

## HAFP-0062 Kentucky Housing Corporation Treasury Feedback for Resubmission of Plan

Please revise the HAF plan by providing a response to the question(s).

### Completeness

The participant's response(s) to the following questions was/were either incomplete or unresponsive:

- Your plan lists James Rice as the Authorized Official, while the original application for HAF payments was signed by Winston Miller. To ensure prompt payment upon approval, the Authorized Official needs to be the same as the signatory on the original application for HAF payments. If you need to establish a new authorized representative for HAF payments, a request should be submitted by email to [HAF@treasury.gov](mailto:HAF@treasury.gov).

#### Kentucky's Response:

The only location in the Program Design Plan Portal that asks for contacts is on the Contacts tab. We originally listed Primary contact as Jaime Rice, Reporting Contact as Shelbie Hillard, and Additional Contact as Melinda Breslin. The labels used on this Contacts tab do not match the labels used in the original application portal or Authorized Representative and Contact Person for Eligible Entity. The varying titles between the two portals did cause some confusion.

We have updated the contacts tab to list Winston Miller, Executive Director, as our Primary Contact, Jaime Rice, Managing Director of Single-Family Programs, as Reporting Contact, and Melinda Breslin, Homeowner Assistance Fund Program Manager, as Additional Contact.

Contacts			
Please identify up to three contacts for the Participant: a primary contact, a designated point of contact for reporting, and an additional contact.			
<b>Primary Contact</b>			
Name	Winston Miller	Email	wsmiller@kyhousing.org
Agency/Office	Kentucky Housing Corporation	Phone Number	5025647630
<b>Reporting Contact</b>			
Name	Jaime W. Rice	Email	jrice@kyhousing.org
Agency/Office	Kentucky Housing Corporation	Phone Number	5022429627
<b>Additional Contact</b>			
Name	Melinda Breslin	Email	mbreslin@kyhousing.org
Agency/Office	Kentucky Housing Corporation	Phone Number	5025647630

### Homeowner Needs and Community Engagement Data

- Your plan provides data sources but no disaggregated data. Please explain how the program expects to serve targeted populations without more specific underlying data.

#### Kentucky's Response:

Kentucky did design our program based on a data-driven assessment of homeowner needs. We did not feel there was adequate space in the portal to elaborate on the quantitative analysis. Full analysis of data utilized may be found in our HAF Program Design Plan document, now uploaded to the portal via the term sheet upload functionality. The following data elements shaped Kentucky's program:

1. Data provided by US Treasury to support HAF Plans, prepared June 22, 2021: The Federal Reserve Dashboard demonstrated that the state's forbearance rate was 3.0%, compared to the national forbearance rate of 3.9%. The delinquency rate was slightly higher, 2.0% in Kentucky, compared to 1.9% nationwide. In both categories, the rates of forbearance and delinquency was higher for minorities than non-minorities as well as low income vs. non-low income.
2. Data provided by CoreLogic: Looking at a 3-year comparison of loans in Kentucky's Counties 90+ delinquencies, foreclosures, and completed foreclosures from 2018-2020. Kentucky's 90+ delinquencies in 2018 totaled 7,835; 2019 was 6,312, then jumped to 11,486 for 2020. This was no surprise given the pandemic and what we saw with our own servicing portfolio.
3. Data from the Urban Institute: Demonstrated that Kentucky's forbearance rates were higher with the FHA loans overall. The GSE forbearance rate in Kentucky was 1.6% (2.5% Nationally). That is equal to 4,026 loans in forbearance. The Ginnie Mae loans were 5.1% forbearance (6.3% Nationally), or 8,307 loans.
4. Data from the bureau of labor statistics and workforce development: Kentucky's unemployment rate jumped from 4.2% in March 202 to 16.9% in April and 10.9% in May. In June 2020, the Kentucky unemployment rate dropped to 5.7%. As of April of 2021, that rate stood at 4.7%. In comparison, during the Great Recession, Kentucky's unemployment rate exceeded 10% for the extended period of March 2009-December 2010.
5. Kentucky's Property Taxes: Raw data of delinquent property taxes for all 120 Kentucky counties resulted in over \$5M of reported delinquent taxes in 2020-2021.
6. Data from Kentucky's previous Hardest Hit Fund Program: Kentucky's program was a mortgage assistance with reinstatement. Our program maximum assistance altered throughout the duration, based on homeowner needs and actual usage of funds. The smallest amount Kentucky's HHF Program was in the beginning, capped at \$7500. It expanded to \$30,000 or 18 months of assistance, when it became clear that the homeowners needed higher assistance amounts. We did lower the amount down to \$15,000 for the final years of our HHF Program, based on average amount used by homeowners.
7. Kentucky Housing Corporation's servicing portfolio as of May 5, 2021. The average past due was \$8,375.85 or 9 payments. With forbearance periods being extended for longer periods, we knew we needed to allow a maximum assistance that could address the mortgage arrearages plus allow for the other potential uses under our program design. That's how we decided of \$35,000 maximum assistance to begin with.
8. HUD Income Tables: To establish our county income limits for the Homeowner Assistance Fund.
9. Kentucky's Poverty Rates by County: To establish which counties would fall under the definition of "Socially Disadvantaged" based on extended poverty rates.

\*\*There are many other examples and details noted in the full Program Design Plan document now uploaded.

### **Community Engagement and Public Participation**

- Your plan indicates that did not reach out to organization beyond housing counseling organizations. Please explain how the program is confident in its ability to reach targeted populations without engaging in a broader set of organizations in planning and implementation.
- Your plan states that there was no community engagement in the plan development process. Please explain your program design reflects community need without community input.
- Please describe any coordination you intend with Tribes or Tribal entities.
- Please provide an update indicating any public comments you have received since you submitted your HAF Plan, from which organization you received any such comment, and whether you have responded to the comments.

#### **Kentucky's Response:**

Kentucky did reach out to organizations beyond our network of housing counseling agencies. The questions in the HAF Program Design Portal were closed-ended questions that did not allow for elaboration. That detail can be found in our attached Program Design Plan document, now uploaded. But Kentucky engaged the community and partners in a variety of ways.

1. Kentucky was among the first states to develop an information landing page, where partners and homeowners could register to receive program updates for the Homeowner Assistance Fund. That page is found at <https://mailchi.mp/kyhousing/haf-info-signup>. On that page, registrants can identify as homeowner, lender, servicer, real estate professional, housing counselor, or other.
2. Kentucky engaged the top four HHF Servicers for direct meetings, where we asked for feedback and input on our plan. Those servicers were our own loan servicing team, Wells Fargo, Bank of America, and JP Morgan Chase.
3. Kentucky participated in a working group of the Southeastern States, where we shared best practices and program design elements with each other.
4. Kentucky surveyed our 1,000+ mortgagors in active forbearance to ask what their needs were, including utilities and homeowner's association dues.
5. Kentucky surveyed the registrants of the sign-up page for the same feedback as our own mortgagors.
6. Kentucky shared information about our Homeowner Assistance Fund program with our lending, housing counseling, and real estate partners via our electronic newsletter, known as eGram.
7. Kentucky met with the Governor's Office of Constituent Services to discuss our preliminary plans for our HAF Program. At that time, we were not going to include utility assistance in our program design because there are so many other programs currently available for utility assistance. The audience voiced their concerns for not offering utility assistance as many of the constituent calling for assistance had already exhausted the other programs available and were still in need. After that

meeting, we added utility assistance to our program design.

Kentucky did not hold a formal public hearing because we felt that we had obtained sufficient feedback from numerous other avenues.

As for partnerships with Tribes or Tribal Entities, Kentucky searched the Department of Interior Tribal Leaders Directory for any contacts in our state, for which there were none.

### ***Ongoing Assessment of Homeowner Need***

- No Questions.

### **Program Design**

- Please explain how the sources of data listed in the section on Homeowner Needs informed the Program Design Elements included in your plan.
- Will there be a method in your HAF program, early in the process of engaging with a household, to evaluate immediate threats to the housing stability of applicants, which may need to be addressed under an expedited or prioritized timeline (e.g., HOA liens, tax delinquencies, utility shut off)?
- Please describe how your program will utilize housing counselors or legal services to assist homeowners in evaluating loss mitigation options available for their mortgage. Your description should include:
  - whether your program will connect homeowners with housing counseling or legal services early in the process.
  - the role housing counseling or legal services providers will play in supporting homeowners' efforts at engaging in loss mitigation.
- How will your program leverage resources available through a loss mitigation process to benefit eligible homeowners and how will your program avoid using HAF funds in ways that duplicate relief that available loss mitigation options might provide?
- Please explain what steps, if any, your program will take to assist the homeowner in determining whether a HAF-resolution will result in a sustainable monthly payment?
- Your programs set \$35,000 as the maximum amount of assistance per homeowner. Please explain how you determined this amount will be sufficient to resolve housing-related delinquencies and whether the cap will be sufficient in areas with higher housing costs?

**Kentucky's Response:**

Kentucky used the data-driven assessment of homeowner needs to design our HAF Program. First, using KHC's servicing portfolio, we noted that the average arrearage through May 5, 2021, was \$8,375.85 or 9 payments. Also, the forbearance periods were extended through 9/30/2021 so we knew we needed to account for at least 5 more payments. Based on that, we estimated our mortgagor's average arrearage by October 1 would be roughly \$13,000.

We also relied on our previous HHF program knowledge. Through trial and error and analyzing the needs of our applicants, we knew that during the worst of the Recession, we had to increase our HHF Program to a maximum assistance of \$30,000 in Fall 2014. That was decreased down to \$15,000 in Spring of 2016, based on average usage.

For HAF, Kentucky has set our initial program maximum at \$35,000. We feel, based on the data, that will be a good amount to start with. However, we will evaluate our applications and borrower needs and we will adjust as needed to effectively address the needs of Kentucky's homeowners.

Using the data obtained for the unpaid Kentucky real estate taxes, we know that from 2016-2018, the state's delinquent property taxes total \$18.4 Million. We decided to limit our assistance to pay non-escrowed property taxes to cover property taxes no later than 2016. We felt that not placing some sort of stopgap to that date could result in the HAF Program being used heavily to pay past due property taxes that were not caused by the pandemic, and as such, using much of our limited resources that could otherwise be used toward the other eligible uses like mortgage assistance.

Kentucky's HAF Program will be administered within our Homeownership Protection Center, launched August 2008 to provide a centralized resource for distressed Kentucky homeowners. This is the same system that administered our HHF Program. During the initial intake, homeowners will be asked to triage or assess their situation. They can select one of the following:

1. Current but anticipating delinquency
2. 30 days past due
3. 60 days past due
4. 90+ days past due
5. Served a foreclosure summons

A homeowner that completes the initial intake will automatically be referred to a housing counseling agency in our state. If the homeowner says they are either 90+ days past due or they have been served a foreclosure summons, they will also be referred to a Legal Aid agency. Legal Aid will screen them to qualify for their services. If the Homeowner is over income for Legal Aid, they will be encouraged to seek other legal services outside of Legal Aid.

The Housing Counselors will assist homeowners with their application process for the HAF. They can also assist each homeowner with identifying and addressing any barriers to their long-term housing solutions. Homeowners and housing counselors will also receive a link to KHC's video series, titled "Know Your Options." The first video in this series focuses on FHA borrowers specifically and can be found at this link: <https://protectmykyhome.org/Pages/Coming-Soon.aspx>. The Spanish version of this video is currently being edited and will be added to the page sometime

after Thanksgiving. KHC plans to extend this series of videos to include RHS, VA, GSE loans as well as portfolio, private mortgages. Again, each video will be offered in English and Spanish. The goal is to give the homeowner basic information and encourage them to evaluate their unique circumstances and to talk to their servicer to better understand what they may have available.

During the application process, the homeowner will also have a screen to complete that has this same “Know Your Options” details in which they will have to click through stating they have read it and wish to proceed with their HAF application. Finally, the housing counselor completes the HAF eligibility review for the homeowner and notes the following language at the top of the eligibility review page:

**ELIGIBILITY VERIFICATION (To be completed by counselor)**

I, the housing counselor assigned to this case, have discussed with the homeowner(s) that the Housing Assistance Fund is a one-time benefit. The better options for long-term sustainability of the mortgage may be with the mortgage servicer's loss mitigation options. The homeowner has either exhausted those options, are not eligible for those options, has opted to bypass those options, or their servicer does not offer loss mitigation based on the type of mortgage. The homeowner(s) wish(es) to proceed with the Housing Assistance Fund application.

Kentucky's program will not deny any homeowner HAF assistance if they are actively seeking loss mitigation as well. If the servicer validates the Common Data File and does not object, then Kentucky's HAF program may be used before, during, or after loss mitigation. But it is important to note that Kentucky's program will not be taking homeowners through the loss mitigation waterfall. The mortgage servicers are the experts in the loss mitigation arena. We will instead, arm our homeowners with the information they need and access to the housing counselors so they may talk to their servicers and make the best decision for their circumstances.

*Updated 12/13/2021*

Please note: We uploaded updated term sheets through the portal this week. We realized our original term sheets still listed our program structure as a grant with two-year deed restriction. Kentucky removed the deed restriction component but had not updated our term sheets in the portal.

**Eligibility**

- Please provide the rationale for not using a fact-specific proxy as one method for establishing eligibility under your plan, including how you determined that without such a proxy, your program can avoid unnecessary barriers to participation by eligible homeowners.

**Kentucky's Response:**

Kentucky is concerned for the potential of fraud, especially in utilizing a fact-specific proxy. Having been a Hardest Hit State, our experience with both Treasury and SIGTARP was very focused on fraud prevention. We feel homeowners who have obtained mortgages have provided much more documentation than what we are asking for with this program. Kentucky has simplified our documentation requirement greatly from a standard mortgage application. Additionally, we are working closely with our applicants and housing counselors to provide reasonable and flexible expectations of income documentation. As a policy, we will initially require the income documentation. However, where we can bend without being exposed to

fraud, our policy and procedures will support that flexibility, assuming the homeowner has reasonably attempted to fulfill the documentation requirement.

**Outreach**

- Your plan states that you will provide outreach in several languages. Please explain how the program will target outreach and provide access to homeowners with limited English proficiency.
- Please explain how the program will provide culturally relevant marketing.

**Kentucky's Response:**

Kentucky's application portal and information resource websites can be translated through Google Translate. The final Grant Agreement and Notice of Award that are signed at closing are sent digitally through DocuSign, which can accommodate multiple languages. Kentucky's network of housing counseling agencies is required to have policies and procedures in place to assist those with Limited English Proficiency. Kentucky's video series previously discussed and titled "Know Your Options," is available in both English and Spanish.

As for marketing, all of Kentucky's marketing materials will be provided in both English and Spanish versions. Kentucky will also provide marketing materials and information about the Homeowner Assistance Fund Program to members of our New American Lending Liaison Committee, established in 2019. This committee is comprised of lenders, real estate agents, housing counseling agencies, and refugee referral agencies, all focused on increasing and improving housing opportunities for our New American and LEP residents of the Commonwealth of Kentucky.

**Prioritization**

- If your program intends to serve households who are over the 100% AMI threshold, how will your program prioritize Socially Disadvantaged Individuals? Please describe your marketing and outreach strategy to SDI communities?

**Kentucky's Response:**

Kentucky evaluated the 10,000+ homeowners served in our Hardest Hit Fund Program and found that only 265 of 10,053 exceeded 100% AMI. As a reminder, the HHF program did not have an income limitation but the incomes we served reflect the needs during the Great Recession. For the HAF program, we feel comfortable leaving our income limit at the maximum allowed in the guidance, 150% AMI. However, we will monitor those applications and we will adjust if needed if we are not meeting our goals of at least 60% of the households served being at or below 100% AMI.

We will target socially disadvantaged individuals through a variety of methods. First, we will run reports on production in the 37 out of 120 counties that fall under the definition of Socially Disadvantaged due to being a persistent-poverty county. Those counties and methodology are found in our Homeowner Assistance Fund Program Manual, now uploaded.

We will have specific marketing and engagement with community leaders to reach distressed, socially disadvantaged homeowners. Kentucky Housing Corporation has developed a new

Diversity, Equity, and Inclusion Lender Advisory Committee, comprised of lenders, real estate agents, appraisers, title companies, housing counseling representatives with a passion to improve and increase housing and homeownership opportunities to our state's minority population. This committee will help share information about our HAF Program to the communities they serve.

### Performance Goals

- Please explain how you intend to communicate your progress towards performance to the public.
- Please indicate which three metrics will serve as the best indicators of the success of your program.
- Please indicate whether you intend to disaggregate metrics by income, race, gender, etc.
- Please consider including as an additional metric the number of homeowners assisted/foreclosures prevented solely through counseling or legal services without payment of HAF funds to resolve the homeowner's defaults or delinquencies.

### Kentucky's Response:

Kentucky will establish a program dashboard that will provide data and performance updates on our Homeowner Assistance Fund Program. Our Corporate Planning and Accountability is currently designing a similar dashboard for our Emergency Rental Program and will be using some of those same elements and design features for the HAF. As our HAF is still in the pilot phase, our dashboard is expected to be developed and published on our website sometime during the first quarter of 2022.

#### *Updated 12/13/2021:*

The following three metrics will serve as the best indicators of success for Kentucky's Program:

1. Mortgage Reinstatement: Total number of home losses avoided due to HAF Funds reinstating mortgage arrearages.
2. Mortgage Payment Assistance: Total number of home losses avoided due to HAF Funds payment monthly mortgage payments for homeowners still experiencing hardship.
3. Payment Assistance for Homeowners Utilities: The total number of homeowners brought current on utility arrearages.

Kentucky intends to disaggregate metrics by income, race, and county.

Kentucky will consider adding the metric of the number of homeowners assisted/foreclosures prevented solely through counseling or legal services without payment of HAF funds to resolve the homeowner's defaults or delinquencies. However, before we would implement this, we will need to ensure the data we provide is accurate and complete. The challenge for KHC with this request is that not every counseling agency in the state is required to report such activity to KHC. Those agencies that participate in our HUD Comprehensive Counseling Grant will provide the HUD form 9902, Housing Counseling Agency Activity Report. However, those agencies that do not participate as our HUD sub-grantee, whether a local housing counseling agency or a member of another parent or multi-state organization, are not required to report their counseling activities. We do not have a way to validate any of this information submitted. Additionally, the information on the HUD 9902 would

simply state the number of clients that received mortgage default counseling. It would not provide the outcome of that counseling. The services provided from the counselors, outside of HAF, may include any of the following: assistance in developing a household budget that would help homeowners address their hardship; assistance with understanding the loss mitigation options available.; assistance with completing the actual paperwork to submit to the servicer; assistance with transitional counseling for those homeowners for whom disposition is the only option. Those outcomes are not reported on the HUD 9902, only the number of clients receiving some form of mortgage default counseling. Additionally, Legal Aid providers will assist any Kentucky homeowner who is 90+ days past due and/or has been served a foreclosure summons, IF that homeowner falls within their income limits. Homeowners above the income limits served by Legal Aid would be encouraged to seek outside counsel.

To summarize the challenges with this request, the data we may have access to provide would paint a very incomplete picture.

### **Readiness**

- Please provide the most recent available information about your program's readiness, including staffing, contractors, etc.
- Is your program prepared to launch upon approval and, if not, by what date will you be ready to launch following approval?
- Please provide updated information about your progress in spending the initial 10% payment from your jurisdiction's full allocation and the status of any pilot assistance already offered or made available to homeowners.

### **Kentucky's Response:**

Kentucky recently launched our HAF pilot. We had initially invited 30 mortgagors from our servicing portfolio to apply so staff could practice on a small number before we expanded our pilot and trained the counselors on the workflow and systems. The invitation to apply also contained our "Know Your Options" video. We were disappointed in the initial response, with only three (3) applications out of 30 submitted. However, we had seven (7) out of 30 follow up directly with Loan Servicing to understand their loss mitigation options after watching the "Know Your Options" video. We also had many system issues to work through, so the smaller number of initial applications was a benefit.

Of the initial three applicants, two have been approved and will be signing final grant agreements on November 23, 2021. Payments should be sent out for these first two by Friday, December 3<sup>rd</sup>. The third application was recently submitted and is in process.

As of November 22, 2021, Kentucky expanded our pilot to a group of 128 additional mortgagors. We have worked through most of the system issues with a few remaining currently being corrected. We are training the housing counseling partners on Tuesday, November 30<sup>th</sup> and we will likely fully expand our pilot to another 300-500 potential applicants from KHC's servicing pool after that.

Once Treasury approves our plan, we will be ready to launch statewide.

Of Kentucky's initial 10% of the award, we have spent approximately \$333,000 through mid-November, primarily on technology and staffing.

### **Budget**

- Your plan indicates the following program design elements will be offered with no corresponding budget allocation. Please provide a budget allocation by each program design element. Alternatively, you may group similar types of program design elements, i.e., mortgage-related program design elements (i.e., payment assistance, principal reduction, or reinstatement), taxes and insurance (outside of mortgage), etc.
  - Mortgage Assistance/Reinstatement Program
  - Non-Escrowed Property Charge Default Resolution
  - Utility Payment Assistance Program

### **Kentucky's Response:**

Kentucky's program design is to structure HAF as one program that has five potential uses of funds. We feel that this will be the best way to remain flexible in the assistance we can provide the Kentucky homeowners. We did not want to have separate programs with separate caps because we felt that we could be denying assistance in one area and leaving potential funding on the table in another area by having separate caps. The maximum amount of assistance per homeowner is \$35,000, which can be used in any combination of our eligible uses, which are:

1. Mortgage Assistance/Reinstatement
2. Non-escrowed property taxes
3. Non-escrowed insurance (homeowner's and/or flood)
4. Homeowner's Association Dues
5. Utility Assistance

Grouping the five eligible uses under the same programmatic cap gives us the flexibility to customize assistance for the maximum benefit of Kentucky's distressed homeowners.

All 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
- 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.

It is important to note that Kentucky has the ability to report program performance by eligible use and we will do so on our program dashboard and any reports to Treasury.

*Updated 12/13/2021*

Following a recent discussion with US Treasury regarding Kentucky's program structure and submitted budget, Kentucky has updated our submitted budget. We thank Treasury for supporting our desire to keep one overall programmatic cap, which will allow us to easily customize the assistance based unique homeowner needs.

Kentucky is utilizing 15% of the award for administrative expenses and 85% of the award for program support. The following percentages are based on our program support of \$ allotment of the 85% of overall award, \$72,635,323.70

Mortgage Reinstatement/Monthly Payment Assistance: \$54,476,492.80 (75%)

Assistance with past-due, Non-Escrowed Taxes/Insurance: \$10,895,298.60 (15%)

Assistance with past-due, Homeowner's Association Dues/Liens: \$3,631,766.15 (5%)

Assistance with past-due Utilities: \$3,631,766.15 (5%)