TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

TDHCA Governing Board Approved Draft of The Homeowner Assistance Fund Plan

Disclaimer

Attached is a draft of the Homeowner Assistance Fund (HAF) Plan that will be presented for approval by the TDHCA Governing Board on June 17, 2021.

March 11, 2021, the President of the United States signed the Rescue Plan Act (ARP), which includes the Homeowner Assistance Fund (HAF), into law. The State of Texas will receive $842,214,006 from the HAF, and the Texas Department of Housing and Community Affairs (the Department or TDHCA) has been designated as the HAF Participant to administer the HAF for the state. The United States Department of the Treasury (Treasury) is administering HAF, and published Homeowner Assistance Fund Guidance on April 14, 2021 (HAF Guidance), which requires the Department to submit to Treasury a HAF Plan, or a date by which a HAF Plan will be submitted, by June 30, 2021.

Treasury has stated that the purpose of the HAF is to prevent mortgage delinquencies and defaults, foreclosures, loss of utilities or home energy services, and displacement of homeowners experiencing financial hardship after January 21, 2020. Funds from the HAF may be used for assistance with mortgage payments, homeowner's insurance, utility payments, and other specified purposes.

In accordance with the HAF Guidance, staff has developed a draft HAF Plan for submission to Treasury, and has made the draft HAF Plan available for public comment, with the public comment period beginning Monday, June 14, 2021, and ending at 5 pm on Monday, June 21, 2021.

Public Comment

Public Comment Period: Starts: Monday, June 14, 2021. Ends: 5:00 pm Austin local time on Monday, June 21, 2021.

Comments received after 5:00 pm Austin local time on Monday, June 21, 2021, will not be accepted.

Written comments may be submitted, in hard copy/fax or electronic formats to:

Texas Department of Housing and Community Affairs
Attn: Texas Homeownership Division
P.O. Box 13941
Austin, Texas 78711-3941
Fax: (512) 475-4798
Email: txhaf@tdhca.state.tx.us

Written comments may be submitted in hard copy, fax, or email formats within the designated public comment period. Those making public comment are encouraged to reference the specific draft rule, policy, or plan related to their comment as well as a specific reference or cite associated with each comment.

Please be aware that all comments submitted to the TDHCA will be considered public information.

Texas Homeowner Assistance Fund (Draft Plan)

Overview

The economic implications of the COVID-19 pandemic have reached far and wide, significantly and negatively impacting Texas homeowners throughout the state. The Cares Act allowed many impacted homeowners to enter forbearance, pausing their monthly mortgage loan payments. At this point in time, many homeowners have been in forbearance for 12 months plus and are fast approaching 15 months, just three months from the maximum permissible forbearance period. During their time in forbearance, homeowners have accrued thousands and many have accrued tens of thousands of dollars in delinquent mortgage loan payments, and the CDC's foreclosure moratorium is scheduled to expire June 30, 2021.

Fortunately, there is assistance on the way for delinquent Texas homeowners. On March 11, 2021, the President of the United States signed the American Rescue Plan Act (ARPA), which includes the Homeowner Assistance Fund (HAF), into law. The State of Texas will receive $842,214,006 from the HAF, and the Texas Department of Housing and Community Affairs (TDHCA) has been designated as the entity to administer those funds.

The United States Department of the Treasury published HAF Guidance on April 14, 2021 (the HAF Guidance), which requires the Department to submit to Treasury a HAF Plan, or a date by which a HAF Plan will be submitted, by June 30, 2021.

The following is a draft of the HAF Plan to be submitted to Treasury. TDHCA will administer the $842,214,006 received through the HAF to Texas homeowners that were impacted by COVID-19, to stay in their homes. TDHCA is submitting a Texas Homeowner Reinstatement Plan, which will achieve goals set forth in the HAF Guidance, specifically to reduce mortgage loan delinquencies, defaults, foreclosures, and displacement of homeowners.

Homeowner Needs Assessment

Texas mirrors the US closely in terms of racial demographics, but diverges from national trends when it comes to ethnicity. While 17.8% of Americans identify as ethnically Hispanic, that number is 39.2% in Texas, a difference of 21.4%. Similarly, 61.1% of Americans identify as Non-Hispanic and White only, with only 42.3% of Texans identifying as such. Poverty rates by ethnic demographics are as follows:

Percentage of Each Ethnic Demographic in Poverty (Poverty Rate)

Ethnicity	Texas Population	US Population	Difference
Hispanic or Latino	22.1%	21.0%	1.0%
Not Hispanic or Latino	11.2%	12.5%	-1.4%
Not Hispanic or Latino - White Alone	8.7%	10.0%	-1.3%

2014-2018 American Community Survey, Table DP05

Poverty rates by ethnic demographics are important to note, because housing challenges are both a cause and an effect of poverty (Public and Affordable Housing Research Corporation 2019). Lack of adequate housing can exacerbate existing economic inequalities between racial/ethnic groups. Recent research from the Department of Housing and Urban Development suggests that access to safe, affordable homes can lead to numerous positive outcomes for families, including improved health, education, incomes, and inter-generational wealth (HUD 2016). This means that access to adequate housing may help lessen the high rates of poverty experienced by certain racial and ethnic groups and populations.

In recent years, many areas of Texas have experienced a decrease in the supply of available homes, particularly with respect to homes for which low to moderate income homebuyers qualify. The Federal Reserve Bank of Atlanta provides an interactive home affordability tool, the HOAM (Home Ownership Affordability Monitor) Index, which measures the ability of a median-income household to absorb the estimated annual costs associated with owning a median-priced home. This data can be used to measure home affordability for MSAs and Counties across the country. A HOAM index value lower than 100 indicates that the median household income is insufficient to cover the annual costs of owning a median-priced home (the housing cost is greater than 30 percent of income).

Multiple counties in Texas are now considered unaffordable: Travis County has a HOAM Index of 85.6, Hays County has a HOAM index of 99.1, and Bastrop County has a HOAM index of 95.4. The affordability issue expands beyond the Austin-Round Rock Metro, and can be seen in the Houston-The Woodlands-Sugarland TX Metro, DFW Metro, San Antonio-New Braunfels Metro, and El Paso Metro, where affordability has declined by 6%, 5%, 4%, and 2% respectively between March of 2020 and March of 2021. For example, Dallas County has a HOAM index of 95.7.

As affordable home inventory decreases, homebuyers stretch their finances to be able to afford to purchase a home. As low to moderate income homebuyers stretch to achieve the dream of homeownership, they become less able to afford unexpected expenses or circumstances. A household is defined as experiencing housing cost burden when a household pays more than 30% of its gross income for housing costs including utilities. Even before COVID-19, Texas homeowners were experiencing a high level of cost burden, with approximately 19.4% of Texas homeowners considered housing cost burdened. The following table shows the breakdown of households experiencing housing cost burden and does not include data for households for which housing cost burden could not be calculated.

Number of Homeowner Households with Housing Cost Burden by Income Category

Income Categories	Homeowners with Cost Burden	Total Owner Households	% of Owners with Cost Burden
<= 30% HAMFI	293,444	422,915	69.4%
>30% to <=50% HAMFI	254,737	504,625	50.5%
>50% to <=80% HAMFI	280,045	828,045	33.8%
>80% to <=100% HAMFI	111,124	543,865	20.4%
>100% HAMFI	194,185	3,551,595	5.5%
Total	1,133,535	5,851,045	19.4%

Source: 2013-2017 CHAS, Table 8

Using a portfolio of mortgage loans originated through TDHCA's Texas Homeownership Division (over $6 billion in outstanding mortgage loans; 91% FHA, 2% VA, 2% USDA, and 5% conventional backed by Fannie Mae or Freddie Mac), as representative of loans made through affordable housing programs in Texas, we note that approximately 16% of TDHCA loans (5,800) are in forbearance, with a current estimated average reinstatement cost of approximately $11,500. The Mortgage Bankers Association estimated a May 2021 forbearance rate of 4.19%; presumably, the 16% rate reflected in the representative loan portfolio is significantly higher due, in large part, to the high level of government-backed mortgage loans in the portfolio and the fact that these loans were made to low and moderate income homebuyers; more than 70% of the loans were made to homebuyers at or below 80% of area median income.

As of March 31, 2021, government loan delinquencies in Texas, including TDHCA's loan portfolio, as reported by active servicers in Texas, indicate that approximately 120,000 government loans in Texas are delinquent at least 60 days (including loans in forbearance). Many of the delinquent homeowners will not qualify for HAF Assistance for various reasons, including income eligibility requirements or because their loan was delinquent prior to February 1, 2020.

While many of these homeowners may have loss mitigation options available to them, those options come at a relatively high price, particularly after an extensive period of forbearance, such as following an extended period of financial hardship. These options are primarily payment deferrals and loan modifications, which involve the inclusion of additional mortgage loan payments beyond the original maturity of the mortgage loan, or the addition of a second mortgage, representing amounts to be paid at loan maturity. While under more normal economic conditions these may be reasonable alternatives for homeowners, these are unique times. Many homeowners have been in forbearance for over a year and are approaching 18 months, due to a COVID-19 related financial hardship. Many of these homeowners experienced a loss or significant reduction to their income, or an increase in expenses, for an extended period of time. Approximately 1,400 homeowners in TDHCA's portfolio have undergone the Partial Claim process with HUD for COVID-19 related delinquencies, resulting in Partial Claims (amount added to the back of the mortgage as a second loan), with the highest Partial Claim amount being $53,920, the lowest $1,143, and an average of approximately $12,000. For various reasons, not all homeowners in forbearance will have the opportunity to use existing loss mitigation options. Using HAF funds, in accordance with HAF Guidance, to reduce or eliminate homeowner delinquencies, defaults, foreclosures, and displacement, will help tens of thousands of low to moderate income homeowners to recover financially and to achieve housing stability.

The April 2021 unemployment rate for the United States was 6.1%. According to the Texas Workforce Commission, the April 2021 unemployment rate for Texas was 6.7%, having fallen .2 percentage points but still .6 percentage points above the national average. However, many rural counties in Texas have unemployment rates significantly higher than the state average, including Texas colonias. According to a recent article published by the Texas Tribune, the April 2021 unemployment rate for Texas colonias ranged from a low of 6.9% for El Paso County to a high of 17.7% in Starr County.

Considering the factors detailed above, the proposed HAF plan has been designed to provide Texas homeowners with much-needed assistance as quickly and effectively as possible. A Per Household Maximum of $30,000 will provide up to approximately 18 months of assistance for principal, interest, taxes and insurance (fewer months of assistance if funds have to be applied to reinstate escrow funds expended for homeowner's insurance and condominium or homeowner's association fees).

Community Engagement and Public Participation

As the Housing Finance Agency for the State of Texas, TDHCA has a dedicated Texas Homeownership Division that regularly interacts with housing counselor organizations, community development corporations (CDCs), community development financial institutions (CDFIs), mortgage lenders, and loan servicers throughout the state, with topics of discussion ranging from delinquencies and forbearances, to the lack of affordable housing in the state.

Since the HAF Guidance was published on April 14, 2021, TDHCA has had, and is continuing to have, discussions with several of the largest servicers of government loans in Texas regarding delinquent loans and loans in forbearance, and the process by which we can reinstate those mortgage loans. We have reached out to three statewide affordable housing programs, and have requested delinquency and forbearance information from their master servicers. We have engaged with and are continuing discussions with the Texas Mortgage Bankers Association. In addition, TDHCA staff have participated regularly in calls with the Housing Policy Council, which includes many of the largest servicers in the country as well as in Texas, to discuss the best way to assist homeowners as efficiently as possible, as well as ways to implement consistent programs across the country.

TDHCA will continue to actively engage and seek community and public participation. Working closely with housing counselor organizations, CDCs, CDFIs, and other non-profit organizations will be a key component in reaching targeted homeowner populations.

TDHCA will publish [published] its draft HAF Plan for public comment on June 14, 2021, with a public comment period through June 21, 2021, and will hold [held] a public hearing on the proposed plan June 17, 2021, in accordance with the Texas Open Meetings Act (the public meeting law in Texas).

Program Design

TDHCA is submitting its initial HAF Plan with one program, the Texas Homeowner Reinstatement Program, but may submit additional Programs to Treasury for consideration if homeowner needs warrant, and if there are sufficient funds available.

Please refer to the Program Template, Texas Homeowner Reinstatement Program, for additional details and requirements related to this Program.

Texas Homeowner Reinstatement Program

The goal of this program is to eliminate or reduce mortgage loan delinquencies to prevent foreclosure and homeowner displacement by reinstating mortgage loans that are at least 60 days delinquent. This program is expected to assist as many delinquent and at-risk homeowners as quickly and effectively as possible. Through this program, delinquent mortgage loans can be reinstated, fully or partially (subject to a Per Household Maximum of $30,000), allowing homeowners to remain in their homes and avoid displacement. In addition, reinstated homeowners that require a transition period in order to resume mortgage payments can receive up to 3 months of additional mortgage payment assistance (PITI), allowing these homeowners to successfully transition from delinquency and/or forbearance, back to regularly scheduled mortgage loan payments.

Homeowners must affirm that they reasonably believe, based on the reinstatement and the homeowner's current financial circumstances, that they will be able to continue making mortgage loan payments and avoid displacement. Homeowners for whom reinstatement will not be a long-term solution (will not be able to resume regularly scheduled payments, even with assistance through this Program), will not be eligible for reinstatement, and will be referred to their servicer to explore other loss mitigation options, as well as to housing counselors or other funding sources, including CDBG-CARES, HOME Funds, etc.

This Program will provide funds, up to a Per Household Maximum of $30,000, to bring delinquent mortgage loans current or to reduce mortgage loan delinquencies related to an Eligible Homeowner's first mortgage and/or second mortgage loan. Funds will be provided as a nonrecourse grant to the homeowner.

TDHCA will utilize up to $715,881,905 of its HAF allocation for this program. The inclusion of additional Programs will necessarily reduce the amount allocated to this program. Funds budgeted for administrative expenses and not used for that purpose may be made available for additional homeowner assistance under this program.

<u>General Homeowner Eligibility (see Program Template for specific details)</u>

To be eligible for this Program, Texas homeowners must have experienced, and must self-certify to, a material reduction in income or material increase in living expenses associated with the coronavirus pandemic that has created or increased a risk of mortgage delinquency, mortgage default, or foreclosure, which hardship occurred after January 21, 2020. The homebuyer certification must describe the nature of the financial hardship.

HAF guidance requires that not less than 60% of funds be used for qualified expenses that assist homeowners having incomes equal to or less than 100% of the area median income (two times the income limit for very low income families, for the relevant household size) or equal to or less than 100% of the median income for the United States, whichever is greater.

All funds under this program will be made available to homeowners with incomes equal to or less than 100% of the area median income (two times the income limit for very low income families, for the relevant household size) or equal to or less than 100% of the median income for the United States, whichever is greater, unless Treasury requires a lower amount per household size.

To support income qualification, homeowners will may be required to provide pre- and post-COVID-19 income documentation to verify income eligibility.

<u>General Property Eligibility (see Program Template for specific details)</u>

To be eligible for HAF assistance, properties must be located in Texas, and must be owner-occupied, or in the case of a land contract or contract for deed, occupied by the documented buyer, and include:

- Single-family (attached or detached) properties;
- Condominium units;
- 1 to 4-unit properties where the homeowner is living in one of the units as their primary residence; Properties for which homeowners received payments through the Texas Rent Relief Program are ineligible to receive assistance through the HAF Program;
- Manufactured homes permanently affixed to real property and taxed as real estate; or
- Mobile homes not permanently affixed to real property.

Occupancy will be determined based on a self-certification and additional documentation to be provided by the homebuyer, which may include any one of the following: driver's license or state ID, utility bill, phone or internet bill, bank statement, mortgage statement, property tax bill, tax return, deed, or any government issued document that includes name and address.

No single property may receive more than the Per Household Maximum amount of assistance.

Maximum Assistance

The Maximum Per Household assistance that can be provided is $30,000, with assistance to be applied in the following order of priority:

1) Mortgage/housing loan reinstatement (including escrows), including up to 3 months of additional mortgage payment assistance
2) Property taxes and homeowner's insurances (hazard and mortgage), if escrowed
3) Condominium/homeowners' association fees, if escrowed

Intake Systems and Application

The application and intake process will be designed and operated in a manner to avoid barriers to equitable access and to allow for maximum flexibility. Homeowners will be able to apply through a mobile friendly online portal that will allow for the upload of all supporting documents. The portal will be available in both English and Spanish. TDHCA will be working with local housing and community organizations to establish help centers to serve as intake hubs to assist homeowners in determining eligibility, application completion, and providing required supporting documentation. Applications will be reviewed for eligibility (qualified financial hardship after January 21, 2020; own home; occupy home as primary residence; income, delinquency, etc.). Application information will be made available in multiple languages.

Targeting HAF Funding

In accordance with HAF Guidance, the Texas Homeowner Reinstatement Program will target low income homeowners (those earning less than 100%) throughout the State. The following will be prioritized:

- Government Loan and Affordable Housing Portfolios. In accordance with HAF Guidance and recognizing that homeowners earning up to 100% of the area median income are overrepresented in portfolios of government-backed and guaranteed mortgages compared to the market as a whole, TDHCA will prioritize assistance to homeowners with FHA, VA, and USDA mortgages and homeowners who have mortgages made with proceeds of mortgage revenue bonds or other mortgage programs that target low and moderate income homeowners.

  Targeting will include outreach to mortgage programs that target low and moderate income homeowners, including TDHCA's own portfolio, and the mortgage loan portfolios of Texas State Affordable Housing Corporation, Texas Veterans Land Board, and local Housing Finance Corporations, that have issued mortgage revenue bonds or mortgage credit certificates, or who operate an affordable housing program. This outreach will also include banks, servicers, CDCs, CDFIs, and other non-profits that offer affordable housing programs to low, very low, and moderate income homebuyers. TDHCA has already begun working with these entities and their servicers to gather relevant data and to discuss the process for reinstating delinquent loans.

- Non-Traditional Loans and Properties. Recognizing the unique needs of homeowners in border towns, colonias, and communities with less housing stock than larger MSAs, TDHCA will set-aside a portion of funds to assist homeowners that would not typically be included in Government Loan and Affordable Housing Portfolios. Through these set-asides, TDHCA will be able to assist homeowners with less traditional financing instruments, including contract for deed and reverse mortgages, and will be able to provide assistance to homeowners whose property is a manufactured home or mobile home that is not permanently affixed to land, who would traditionally also not be included in the above-described portfolios.

  Targeting will include contracting with housing counselor organizations, CDCs, CDFIs, and other affordable housing organizations throughout the State. Through a pay-for-performance compensation model, these organizations will establish help centers to serve as intake hubs, assisting homeowners in determining eligibility and with making application for the funds, as well as providing any necessary supporting documentation. They may be expected to knock on doors, if necessary, to seek out those identified as hard to serve due to social, language and economic barriers. Once these centers have been established and begin operations, we will gain a better understanding what will be required to reach and serve this subgroup of homeowners as effectively and efficiently as possible. TDHCA will target a traditionally underserved area in South Texas that borders Mexico from South Padre Island, the southernmost part of the state, then West to the city of El Paso and all points in between.

By targeting Government Loan and Affordable Housing Portfolios, as well as homeowners with Non-Traditional loans and properties, TDHCA should effectively reach low income populations throughout the state.

Outreach and Marketing Plan

Outreach and Marketing will include a designated webpage on the TDHCA website and TDHCA homeownership specific website, email listserve, social media , press releases, digital and print advertising, and through partner organizations including lenders, Realtors, housing counseling organizations, CDCs, CDFIs, and other affordable housing organizations throughout the State. Outreach and marketing materials, particularly those detailing homeowner and property eligibility, will be made available in multiple languages.

TDHCA will, at least quarterly, review its outreach and marketing efforts, in conjunction with its performance goals, to ensure that outreach and marketing efforts are effectively reaching target homeowners. Adjustments to the outreach and marketing plan will be made accordingly.

Best Practices and Coordination with Other HAFR Participants

TDHCA's Texas Homeownership Division regularly interacts with housing counseling organizations, CDCs, CDFIs, mortgage lenders, and servicers throughout the state, with topics of discussion ranging from delinquencies and forbearances, to the lack of affordable housing in the state.

Since the HAF Guidance was published on April 14, 2021, TDHCA has participated in, and is continuing to participate in regular (3+ weekly) discussions with other HAF participates via virtual meetings/calls coordinated by the National Council of State Housing Agencies (NCSHA). Additionally, on-going discussions continue with: several of the largest servicers of government loans in Texas regarding delinquent loans and loans in forbearance, and the process by which we can reinstate those mortgage loans; statewide affordable housing programs on delinquency and forbearance information from their master servicers; Texas Mortgage Bankers Association on data to assist with identifying mortgage loan delinquencies throughout the State. In addition, TDHCA staff have participated regularly in calls with the Housing Policy Council, which includes many of the largest servicers in the country as well as in Texas, to discuss the best way to assist homeowners as efficiently as possible, as well as ways to implement consistent programs across the country.

TDHCA will continue to actively engage with all housing partners to establish and implement best practices for HAF for the life of the program.

Performance Goals

TDHCA will measure performance by evaluating the following:

The speed by which an applicant receives assistance through the program, from initial inquiry to disbursement of funds (or denial of application, if applicable);

The number of households served and the dollar amount HAF assistance that directly:
- Reduced mortgage loan delinquency,
- Assisted homeowners to exit forbearance plans, and
- Fully reinstated previously delinquent mortgage loans;

The number and percentage of applicants that receive assistance through the program (versus the number and percentage denied assistance);

The number of households served and the dollar amount of HAF assistance provided for mortgage loans in Government Loan and Affordable Housing Portfolios;

The number of households served and the dollar amount of HAF assistance provided to homeowners with Non-Traditional Loans and Properties; and

The number of households served and the dollar amount of HAF assistance applied to assist homeowners at or below 100% AMI, 80% AMI, 60% AMI, and 50% AMI or below.

Periodic Review

TDHCA will conduct periodic reviews of the program, not less than quarterly, reviewing a random sampling of applications (not less than 10%) to evaluate performance, and to ensure that the required elements of the program are being met.

Readiness

Staffing and Systems

TDHCA plans to issue vendor requests for proposals, and will have its staffing and systems in place by August 15, 2021, in order to test the systems and review processes, develop detailed program guides, policies and procedures, and be prepared to make any changes that may be necessary to accommodate changes or feedback from Treasury regarding the HAF Plan submitted.

Requests for proposals will be issued, and respondents will have the ability to respond to one, more, or all of the staffing, systems, and services required, including call center operations, application intake, review, and processing, reporting, resource data, hardware and software, external IT/IS support, communications and marketing, program audit and compliance, quality control reviews and recommendations, and disbursement of funds. TDHCA will evaluate responses and select the vendor, or combination of vendors, that will result in the most efficient and effective operations and support for TDHCA's administration of HAF.

Quality Control

TDHCA will ensure program integrity by undertaking system- generated, random selection of case reviews after eligibility determination and prior to funding; 100% review of all declined cases and a reasonable selection of each reviewer's pipeline, beginning with 10% of volume and eventually decreasing to a minimum of three cases weekly.

Contracts and Partnerships

In addition to the contracts resulting from requests for proposals described above, TDHCA will partner with mortgage loan servicers through the mutual execution of a Servicer Partner Agreement. TDHCA will work closely with qualified housing counselors, CDCs, CDFIs, and other non-profit organizations with the capacity to assist homeowners with obtaining HAF assistance, particularly those that can assist with reaching low to moderate income homeowners with less traditional mortgage loans, and expects to contract with these providers on a pay-for-performance basis.

Existing and Pilot Programs

TDHCA is currently administering the Texas Rent Relief Program. TDHCA plans to use similar processes and operational procedures, modified as necessary to adapt to the specific needs and requirements of HAF, to administer the HAF program.

TDHCA has not implemented but is considering implementation of, a pilot program that would be a smaller scale version (limited audience) of the Texas Homeowner Reinstatement Program.

Budget

Texas HAF Funds Awarded: $842,214,006
Administration (Maximum): $126,332,101

TDHCA does not expect to use the maximum amount allocated for administrative expenses. To the extent that amount is reduced, those funds will be made available for additional homeowner assistance.

Expected uses (Treasury to Provide a Budget Template):

Administration and operations related to the intake, eligibility review, processing, and disbursement of assistance	$
Call center operations (including staff, language lines, translation services, and accessibility services	$
Marketing and outreach, including fee-for-service for qualified housing counselors, community development corporations, community development financial institutions, and other non-profit organizations with the capacity to assist homeowners with obtaining HAF assistance, particularly those that can assist with reaching low to moderate income homeowners with less traditional mortgage loans	$
Periodic Reviews and Ongoing Needs Assessment	$
Compliance and Technical Assistance	$
Public Engagement Efforts	$
Vendor System Support (sourced on an as needed basis) Data Systems Process External IT/IS Support Communication	$
TDHCA Staff Salaries	$
TDHCA Expenses (travel, etc.)	$

Program Template

Texas Homeowner Reinstatement Program

Program Overview	The HAF program was established under section 3206 of the American Rescue Plan Act of 2021 ("the ARP") to mitigate financial hardships associated with the coronavirus pandemic by providing funds to eligible entities for the purpose of preventing homeowner mortgage delinquencies, defaults, foreclosures, loss of utilities or home energy services, and displacements of homeowners experiencing financial hardship after January 21, 2020, through qualified expenses related to mortgages and housing.
HAF Reinstatement Program Goal	To provide financial assistance to eliminate or reduce mortgage loan delinquencies to prevent foreclosure and homeowner displacement.
Size of HAF Reinstatement Program	TDHCA will utilize up to $715,881,905 of its total HAF allocation for this program.
Targeted Population of Homeowners and Financial Challenges Program Seeks to Address	This program will target low to moderate income homeowners and will address the following financial challenges: • Mortgage loan delinquency and default. This program will assist eligible, delinquent, Texas homeowners to eliminate or reduce mortgage loan delinquency by making up all or a portion of their past due mortgage payments. • Exiting forbearance. This program will help eligible Texas homeowners on forbearance plans to exit forbearance and to transition to regular, monthly mortgage payments, so that they can begin to regain economic stability. • Stabilization of mortgage loan portfolios. Assistance provided through this program will improve the stability of mortgage loan portfolios throughout the state.
Eligible Homeowners	"Eligible Homeowners" for the Texas HAF Reinstatement Program must meet the following criteria: • Homeowner must have experienced a Qualified Financial Hardship after January 21, 2020, and provide an attestation describing the nature of the financial hardship; • Homeowner must have owned the home on or before January 1, 2020; • Homeowner must currently own and occupy the property as their primary residence; • Homeowner must meet the Homeowner Income Eligibility Requirements; • Homeowner must be at least 60 days delinquent, as reflected in documentation provided by the payee or the payee's agent, whether or not the homeowner is or was on a forbearance plan; • Homeowner must complete and sign the Affidavit, Application, Disclosures, and 3rd Party Authorization forms; • Homeowner must agree to provide all necessary documentation to

	satisfy program guidelines within timeframes established by TDHCA; • The original, unpaid principal balance of the homeowner's first mortgage or housing loan, at the time of origination, was not greater than the conforming loan limit in effect at time of origination; and • Homeowners who have previously filed for bankruptcy but who are no longer in bankruptcy must provide proof of court ordered "discharge" or "dismissal". Co-owners are not permitted to separately apply for HAF Program assistance.
Eligible Legal Ownership Structures	"Eligible Legal Ownership Structures" are the following: • Where the home is owned by a "natural person or persons" (e.g., LLP, LP or LLC <u>do not</u> qualify*); and* • Those where the homeowner has transferred their ownership right into non- incorporated, Living Trusts, provided the homeowner occupies the home as the primary/principal residence.
Qualified Financial Hardship	A "Qualified Financial Hardship" is a material reduction in income or material increase in living expenses associated with the coronavirus pandemic that has created or increased a risk of mortgage delinquency, mortgage default, foreclosure, loss of utilities or home energy services, or displacement for a homeowner. • Reduction of Income – Documented temporary or permanent loss of earned income that occurred after January 21, 2020; or • Increase in living expenses – Documented increase in out-of-pocket household expenses such as, medical expenses, inadequate medical insurance, increase in household size, or costs to reconnect utility services directly related to the coronavirus pandemic that occurred after January 21, 2020.
Homeowner Income Eligibility Requirements	To be eligible for assistance under the Texas HAF Reinstatement Program, homeowners must have incomes equal to or less than 100% of the area median income (two times the income limit for very low income families, for the relevant household size) or equal to or less than 100% of the median income for the United States, whichever is greater, unless Treasury requires a lower amount per household size.
Homeowner Prioritization	TDHCA will prioritize: • <u>Government Loan and Affordable Housing Portfolios</u>. TDHCA will prioritize assistance to homeowners with FHA, VA, and USDA mortgages and homeowners who have mortgages made with proceeds of mortgage revenue bonds or other mortgage programs that target low and moderate income homeowners. • <u>Non-Traditional Loans and Properties.</u> Recognizing the unique needs of homeowners in border towns, colonias, and communities with less housing stock than larger MSAs, TDHCA will set-aside a portion of funds to assist homeowners that would not typically be included in Government Loan and Affordable Housing Portfolios. Through these set-asides, TDHCA will be able to assist homeowners

	with less traditional financing instruments, including contract for deed and reverse mortgages, and will be able to provide assistance to homeowners whose property is a manufactured home or mobile home that is not permanently affixed to land, who would traditionally also not be included in the above-described portfolios.
Eligible Properties	"Eligible Properties" are those that are owner-occupied, or in the case of a land contract or contract for deed, occupied by the documented buyer, and include: • Single-family (attached or detached) properties; • Condominium units; • 1 to 4-unit properties where the homeowner is living in one of the units as their primary residence. However, homeowners that received payments through the Texas Rent Relief Program are ineligible to receive funds through the HAF Program; • Manufactured/modular homes permanently affixed to real property and taxed as real estate; and • Manufactured/mobile homes not permanently affixed to real property but with a Title Certificate or Statement of Ownership in the homeowner's name. <u>Ineligible properties:</u> • Vacant or abandoned properties; • 2nd homes; • Investment property; and • Mobile homes with no Title Certificate or Statement of Ownership in the homeowner's name.
Eligible Uses of HAF Reinstatement Program Proceeds	Housing obligations as listed below and not incurred/billed prior to January 21, 2020 are "Eligible Uses of HAF Reinstatement Program Proceeds". Mortgages must be held by a lender/servicer with an NMLS number, which would include federally backed and privately funded mortgages. Private party mortgages are ineligible for assistance. • Existing first mortgage lien loan payment (principal, interest, taxes, hazard insurance, and mortgage insurance, and Condominium/Homeowner Association fees, if escrowed) to include escrow shortages. • Subordinate mortgage lien payment (P&I). • Contract for Deed payments. • Land Contract monthly payment (P&I). • Manufactured/mobile home loan monthly payment (P&I) and lot rent, if applicable. • De minimis lender-assessed fees.
Maximum Per Household HAF Assistance	TDHCA will not exceed its "Maximum Per Household HAF Assistance" amount of $30,000 per household.
Assistance Type	Assistance will be structured as a non-recourse grant.
Payout of HAF Assistance	TDHCA will disburse HAF assistance directly to mortgage lender/servicer, land contract or contract for deed holder, and manufactured/mobile home

	lender/park (lot fees). Funds will not be issued to homeowners, or other parties. Payments to lenders/servicers are only permissible to the extent the lender/servicer holds an NMLS number. No private party mortgages are eligible. TDHCA will make no more than one disbursement to each payee through its Reinstatement Program; however, homeowners may be eligible for additional HAF assistance through other HAF Programs that may be implemented in the future, subject to the Maximum Per Household HAF Assistance. TDHCA will disburse PITI amounts quoted by the lender/servicer; any discrepancies are to be resolved by the homeowner and lender/servicer. If homeowner's past due amount exceeds the Per Item Maximum Amount or Maximum Per Household HAF Assistance, TDHCA will pay the maximum permissible amount and the homeowner may pay the difference.
Structure of Assistance and Payment Process Description	HAF assistance will be prioritized to Eligible Uses of HAF Reinstatement Program Proceeds as follows: 1) Mortgage/housing loan reinstatement (including escrows), including up to 3 months of additional mortgage payment assistance 2) Property taxes and homeowner's insurances (hazard and mortgage), if escrowed 3) Condominium/homeowners' association fees, if escrowed Disbursement to mortgage lender/servicer may include up to the next three scheduled monthly payments ("Additional Assistance") if funds are available, subject to the Maximum Per Household HAF Assistance or Per Item Maximum Amounts listed in Exhibit A.
Program Launch	TDHCA is planning to launch the program to the public by within eight weeks of approval by Treasury of TDHCA's HAF Plan; possibly sooner, depending on the timing of such approval
Program Duration	The period of performance for the HAF award begins on the date hereof and ends on September 30, 2026. HAF recipient shall not incur any obligations to be paid with the funding from this award after such period of performance ends. TDHCA plans to disburse all funds by September 30, 2026.
Application Process	Homeowners will be able to apply through an online portal and over the telephone.
Required Application Documents	The following documents will be required for an application to be considered complete: • Application for the Texas Homeowner Reinstatement Program

	• Third Party Authorization (TPA) and Disclosure Form • Grant Agreement • Qualifying hardship attestation and supporting documentation from homeowner certifying and identifying the eligible hardship and that occurred after January 21, 2020 • Mortgage Statement for each lien (e.g., first mortgage, second mortgage). • Manufactured home loan statement • Mobile home loan statement and/or lot rental agreement (homeowners that received assistance through the Texas Rent Relief Program are ineligible to receive assistance through this Program). • Land Contract agreement • Contract for Deed • Most recent monthly utility bill(s) • Social Security Number card <u>or</u> unique identifier as shown on a legal document, such as federal tax return • Income documentation; W2's, paystubs, previous years' tax returns or alternative income documents as applicable. Applicant must provide each payee's contact and account information if not listed on the monthly statement provided.
Eligibility Determination Notes	TDHCA staff, or vendors engaged through a Request for Proposal process ("Program Staff"), will summarize determination of the applicant's eligibility and status in case notes. The summary will include applicable details to support the decision to approve, deny, or take other action with respect to an application submitted.
Quality Control (QC)	TDHCA will ensure program integrity by undertaking system- generated, random selection of case reviews after eligibility determination and prior to funding; 100% review of all declined cases and a reasonable selection of each reviewer's pipeline, beginning with 10% of volume and eventually decreasing to a minimum of three cases weekly.
HAF Assistance Approval and Funds Disbursement	Reservations for assistance may not exceed the Maximum Per Household HAF Assistance, are subject to the following Per Item Maximums, and will be prioritized as follows: 1) Mortgage/housing loan reinstatement (including escrows), including up to 3 months of additional mortgage payment assistance, up to a Per Item Maximum of $30,000 2) Property taxes and homeowner's insurances (hazard and mortgage), if escrowed, up to a Per Item Maximum of $________ 3) Condominium/homeowners' association fees, if escrowed, up to a Per Item Maximum of $________ Funds will be paid, as applicable, to the mortgage servicer or other third party payee authorized by the loan servicer, or other third party authorized to collect eligible charges in accordance with reinstatement instructions received from the payee. Payments may be made through

	electronic transmission for any payees that accept funds in this manner. [For other payees, funds will be sent directly by check or other payment method accepted by the mortgage servicer or authorized payee.]
Program Partner Requirements	• Lender/servicers to execute a HAF Partner Agreement and agree to communicate using the Common Data File (CDF) format [to be provided by Treasury]. • Private non-mortgage lenders, including Land Contract, Contract for Deed, and mobile home lenders/lot rent payees are to provide a written delinquency quote, contact information, and ACH account information.
Program Leverage with Other Financial Resources	TDHCA will undertake a best effort approach to leverage the assistance that might be available for homeowners through other federal programs that have been created expressly for that purpose before using HAF funds.
Program Exclusions	• Private mortgages not held by a lender/servicer with an NMLS number. • Mortgages delinquent less than 60 days, whether or not the loan is in forbearance. • Mortgages that are due for payments prior to January 21, 2020. • Vacant or abandoned properties • 2nd Homes • Investment property • Mobile homes with no Title Certificate or Statement of Ownership in the homeowner's name.

Exhibit A

Per Item Maximum Amounts

Mortgage/housing loan reinstatement (including escrows), including up to 3 months of additional mortgage payment assistance	$30,000
Property taxes and homeowner's insurances (hazard and mortgage), if escrowed	$________
Condominium/homeowners' association fees, if escrowed	$________

Maximum Per Household HAF Assistance	$30,000