

HAFP-0088-Wyoming
Treasury Feedback for Resubmission of Plan
November 8, 2021
December 13, 2021

Treasury submitted additional comments/questions on December 10th, 2021 and requested that the responses be incorporated into a revised set of responses to Treasury's initial feedback. Responses to the comments/questions below have been incorporated throughout in underlined text for ease of identification.

- Please update the budget in Salesforce to reflect the responses provided in your feedback responses.
- Please provide clarification as to the screening questions for referral to housing counselor, re homeowner's ability to afford regular payments.
- Please provide clarification regarding eligibility of reverse mortgage borrowers under added program addressing taxes and insurance.
- Please provide clarification regarding the data used to determine the maximum assistance was sufficient (sources, etc.).
 - A consideration your team may want to allow for is flexibility on maximum assistance, if experience shows \$15,000 is not sufficient.
- Please provide an update on the development of a fact-specific proxy, if any.
- Please clarify whether your prioritization for socially disadvantaged individuals will include individuals living in the identified majority-minority census-tracts.
- Please confirm that the bi-weekly newsletter and data dashboard will be available on the program website.
- Please provide clarification as to whether HAF program staff will be providing additional support to housing counselors given that there are limited housing counseling options within the state.

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: • No questions.

Homeowner Needs and Community Engagement

Data

• *No questions.*

Community Engagement and Public Participation

- *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.*

A summary of public comments received and the agency's response to those comments was posted to the Wyoming HAF webpage in September, 2021, at the following web address. A PDF has also been uploaded with our responses.

<https://dfs.wyo.gov/wp-content/uploads/2021/09/HAF-Plan-Public-Comments.pdf>

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.*

Using CHAS data on the number of delinquent HUD loans, MAPD data on the total number of loans (both HUD and private) in the market, and WCDA data on the average delinquency amount, we estimated the total mortgage delinquency in Wyoming to be in the \$40M to \$50M range, likely exceeding the funds allocated to Wyoming through the HAF. Due to the mismatch in need and funds available, we determined that a mortgage reinstatement program would be the focus of our HAF Plan. However, census data shows that forty percent (40%) of Wyoming homeowners own their home out-right, many of whom are likely older individuals on fixed incomes, supporting the need for a property tax, homeowner insurance, and homeowner association fee assistance program for those homeowners that do not have a mortgage or have a reverse mortgage and do not pay those expenses through escrow, but may still be delinquent and at risk of losing their home. In response, we set aside \$2.5M for utility, property tax, and homeowner insurance assistance. We have used utility arrears data from the ERAP program to inform our estimate of utility need. We have also requested information from the Wyoming County Assessors Association and the Wyoming County Treasurers Association and are awaiting their responses.

- *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)?*

Yes, we will have screening questions built into the online application portal, including the following:

- Have you received a foreclosure notice, utility shut-off notice, tax delinquency notice, or an HOA lien notice?
- Are you able to afford your ongoing monthly mortgage payments?

- If you owe more than the \$15,000 HAF award limit on your mortgage, are you able to pay the remaining balance to bring your home loan current with the bank?

Applicants responding ‘yes’ to any of the above questions will be referred to a housing counselor for additional assistance, although participation in housing counseling will not be required to receive HAF funds, and their application will be prioritized for review.

- *Please confirm your exclusion of Reverse Mortgages and Second Mortgages and explain what steps you have taken to assess the needs of homeowners with these mortgage types. Please summarize any community feedback or data on which you have based this decision.*

We have excluded reverse mortgages and second mortgages. We do not have any data indicating the number of reverse mortgages or second mortgages that may be delinquent in Wyoming. We did not receive any feedback on the HAF Plan through either the virtual town hall or written comments regarding the decision to exclude reverse mortgages and second mortgages. These mortgage types were excluded from the mortgage reinstatement program because data indicates there is more need than available funding for first mortgages alone. Homeowners with a reverse mortgage may be eligible for assistance with delinquent property taxes, utilities, and homeowners insurance.

- *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:*
 - o whether your program will connect homeowners with housing counseling or legal services early in the process.*
 - o the role housing counseling or legal services providers will play in supporting homeowners’ efforts at engaging in loss mitigation.*

Wyoming will use HAF funds to heavily advertise the availability of housing counseling services to all homeowners and to increase funding for housing counseling services, with priority given to HAF-eligible households. Our aim is to educate homeowners on the availability of housing counseling services, how to access services, what to expect, and to encourage homeowners to access housing counseling services before applying to the HAF. Use of housing counseling services will be strongly encouraged but not required for homeowners to participate in the HAF.

Through the screening questions built into the online application portal, we will also identify homeowners at high-risk of future default and strongly encourage them to access housing counseling by providing warnings, information, and making referrals. Screening questions will include self-reported ability to continue making regularly scheduled mortgage payments (“Can you afford to make your monthly mortgage payments going forward?”) and, if technologically feasible, a separate assessment of the homeowner’s monthly payment against reported monthly income, with those above fifty percent (50%) receiving an automatic referral to a housing

counseling agency. Information will include the potential downsides of accessing HAF funds too early in the loss mitigation process, and the role that housing counselors can play in helping homeowners choose the right path for them. However, we will not require homeowners to participate in housing counseling before accessing HAF funds due to a lack of HUD-certified housing counselors and to avoid putting up additional barriers to accessing HAF funds in a timely manner. Research shows that forcing participation in services does not create the buy-in necessary for sustained behavior change; in pilot testing, only half of homeowners have expressed an interest in housing counseling when directly asked on the application.

Finally, Wyoming does not have the capacity to serve all HAF-eligible homeowners with housing counseling. Wyoming has several agencies in local communities that provide budget and homeownership counseling, however the state has only two “housing counseling agencies approved by HUD” that meet the Treasury requirement to receive HAF funding. The Wyoming Housing Network (WHN), based in Casper, already receives funding through the Wyoming Attorney General’s Office from a 2012 settlement with mortgage servicers to provide housing counseling to homeowners statewide. There are no eligibility requirements or fees for homeowners for WHN services. The Department of Family Services (DFS) is not a state Housing Finance Authority (HFA) and does not have the training or expertise to provide technical assistance support to housing counselors or to supplement available housing counseling services using DFS staff. DFS is working with the WHN to explore a triage system and the potential to use other community-based services, such as budget counseling and social services referrals, to supplement the services available to homeowners and preserve the available housing counselors for more complex cases, such as foreclosure prevention. The ability to supplement services will depend on the HUD regulations to which WHN and their services are subject.

• *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?*

Participation in loss mitigation is ultimately up to the servicer and the borrower. Servicers are required by HUD to evaluate all delinquent borrowers for loss mitigation options and to consider all reasonable means to assist the borrower. DFS is not the enforcement entity for HUD regulations and does not have the authority to dictate the loss mitigation options available under various insurers. Neither DFS nor servicers can force a borrower to participate in a particular loss mitigation option.

The HAF mortgage reinstatement program will inform homeowners that there may be other options available to them in lieu of or in combination with HAF funds and strongly encourage them to work with their servicer and a housing counselor to identify the best option for their situation. We will not require homeowners to have exhausted their loss mitigation options as a condition of receiving HAF funds. We will provide information and access to services to provide homeowners with the tools and information to make the best decision for their situation.

We trust that mortgage servicers will comply with all applicable regulations, including from HUD, to make their borrowers aware of the loss mitigation options available to them. We further trust that HUD and the Consumer Financial Protection Bureau (CFPB) will be monitoring servicer compliance and taking enforcement actions as necessary.

- *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?*

We will screen all applicants for their self-reported ability to pay and income level to make referrals to housing counselors for those at high risk of future default. The program will rely on housing counselors to assist homeowners in understanding what may be a sustainable monthly payment for them and in developing a suitable budget. We understand that some homeowners will not be able to achieve a sustainable monthly payment and, for a subset of homeowners, the best option may be for them to sell the home and purchase or rent a more affordable residence. This subset of homeowners would still benefit from HAF funds in maintaining equity that can then be leveraged at the sale of the home to obtain new housing.

- *Please confirm whether your program will provide payment assistance related to insurance, taxes, HOA/COA fees, and utilities separate from providing mortgage reinstatement assistance? If so, please update program design element check boxes in portal accordingly. If not, please explain your rationale for not providing assistance to homeowners with delinquent taxes, HOA/COA fees, or utilities, and what community input or data informed your decision.*

Yes. We have set aside \$2.5M for homeowners insurance, property taxes, homeowner association dues, and utilities separate from mortgage reinstatement and have included an additional term sheet for this program.

- *Are you anticipating increased winter home energy costs and their potential impact on the homeowners that HAF will serve?*

We do anticipate increased winter home energy costs and have included a set aside for utility assistance within the HAF funds. However, HAF funds are limited. Homeowners applying for utility assistance through HAF and meeting income eligibility for LIEAHP and/or LIWAP will be referred to those programs in order to maximize HAF funds and avoid duplication of assistance.

- *Your programs set \$15,000 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?*

Wyoming did not receive sufficient HAF funding to resolve all housing-related delinquencies for all homeowners. With the limited funds available, the program had to balance total assistance per

household against the number of households eligible for that assistance. HUD Neighborhood Watch data as of 2/28/2021 indicated there were 2,557 delinquent HUD-backed single family loans in Wyoming, including the WCDA portfolio. MAPD data for January, 2021 indicated there were 1,485 loans in forbearance or delinquency statewide. MAPD data represents ~60% of the market and does not include the WCDA portfolio. Using the WCDA loan portfolio, we looked at the distribution of delinquency amounts to identify a threshold at which we could fully resolve the delinquency of eighty percent (80%) of homeowners, knowing that partial claims and additional loss mitigation options may be used to address any remaining delinquency. WCDA programs primarily serve households below eighty percent (80%) of area median income, making their portfolio the best available proxy for Treasury's priority population of homeowners below one hundred percent (100%) of area median income (AMI). Using these three data sources - HUD Neighborhood Watch data, MAPD data, and the WCDA loan portfolio, we estimated the number of eligible delinquent loans statewide to be between 2,000 and 4,000 and that an assistance cap of \$15,000 would assist the majority of delinquent homeowners while keeping the program in budget. We specifically asked during the virtual town hall and in requests for comments on the HAF plan if the \$15,000 threshold was appropriate. Specific public comment was received affirming the \$15,000 threshold as appropriate. In terms of housing costs, Teton County is an outlier in both Wyoming and nationally, with median home values in the top 1% nationally.¹ Mortgages for these homes would exceed the conforming loan limits and would not be eligible for HAF funds, per Treasury guidance.

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.*

Wyoming is a rural and frontier state. Assessing income eligibility at the census tract level, which in many areas covers an entire city or even county, is impractical and subject to a high rate of both false positives (homeowners determined to be eligible, who are not) and false negatives (homeowners not determined to be eligible, who really are) for eligibility. We have requested technical assistance from the U.S. Treasury on the use of fact-specific proxies in Wyoming for the ERAP and are awaiting follow-up from the U.S. Digital Services Team for assistance. As of 12/10, no follow-up has been received from the U.S. Digital Services Team regarding fact-specific proxies in Wyoming for either ERAP or HAF. Treasury's guidelines for fact-specific proxies for ERA, issued December 8th, highlight the same issues Wyoming identified above. Due to Wyoming's rural and frontier nature, we do not feel that the use of fact-specific proxies will be of high utility to the program, and that applying such proxies to rural and frontier areas may result in high audit risks to both the program and applicants in the future due to misidentification of income eligibility in areas with large geographies, small populations, and high potential for

¹<https://www.nar.realtor/research-and-statistics/housing-statistics/county-median-home-prices-and-monthly-mortgage-payment>

income heterogeneity. We feel confident that income documentation is not burdensome for homeowners, as they will be required to provide similar or greater information to participate in certain loss mitigation options with their servicer.

Outreach

- *Please explain how the program will provide culturally relevant marketing.*

The program will provide culturally relevant marketing by:

- Translating communication items to Spanish and offering translation services; and,
- Ensuring accessibility for the deaf, hard of hearing, deafblind, or speech-challenged through relay service providers or the Wyoming Relay system at 7-1-1. Additional information is available at wyomingrelay.com.

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?*

Our program will prioritize socially disadvantaged individuals by screening for self-reported race and ethnicity and prioritizing applications from socially disadvantaged individuals, as defined by the U.S. Treasury. As noted in our previously submitted plan, Wyoming has no persistent-poverty counties that would qualify under Treasury's definition of socially disadvantaged. Wyoming has two majority-minority census tracts, tract 9401 and tract 9402.02, that meet the Treasury definition of socially disadvantaged. Both census tracts are located on the Wind River Reservation and are outside the service area for the state HAF program. The two tribes residing on the Wind River Reservation, the Northern Arapaho Tribe and the Eastern Shoshone Tribe, also received HAF allocations. Similar to the ERAP program, the state and tribal HAF service areas will not overlap. The state HAF program will not serve either of the majority-minority census tracts since they lie entirely on the Wind River Reservation and will be served by the tribal HAF programs. Tribal members living outside the reservation will be eligible to apply to either the state or tribal program of their choosing.

Marketing and outreach to socially disadvantaged populations will include developing partnerships with state libraries, food banks and other nonprofits serving minority and high need areas to help identify families who may be in crisis. Targeted marketing will be conducted in cities and municipalities located in counties with the highest diversity index according to the U.S. Census, including: Riverton (Fremont County, diversity index 49.5%), Cheyenne (Laramie County, diversity index 41.2%), Rawlins (Carbon County, diversity index), Rock Springs and

Green River (Sweetwater County, diversity index 38.5%).²

Performance Goals

• *Please explain how you intend to communicate your progress towards performance to the public.*

We currently issue a biweekly email newsletter update for the HAF, which will increase to weekly once the program launches. The newsletter will include a data dashboard that will also be updated weekly on the HAF webpage. The newsletter is available by email, with sign-up available on the webpage. Press releases, homeowner and servicer resources, and the data dashboard will be available on the HAF webpage, in a similar format as is currently available for the ERAP.

• *Please indicate which three metrics will serve as the best indicators of the success of your program.*

Of the four metrics submitted, we believe the following three will serve as the best indicators of the success of our program

- Average application processing time from initial inquiry through disbursement of funds;
- Number of delinquent mortgages assisted; and,
- Denial rate for incomplete applications.

• *Please indicate whether you intend to disaggregate metrics by income, race, gender, etc.*

We intend to disaggregate the number of delinquent mortgages assisted by income and race in order to monitor prioritization efforts to meet U.S. Treasury guidelines to prioritize homeowners under 100% AMI and socially disadvantaged individuals.

• *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.*

Housing counseling agencies receiving HAF funds will be required to report the number of homeowners assisted, however we do not believe that every homeowner assisted would necessarily have gone to foreclosure, or need to be on the path to foreclosure to benefit from counseling. We may require additional guidance from the U.S. Treasury on how this metric is to be operationalized.

Readiness

• *Please provide the most recent available information about your program's readiness,*

²

<https://www.census.gov/library/stories/state-by-state/wyoming-population-change-between-census-decade.html>

including staffing, contractors, etc.

The same oversight committee and program staff for ERAP is also overseeing HAF in Wyoming. The Steering Committee is composed of multiple state agencies and partners led jointly by the Department of Family Services (DFS) and the Department of Workforce Services (DWS). DFS staff are primarily staffing the HAF, with the assistance of a mortgage servicing consultant to assist with the development and implementation of program policy and procedure, an IT vendor and case management services provider to intake and process applications, and a temp worker to assist with client outreach and payment processing for the pilot program. We are currently in negotiations with the IT vendor for the online application system and case management services.

We have also been in discussions with several of the largest mortgage servicers operating in the state and have an all-servicer call scheduled for December 15 to discuss vendor enrollment, data sharing, and program timelines.

• Is your program prepared to launch upon approval and, if not, by what date will you be ready to launch following approval?

We anticipate needing six (6) weeks to develop and launch the online application portal once a contract is signed with the vendor. We anticipate being ready to launch by the end of January, 2022.

• 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.

Wyoming received \$5M in the initial 10% disbursement. As of November 29, 2021, the HAF has paid \$287,911.47 to reinstate twenty-four (24) delinquent mortgages. We are working with the Wyoming Community Development Authority (WCDA) to test the mortgage reinstatement program policies and procedures through a pilot program with their loan portfolio. We selected the WCDA loan portfolio because WCDA programs primarily serve households at or below eighty percent (80%) of area median income (AMI) which meets the federal requirement to target funds to households below one hundred percent (100%) of AMI. WCDA sent an initial round of invitations to their delinquent borrowers the first week of October.

Budget

• Your plan allocates all program funds under mortgage reinstatement. To the extent your program will offer assistance for other program design elements, 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..

- Past due property taxes, homeowners insurance, HOA fees, and utilities - \$2.5M
- Housing counseling - \$2.0M
- Legal services - \$0.5M