

## Part One

### Executive Summary

Oregon's diverse economy is deeply interwoven with its unique geography. The state has become a vital shipping hub for companies exporting to and from the United States. Partnerships with California's technology industry have been built and strengthened for more than twenty years. Public and private support and investment in green technology has made Oregon a leader in a quickly growing industry. Despite this diversity, much of Oregon's economy remains rooted in timber, construction, and manufacturing. These industries, and the hardworking Oregonians who ensure they thrive, have suffered tremendously during the global economic downturn. As consumers throughout the world have decreased their demand for wood, paper, and many other products, Oregonians have lost their jobs and consequently, their homes. Oregon's housing crisis is a reflection of the economic instability its workforce now experiences.

As a recipient of second round funding from the Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets, Oregon Housing and Community Services (OHCS), the state's Housing Finance Agency, will create the Oregon Homeownership Stabilization Initiative. This comprehensive plan will give qualified financially distressed homeowners the opportunity to avoid foreclosure and achieve the safety and stability of permanent affordable housing. The \$88 million initiative will serve a minimum of 7,400 struggling homeowners.

Oregon's housing crisis has stranded homeowners across a wide spectrum of need. This proposal, developed after thorough data analysis and an extensive, statewide tour during which homeowners, lenders, loan counselors, and government officials described their experiences, will address many of those needs. The proposed programs will help homeowners in a variety of circumstances:

- homeowners in the midst of financial distress due to unemployment, underemployment, or significant loss of income;
- homeowners who have emerged from financial distress but require additional assistance to ensure permanent housing affordability; and
- homeowners for whom continued homeownership is not possible, who want to preserve their credit, and who need help transitioning to an affordable housing option.

The four programs outlined in this proposal will work either as stand alone options or in concert. Many recipients will use more than one. The first program, **Loan Modification Assistance**, will aim to help those homeowners who are on the verge of successfully modifying their existing mortgages but require a small amount of additional financial resources to do so. This program will aim to quickly stabilize more than 2,500 homeowners in Oregon. The second program, **Mortgage Payment Assistance**, will help

economical distressed homeowners pay their mortgage for up to one year. If these recipients regain employment or otherwise regain their financial footing they can exit into program three: **Loan Preservation Assistance**. Loan Preservation Assistance will provide financial resources homeowners may need to modify their loan, pay arrearages, or clear other significant financial penalties they incurred while financially distressed. Should homeowners not regain employment during the period they received Mortgage Payment Assistance, they would be given the opportunity to receive **Transitional Assistance**. In such cases, Transitional Assistance will provide resources to help homeowners move to an alternative affordable housing option.

In addition to these programs, the Oregon Homeownership Stabilization Initiative will use the state's existing network of HUD certified counselors as an administrative entry point for many program participants. Counselors have the experience and resources necessary to navigate the loan modification process and other options that can lead to permanent housing affordability.

OHCS has designed these programs to be flexible and responsive. Homeowners will be encouraged to enter or exit them in the ways that are most conducive to their long-term success. It is our intent to provide homeowners an opportunity to stay in their homes and to make those homes affordable. Should that outcome remain out-of-reach, Oregon Homeownership Stabilization Initiative will help them exit their homes in a way that will preserve the possibility of homeownership again in the future.

Finally, after a thorough analysis of the economic downturn in Oregon, OHCS determined that the unemployment rate alone does not fully capture our state's economic distress. OHCS considered three additional factors: the degree to which unemployment has increased over the previous two years, the decline in housing values, and the foreclosure rate. Using these expanded criteria, four additional counties were added to the initial 16. Allocating Hardest Hit funding using this more comprehensive methodology will allow OHCS to fully respond to the housing needs of the state.

#### Establishment of an Eligible Entity

In accordance with the Hardest Hit Fund Guidelines published by the U.S. Treasury, each recipient of funding from the Hardest Hit Fund must qualify as an "Eligible Entity." This is defined as a "financial institution," as defined in the Emergency Economic Stabilization Act (EESA). Since OHCS is an agency of the State of Oregon, it is not an "Eligible Entity" for purposes of the Hardest Hit Fund. Thus, OHCS will be forming the Oregon Homeownership Stabilization Initiative, an Oregon nonprofit corporation.

## Part Two

### **A. General Overview of the Program**

Oregon's data suggests that unemployment and foreclosure are inextricably tied. During the economic downturn and over the course of the last 30 years, each time unemployment increases in Oregon, the state's foreclosure rate increases by a similar amount. Though many factors contributed to the nation's most serious economic downturn since the Depression, it has become increasingly clear that preventing foreclosure demands helping homeowners to manage the acute economic distress caused by unemployment.

Though the nation's economy is slowly rebounding from the economic downturn, data suggest the recovery will be largely a "jobless" one. History also indicates that Oregon's recoveries from recession lag behind the rest of the nation's. These facts have guided the development of the Oregon Homeownership Stabilization Initiative.

Given the uncertain timeline of Oregon's economic recovery and the realization that many of the jobs lost in the "hardest hit" counties may not return, the Oregon Homeownership Stabilization Initiative provides a comprehensive but measured and realistic approach to aiding homeowners in distress.

During the development phase of this proposal, both empirical evidence and anecdotal data suggested that two significant obstacles plague Oregon's homeowners: the complexity of the existing modification process and the duration of unemployment. Hardest Hit Funding will immediately address both. First, many homeowners struggle to successfully navigate loan modification programs. Either the loan modification process itself has frustrated them or their modification stalls due to a relatively small gap in financial resources. Second, unemployed, underemployed, and financially distressed homeowners often need up to a year to find financially appropriate employment. The time it takes to find a job far exceeds existing forbearance options offered by financial entities and those options often compound financial problems due to associated fees and penalties. Often by the time financially distressed homeowners find employment, they have exhausted their financial resources and cannot pay off overdue balances, fees, and penalties. In these cases, homeowners may even lack the credit and cash to move to a rental property.

#### Program Objectives

The overarching goal of the Oregon Homeownership Stabilization Initiative is to provide every funding recipient the opportunity to prevent foreclosure and keep or find affordable housing. To do that, OHCS has set the following program objectives:

- Complement existing loan modification and foreclosure prevention programs.

- Encourage homeowners to use HUD-certified counseling services.
- Facilitate swift, reliable, and consistent communication with lenders, servicers, investors, and other partners.
- Relieve acute economic distress for homeowners.
- Provide homeowners unable to maintain their home sound advice, resources, and encouragement to leave their house in favor of an affordable housing option before foreclosure occurs.
- “Incentive-ize” homeowners’ commitment to maintaining their property after deciding leaving it is inevitable.
- Connect homeowners that enter the program with links to other local and state resources such as job training, education, or other social services.
- To the greatest extent possible leverage Hardest Hit dollars with private matching and revolving funding programs.
- Work closely with lenders, servicers, and loan counselors to identify and invest in homeowners who stand the best chance of sustaining homeownership.
- Deliver resources quickly.

### Program Descriptions

The programs that comprise the Oregon Homeownership Stabilization Initiative are meant to prevent foreclosure by investing resources on behalf of homeowners to ensure they will be able to achieve permanent, affordable housing. These programs are intended to be as flexible as possible in order to respond fully to the wide range of needs that homeowners in distress present.

Pending U.S. Treasury approval, in accordance with EESA, and after extensive outreach with stakeholders throughout the state, OHCS intends to use its allocation of Hardest Hit Funding in the following ways.

**Loan Modification Assistance** – The Loan Modification Assistance Program will provide funds to assist financially distressed borrowers who are in the process of modifying their home loans. Under the Program, a one-time contribution of funds will be made to a homeowner’s lender/servicer to be used to fill a financial gap that limits a homeowner’s eligibility for a loan modification. Funds may be used to reduce the outstanding principal balance, pay delinquent escrow, arrearages, or strategically apply resources to ensure a Net Present Value test is positive. Modification must result in a loan to value ratio of no more than 125 percent, a total debt-to-income of up to or less than 50

percent, and a mortgage payment of no more than 31 percent including principal, interest, taxes and insurance. The Program is designed to work with both HAMP and non-HAMP modifications..

**Mortgage Payment Assistance** – The Mortgage Payment Assistance Program will provide up to six months of mortgage payment assistance with a required 1:1 match from the investor for a total anticipated benefit of 12 months of assistance. It is expected that the investor match be provided concurrently with funds from the program. This temporary assistance will be provided lenders/servicers on behalf of unemployed, substantially underemployed, or acutely financially distressed homeowners. The state’s foreclosure counseling network would serve as the administrative entry point for initial eligibility screening. This Program will work as both a stand-alone program or as a feeder into Loan Preservation Assistance or Transitional Assistance Programs.

For a comprehensive overview of this program, please refer to the Mortgage Payment Subsidy Term Sheet.

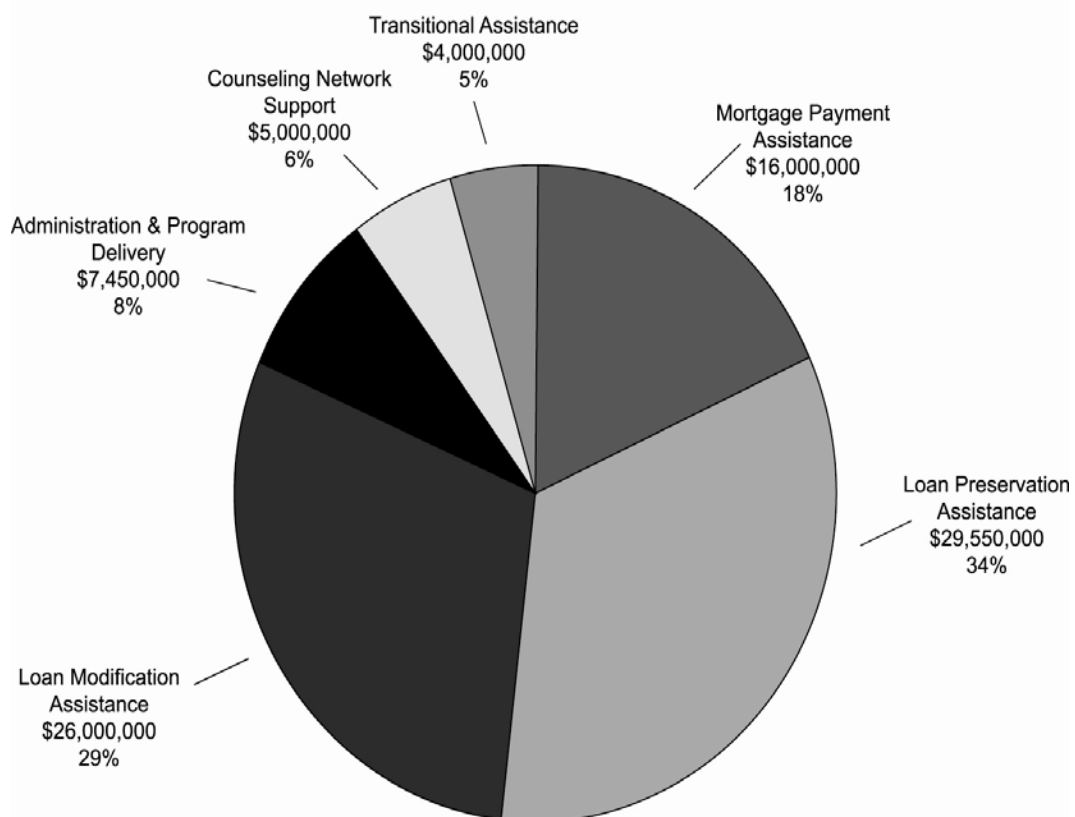
**Loan Preservation Assistance** – Loan Preservation Assistance will benefit those homeowners who regain employment or recover from financial distress. The program will ensure their loans become, or remain, affordable. Resources provided through this program will ensure successful modification, pay arrearages, delinquent escrow, or other fees incurred during a period of unemployment or financial distress. Eligibility will be determined by HUD-certified counselors and staff from the Oregon Homeownership Stabilization Initiative. Recipients may receive up to \$20,000. Loan Preservation Assistance may complement existing modification programs or other resources designed to assist homeowners after they regain their financial standing.

For a comprehensive overview of this program, please refer to the Loan Preservation Assistance Term Sheet.

**Transitional Assistance** – Transitional Assistance will be offered to those homeowners for whom foreclosure would otherwise be inevitable. Two groups of homeowners will be candidates for Transitional Assistance: homeowners with no reasonable prospect of modifying their loans even when employed and recipients of Mortgage Payment Assistance who do not regain employment or recover from financial distress to the extent that they would benefit from Loan Preservation Assistance. Transitional Assistance will work in conjunction with servicer/lender short sale and deed-in-lieu of foreclosure programs to help homeowners transition to affordable housing expediently. These resources will address the homeowner’s needs as well as help preserve property value. Funds would be available on a one-time only basis for up to \$3,000.

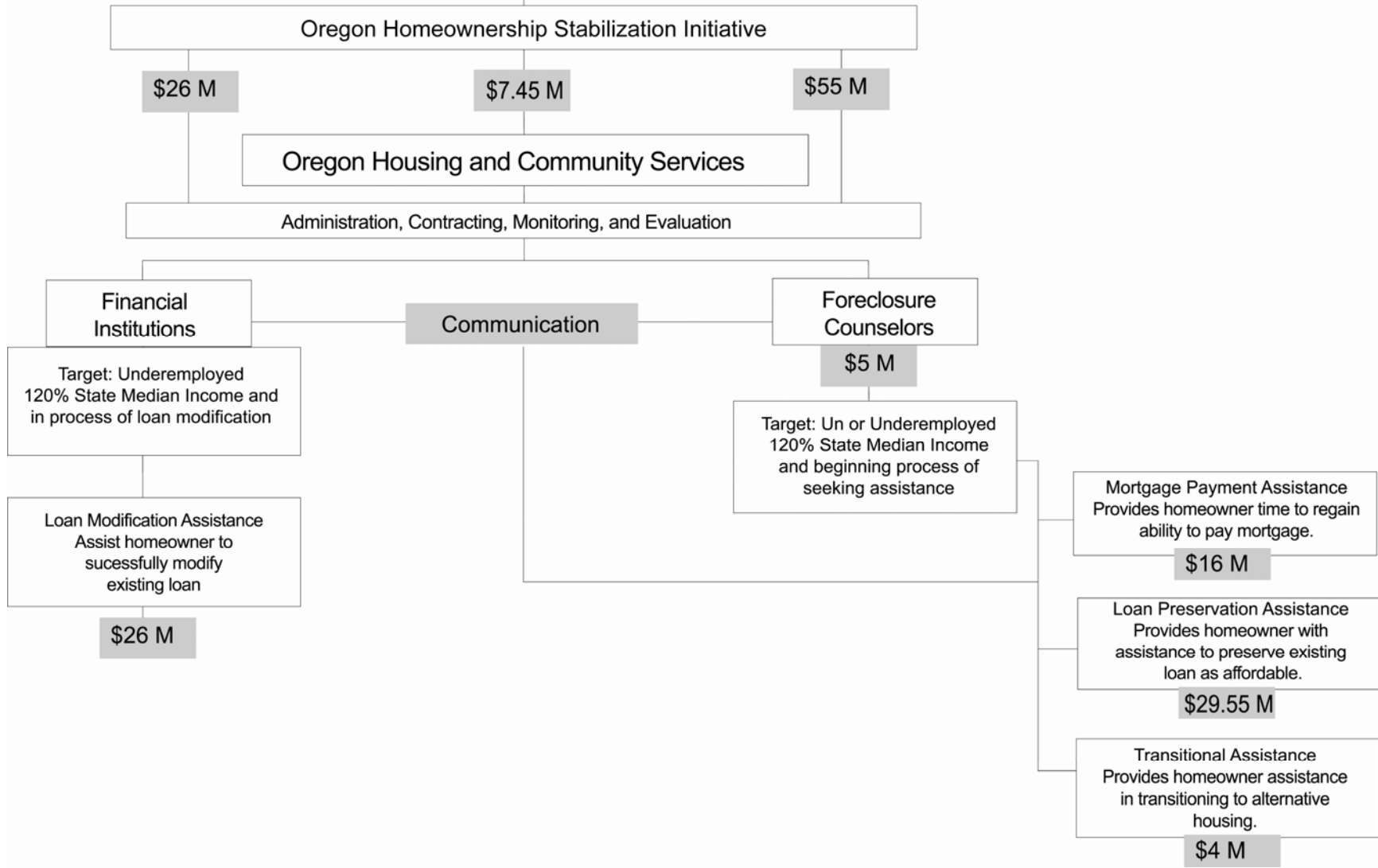
For a comprehensive overview of this program please refer to the Transitional Assistance Term Sheet.

# Funding Allocation



# United States Office of the Treasury

**\$88 Million in TARP Funding**



## Overall Program Eligibility

Though the programs outlined in this proposal are intentionally broad to ensure the Oregon Homeownership Stabilization Initiative can respond to a wide variety of borrower needs, the general eligibility requirements are more tightly defined.

Though there are some programmatic nuances, the general eligibility requirements are as follows:

- Current household income is equal to or less than 120 percent of state median.
- Only single-family homes are eligible.
- Recipients must have experienced a verifiable significant loss of income, because of unemployment, underemployment, or financial distress.
- Recipients must show capability to maintain mortgage after modification or loan preservation assistance.
- Properties receiving resources must be owner occupied.
- Loan must have been originated before January 1, 2009.

Additionally, the Oregon Homeownership Stabilization Initiative will have programmatic exclusions:

- Owners of second homes or investment properties.
- Those who voluntarily left their jobs.
- Those with liquid resources sufficient to pay their mortgage for four or more months.
- Those who have not experienced unemployment, underemployment, or a significant and verifiable loss of income.
- Those homeowners who have taken out second mortgages that cannot be verified as investments in the primary residence.

## Timeline

OHCS sought to design programs so they may be implemented quickly. The Oregon Homeownership Stabilization Initiative envisions a program delivery window of two to three years. The total length of the program will depend almost entirely on the speed in



which financial entities process loan modifications or other complex transactions that lead to permanent mortgage affordability. During the extensive outreach OHCS staff conducted while developing this proposal, homeowners, loan counselors, and lenders indicated that the modifications took anywhere from six months to a year to complete.

Nevertheless, this proposal aims to immediately push those homeowners on the verge of successful modification through the system within the first year of the program and to begin providing Mortgage Payment Assistance as soon as funding arrives from U.S. Treasury.

The Transitional Assistance and Loan Preservation Assistance programs may also be enacted quickly, but these programs will serve as exits for those receiving Mortgage Payment Assistance and their substantial utilization should occur in year two of the program.

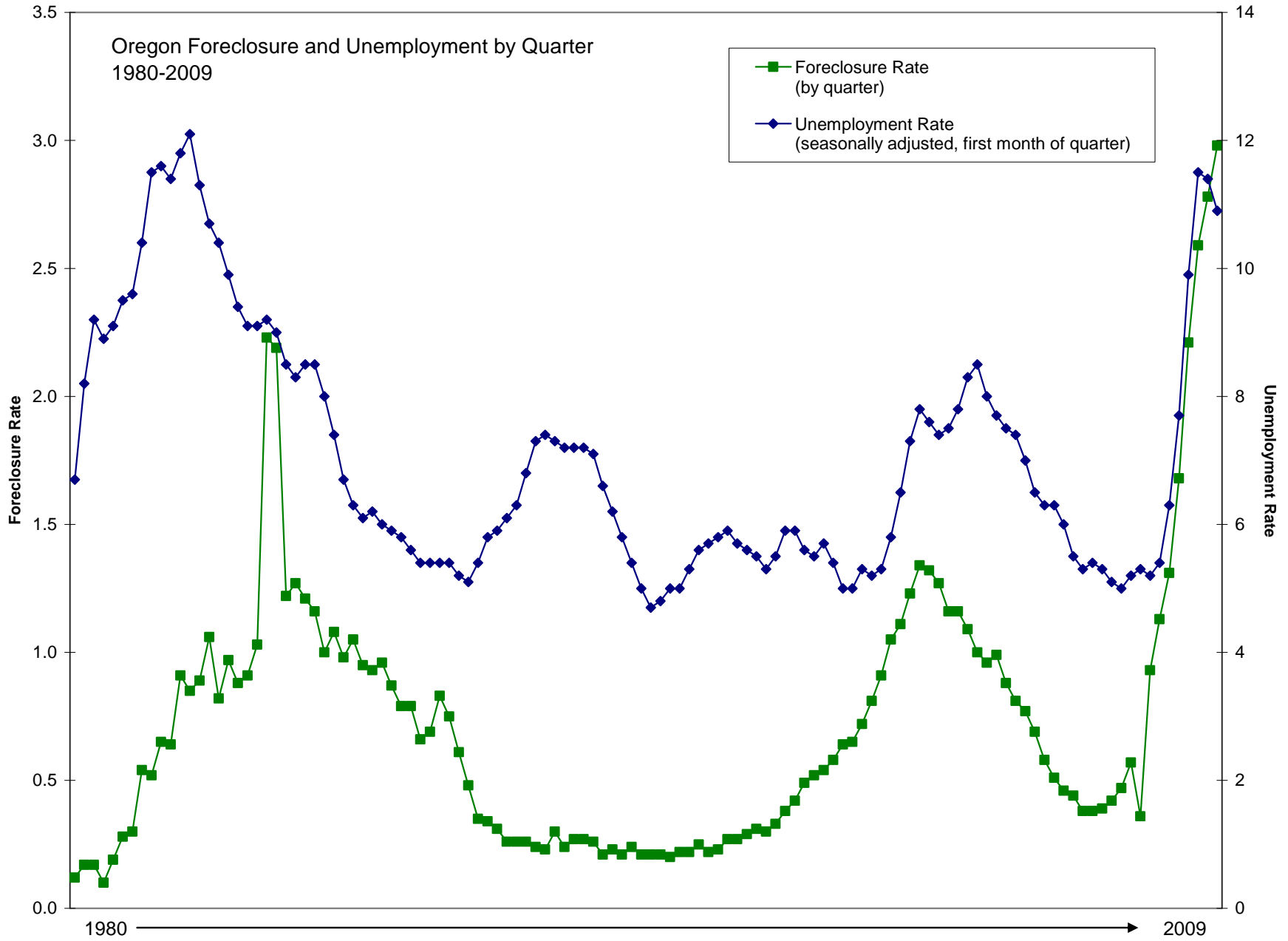
## **B. Population Served and Allocation Methodology**

To address the unique challenge of allocating Hardest Hit Funding, OHCS incorporated additional factors to help fully identify economic distress in Oregon. In addition to the unemployment rate, OHCS staff added the degree of change in unemployment over the last two years, the rate of foreclosure and delinquencies, and the decrease in home values. Using the most current and reliable information available, from the Federal Reserve Bank of New York, Oregon's Employment Department, and Federal Housing Finance Agency, each Oregon county was assigned a "Housing Distress" index based on a combination of these factors.

Refining "Hardest Hit" using these methods revealed that four additional counties should be among those where a substantial majority of funding is focused. Including these additional counties among those initially identified addresses Oregon's needs more completely. Expanding the field of "Hardest Hit" counties to 20 means that 73 percent of Oregon's population is captured. This proposal recommends that 80 percent of Hardest Hit funding be applied to these 20 counties with the remaining 20 percent applied to the balance of the state.

The following chart identifies the initial 16 Hardest Hit counties as well as the four OHCS identified as "Housing Distressed." Additionally, the four factors used to determine "Housing Distressed," are also included.

US Treasury Hardest Hit	Housing Distressed	County	Housing	2009	2009	January 2010	January 2010	2007-2009	2007-2009	4th Quarter 2009
			Distress	Population	Unemployment	# Unemployed	% Loans in	# Loans in	% Change in	# Change In
			Index		Rate	Foreclosure &	Foreclosure &	Rate	Unemployed	Index Change
		Baker County	0.7	16,450	10%	767	26	74.1%	345	-13.1%
		Benton County	0.6	86,725	8%	3,348	122	87.8%	1,602	-5.6%
	HD	Clackamas County	1.0	379,845	10%	20,564	2,512	121.7%	11,604	-14.1%
		Clatsop County	0.8	37,840	9%	1,850	186	89.4%	921	-13.1%
HH	HD	Columbia County	1.1	48,410	13%	3,216	363	128.1%	1,864	-14.1%
HH	HD	Coos County	1.0	63,065	13%	3,639	258	93.9%	1,786	-13.1%
HH	HD	Crook County	1.5	27,185	18%	1,695	228	188.7%	1,088	-13.1%
HH	HD	Curry County	1.0	21,340	13%	1,225	88	101.5%	605	-13.1%
HH	HD	Deschutes County	1.9	170,705	15%	11,853	2,121	198.0%	7,805	-36.6%
HH	HD	Douglas County	1.1	105,395	15%	7,201	451	100.0%	3,590	-13.1%
		Gilliam County	0.5	1,885	7%	85	--	55.6%	38	-13.1%
HH		Grant County	0.8	7,525	13%	461	8	67.5%	185	-13.1%
HH	HD	Harney County	1.0	7,715	16%	560	14	120.5%	318	-13.1%
		Hood River County	0.7	21,725	8%	1,106	63	75.6%	526	-13.1%
HH	HD	Jackson County	1.4	207,010	13%	12,780	1,764	125.0%	7,061	-26.8%
HH	HD	Jefferson County	1.2	22,715	15%	1,371	175	119.4%	744	-13.1%
HH	HD	Josephine County	1.1	83,665	14%	5,007	626	102.9%	2,551	-13.1%
HH	HD	Klamath County	1.1	66,350	14%	4,289	389	100.0%	2,175	-13.1%
HH		Lake County	0.7	7,600	13%	457	6	73.6%	193	-13.1%
HH		Lane County	0.9	347,690	12%	21,761	1,521	128.8%	12,366	-12.2%
		Lincoln County	0.8	44,700	10%	2,398	236	89.1%	1,161	-13.1%
HH	HD	Linn County	1.0	110,865	14%	7,622	644	117.5%	4,239	-13.1%
		Malheur County	0.9	31,720	11%	1,403	76	92.9%	688	-13.1%
	HD	Marion County	1.0	318,170	11%	17,099	1,733	101.9%	8,925	-13.2%
		Morrow County	0.7	12,540	9%	523	12	72.2%	233	-13.1%
	HD	Multnomah County	1.0	724,680	10%	40,536	4,615	112.2%	22,079	-14.1%
		Polk County	0.8	68,785	9%	3,687	379	87.8%	1,799	-13.2%
		Sherman County	0.6	1,830	9%	93	--	77.6%	47	-13.1%
		Tillamook County	0.8	26,130	9%	1,198	133	89.8%	587	-13.1%
		Umatilla County	0.7	72,430	10%	3,688	189	63.8%	1,566	-13.1%
		Union County	0.9	25,470	11%	1,422	56	105.5%	749	-13.1%
HH		Wallowa County	0.9	7,100	12%	440	17	96.7%	219	-13.1%
		Wasco County	0.8	24,230	9%	1,242	76	79.6%	592	-13.1%
		Washington County	0.9	527,140	9%	26,884	2,955	116.3%	14,664	-14.1%
		Wheeler County	0.6	1,585	9%	57	--	57.1%	23	-13.1%
	HD	Yamhill County	1.1	95,250	11%	5,509	611	128.0%	3,183	-14.1%



Additionally, data suggest that Oregon’s minority communities have been more deeply affected by the economic downturn. OHCS plans to market Hardest Hit funding opportunities aggressively within these communities throughout the state.

Current projections indicate that these programs will offer more than 6,300 homeowners in Oregon the opportunity to avoid foreclosure and achieve permanent affordable housing.

Timeline for Implementation

Prior to implementation, OHCS must develop processes, install administrative infrastructure, train staff and partners, create reporting systems, and conduct a statewide outreach program. Though some of these objectives will require ongoing effort, OHCS anticipates they are substantially achievable within 120 days of final approval of U.S. Treasury.

However, the programs contained within the Oregon Homeownership Stabilization Initiative are designed to peak at different times. Initially, OHCS plans to emphasize Loan Modification Assistance and Mortgage Payment Assistance early. Both programs will slowly phase out while the Loan Preservation and Transitional Assistance peak.

OHCS echoes CalHFA’s request for advance funding to test each program and the associated reporting requirements prior to statewide launch. OHCS intends to initially test these programs on its own portfolio.

**Oregon Homeownership Stabilization Initiative  
Implementation Timeline**

<b>Task</b>	<b>Responsibility</b>	<b>Date</b>
Complete Hardest Hit Fund Proposal	OHCS Project Manager	6/1/10
Complete Process to Establish Entity	OHCS Director, Deputy, & Project Manager	6/1/10-8/1/10
Develop Position Description for Program Administrator	OHCS Director, Deputy & Project Manager	6/1/10 - 6/8/10
Develop Position Description for Core Administrative Team: Human Resources, Senior Accountant, IT Coordinator, Outreach Contractor, Business Process Coordinator, and Researcher	OHCS Director, Deputy, HR Manager, Policy & Communication Mgr, CFO, and CIO	6/1/10 - 6/15/10
Hire Program Administrator	OHCS Director, Deputy	6/1/10-7/1/10
Identify staffing location and procure office needs	OHCS Facility Manager/Program Administrator	7/1/10-9/30/10
Hire core administrative team	Various	7/1/10-8/15/10

Develop sub-allocations and methodology of program service delivery	Program Administrator & Researcher	7/1/10-8/31/10
Complete business mapping of all programs and processes	Program Administrator and Business Process Coordinator	60 days from proposal approval
Implement Outreach Plan	Outreach Contractor	Upon completion of business mapping
Develop and Implement Contracts with HUD Certified Counselors	Program Administrator	60 days from proposal approval
Complete recruitment for Program Specialists	Program Administrator	75 days from proposal approval
Complete IT procurement	Program Administrator/IT Coordinator	75 days from proposal approval
Complete Training of HUD Certified Foreclosure Counselors	Training Contractor	90 days from proposal approval
Staff Training	Core Administrative Staff	100 days from proposal approval
Test program with pilot locations	Program Specialist	120 days from proposal approval
Implementation of all programs	Program Specialist	150 days from proposal approval

### Implementation Obstacles

Throughout the proposal development process, borrowers and lenders have been unequivocal in their support for additional HUD Certified counseling services for homeowners. OHCS staff believe that without counseling, homeowners are not equipped with the information they need to make sound decisions about homeownership. The complexities of working with lenders and servicers are such that for the inexperienced, the process has been very frustrating.

To ensure that the Oregon Homeownership Stabilization Initiative succeeds, homeowners need comprehensive information that allows them to consider all of their options. Further, as the programs proposed in this document will work directly with existing federal programs, or complement other state and local resources, it is vitally important to

have capable professionals navigating the process for homeowners. Homeowners will continue to experience frustration with banks, complex modification procedures, and may have a harder time leaving their home, should ownership not remain possible, without the help of a counselor to explain and help them explore all available options.

Without HUD Certified Counselors, these programs will not function as effectively or efficiently. However, given the depth of the housing crisis in Oregon already, the states counselors are nearing their caseload capacity. Therefore, as part of our administrative budget, OHCS proposes that HUD certified counselors serve as the entry point for our Mortgage Assistance, Loan Preservation, and Transitional Assistance programs.

By using counselors in this role, OHCS saves itself the time and expense of setting up offices throughout the state. Also, sharing the administrative burden with the existing counseling network will allow OHCS to speed the delivery of resources. A trained counselor will perform intake duties, evaluate eligibility, and make an initial funding decision. Oregon Homeownership Stabilization Initiative staff will then make final funding determinations.

Additionally, though the Oregon Homeownership Stabilization Initiative will help thousands of Oregonians, these resources cannot help everyone in need. OHCS anticipates that by establishing and marketing these programs, even those who are not eligible will seek help in the hopes that they are. An ancillary benefit of engaging the state's HUD-certified counseling network is that it can steer ineligible homeowners to other helpful resources.

The state's network of HUD-certified foreclosure mitigation counselors has a long history of helping Oregonians become successful homeowners. OHCS and the regional housing centers across Oregon have years of experience providing foreclosure counseling. Counseling services include developing and verifying client budgets, developing and following up on written client action plans, and working with servicers to determine alternatives to foreclosure. These organizations have an extensive, successful, and recent record of accomplishment in providing foreclosure intervention counseling services.

### Leveraging Resources

The Oregon Homeownership Stabilization Initiative will operate by the principle that addressing the housing crisis requires a collaborative effort between the homeowner, the lender, and state and local government in which all parties contribute to a solution.

To the greatest extent possible, the Oregon Homeownership Stabilization Initiative will partner with financial institutions to maximize Hardest Hit funding. As an overarching goal, OHCS will work toward a dollar-for-dollar match of funding. Substantive negotiations with partners will begin once U. S. Treasury provides final approval of this proposal. To date, discussions with financial institutions have been productive, but relatively inconclusive. A few financial institutions with particularly toxic portfolios

have offered to match at rates much higher than 1:1. Given the proposal development time constraints, only the very large financial institutions have contributed significantly to the discussion of match. After the proposal submission, Oregon Homeownership Stabilization Initiative staff will engage Oregon's state and local banks and credit unions. Though their portfolios are generally more conservative and include fewer mortgages, OHCS will explore their willingness and capacity to match these dollars.

Additionally, two of the programs OHCS proposes, Loan Modification Assistance and Loan Preservation Assistance are conceived as revolving loan programs. Although current models do not project a substantial portion of the funds revolving, creating the opportunity and program flexibility for them to do so will allow for a further leveraging of funds and, ultimately, more financially distressed homeowners will receive help.

### Loans Financed With Tax-Exempt Bonds

While some of the programs described in this proposal require lenders to participate financially, loan programs financed with proceeds from tax-exempt bonds have legal and program limitations that make such participation difficult for housing finance agencies such as OHCS.

First-time homebuyer programs developed by OHCS are financed in whole or in part with the sale of bonds that are tax-exempt under IRC section 143. Such bonds are subject to a variety of public purpose restrictions imposed by federal tax law. In addition, the bond indentures in which these loans are held may contain terms that are substantially different from the securitizations found in the commercial market. The combination of those tax rules and unique indenture terms may make it much more difficult for a tax-exempt bond issuer to modify the loans. These restrictions may directly affect the ability of some public issuers to implement certain program terms required of private lenders, particularly with respect to matching principal reductions.

These bond issues also have specific durations, generally coincident with terms of the originated mortgages, and defined interest rates. Bond investors have a legal right to repayment based on the interest rate and maturity date of the bonds and their underlying mortgages. In situations where the term of a mortgage extends past the term of the bond series, OHCS would be forced by indenture terms to retire that related portion of outstanding bonds from sources other than the repayment of the mortgage. In addition to the issue of maturity, reductions in interest rate also impact OHCS bond holders who are expecting cash payments based on their stated coupon rate, and OHCS would likely need to expend additional cash to make up any shortfall in interest payments caused by a loan modification required interest rate reduction. Such funds are not available. Principal reductions for delinquent loans also presents difficulties for OHCS, as these mortgages are whole loans and are not securitized whereby investors do not have any guarantee of scheduled payment of principal and interest outside of the covenants of the bond indenture.

For these and other reasons described in HHF proposals previously received by the U.S. Treasury, OHCS is proposing that the matching requirement for the use of federal dollars available in this program not be required for loans financed with proceeds of tax-exempt bonds issued under its single-family mortgage program. Specifically, any matching requirement under the Oregon Homeownership Stabilization Initiative contained in this proposal would be waived for mortgage loans held within an indenture that contains loans financed in whole or in part by bonds issued by OHCS that are tax-exempt under IRC section 143.

Under this exemption, OHCS would work with its servicers to identify any distressed borrower in its loan program and facilitate the process of involving the borrower in the appropriate program described in this proposal.

### **C. Demonstrated Capacity to Implement**

#### Experience of Key Staff

Oregon Housing and Community Services is Oregon's housing finance agency, providing financial and program support to create and preserve opportunities for quality, affordable housing for Oregonians of lower and moderate income.

The current agency was created in 1991, when the state's legislature merged the Oregon Housing Agency with State Community Services. The coordination between housing and services creates a continuum of programs that can assist and empower lower-income individuals and families in their efforts to become self-reliant.

OHCS administers federal and state antipoverty, homelessness prevention, low-income energy assistance, and community service programs. The agency also assists in the financing of single-family homes, the new construction or rehabilitation of multifamily affordable housing developments, as well as grants and tax credits to promote affordable housing.

Currently, OHCS is staffed by a senior management team with extensive experience addressing housing affordability issues in Oregon:

#### *Victor Merced, Director*

Prior to joining the Department in September, 2006, Mr. Merced worked as a Philanthropic Advisor and Organizational Consultant to non-profit organizations and foundations. From November, 1995 to October, 2005, he was a Senior Program Officer for the Meyer Memorial Trust, Oregon's largest private foundation. From 1990 to 1995, he served as Deputy Administrator for the Adult and Family Services Division in the Oregon Department of Human Resources. He has also served as Executive Director of the Oregon Council for Hispanic Advancement and Chairman of the Board of Commissioners for the Housing Authority of Portland. Earlier in his career, Mr. Merced



worked as an attorney and also spent four years as Director of Operations for a non-profit organization in New York. Mr. Merced received his Bachelor of Science majoring in Housing and Urban Development from Herbert H. Lehman College of the City University of New York in 1982 and his Juris Doctor degree from New York University School of Law in 1985.

*Rick Crager, Deputy Director*

Prior to assuming this position as of March, 2006, Mr. Crager served as Chief Financial Officer from July, 2000 to February, 2007 and Financial Services Section Manager/Investment Portfolio Manager from February, 1998 to July, 2000. Prior to joining the Department, Mr. Crager worked for the Oregon Commission on Children and Families as its Accounting and Budget Manager. He also worked for four years for the Oregon State Marine Board as the Accountant. He received his Bachelor of Science in Accounting from Linfield College in 2002.

*Robert Gillespie, Administrator: Housing Division*

Prior to assuming this position, Mr. Gillespie served as Manager of the Department's Housing Resources Section from October, 1994 to September, 2000. He has also served as a regional field representative and the Community Housing Planner for the Department. Prior to joining the Department in December, 1990, Mr. Gillespie worked in affordable housing for the cities of Salem and Corvallis, Oregon, and managed his own construction company for 11 years. He received a Bachelor of Science from the Oregon State University and a Master's in Urban Planning from the University of Illinois.

*Nancy Cain, Chief Financial Officer of the Department*

Prior to assuming this position in February, 2007, Ms. Cain served as Financial Operations Manager from October, 2006 to February, 2007 and Debt Officer from May, 1995 to October, 2006. Prior to joining the Department in May, 1995, Ms. Cain worked for 14 years with the Secretary of State, Audits Division as an auditor and has been a Certified Public Accountant since 1984. She received her Bachelor of Science in Business Administration from the University of Oregon in 1981, majoring in Accounting.

*William Carpenter, Chief Information Officer*

Prior to assuming this position in August, 2001, Mr. Carpenter served as the Information and Technology Services Manager for the Department of Consumer & Business Services, State of Oregon, from November, 1995 through July, 2001. Mr. Carpenter also has many years experience as a research analyst and econometric forecaster. He received his Bachelor of Science degree from Willamette University and a graduate degree in Social Psychology from the State University of New York at Buffalo. He is also certified as a Project Management Professional by the Project Management Institute.

*Roseanne Ward, Financial Services Manager*

Prior to assuming this position in December, 2004, Ms. Ward served as the Debt Analyst in the Debt Management Division of the Oregon Office of the State Treasurer since October, 2001. She also worked as the Department's Debt Officer from July, 1998 through October, 2001. Prior to joining the Department in 1998, Ms. Ward worked as an

Accountant for six years at other State agencies. She received her Bachelor of Science in Business Administration from Oregon State University in 1991, majoring in Accounting.

*Robert Larson, Debt Manager*

Prior to joining the Department in September, 1993, Mr. Larson served as a Senior Auditor with the Secretary of State Audits Division. He received his Bachelor of Science in Business Administration from the University of Oregon in 1983, majoring in Accounting and Finance, and is a Certified Public Accountant.

*Lisa Joyce, Policy and Communication Manager*

Ms. Joyce's focus has been policymaking, legislative relations, and support for advocates and partners. Prior to joining the OHCS in 2004, she served in the Department of Consumer and Business Services as an insurance consumer advocate. She served as the Legislative Relations Manager for the Oregon Department of Human Services. She has a Bachelor of Arts in History from Reed College and a Certificate in Public Management from Willamette University.

OHCS currently administers existing programs funded by the U. S. Treasury, the U.S Department of Housing and Urban Development, the U.S. Department of Energy, and the United States Department of Agriculture, among others. Moreover, during the course of the past 15 months, OHCS has been the lead Oregon State agency on a variety of American Recovery and Reinvestment Act programs. Among these were the Neighborhood Stabilization Program, which deals deeply with foreclosure issues, and Low Income Weatherization program. The expertise gained partnering with such a diverse group of federal partners and administering such a wide range of programs provides the ideal road map for creating the Oregon Homeownership Stabilization Initiative. OHCS has experience training partners, communicating to stakeholders across the state, fostering relationships with program delivery personnel, and imparting the importance of spending dollars intended to relieve economic distress quickly, while maintaining high levels of transparency and accountability.

Compliance, Audit, Internal Controls, Risk Mitigation, Reporting

In preparation for the receipt of Hardest Hit funding, OHCS has assembled an administrative team comprised of the agency's CFO, Internal Auditor, budget, and programmatic staff. This team is currently working to design compliance infrastructure, reporting protocols, audit procedures, and internal controls. To the greatest extent possible, OHCS will develop these tools with and modeled on existing resources. However, based on the anticipated flow of funding, the wide range of potential partners, and the administrative and programmatic necessity to partner with the state's HUD certified counselors, new technology and procedures will inevitably require development. Both are currently anticipated within the Oregon Homeownership Stabilization Initiative's administrative budget.

The Hardest Hit Fund is subject to the requirements of the Emergency Economic Stabilization Act of 2008, including but not limited to, allowing full compliance and oversight by the U.S. Treasury, the Comptroller General of the United States, Government Accountability Office, Congressional Oversight Panel, and the Special Inspector General of the Troubled Asset Relief Program. OHCS will develop procedures that ensure compliance with EESA and include appropriate internal controls. All books and records will be made available to the parties listed above.

OHCS will establish a reservation system to ensure that resources are not over allocated. Commitments will be monitored at the program level. The reservation system will also limit the amount of assistance any one household can receive. The Senior Accountant and Program Administrator will closely monitor the status of Hardest Hit Fund resources.

Financial entities and HUD-certified counselors will determine eligibility for Oregon Homeownership Stabilization Initiative programs and will submit requests for assistance to OHCS. Financial entities may only request funds under the Modification Program. Counselors will work with homeowners to determine the most appropriate plan of action.

The recommended plan of action will be confirmed by Oregon Homeownership Stabilization Initiative staff. They will also review the request for assistance for eligibility and expenditure feasibility. Supporting documentation, including proof of ownership of the property, must be submitted prior to approval.

It is in the best interest of the financial entities and foreclosure mitigation counseling organizations to ensure that all assistance is in compliance with program requirements. It is also expected that these organizations will have procedures in place to prevent fraud. To validate that appropriate controls exist, Compliance Monitors will conduct audits of randomly selected payments for compliance with program requirements. These audits will include reviews of original documents contained in files. OHCS will take appropriate action if issues or concerns are identified.

The Hardest Hit Fund will be subject to audit by OHCS's Internal Auditor. Follow up may include additional monitoring at the loan servicer or foreclosure mitigation counseling organization. The budget also contains significant resources for legal counsel.

OHCS will obtain an independent verification that proper controls are in place and maintained prior to and during program implementation as required by program guidelines.

The current administrative budget also anticipates the need for additional auditing staff. Because Troubled Asset Relief Program dollars will flow through the State of Oregon in a new way, it is important from both program success and transparency perspectives that our auditing functions are robust and responsive.

Currently, staff envisions a reporting structure similar to those of other federal programs operating within the department. Ideally, reporting should capture how Hardest Hit

funding was expended by the Oregon Homeownership Stabilization Initiative, through lenders or servicers, and to homeowners. OHCS intends to capture performance-based data that the department can use to develop future programs, as well as demographic data that we hope to share with other state agencies that currently assist Oregonians in financial distress. OHCS staff request that U.S. Treasury develop reporting guidance, or facilitate a work group with the other Hardest Hit States to ensure a broad level of consistency.

#### **D. Staffing Plan**

Given the depth and length of the housing crisis that Oregon continues to face and the value of spending dollars that may help stabilize a volatile market quickly, the Oregon Homeownership Stabilization Initiative has constructed an aggressive administrative structure. OHCS intends to deliver these dollars to Oregon homeowners within two and a half years of receipt of funds. To achieve this goal, the staffing plan is based on responding to the anticipated peaks of the proposed programs and extensive preparation and outreach in Oregon before funds arrive.

The following staffing plan reflects these goals.

<b>Program Staff</b>		
<b>Position</b>	<b>Description of Duties</b>	<b>Number and Duration</b>
Program Administrator	Responsible for operation and oversight of the Oregon Homeownership Stabilization Initiative. Oversees marketing of program, establishes business contacts, and hires lead workers.	1 full time for 3 years
Intake Personnel	Staff a call center, receive program inquiries and provide information and referral to borrowers, general public, business partners.	2 full time for 1.5 years
Senior Accountant	Develops initial mapping of fiscal process. Works in conjunction with Senior Program Manager to establish fiscal and program processes and guidelines. Trains other accounting staff and oversees work, completes final accounting at program closing.	1 full-time for 3 years
Accounting Staff	Account for program funds including processing payments and program reporting,	1 full-time for 2 years 2 half-time for 2 years

Human Resource Analyst	Assists with hiring staff.	1 full-time for 1 year
Information Technology Staff	Provides support and maintenance for program systems	1 full-time for 2 years
Senior Compliance Monitor	Develops monitoring process, trains additional monitors, and conducts monitoring of activities and business partners to ensure compliance with federal regulations and program rules.	Full-time for 3 years
Compliance Monitors	Conduct monitoring of activities and business partners to ensure compliance with federal regulations and program rules.	2 full-time for 2 years
Research Analyst	Continual research and monitoring of foreclosure, unemployment and delinquency rates for allocation plan, gathers data for reporting.	1 half-time for 2 years
Program Manager	Maps the initial business process for each program. Works in conjunction with Senior Accountant to establish program and fiscal processes and guidelines. Oversees day to day operations of various program activities. Develops and manages contracts with foreclosure counselors and oversees disbursement of contract resources. Oversees program reporting.	1 full-time for 3 years
Senior Loan Specialist	Supervises all program activities. Works with Program Manager on development of program guidelines and processes. Develops program forms and documents. Trains other loan specialists and oversees work.	1 full time for 3 years
Loan Specialists	Process applications for loan modifications, mortgage assistance, and loan preservation assistance. Take requests, review for eligibility, recommend approvals/denials, complete loan documents, process funding requests, collect data for reporting, and close out files.	3 full-time for 3 years 11 full-time for one year
Administrative Specialists	Provide program and clerical support. Data management.	1 full-time for 3 years 1 half-time for 1 year
Program Manager	Oversees Transitional Assistance Program. Takes requests, reviews for eligibility, recommends for funding, completes grant documents, processes funding requests, collects data for reporting, and closes out files.	1 full-time for 2.5 years

Administrative Budget

		Hardest Hit Initiative Expenses
Personal Services for Startup Activities		\$ 72,654
Legal Expenses		\$ 70,000
Contracted Services		\$ 40,000
Information Systems		\$ 300,000
Outreach		\$ 300,000
Audits		\$ 125,000
Accounting and Financial Statement Preparation		\$ 125,000
Corporate Insurance		\$ 100,000
Call Center		\$ 165,000
Recording Fees		\$ 450,000
Hardest Hit Initiative Total		\$ 1,747,654
		OHCS Expenses
Personal Services (includes employment related expenses)		\$ 4,225,254
Rent		\$ 248,244
Furniture, Computers, Telephones		\$ 262,014
Legal Expenses		\$ 305,000
Office Supplies and Expenses		\$ 169,010
Staff Training		\$ 45,000
In State Travel		\$ 75,000
Out of State Travel		\$ 12,824
Wire Transfers		\$ 210,000
Contingency		\$ 150,000
OHCS Total		\$ 5,702,346
Total Administration		\$ 7,450,000

# OREGON HOUSING AND COMMUNITY SERVICES

