TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Revised Homeowner Assistance Fund (HAF) Plan

Disclaimer

Attached is a revised draft of the Homeowner Assistance Fund (HAF) Plan. The Department has notified Treasury of its intent to submit the HAF Plan by September 30, 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) and revised HAF Guidance on August 2, 2021 (the HAF Guidance).

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 revised HAF Plan for submission to Treasury, and has made the revised draft HAF Plan available for public comment, with the public comment period beginning Friday, September 3, 2021, and ending at 5 pm on Wednesday, September 15, 2021.

Public Comment

Public Comment Period: Starts: <u>Friday, September 3, 2021</u>. Ends: <u>5:00 pm Austin local time on Wednesday, September 15, 2021.</u>

Comments received after 5:00 pm Austin local time on Wednesday, September 15, 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 Homeowner Assistance Fund
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 (HAF)

HAF Plan

To be submitted to

U.S. Department of the Treasury

Texas Department of Housing and Community Affairs

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 in forbearance are approaching the maximum permissible forbearance period of 18 months. During their time in forbearance, homeowners have accrued thousands and many have accrued tens of thousands of dollars in delinquent mortgage loan payments.

Fortunately, there is assistance on the way for Texas homeowners impacted by the pandemic. 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. TDHCA is submitting two programs under HAF: a Mortgage Reinstatement Program and a Property Charge Default Resolution Program.

The United States Department of the Treasury (Treasury) published HAF Guidance on April 14, 2021 and revised HAF Guidance on August 2, 2021 (the HAF Guidance). The Department has notified Treasury of its intent to submit the HAF Plan by September 30, 2021.

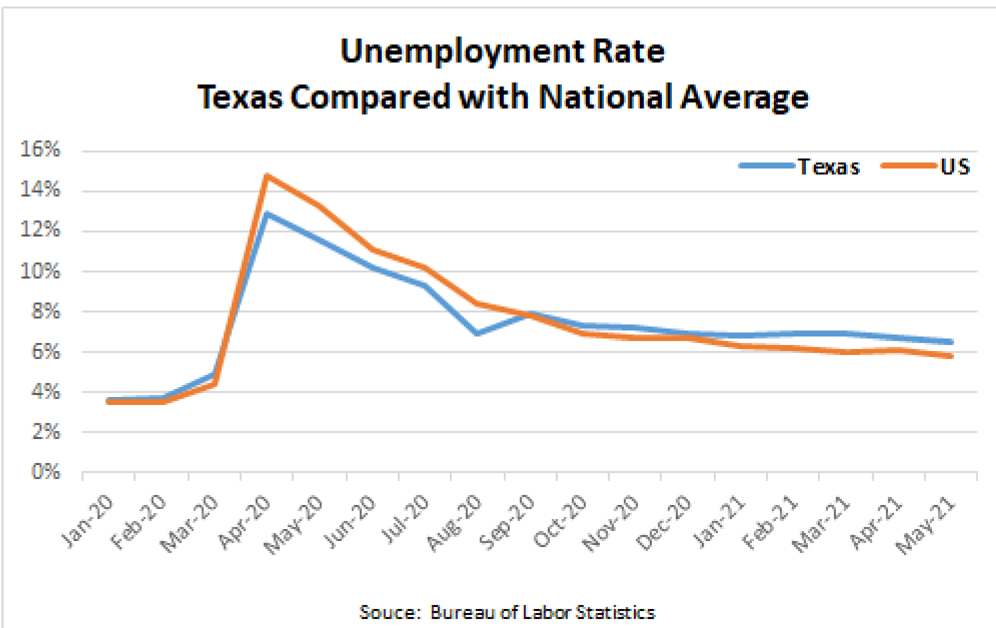
Homeowner Needs and Engagement

DATA DRIVEN ASSESSMENT OF HOMEOWNER NEEDS

Because employment is a major factor impacting mortgage loan forbearance and delinquency, this analysis begins with a look at current unemployment rates and trends in Texas.

TEXAS EMPLOYMENT

Prior to the coronavirus pandemic, Texas, like the country overall, was enjoying a healthy economy and low unemployment rates. But two months into the pandemic, unemployment rates across the country increased dramatically. According to the Bureau of Labor Statistics, in April 2020, the national unemployment rate was 14.8%, while the unemployment rate in Texas was 12.9%, almost 2% lower than the national average. However, while the economy in Texas is recovering, improvement in employment has lagged a bit. In May 2021, the unemployment rate in Texas was 6.5%, almost 1% higher than the national unemployment rate of 5.8%. The below chart tracks the unemployment rate for the United States and for Texas.

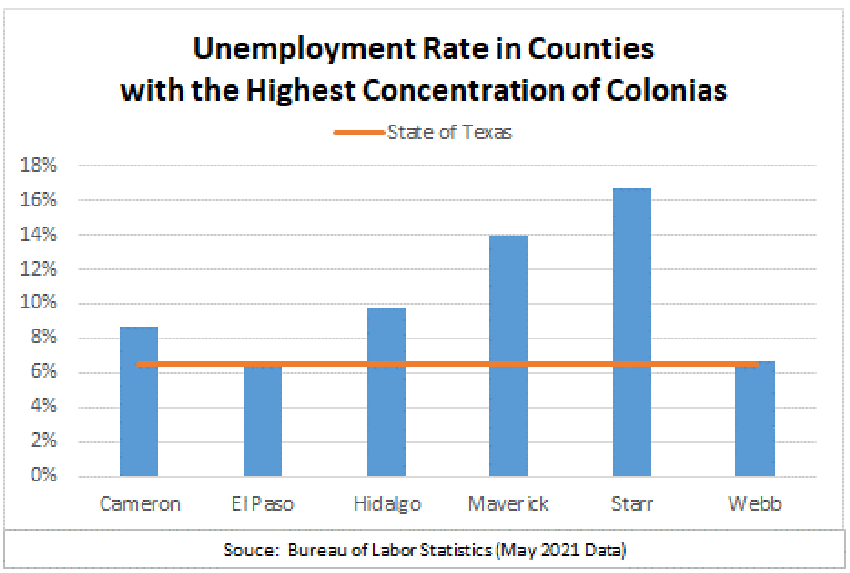


And while Texas has seen improvement in its employment rate, data available through Opportunity Insights, a Harvard-based research and policy institute that publishes data and trends related to the impact of COVID-19 and the economic recovery, suggests that the recovery has been significantly slower for employment at lower income levels:

Change in Employment Rates by Annual Income January 2020 compared to May 5, 2021	
Annual Income	**% Change**
Less than $27,000	**-19.9%**
$27,000 to $60,000	-3.4%
Greater than $60,000	60.0%

Source: Opportunity Insights

Texas unemployment data supports the need for targeted outreach to rural counties, and in the colonias, areas which would typically have a higher prevalence of non-traditional mortgage loans, including contract for deed financings, than urban population centers. Unemployment rates for the six Texas counties with the highest concentration of colonias are reflected below.



MORTGAGE LOAN DELINQUENCIES AND LOANS IN FORBEARANCE

Using a combination of CHAS data (Comprehensive Housing Affordability Strategy) available through HUD, single family mortgage loan forbearance and delinquency data provided by Treasury, and data from TDHCA's homeownership loan portfolio (TDHCA Portfolio), TDHCA performed a Homeowner Needs Assessment. The TDHCA Portfolio is a portfolio of approximately 35,000 mortgage loans originated through TDHCA's Homeownership Division, with a total outstanding principal balance of approximately $6.1 billion. Loans types are 91% FHA, 2% VA, 2%

USDA, and 5% conventional loans backed by Fannie Mae or Freddie Mac. With over 70% of TDHCA Portfolio loans made to homeowners at or below 80% of AMFI, TDHCA considers the portfolio a relevant proxy for this analysis. Please note that due to the nature of CHAS data, rounding, and the number of percentages used, totals are not always an exact reflection of the component data.

CHAS data indicates that there are approximately 5.9 million owner occupied households in Texas (excluding residences with more than 4 units), approximately 3.4 million of which have a mortgage on their property.

Owner Occupied Households			Owner Occupied Households With a Mortgage			
Household Income	# of Households	% of Total Households	1-4 Units	Non-Traditional (Mobile Homes, etc.)	# of Households	% of Total Households
<= 100% AMFI	2,299,443	39%	925,412	92,986	1,018,398	30%
>100% AMFI	3,551,575	61%	2,292,144	73,891	2,366,035	70%
Total	5,851,070	100%	3,217,556	166,877	3,384,433	100%
Source: 2013-2017 CHAS, Tables 1, 8, and 18A						

Of the approximately 3.4 million owner occupied homes with a mortgage, approximately 1,018,398, are households at or below 100% AMFI. Due to challenges posed by a lack of data compatibility among various sources and the difficulty locating reliable data for non-traditional mortgage loans in Texas (outside the traditional channels of FHA, VA, USDA-RD, Freddie Mac, and Fannie Mae), assumptions were made as noted below.

Various data sources (none of which include 100% of the mortgage loans in Texas, are not consistently detailed by income level, and typically exclude non-traditional mortgage loans) produced a range of Texas forbearance rates between 5.7% and 15.6%. On the low end, the 5.7% forbearance rate was provided through the Federal Reserve Bank Mortgage Dashboard. On the high end, the 15.6% forbearance rate is the actual experience of the TDHCA Portfolio and, with approximately 70% of homebuyers at or below 80% of median income, suggests that lower income homeowners have been impacted disproportionately by the pandemic. Using this range, TDHCA estimated the amount of funds needed to reinstate loans for households at or below 100% AMFI. The $12,565 per loan reinstatement amount was calculated using the average reinstatement amount for TDHCA's mortgage loan portfolio and the loan portfolio of one of the largest government loan servicers in the state. The reinstatement amount is based on delinquent PITI; as such, a separate calculation for property taxes was not performed. The below table details the estimated amount of funds necessary to reinstate delinquent and forbearance loans, depending on the assumed forbearance rate.

Owner Occupied Households With a Mortgage Household Income <=100% AMFI				
Data Source	**Forbearance Rate**	**Estimated # Loans in FB**	**Estimated $ Per Loan to Reinstate**	**Estimated Total $ to Reinstate**
Federal Reserve Bank Mortgage Dashboard, TX	5.7%	58,049	12,565	729,378,257
Federal Reserve Bank Mortgage Dashboard, TX Low-Income	6.9%	70,269	12,565	882,931,574
Government Loans (Treasury Data)*	10.3%	104,793	12,565	1,316,719,695
TDHCA Mortgage Loan Portfolio*	15.6%	158,524	12,565	1,991,842,446
Average of Above Sources	**9.6%**	**97,909**	**12,565**	**1,230,217,993**
Calculations are based on a total of 1,018,398 Owner Occupied Households (<= 100% AMFI) with a Mortgage *Includes loans delinquent at least 60 days but not in forbearance.				

The above table reflects an estimated need for approximately $1.2 billion to reinstate mortgage Texas loans in forbearance or delinquent 60 days or more, and not on a forbearance plan.

The impact of COVID-19 on Texas homeowners was exacerbated by a growing affordability crisis in Texas. 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 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.

As affordable home inventory decreases, homebuyers stretch their finances to be able to afford to purchase a home, and as they push those finances to the limit to achieve homeownership, they become less able to afford unexpected expenses or a reduction in income. 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 the pandemic, Texas homeowners were experiencing a high level of cost burden, with approximately 19.4% of Texas homeowners considered housing cost burdened.

The following table details households experiencing housing cost burden by income category 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			

Currently, government loan delinquencies in Texas, as provided by Treasury, 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 available loss mitigation options, typically, those options come at a high price, particularly after months of forbearance and following an extended period of financial hardship. These options are primarily payment deferrals and loan modifications, which may 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. Loan modifications may require a certain level of savings in order for the loan to be eligible for modification and not all mortgage loans will qualify. 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.

PROPERTY CHARGE DEFAULT

Delinquent property taxes put homeowners at risk of foreclosure by the taxing entity. The Department has been gathering data from tax assessors and tax collectors throughout the state. With 254 counties and multiple tax assessors and collectors within each county, obtaining specific, relevant information with respect to delinquent property taxes has been difficult at best. Data that covers approximately 70% of the state has been collected, reflecting approximately 183,000 homestead properties delinquent in payment of property taxes. The average delinquency is approximately $3,000 per home, for a total of approximately $550 million of delinquent property taxes for 70% of the state. Scaling up from the 70%, the Department estimates that there are approximately 260,000 homestead properties that are delinquent in the payment of property taxes. Based on the $3,000 per home average delinquency, we estimate there is approximately $800 million in delinquent property taxes in the state. The Department recognizes that this approach is a bit imprecise. Of the estimated $800 million in delinquent property taxes, many households may not qualify for assistance through HAF due to eligibility requirements. In addition to property taxes, other property charge delinquencies that impact a homeowner's ability to stay current on their mortgage and to avoid default and foreclosure include insurance premiums, homeowner association fees, condominium association fees, cooperative maintenance or common charges, and legal fees.

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. The Department's assessment of homeowner supports a Reinstatement Program and a Property Charge Default Resolution Program to assist eligible homeowners.

PUBLIC PARTICIPATION AND COMMUNITY ENGAGEMENT

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.

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 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. We have engaged with and are continuing discussions with the Texas Mortgage Bankers Association. TDHCA staff have participated in weekly, often twice-weekly, calls with the Housing Policy Council, which includes many of the largest servicers in the country, to discuss the best way to assist homeowners as efficiently as possible, and ways to implement consistent processes for programs across the country. TDHCA staff have also participated, at least once per week, in HAF-specific calls hosted by the National Council of State Housing Agencies (NCSHA), where we have been able to discuss feedback that other HAF administrators are receiving from public comment and advocacy groups.

In accordance with the Texas Open Meetings Act (the public meeting law in Texas), TDHCA published its draft HAF Plan for public comment on June 14, 2021. A public hearing was held regarding the proposed plan on June 17, 2021, and public comment was accepted through June 21, 2021. Public comment received during the public comment period was considered and, when reasonable and in accordance with HAF Guidelines, was incorporated into this HAF Plan.

On June 24, 2021, TDHCA hosted a virtual roundtable with key non-profit and community development organizations throughout the state to discuss HAF, outreach, and specific aspects of the program. TDHCA continues 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'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. As these entities are the "boots on the ground" in many of the harder hit areas of the state, their input and advice has been valuable in the development of this plan, and will prove even more valuable as the Program rolls out and we need to reach target populations.

The HAF Plan was revised to reflect much of the public comment received in June 2021. In addition, HAF Guidance was revised and templates provided by Treasury August 2, 2021. As such, the HAF Plan was further revised and is being published for public comment September 3, 2021, with the public comment period ending September 15, 2021.

Program Design

Reinstatement Program

The Reinstatement Program will eliminate mortgage loan delinquencies to prevent foreclosure and homeowner displacement by reinstating mortgage loans that are at least thirty days delinquent. Eligible expenses include amounts advanced by the lender or servicer for property charges, including property taxes, hazard insurance premiums, floor or wind insurance premiums, ground rents, condominium fees, cooperative maintenance fees, planned unit development fees, homeowners' association fees, utilities that the servicer advanced to protect lien position, and reasonably required legal fees. The maximum household assistance for this program is $40,000, and funds will be provided as a nonrecourse grant to the homeowner.

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, and to housing counselors or other funding sources, including CDBG-CARES, HOME Funds, etc.

Mortgages must be held by a lender/servicer with an NMLS number or by private lenders/servicers that qualify for exemption pursuant to Finance Code, Section 156.202. Eligible mortgages include existing first mortgage loans, subordinate mortgages with scheduled principal and interest payments, contract for deed instruments, and land contracts.

This Program will provide up to a Per Household Maximum of $40,000. TDHCA will utilize up to $586,180,948.00 of its HAF allocation for this program. The inclusion of additional Programs may reduce the amount allocated to this program.

Property Charge Default Resolution Program

The Property Charge Default Resolution Program will provide funds to bring current delinquent property charges, including past due property taxes, insurance premiums, HOA fees, condominium fees, cooperative maintenance or common charges, and up to 90 days of upcoming property charges. Payments will be remitted to third party payees, including tax collectors, insurance companies, HOAs, and other relevant parties. The Program will provide up to actual delinquencies, subject to a Per Household Maximum of $25,000, with the following limits:

Delinquent Property Taxes	$15,000
Insurance (homeowner's, flood, wind, mortgage, and hazard)	5,000
Homeowner and Condo Association Fees and Common Charges	5,000
Pre-Foreclosure/Foreclosure-related Legal Fees and Other Charges	5,000

TDHCA will utilize up to $87,590,256.80 of its HAF allocation for this program.

General Homeowner Eligibility

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 homeowner certification must describe the nature of the financial hardship. Eligible 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. Income for eligibility purposes will include the income of all household members age 18 and above.

General Property Eligibility

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 homeowner lives in a unit as their primary residence;
- 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 homeowner, 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 household, and no single property, may receive more than the Per Household Maximum amount of assistance for each program.

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 (i) in determining eligibility, (ii) with completing applications, and (iii) with submitting required supporting documentation. Application information will be made available in multiple languages, currently expected to include English, Spanish, Vietnamese, Korean, and Mandarin.

TARGETING HAF FUNDING

TDHCA will target all HAF funding to homeowners with household income less than or equal to 100% of AMFI, or 100% of the median income for the United States, whichever is greater. Based on the demographics of the state and of TDHCA's Portfolio, targeting at this income level will effectively serve those most in need, including homeowners considered to be socially disadvantaged. Specific targeting and outreach efforts will be directed to the following:

- Persistent Poverty Counties. Persistent Poverty Counties (PPCs) are counties where 20% or more of the population have lived in poverty over the past 30 years (measured by 1990 and 2000 decennial censuses and 2011-2015 5-year data series available from the American Community Survey of the Bureau of the Census). There are 35 PPCs in Texas:

Persistent Poverty Counties in Texas

County	1990 Poverty %	2000 Poverty %	2011-2015 Poverty %	County	1990 Poverty %	2000 Poverty %	2011-2015 Poverty %
Bee County	27.4	24.0	21.2	Jim Wells County	30.3	24.1	22.3
Brazos County	26.7	26.9	27.9	Karnes County	36.5	21.9	25.4
Brooks County	36.8	40.2	39.6	Kleberg County	27.4	26.7	26.1
Cameron County	39.7	33.1	33.8	Lamb County	27.1	20.9	23.5
Cochran County	28.3	27.0	20.0	Marion County	30.6	22.4	22.6
Crosby County	29.5	28.1	22.9	Maverick County	50.4	34.8	26.7
Culberson County	29.8	25.1	29.7	Nacogdoches County	25.2	23.3	24.6
Deaf Smith County	27.7	20.6	20.8	Nolan County	21.3	21.7	21.2
Duval County	39.0	27.2	23.9	Presidio County	48.1	36.4	21.7
El Paso County	26.8	23.8	22.8	San Augustine County	29.7	21.2	24.8
Falls County	27.5	22.6	22.0	Starr County	60.0	50.9	36.6
Floyd County	27.1	21.5	22.4	Terrell County	27.4	25.2	20.2
Frio County	39.1	29.0	22.1	Val Verde County	36.4	26.1	20.6
Hall County	29.1	26.3	26.9	Webb County	38.2	31.2	31.8
Haskell County	20.8	22.8	20.5	Willacy County	44.5	33.2	39.0
Hidalgo County	41.9	35.9	34.2	Zapata County	41.0	35.8	37.4
Houston County	25.6	21.0	25.0	Zavala County	50.4	41.8	33.4
Hudspeth County	38.9	35.8	40.3				

12_FY21_CDFE_NACA_Persistent_Poverty_Counties_2011_2015ACS_and_Island_Areas_Decennial_Census

- 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 designed for low and moderate income homeowners, including TDHCA's own portfolio, and the 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 nonprofits 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 rural areas 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.

PRIORITIZATION

At all times while HAF funds are available, homeowners facing imminent foreclosure will be moved to the front of the line irrespective of geographic location of the residence. Homeowners residing in Persistent Poverty Counties will be also be prioritized (moved to the front of the line) for the first 60 days after full release of the program.

OUTREACH AND MARKETING PLAN

Outreach and Marketing will include a designated webpage on the TDHCA website and TDHCA homeownership specific website, email listserv, 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, currently expected to include English, Spanish, Vietnamese, Korean, and Mandarin.

TDHCA will, at least monthly, 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 HAF PARTICIPANTS

Since the HAF Guidance was published on April 14, 2021, TDHCA has participated in regular (two to three times per week) meetings with other HAF administrators through NCSHA. Similarly, TDHCA staff have maintained regular participation in calls with the Housing Policy Council. As a result of these and other, one-on-one interactions, TDHCA is adopting the CDF for data exchange with servicers. In addition, TDHCA is using a servicer cooperation agreement that was designed for common use across states and programs as its base agreement.

Advice and guidance provided through the above-described engagement, particularly lessons learned and best practices with respect to HHF and other homeowner assistance programs, helped to inform and design this plan. TDHCA has reviewed many of the HHF plans, and several of the draft plans developed by other HAF administrators, to develop a sound plan to effectively address the needs of Texas homeowners that were impacted by the pandemic, while incorporating best practices and using lessons learned from previous programs. TDHCA continues to engage with other HFAs and HAF administrators with respect to vendors, program implementation, the development of program guides, use of the CDF, and other activities critical to the implementation of a successful program.

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

The primary goals of the Reinstatement Program and the Property Charge Default Program are to:

- Avoid foreclosure and homeowner displacement for 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.

- Reduce mortgage loan delinquencies and prevent mortgage loan defaults with respect 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.

In accordance with Treasury recommendations, specific goals and benchmarks for each program are outlined below.

Program Design Element	**Metric of Success**	**Goal**
Reinstatement Program	Number of mortgage loans reinstated (home loss avoided)	Reinstate [# TBD] mortgage loans per year
Property Charge Default Program		
Delinquent Property Taxes	Number of homeowners for which delinquent property taxes are brought current to avoid tax foreclosure	Bring [# TBD] homeowners current on delinquent property taxes per year
Homeowner's Insurance, Flood, Wind, and Mortgage Insurance	Number of insurance policies brought current	Bring [# TBD] insurance policies current per year
Homeowner and Condo Association Fees, Liens, and Common Charges	Number of homeowners brought current on delinquent HOA or condominium association fees, or common charges	Bring [# TBD] homeowners current on HOA or condominium association fees or common charges to avoid homeowner displacement
Pre-foreclosure or Foreclosure-related Legal Fees, and Other Related Charges	Number of homeowners for which outstanding pre-foreclosure or foreclosure related legal fees and other related charges are brought current	Bring [# TBD] homeowners current with respect to outstanding pre-foreclosure or foreclosure-related legal or other related fees to avoid homeowner displacement

<u>Periodic Review</u>

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 is currently soliciting vendors, and intends to have systems in place by September 30, 2021. Once the primary vendor (or vendors) has been selected, TDHCA will develop detailed program guides, policies, and procedures in order to undergo significant systems and customer service testing prior to a soft launch with a pilot program.

A request for proposal has been issued for a web based portal; application review, prioritization, underwriting, and approval; calculation of payments; processing payments; reporting; and call center operations.

TDHCA expects that the vendor(s) will provide a significant amount of the staffing for the implementation and operation of the program. TDHCA has posted key HAF positions and in the process of hiring for those positions, and will continue to add additional staff as the program develops, as needed.

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 cooperation or partnership 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 intends to release a pilot program that would be a smaller scale version (limited audience) of the Reinstatement and Property Charge Default Resolution Programs. That pilot is expected to run for two to three weeks prior to full program release, and will assist in ensuring that system and operational processes are running smoothly and efficiently prior to full program launch.

Budget

<u>Preliminary</u> <u>and Under Development</u>

Texas HAF Funds Awarded:	$842,214,006.00
Administration (Maximum):	$126,332,100.90
Counseling or Educational Services	25,226,420.18
Legal Services	16,844,280.12
Reinstatement Program	586,180,948.00
Property Charge Default Program	87,590,256.80

Administrative Expense Detail (in process):

	$
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	$
	$
	$
	$