



**Commonwealth of Massachusetts**  
Executive Office of Housing and  
Economic Development

# Homeowner Assistance Fund

Draft implementation framework

June 2021





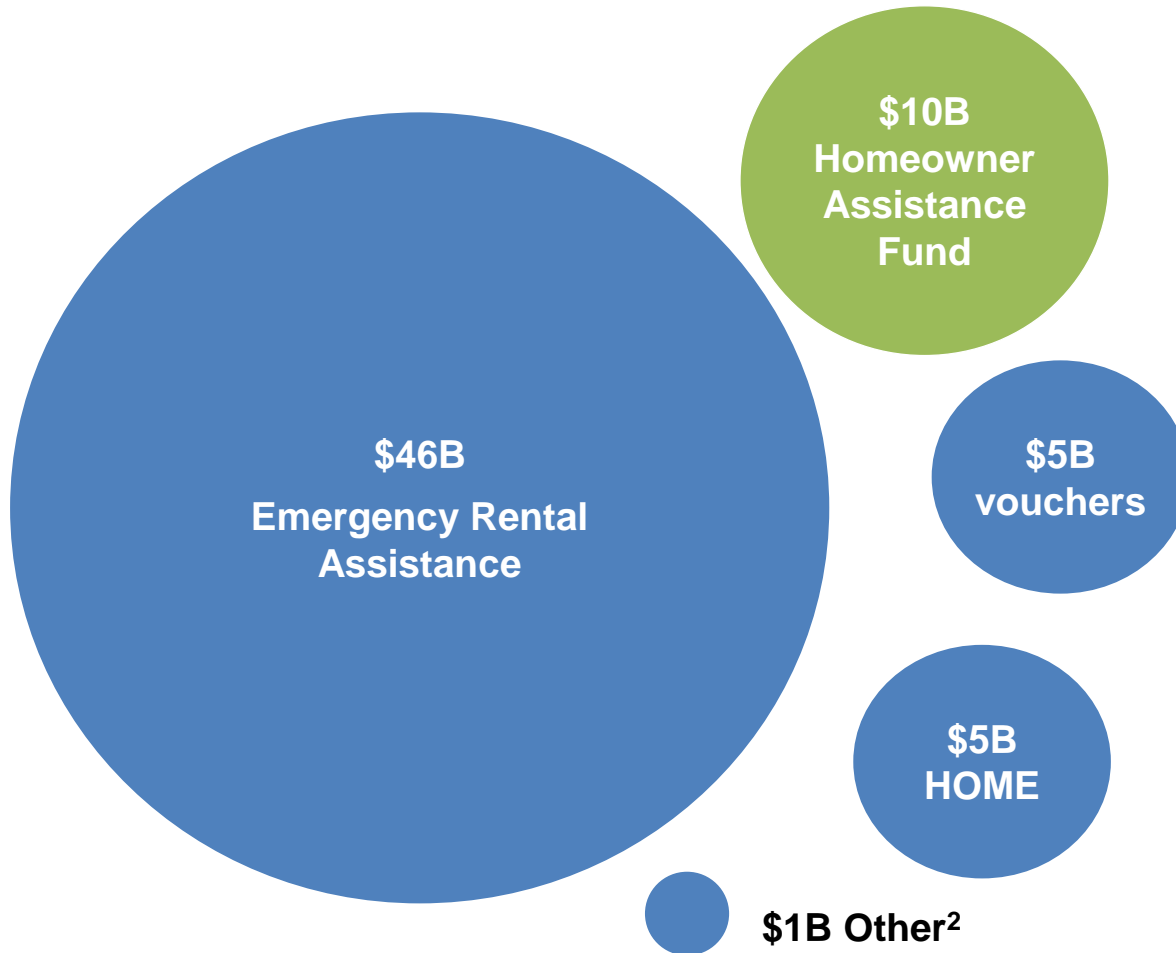
# Glossary of terms as used in this material

<b>Term</b>	<b>Definition</b>
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
Reinstatement	Refers to a loan that has been brought into good standing and is no longer considered delinquent or in foreclosure status
Foreclosure	Process for loans that have become delinquent where a lender attempts to recover what is owed by taking ownership of a home



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

## Housing relief measures in the American Rescue Plan Act (ARPA)<sup>1</sup>



**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

**HAF can be used for:** mortgage payments, principal reduction, interest rate reduction and refinancing costs, mortgage reinstatement costs, utilities and internet bills, property taxes, housing-related insurance, HOA fees, and counseling **with a focus on mortgage reinstatement**

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



# 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:
  - $\leq 100\%$  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 only use funds for expenses related to curing or preventing homeowner:
  - Mortgage delinquencies
  - Mortgage defaults
  - Loss of utilities or home energy services
  - Displacement due to financial hardship



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

## HAF plan



Due June 30<sup>th</sup>, 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

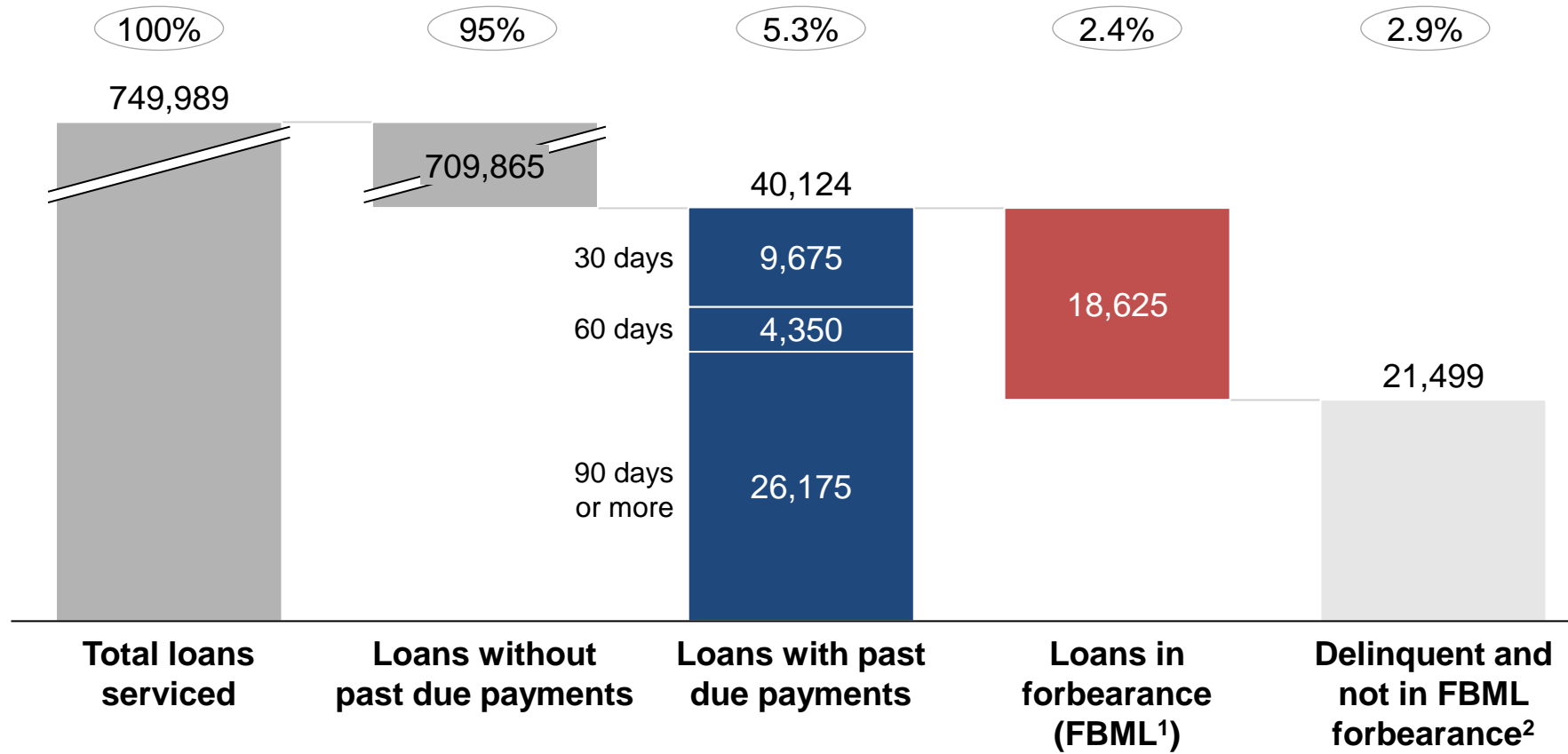
Treasury must approve the HAF plan in whole or in part before distributing funds.

# 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

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

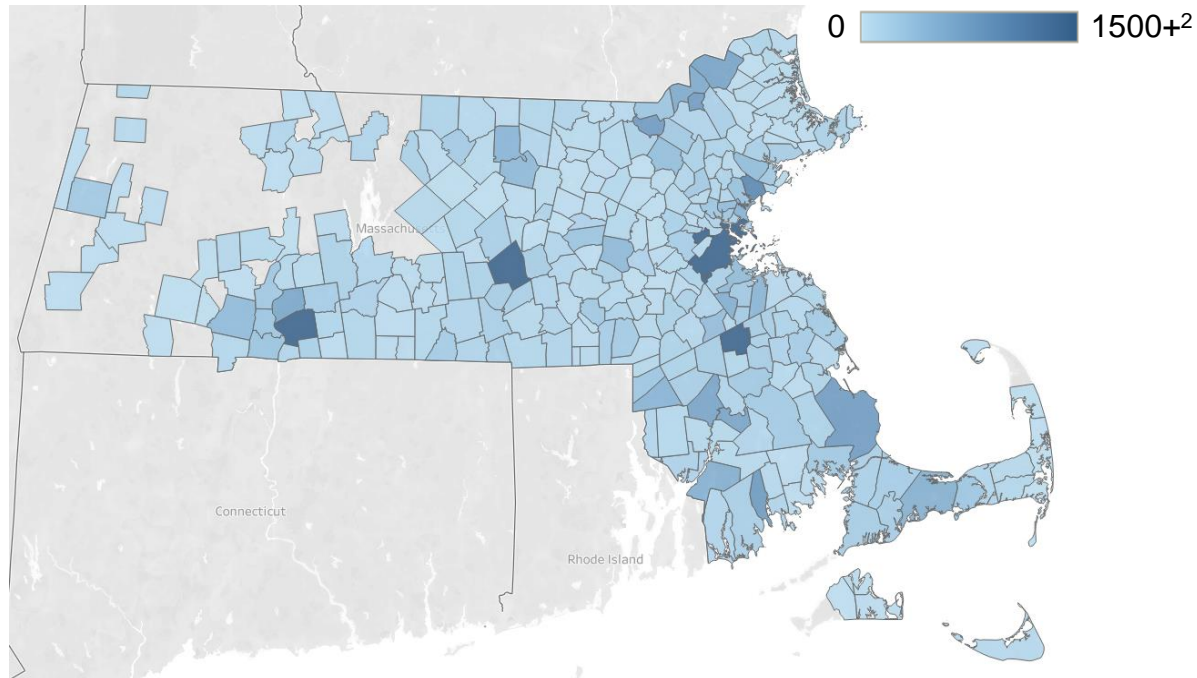
1. Federally-backed mortgage loan. It is possible not all households in forbearance are past due (some homeowners apply for forbearance but continue paying)  
 2. Calculated as the remainder of loans with past due payments less loans in FBML forbearance. Could include loans in forbearance through private agreement.



# Loans either delinquent (30+ days) or in forbearance by municipality<sup>1</sup>

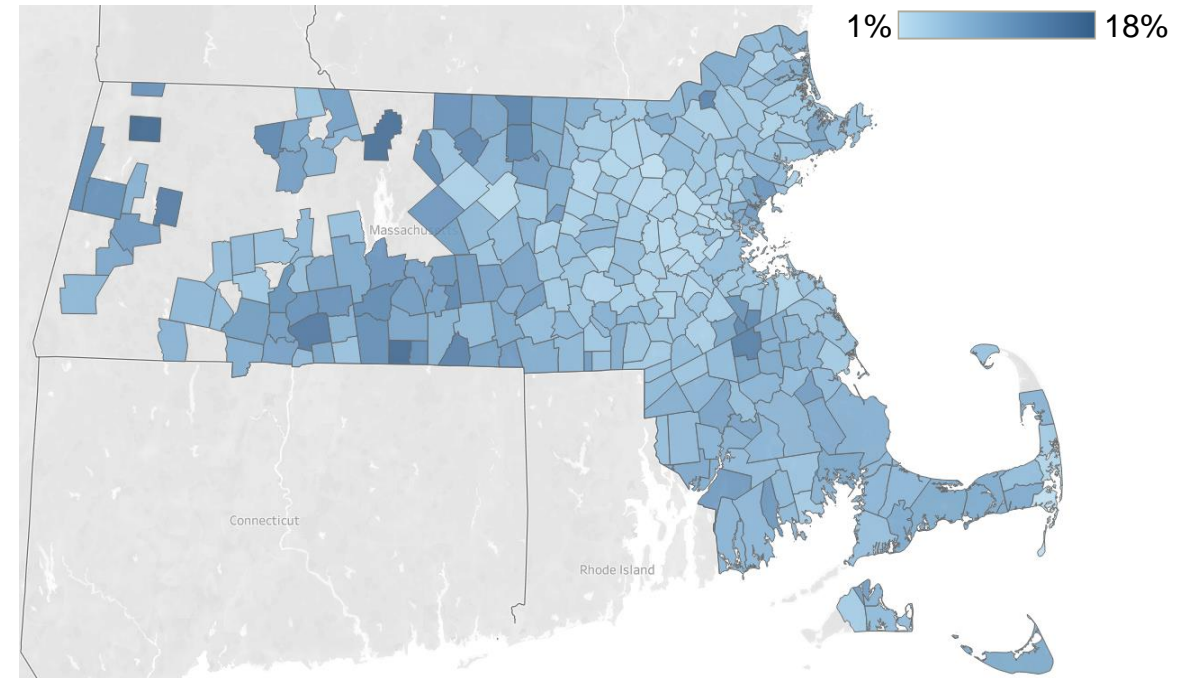
The largest number of loans that are delinquent or in forbearance are in urban areas

Loans in forbearance or delinquent (30+ days) by municipality<sup>1</sup>, 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+ days) by municipality<sup>1</sup>, Jan 2021, % of sampled loans in each municipality<sup>2</sup>



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 do not reflect actual loan volume in MA.  
Source: CFPB HMDA, Black Knight, ACS 2018-2014 table, IPUMS NHGIS

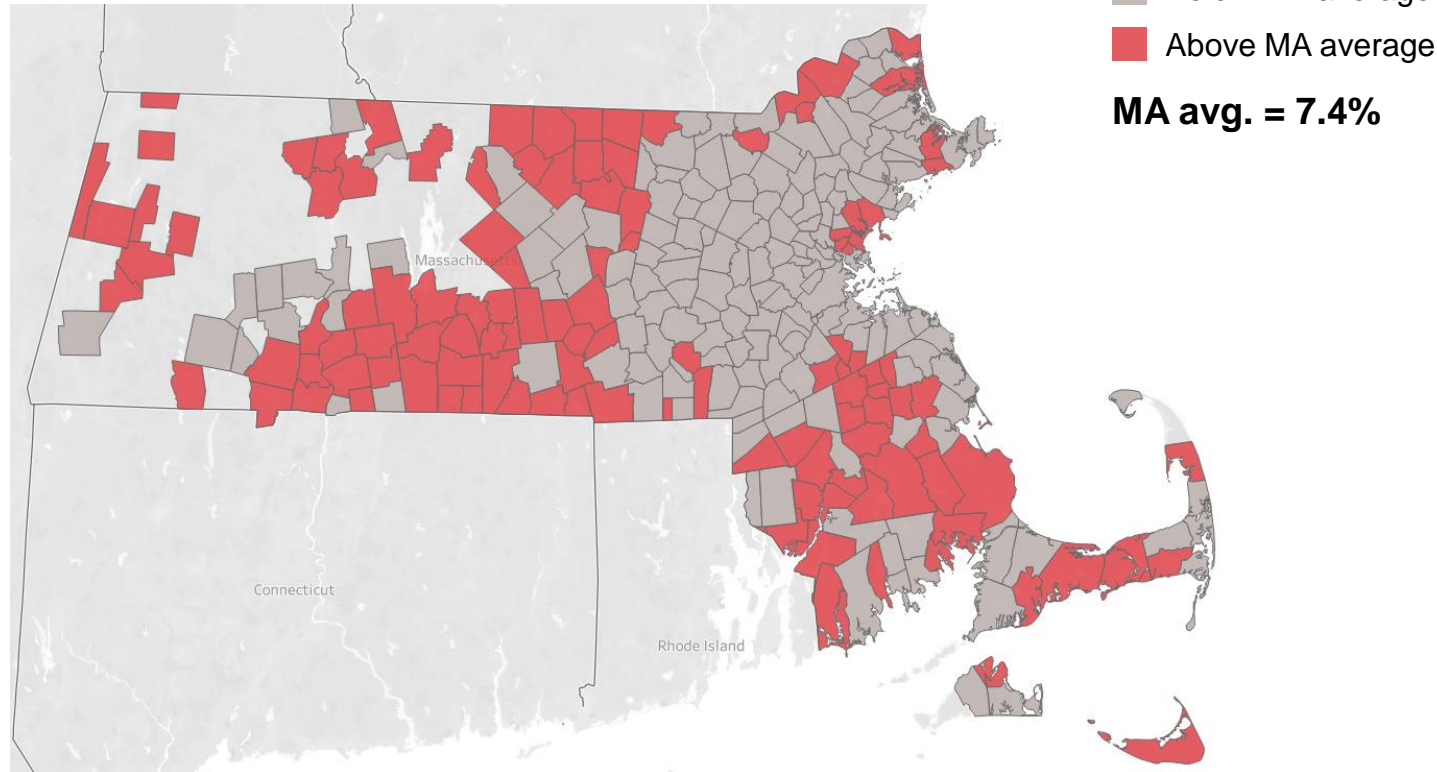
PRELIMINARY

# Municipalities with above-average delinquency or forbearance rates have higher shares of minority<sup>2</sup> and lower income residents



PRELIMINARY

## Loans in forbearance or delinquent (30 day+) by municipality<sup>1</sup>, Jan 2021 % of mortgages in sample



Municipalities where the percent of loans in forbearance or delinquency is above the MA average have higher shares of minority<sup>2</sup> and lower income residents than municipalities below average

	Municipalities above avg.	Municipalities below avg.
<b>Avg. "minority share"<sup>2</sup> of the population</b>	32%	25%
<b>Avg. % of pop. &lt; 50% of AMI<sup>3</sup></b>	31%	24%
<b>Avg. % of pop. &lt; 80% of AMI<sup>3</sup></b>	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"  
 3. AMI = Area Median Income  
 Source: Black Knight, ACS 2018-2014 table, IPUMS NHGIS



# How relief could be delivered to homeowners



Program	Through MassHousing and Mass. Housing Partnership	Applying to Housing Counseling Agencies (HCAs)
<b>Objectives</b>	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
<b>Core activities</b>	<ul style="list-style-type: none"> <li>▪ Analyze portfolios to find eligible homeowners</li> <li>▪ Assist homeowners to bring their loans current</li> </ul>	<ul style="list-style-type: none"> <li>▪ Accept applications</li> <li>▪ Review and approve eligible homeowners</li> <li>▪ Send payment to servicers on behalf of borrowers</li> </ul>
<b>Additional services and support</b>	Providing information and assisting with loan modifications or other support options for borrowers who require additional assistance beyond the payment of past due amounts	

## Servicer participation

Servicers may play a role in reaching out to homeowners to share information on what help is available to them

Servicers may also be able to assist in directly reinstating some eligible homeowners by gathering and submitting information and receiving payment directly



## **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?