



Relief for Florida's Hardest Hit Homeowners



By Michael Chaney

The Housing Finance Agency Innovation Fund for the Hardest Hit Housing

Markets (Hardest Hit Fund or HHF) is a new program to assist Floridians

facing foreclosure. Currently being piloted in Lee County, it is anticipated to begin statewide the first quarter of 2011. The HHF was established by President Obama last February to target aid to families in states hit hardest by the housing downturn. Arizona, California, Florida, Michigan, and Nevada were the first five states allocated funds because of the excessive housing market depreciation. In March 2010, the U.S. Treasury allocated a second disbursement of \$600 million to five additional states housing finance agencies (HFA) based on high unemployment rates. The U.S. Treasury expanded the HHF August 11 to include a total of 18 states and the District of Columbia with an additional \$2 billion. For each state, Hardest Hit

assistance is expected to help unemployed homeowners and others. This will be welcomed relief for states like Florida, with its current 11.6% unemployment rate

representing 1,100,000 people jobless out of a labor force of 9,242,000.

The Florida Housing Coalition has been working on

Florida's Hardest Hit program for over half the year.

In August, Coalition staff provided a full day workshop to many of the agencies currently working on the Lee County pilot. Once the pilot began in October, the Coalition offered a week of webinars to prepare agencies on program requirements.

Since then, Coalition staff has been regularly answering questions from agencies involved in the pilot, and coordinating a weekly meeting for the advisors.

FLORIDA'S PROGRAMS

Florida's HH allocation is over \$1 billion, second only to California. So far, Florida has developed two strategies. The first program, the Unemployment Mortgage Assistance Program (UMAP), provides funds to make monthly payments on the first mortgage, including escrowed mortgage-related expenses like property taxes, homeowner insurance, and mortgage insurance. Monthly assistance is available until the homeowner can resume making payments, for up to 18 months or until the maximum amount of assistance is reached. To be eligible, the borrower or co-borrower must be unemployed or underemployed and must be no more than 180 days delinquent on their mortgage. By contrast, the second program



Several participating agencies in the Hardest Hit pilot received training last August in Ft. Myers.

called the Mortgage Loan Reinstatement Payment Program (MLRP) helps homeowners who can afford their monthly mortgage, but because of difficulties with unemployment or underemployment were previously delinquent. The MLRP provides funds to bring a past-due first mortgage current.

In many cases, it is expected that these programs will offer a homeowner a combination of assistance. For example, an applicant who is currently unemployed first benefits from UMAP monthly payments. Upon getting a job—perhaps after nine months of UMAP assistance, for example—this applicant can afford to pay the mortgage payment. At this point, the applicant receives MLRP assistance to pay for arrearages and make the first mortgage current. Assistance is limited to a maximum of \$35,000, and an assistance lien is recorded as a five-year forgivable loan.

ELIGIBILITY DETAILS

Florida Housing enlisted more than 50 Florida housing agencies to identify eligible homeowners at risk of foreclosure. Fourteen agencies are participating in the Lee County pilot. Each agency receives ‘Fee-for-Service’ payments for assisting HHF applicants. Each agency’s staff focuses on all aspects of the applicant’s eligibility.

The homeowner’s income, assets, and current situation are examined, as well as the mortgage and property. It is important to note that Florida’s HHF program is a pilot, and the following details may change. For now, applicants must be legal US residents or legal aliens owning a primary residence and earning 140% or less of the area median income. They must document that the housing costs—including PITI, association fees, and condo dues—exceed 31% of the monthly household income. To be eligible, household unencumbered assets cannot exceed three times the

List of Hardest Hit Allocations in 18 States and DC.

Alabama	\$162,520,874
Arizona	\$267,766,006
California	\$1,975,334,026
Florida	\$1,057,839,381
Georgia	\$339,255,832
Illinois	\$445,603,831
Indiana	\$221,694,280
Kentucky	\$148,901,825
Michigan	\$498,606,179
Mississippi	\$101,888,373
Nevada	\$194,026,659
New Jersey	\$300,548,507
North Carolina	\$482,781,565
Ohio	\$570,395,235
Oregon	\$220,042,571
Rhode Island	\$79,351,803
South Carolina	\$295,431,200
Tennessee	\$217,315,333
Washington DC	\$20,697,520



Florida Housing Finance Corporation's David Westcott has been central to crafting Florida's Hardest Hit program

The combined total of mortgages on the property must have a loan to value of no more than 200%.

PARTICIPATING SERVICERS

One of the most important criteria of eligibility is central to the homeowner's mortgage. The borrower's servicer must sign up as a participating servicer and agree to accept HHF payments. The Florida Housing Finance Corporation's staff is joining with other HHF states to add more participating servicers. The list of lenders has grown steadily since the beginning of the pilot with several others expected to sign servicer agreements. An increased rate of participation is expected to follow the late October notices from Fannie Mae and Freddie Mac requiring their servicers to work closely with state housing finance agencies to provide mortgage assistance to unemployed homeowners.

total monthly mortgage payment (including tax and insurance payments) or \$5,000, whichever is greater.

The property may be a single family home, townhome, manufactured home permanently affixed to real estate, or multifamily dwelling of up to four units (with one of the units the homeowner's primary residence). Condos on a Fannie Mae or FHA approval list are also eligible.

The first mortgage must also be eligible for a homeowner to receive assistance. It must be from a financial institution, and no seller-financed mortgages are eligible. The outstanding balance on the mortgage must be \$400,000 or less at the time of application.

PROGRAM IN PILOT DEVELOPMENT

The Hardest Hit program is just beginning and lessons are being learned from the current pilot. Training will be provided regionally around the state in advance of the statewide rollout of Hardest Hit in 2011. Contact the Florida Housing Coalition if you have questions to help you prepare your community for this foreclosure prevention assistance.

Lee County is the Hardest Hit pilot primarily because it is considered the one of the epicenters of the foreclosure crisis. This is a partly developed and now partly overgrown neighborhood in Lee County north of Lehigh Acres



Frequently Asked Questions about Eligibility

The pilot program is helping Florida Housing develop a large and helpful list of common questions about program eligibility. Here are some sample questions and answers:

What is the Hardest Hit Debt to Income (DTI) test for eligibility determination?

An applicant must have monthly housing debt of more than 31% of the gross monthly income. The combined monthly dollar cost of the mortgage principal, interest, taxes, insurance, and association dues of all secured mortgages must be greater than 31% of the total household's gross income after the financial hardship event.

How should one document that an applicant is underemployed? Do we compare former full employment income with current lower employment income?

No, do not collect documentation of former full employment. Unemployment is documented by way of the 31% debt to income test. Document the total household income for an applicant and compare it to the PITI and association/condo fees that the applicant pays. If these housing costs exceed 31% of monthly income, an employed borrower is considered underemployed. At the time when application is made, an applicant must be underemployed, but there is no time limit for how long ago they started being underemployed.

Are applicants eligible if they own other property?

The program eligibility rules indicate a homeowner cannot have more than one property other than their primary residence, and this property is not counted for the asset test. If an applicant owns a duplex or quadplex and lives in one of the units, this is not

considered owning more than one property. Vacant land is considered a property, while time shares are not.

What "Best Practices" for Eligibility Determination have emerged so far from the Lee County Hardest Hit pilot?

One best practice involves a team of advisors who determine eligibility. Once the team makes its determination, there is only one person that verifies application information, sends the file for Florida Housing approval and requests advisor payment. This helps ensure only eligible files are submitted for approval.

Is an applicant with a Habitat for Humanity mortgage eligible for Hardest Hit assistance?

Yes, Habitat mortgages would qualify as eligible mortgages. [HNN](#)



Capacity Corner



Which of the following words come to mind when you hear "Non Profit Agency?"
Commitment to the Cause • Business minded • Fiscally Responsible
Mission Driven • Passion for the Work • Sustainable

If you answered "all of the above," good for you! A successful non profit organization combines a passionate commitment to their stated mission with fiscally sound, sustainable business practices.

Remember "supply and demand" from Econ 101? Non profits fill a need or demand long unmet within their community. There is a constant supply of clients that need services, BUT they cannot pay for them. A seemingly endless supply of non paying customers is not a business model that any profit minded company would be even remotely interested in. Enter the non profit. You all go where no for profit business would dare to go just because it's the right thing to do. And if there were an unlimited supply of free money available to non profits to carry out their missions, we'd all be golden. Sadly,

that's not the case, so non profits must have the capacity to combine their commitment to the cause with a viable and sustainable business model that keeps your agency's doors open so you can continue to serve your community.

To help you do just that, we are introducing "Capacity Corner," a recurring feature in the Housing News Network Journal. If there are any specific capacity building topics that you would like to see addressed in upcoming issues, send an email to Hoffmeyer@flhousing.org. Some ideas may include financial recordkeeping systems, knowing when a deal will be financially feasible, board of directors strategic planning, maintaining good relationships with partners, and managing multiple projects. We look forward to hearing from you!