

Homeowner Needs and Community Engagement

What quantitative data has informed the participant's planning?

Source(s)

1. Data provided by Treasury – Treasury provided data, contributed by a number of federal agencies, including information on mortgage delinquencies and forbearances, breakdowns by demographic factors, and concentration among mortgage servicers.
2. Data provided by CoreLogic- CoreLogic provided a 3-year comparison of Kentucky counties' 90+ delinquencies, foreclosures, and completed foreclosures from 2018 through 2020.
3. Data provided by Urban Institute-, Data provided by Urban Institute demonstrated an average of 5.3% of mortgage loans overall were in forbearance.
4. Data provided by bureau of labor statistics and workforce development-Data used to identify labor and employment trends in the state of Kentucky demonstrating an unemployment rate greater than 10%

Data Source(s): Utility/property taxes

1. County taxes: raw data of delinquent property taxes of all 120 Kentucky counties resulting in over \$5M of reported delinquent taxes in 2020-21.
2. Data collected by Kentucky Housing Corporation's distressed mortgagors.

Data Source(s): Demographic Segments that have historically experienced discrimination in the housing or housing finance market.

1. Poe, J. (2017) Redlining Louisville: Racial Capitalism and Real Estate. This interactive story map details the perils often faced by minorities when seeking homeownership resulting in displacement and unequal opportunities to mortgage lenders.
2. KyStats.Gov: Poverty rates by County

Data Source(s): Other not listed above

1. Hardest Hit Fund (HHF) performance data: KHC operated a successful HHF program and used data from this program to inform the HAF program design.

Other Servicer(s):

Kentucky Housing Corporation engaged the top servicers, with at least 500 first mortgage loans served with the HHF program. Those servicers were as follows:

- | | | |
|----|-------------------------------|-------------|
| 1. | Kentucky Housing Corporation: | 1,428 loans |
| 2. | Wells Fargo Bank NA: | 938 loans |
| 3. | Bank of America: | 720 loans |
| 4. | JP Morgan Chase: | 702 loans |

In each servicer meeting, KHC began with a summary of the Homeowner Assistance Fund parameters known at the time as well as our tentative program design. Initially, we planned a maximum mortgage payment assistance of \$20,000, which was ultimately increased. KHC reminded each servicer that the hardship date is on or after 1/21/2020 and the program itself has a hard date of 9/30/2025, but that could mean the application window closes sooner than that to allow the final wrap up of 9/30/2025. KHC shared with each servicer our HAF Information request landing page link and asked each servicer to provide stats of their Kentucky default portfolio in follow-up to this initial call. Servicers were asked to highlight any pain points from the HHF period that states should actively avoid with this new program. Servicers approved of Kentucky's plan to offer a fully electronic application portal with the HAF program, which we did not have with HHF. Both KHC and each servicer committed to co-branding marketing material or language to be shared with the Kentucky mortgagors in distressed, just as we did during HHF.

Other HAF Participants:

Kentucky has participated in the all states' calls hosted weekly by the NCHSA. Additionally, the southeastern states of Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia, formed a working group to share best practices and to brainstorm solutions to address the needs of our southeastern states. Many of the SE states were HHF participants so this working group also shared best practices and pain points of administering that program.

How has community engagement and public participation informed the participant's planning?

Public Participation: Kentucky Homeowners

On June 24, 2021, KHC surveyed over 1,000 of our mortgagors in active COVID Forbearance plans. The survey asked questions related to the financial need of the homeowners as it related to eligible program expenses. Of the 1,000+ surveyed, 169 responded.

1. All 169 responders stated they qualified based on the hardship of decrease in income or increase in expenses.
2. 153 have experienced a loss of income; 16 have increased expenses.
3. If KHC brought their past due mortgage payments current, 140 could pay the payment going forward while 26 (15.7%) would not be able to make their house payment going forward.
 - a. 9 of those 26 stated they needed up to 6 months of additional assistance.
 - b. 13 stated they needed up to 10+ additional months.
 - c. 4 did not elaborate.
4. 118 stated they were current on their internet bill; 48 (28.9% of responders), were not current.
5. We asked the 166 responders how far behind on their internet bill they were. 47 responded.
 - a. 20 responders were 1 month past due.
 - b. 23 responders were 2 months past due.
 - c. 2 responders were 3 months past due.
 - d. 2 responders were 4+ months past due on their internet bill.

6. We asked the homeowners if they were current on their utilities (water, electric, gas). 110 were current; 54 (32.9%) were not.
7. When asked which utilities were past due, the following were selected. Note, 54 responded to the question but multiple selections were allowed:
 - a. 33 were past due on water bill; the average past due was \$275.
 - b. 47 were past due on electric bill; the average past due was \$395.
 - c. 27 were past due on gas bill; the average past due was \$220.
8. If KHC brought the utilities current, could homeowners continue their payments going forward? 51 said yes; 3 said no.
9. When asked if they were current on their Homeowner's Association Dues,
 - a. 20 said yes, they were current;
 - b. 10 said they were past due; The average past due was \$1,605.
 - c. 133 said they did not have an HOA.
10. If KHC brought the HOA current, all said they could continue payments going forward.

KHC later pushed the same survey out to the homeowners who had registered to receive additional information on the HAF Program as we released it. That survey was sent out on Thursday, August 5, 2021 and was made available for one week. A breakdown of those responses are as follows:

1. All 557 responders stated they qualified based on the hardship of decrease in income or increase in expenses.
2. 424 have experienced a loss of income; 121 have increased expenses.
3. If KHC brought their past due mortgage payments current, 469 could pay the payment going forward while 58 (11.01%) would not be able to make their house payment going forward.
 - a. 37 of those 58 stated they needed up to 6 months of additional assistance;
 - b. 17 stated they needed up to 10+ additional months;
 - c. 4 did not elaborate.
4. 360 stated they were current on their internet bill; 164 (31.3% of responders), were not current.
5. We asked the 164 responders how far behind on their internet bill they were. 159 responded.
 - a. 91 responders were 1 month past due;
 - b. 44 responders were 2 months past due;
 - c. 8 responders were 3 months past due;
 - d. 16 responders were 4+ months past due on their internet bill.
6. We asked the homeowners if they were current on their utilities (water, electric, gas). 311 were current; 208 (40.08%) were not.
7. When asked which utilities were past due, the following were selected. Note, 208 responded to the question but multiple selections were allowed:
 - a. 139 were past due on water bill; the average past due was \$360.
 - b. 177 were past due on electric bill; the average past due was \$600.
 - c. 94 were past due on gas bill; the average past due was \$360.
8. If KHC brought the utilities current, could homeowners continue their payments going forward? 185 said yes; 13 said no.
9. When asked if they were current on their Homeowner's Association Dues,
 - a. 53 said yes, they were current;

- b. 43 said they were past due; The average past due was \$1,636.
 - c. 413 said they did not have an HOA.
10. If KHC brought the HOA current, all by 3 said they could continue payments going forward.

Housing Counseling Agencies:

KHC met with its network of housing counseling and education agencies on June 24, 2021, to share updates to the Homeowner Assistance Fund for Kentucky. When KHC administered the HHF program, the housing counseling agencies served a critical need in assisting the homeowners with the application process and providing other counseling and education, especially to homeowners that did not qualify for that program. During the June 24th meeting, counseling agencies were asked to provide any pain points related to the previous program that they would hope to see eliminated with the HAF funding. They were also asked if they could be counted on once again to assist with this program.

1. Nine counseling agencies stated they would partner with KHC to provide HAF resources to Kentucky homeowners.
2. 2 agencies stated they were adequately staffed; 2 agencies stated they would need to hire additional counselors; 3 agencies were uncertain if they would need to hire.
3. When asked to think back to any recent homeowner clients who were past due on the following with no access to other resources, which of the following applied:
 - a. 1 agency stated a need for assistance related to Homeowners Association Dues.
 - b. 6 agencies stated a need for utility assistance.
 - c. 3 agencies stated a need for internet assistance.
 - d. 4 agencies stated a need for non-escrowed property taxes or homeowner's insurance.
 - e. 1 agencies marked yes to a need for past due expenses but they were able to assist with other resources.
4. When asked for any pain points when dealing with the previous program, the following responses where provided:
 - a. Turnaround time while reviewing packages—but going fully digital should resolve this issue.
 - b. Credit reports were difficult to obtain and costly.
 - c. Being in a rural area, access to upload documents.
 - d. Too much paperwork.
 - e. Qualification should be easier.
 - f. More efficient way to send documents.
 - g. Verification of Employment (VOE's) were impossible to obtain.
 - h. Paper applications were a pain, especially during COVID when we all worked from home. Moving to a fully digital experience should make this better.

Kentucky Housing Corporation
Homeowner Assistance Fund
Program Plan Design 8/19/2021

Housing Counseling Agencies Engaged, Chart

Organization Name	Organization Address	Organization Website	Organization Primarily Serves LMI Households	Provider Addresses Impacts of Housing Discrimination
Apprisen Financial Advocates	2265 Harrodsburg Rd, Ste 303 Lexington, KY 40504	www.apprisen.com	X	X
Bell-Whitley Community Action Agency, Inc.	129 Pine Street PO Box 159 Pineville, KY 40997	www.bellwhitley.com	X	X
Brighton Center	799 Ann Street Newport, KY 41071	www.brightoncenter.com	X	X
Catholic Charities	3629 Church Street Covington, KY 41015	www.covingtoncharities.org	X	X
Community Ventures	1450 N. Broadway Lexington, KY 40505	www.cvky.org	X	X
Daniel Boone Community Action Agency	11535 Shamrock Road Manchester, KY 40962	www.danielboonecaa.org	X	X
Housing Assistance and Development Services, Inc.	216 E 12 th Ave PO Box 9637 Bowling Green, KY 42101	www.handsinc.org	X	X
The Housing Partnership Inc.	321 Guthrie Green Louisville, KY 40202	www.wearehpi.org	X	X
KCEOC Community Action Partnership	5448 N. US 25E, Ste A PO Box 490 Barbourville, KY 40906	www.kceoc.org	X	X
Louisville Urban League	1535 West Broadway Louisville, KY 40203	www.lul.org	X	X
LKLP Community Action Council, Inc.	398 Roy Campbell Drive Hazard, KY 41701	www.lklp.org	X	X
REACH	733 Red Mile Road Lexington, KY 40504	www.reachky.com	X	X
Legal Aid Society of Louisville	416 West Muhammad Ali Blvd, Ste 300 Louisville, KY 40202	www.laslou.org	X	X
Kentucky Legal Aid	1700 Destiny Lane Bowling Green, KY 42104	www.klaid.org	X	X
Legal Aid of the Bluegrass	302 Greenup Street Covington, KY 41011	www.lablaw.org	X	X
Appalachian Research and Defense Fund	120 North Front Ave Prestonsburg, KY 41653	www.ardfky.org	X	X

Tribal governments: There are no identified tribal governments in the state of Kentucky per the US Department of Interior office of Tribal Affairs.

Public hearings or published materials: Kentucky is not subject to any state sunset laws. Given the urgency to launch our program and considering the data collected to support our plan design, especially the direct partner and homeowner engagement, KHC feels we have adequately engaged the public otherwise.

How will the participant continue to assess the needs of eligible homeowners?

KHC will actively engage participating servicers to provide co-branded materials to distressed Kentucky mortgagors, just as we did with the Hardest Hit Fund Program. Additionally, KHC will periodically review denied files to determine if criteria is unnecessarily restrictive or if we need to expand our program in other ways, like utility assistance.

Will KHC update its assessment of community needs within the next year to determine whether it's HAF program design should be updated to address changing needs of potentially eligible homeowners?

KHC will review denial reasons, seek feedback from partners such as counselors, servicers, HOA's, etc. to determine if further program adjustments may be warranted to serve the needs of the Commonwealth. Section 3206 of the American Rescue Plan Act of 2021 has defined the eligible uses of this funding.

What additional data would be helpful to the Participant as it seeks to assess homeowner needs over time?

Ongoing, periodic communication with participating servicers regarding their default Kentucky pipelines.

Program Design

What are the program design elements through which the participant will deliver HAF assistance to eligible homeowners?

KHC will structure the following forms of assistance with the HAF:

1. Mortgage Payment Assistance/Reinstatement
2. Payment assistance for homeowner's insurance, flood insurance, and mortgage insurance
3. Payment assistance for homeowner's association fees or liens, condominium association fees, or common charges
4. Payment assistance for delinquent property taxes to prevent homeowner tax foreclosures.
5. Payment assistance for past due utilities (water, electric, gas).

Maximum amount of assistance per homeowner

The maximum amount of assistance per homeowner is \$35,000 over all uses of funds listed above. Leaving the five potential uses under the same programmatic cap, allows flexibility within the uses.

For example, all of the homeowner examples listed below could be served with Kentucky's HAF because of the flexibility built into the program design:

Homeowner 1 has the following needs:

- \$20,000 in mortgage assistance/reinstatement
- \$5,000 in past due HOA expenses

Kentucky Housing Corporation
Homeowner Assistance Fund
Program Plan Design 8/19/2021

- 2,000 in past due insurance; and
- \$2,000 in past due property taxes
- \$3,000 in past due utilities.

Homeowner 2 has the following needs:

- \$30,000 in mortgage assistance/reinstatement
- \$5,000 in past due property taxes

Homeowner 3 has the following needs:

- \$30,000 in mortgage assistance/reinstatement
- No other arrearages.

Homeowner 4 has the following needs:

- Owes nothing/fully paid off mortgages
- \$10,000 in past due property taxes.
- \$5,000 in past due utilities.
- No other arrearages.

Eligibility Criteria

See Program Manual

Form of Assistance

The form of assistance will be secured by a grant with recourse. KHC plans to provide a two-year deed restriction with this grant to track homeowner retention for two years but also to provide some recourse should there be any fraud discovered.

Payment Requirements

Mortgage assistance/reinstatement payments will be made directly to the participating servicers, just as Kentucky did for the Hardest Hit Fund Program.

Payments for past due, non-escrowed homeowner's insurance or flood insurance will be made directly to the insurance provider(s) on behalf of the homeowner.

Payments made for past due homeowner's association fees or liens, condominium association fees, or common charges will be made directly to that association on behalf of the homeowner.

Payments made for past due, non-escrowed property taxes will be made directly to the taxing entity on behalf of the homeowner.

Payments made for past due utilities will be made directly to the providers on behalf of the homeowner.

Program Design Elements Omitted from Treasury’s Term Sheet Samples:

<input type="checkbox"/> Program Design Element	Deviation from sample terms	Justification
<input type="checkbox"/> Form of Assistance	Assistance will be structured as a grant with two (2) year deed restriction.	Kentucky is adding the two-year deed restriction for two reasons. First, the deed restriction will assist us in tracking homeowner retention as it will show up on any title search should the homeowner sell or refinance the mortgage. Second, the deed restriction gives KY some recourse in the event of fraud.
<input type="checkbox"/> Removed component under Brief Description	Kentucky removed the following sentence from the Sample Terms in our program design element: HAF funds will only be used to supplement other loss mitigation measures offered by the servicer or where HAF funds are necessary for the homeowner to qualify for other such loss mitigation measures.	This seems overly burdensome to not only homeowners but also to participating servicers. This was not a requirement under the HHF program. The HAF program could help avoid partial claims that would strip home equity for low- to moderate-income homeowners.
<input type="checkbox"/> Maximum Amount of Assistance	Kentucky will apply an overall HAF Program Cap, regardless of eligible use.	This will permit our program to be more flexible to serve the homeowner needs rather than applying limits per program (mortgage payments vs. reinstatement vs. HOA's vs. taxes vs. insurance vs. utilities. If Homeowner A needs the full \$35,000 for reinstatement and Homeowner B needs \$20,000 for reinstatement, \$8,000 in forward mortgage payments, \$5,000 for past due property taxes, and \$2,000 for utility arrearage, Kentucky's program will be structured in a way that we can easily apply funds for maximum homeowner benefit.

A HAF Participant may elect to revise its HAF Plan over time to add or subtract program design elements. Does the participant anticipate adding additional program design elements to this HAF plan within one year of this submission?

Yes, if data and the needs of Kentucky’s homeowners warrants adjustments to successfully serve the Commonwealth.

Documentation of Homeowner Income

Will the participant allow income to be determined by attestation and proxy? No

Will the participant allow applicants to request waivers or exceptions to documentation requirements as reasonably necessary to accommodate extenuating circumstances, such as disabilities, practical challenges related to pandemic, or lack of technological access by homeowners, knowing the participant is still responsible for making the required determination regarding household income and documenting determination? KHC will consider this on a case-by-case basis as long as waivers does not permit fraud to occur.

Eligible Mortgage Types

KHC will permit the following mortgage types under the HAF:

- First mortgages
- Second mortgages
- Reverse Mortgages

- Loan Secured by Manufactured Housing, in most

KHC will not provide assistance to chattel loans or loans secured by lien to manufactured housing only unless the applicant owns the land on which the manufactured home is on so KHC may place a deed restriction on the property.

Furthermore, KHC will not permit land contracts or contracts for deeds for the HAF program. In this state, it's very rare to see formal contracts for deed or land contracts. The agreements are typically verbal in nature and difficult to document. It would also be a great challenge to document past due/arrearages and could lead to fraud.

How will the participant target HAF resources consistent with statutory requirements?
 What efforts will be made to address barriers to HAF program participation for potentially eligible homeowners, including those with Limited English Proficiency or who are disabled?

Performance Goals

<input type="checkbox"/> Provider Design Element	Metric of Success	Goal
<input type="checkbox"/> Payment Assistance for Homeowner's Insurance	Number of cancelled homeowner's or flood insurance policies prevented with HAF Funds.	Bring current past due, non-escrowed homeowner's and/or flood insurance policies for 250 properties in 24 months.
<input type="checkbox"/> Payment Assistance for Delinquent Property Taxes	Number of properties brought current with non-escrowed property tax bills.	Bring current past due property tax bills (non-escrowed) for 250 homeowners within the first 24 months.
<input type="checkbox"/> Payment Assistance for HOA fees or liens	Number of home losses avoided due to HAF Funds.	Prevent 250 properties from entering foreclosure due to arrearages related to homeowner's associations, condominium fees, assessments or other charges related to HOA's.
<input type="checkbox"/> Payment Assistance for Homeowners Utilities	Number of homeowners brought current on utility arrearages.	Bring utility accounts current for 500 homeowners within the first 24 months.
<input type="checkbox"/> Mortgage Reinstatement	Number of home losses avoided due to HAF Funds.	Reinstate mortgages for 900 homeowners within the first 24 months.
<input type="checkbox"/> Mortgage Payment Assistance	Number of home losses avoided due to HAF funds.	Prevent 1200 home losses within 24 months.

Readiness

Readiness

Staffing, Systems and Contractors

Treasury seeks information regarding the Participant's organizational capacity to implement its HAF Plan.

Does the Participant anticipate needing to hire additional staff to implement this HAF Plan?

Yes

Does the Participant anticipate significant information technology system upgrades to implement this HAF Plan?

Yes

Does the Participant have policies or procedures that govern the implementation of each HAF program design element described in this HAF Plan?

Yes

Will the Participant use HAF funds to assist eligible households through a program that was operational before the Participant first received HAF funds?

No

Will the Participant use any third-party contractor or partner to conduct program administration (such as reviewing applications, determining eligibility, processing payments, conducting reporting, and reviewing compliance) for some or all of the Participant's HAF programs?

Yes

If yes, has the Participant entered into all necessary arrangements with all of the third-party contractors or partners that will conduct program administration?

Yes

Use of Initial Payment

If the Participant has already received any HAF funds from Treasury, provide the following information about the use of such funds as of June 30, 2021.

What amount of the HAF funds that the Participant has received been disbursed to eligible homeowners?

\$0.00

How much of the HAF funds that the Participant has received been obligated?

\$0.00

Has the Participant begun accepting applications from homeowners for any HAF-funded programs?

No

Provide a brief description of how the Participant has used the HAF funds it has received.

Initial start-up costs, staffing, systems.

Budget

Allocation of Administrative Expenses

As described in the HAF guidance, up to 15% of a HAF participant's allocation may be used for administrative expenses. If the participant proposes to use HAF funds for administrative expenses, please specify the proposed expenses and amounts below, providing sufficient detail for Treasury to determine whether the expense is within the definition of "qualified expenses" in the HAF guidance:

Admin. Expense Type Amount

<input type="checkbox"/> Type of Expense	Amount
<input type="checkbox"/> Counseling Expenses: Successful File	\$1,245,000.00
<input type="checkbox"/> Counseling Expenses: Decision Costs	\$50,000.00
<input type="checkbox"/> Transaction Related Expenses: Recording Fees	\$199,200.00
<input type="checkbox"/> Transaction Related Expenses: Wire Transfer Fees	\$40,000.00
<input type="checkbox"/> Operating/Administrative Expenses: Salaries	\$6,522,048.30
<input type="checkbox"/> Operating/Administrative Expenses: Marketing/PR	\$2,000,000.00
<input type="checkbox"/> Operating/Administrative Expenses: Training	\$16,000.00
<input type="checkbox"/> Operating/Administrative Expenses: Office Supplies/Postage and Delive...	\$40,000.00
<input type="checkbox"/> Operating/Administrative Expenses: Information Technology & Commun...	\$300,000.00
<input type="checkbox"/> Operating/Administrative Expenses: Professional Services (Legal, Compl...	\$1,206,250.00
<input type="checkbox"/> One-time/Start-up Expenses: Website Development/Transition	\$500,000.00
<input type="checkbox"/> Operating/Administrative Expenses: Travel	\$36,000.00
<input type="checkbox"/> One-time/start-up Expenses: Contingency	\$100,000.00
<input type="checkbox"/> One-time/Start-up Expenses: Travel	\$3,000.00
<input type="checkbox"/> One-time/start-up Expenses: Marketing Communications	\$250,000.00
<input type="checkbox"/> One-time/start-up Expenses: Professional Services	\$14,500.00
<input type="checkbox"/> One-time/Start-up Expenses: Building , Equipment, Technology	\$50,000.00
<input type="checkbox"/> One-time/Start-up Expenses: Initial Personnel	\$246,000.00

[Create Admin Expense Type](#)

● **Sub-Total:**
 \$12,817,998.30