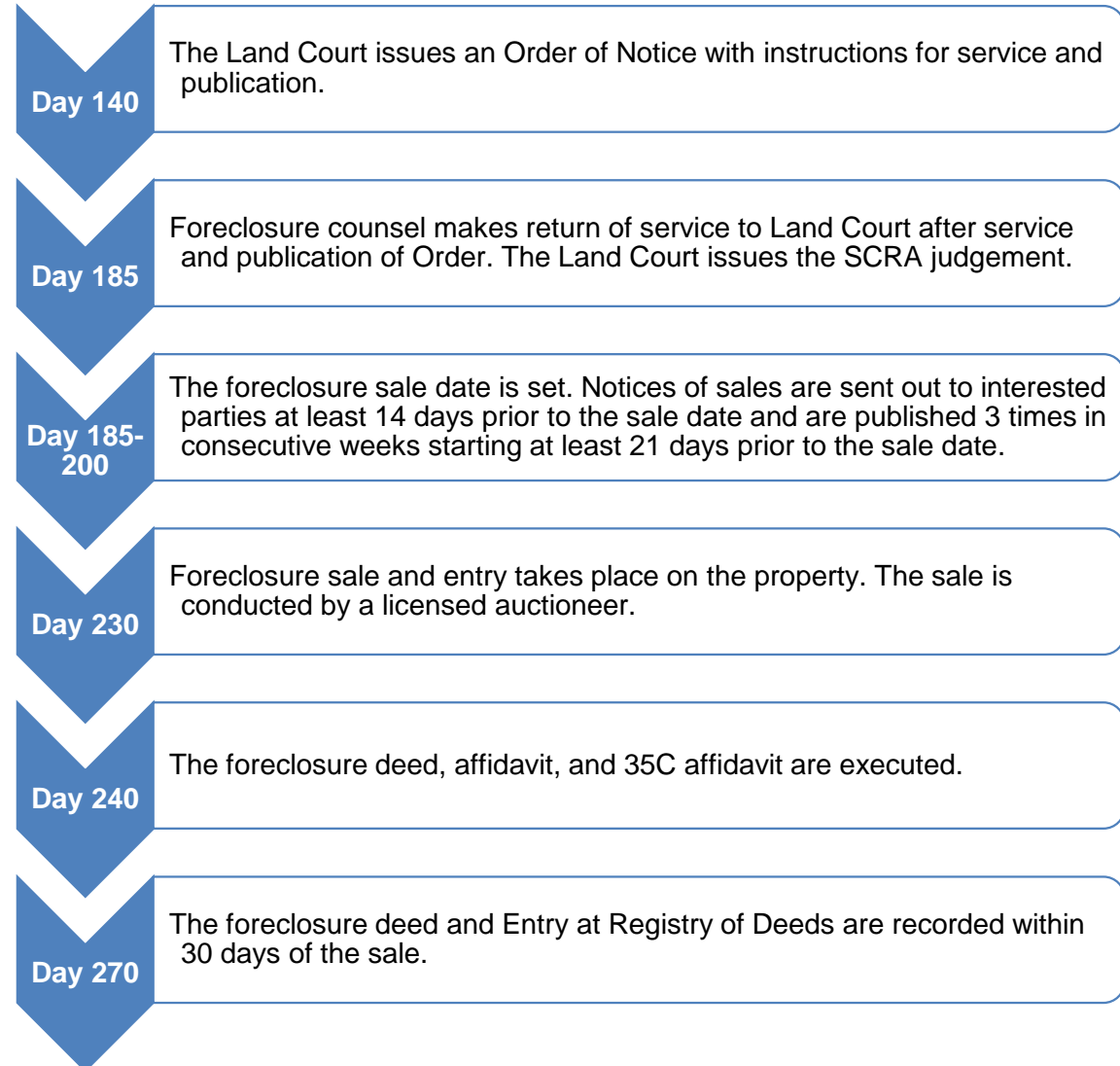
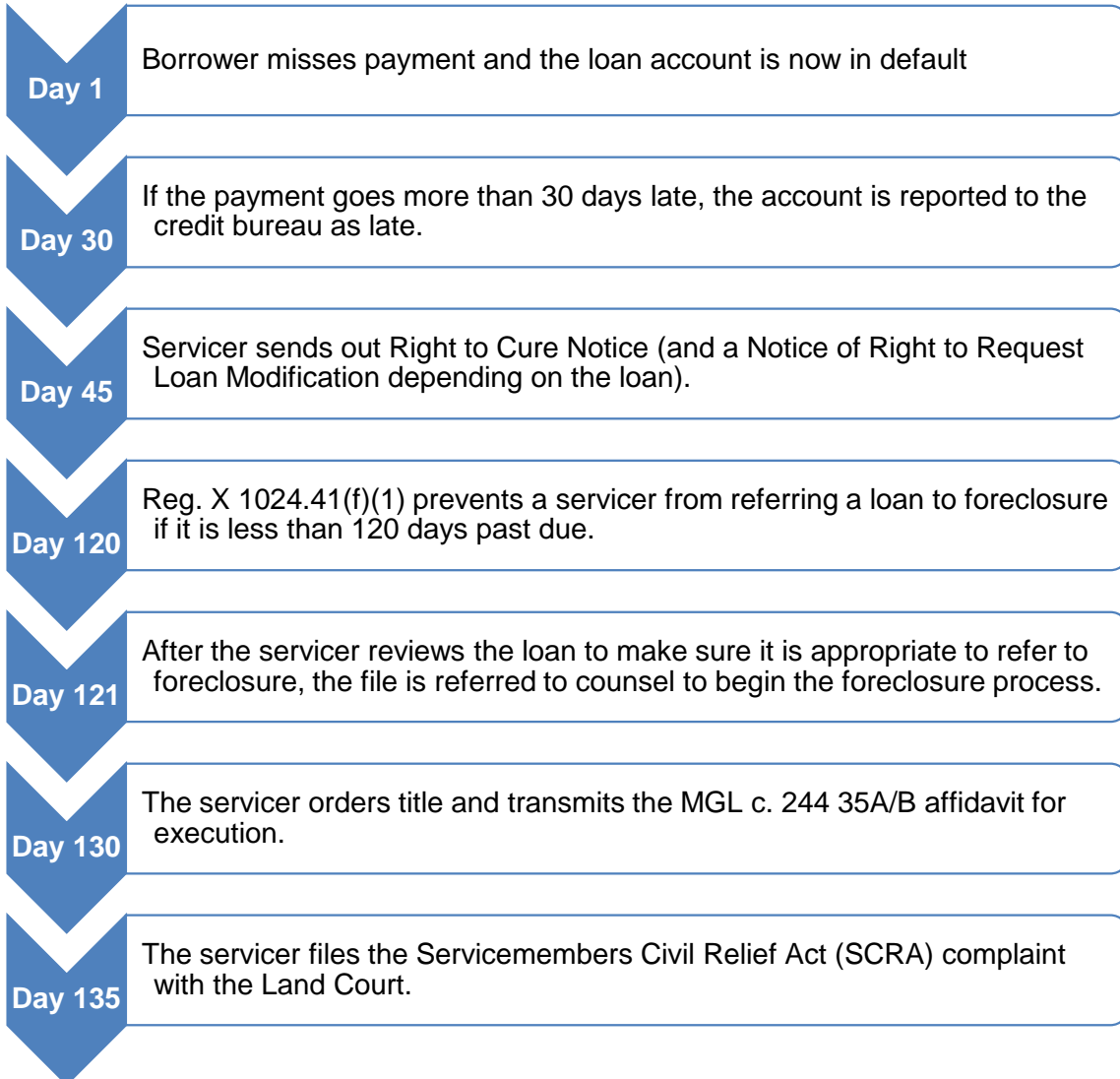


APPENDIX



Massachusetts Non-Judicial Foreclosure Timeline

Loan can be cured at any point before foreclosure sale (Day 230)



Source: MassHousing, as of 8/1/2021

ERMA/RAFT: Currently administered COVID-19 relief program for homeowners differ across several eligibility criteria vs. HAF



ERMA is set to retire in December. Until then, homeowners can access both ERMA and HAF if they are eligible for both programs.

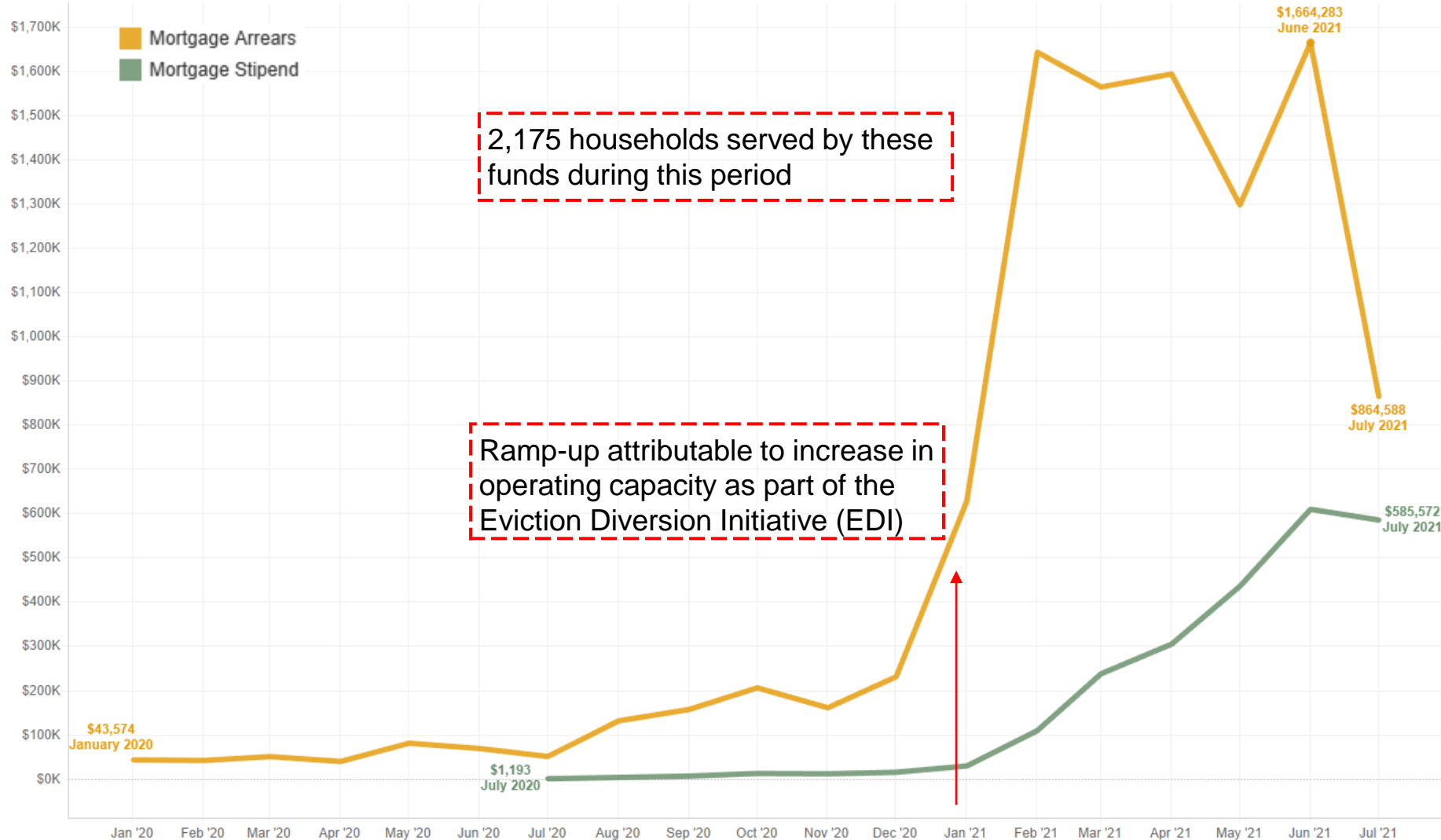
Emergency Rental and Mortgage Assistance (ERMA)

- ✓ For renters and homeowners
- ✓ Only for households between **50-80% AMI**
- ✓ Borrowers in forbearance **are not eligible**
- ✓ Up to **\$10,000 per household**
- ✓ For homeowners experiencing financial hardship (**no cutoff date**)
- ✓ One month **proof of income** for all 18+ HH members (*ERA 2 allows proxy but not implemented*)

Homeowner Assistance Fund (HAF)

- Only for homeowners**
- For households **below 150% AMI**
- Does admit borrowers **in forbearance**
- No dollar cap** per household
- For homeowners experiencing financial hardship **after January 21, 2020**
- Multiple** ways to verify income, including proxy

Current Mortgage Assistance via RAFT/ERMA



Top 20 Cities by Mortgage Assistance

City/Town	Amount Paid
Springfield	\$ 1,372,411.39
Boston	\$ 839,934.04
Worcester	\$ 646,779.42
Lynn	\$ 572,152.28
Brockton	\$ 567,546.42
Revere	\$ 473,746.50
Quincy	\$ 445,265.67
Lawrence	\$ 363,109.46
Malden	\$ 289,441.57
Lowell	\$ 266,350.60
Chicopee	\$ 207,084.24
Hyde Park	\$ 204,040.41
Haverhill	\$ 199,896.14
Braintree	\$ 196,244.87
Mattapan	\$ 187,155.49
Chelsea	\$ 184,794.58
Methuen	\$ 181,019.86
Holyoke	\$ 163,210.02
Pittsfield	\$ 147,612.72

Source: DHCD, as of 8/5/2021