

# State of Wyoming Homeowner Assistance Fund Plan

## Phase I

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Wyoming  
Department of  
Family Services

# DRAFT

Prepared by the HAF Program & Policy Team

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**DRAFT**

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## Executive Summary

Section 3206 of the American Rescue Plan Act (ARPA) of 2021 allocates \$9.961 billion in federal funds for states, territories, and tribes to administer programs to provide financial relief to homeowners impacted by the SARS-CoV-2 pandemic. The State of Wyoming is eligible for the small-state minimum distribution of \$50 million from the Homeowner Assistance Fund (HAF). States receive ten percent (10%) of funds up-front to conduct pilot programs and must submit a HAF Plan to the U.S. Treasury proposing specific programs to be funded by the remaining ninety percent (90%) of funds earmarked to the state. Once the U.S. Treasury reviews and approves the state's HAF Plan, the requested funds will be disbursed. States can amend their approved HAF Plan to add programs, so long as funding remains in that state's allocation.

Senate Enrolled Act 0072 in the 2021 legislative session grants authority to the Wyoming Department of Family Services (DFS) and the Wyoming Department of Workforce Services (DWS) to administer the Emergency Rental Assistance Program (ERAP) and subsequent housing related funds, including HAF. A Steering Committee including representatives from DFS, DWS, the Wyoming Community Development Authority (WCDA), Governor's Office, Wyoming Business Council, State Auditor's Office, Enterprise Technology Services, and the Public Service Commission was formed to direct the funds. Focus groups in Program & Policy, Information Technology, Fiscal Services, and Marketing were formed to identify decision points, make recommendations to the Steering Committee, and implement action items. Additional community partners, such as the Wyoming Housing Network, have been invited to participate in program development.

In Phase I of the HAF plan, Wyoming is requesting funds to assist eligible borrowers who are currently delinquent to bring their accounts current with servicers. Future iterations of the HAF plan will focus on homeowners who do not have a mortgage in bringing their homeownership-related accounts current, such as property taxes and utilities. The State of Wyoming is excited to assist Wyoming homeowners in maintaining housing stability by launching its Homeowner Assistance Fund (HAF) once funding is received from the U.S. Department of Treasury.

# Homeowner Needs & Community Engagement

DFS has gathered quantitative and qualitative data and engaged community partners through virtual town hall meetings to gather information on homeowner needs. Data will continue to be collected and used to inform program and policy decisions throughout the life of the HAF program(s) to be responsive to homeowner needs and the changing conditions of the pandemic.

## HOMEOWNER NEEDS

Compared to other states, Wyoming has a high proportion of homeownership, with seventy percent (70%) of housing units occupied by owners and only thirty percent (30%) occupied by renters.<sup>1</sup> Forty percent (40%) of Wyoming homeowners do not have a mortgage on their home, while sixty percent (60%) are owned with a mortgage or loan.<sup>2</sup> Wyoming homeowners have experienced housing instability similar to homeowners across the nation.

Wyoming is unique in another aspect of the housing market, in that many of its residents experienced job loss and housing instability prior to the pandemic due to economic conditions in the energy industry that is pivotal to Wyoming's economy. While many homeowners were able to remain current on their loans throughout that time, they were forced to utilize savings even before the pandemic began, resulting in a reduced ability to rely on those reserves once the pandemic hit the State. Therefore, many families in Wyoming have been struggling for a longer period of time than in other areas of the country. Much of the decline in the energy industry persists, resulting in those skilled laborers needing to move elsewhere to find work. The housing outcome will not be good for those who are in forbearance and end up "underwater" on their loans when trying to sell their homes.

The unemployment rate in Wyoming has decreased from pandemic levels to 5.2% as of July, 2021<sup>3</sup>. The lowest unemployment rate was 3.1% in Weston County, ranging to a high of 5.8% in Natrona County and Sweetwater County. Unemployment rates in Wyoming have fallen, in part, due to individuals leaving the labor force. Compared to July of 2020, Wyoming had 4,244 fewer active participants in the labor force in July of 2021.<sup>4</sup> The data suggests that the economic struggle in Wyoming persists and varies widely across this rural and frontier state.

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<sup>1</sup> Wyoming Department of Administration & Information, Economic Analysis Division. "Profile of General Housing Characteristics by County and Place: 2010". Retrieved from:

[http://eadiv.state.wy.us/housing/Housing\\_Profile10.htm](http://eadiv.state.wy.us/housing/Housing_Profile10.htm)

<sup>2</sup> U.S. Census Bureau. American Community Survey. 2019 ACS 1-Year Estimates, Table B25081. Retrieved from <https://data.census.gov/cedsci/table?q=B25081&g=0400000US56&tid=ACSDT1Y2019.B25081&hidePreview=true>

<sup>3</sup> Wyoming Department of Administration & Information. Economic Analysis Division. "Wyoming Unemployment Falls to 5.2% in July 2021. Retrieved from: <https://doe.state.wy.us/lmi/news.htm>

<sup>4</sup> Wyoming Department of Administration & Information. Economic Analysis Division. "Wyoming Unemployment Falls to 5.2% in July 2021. Retrieved from: <https://doe.state.wy.us/lmi/news.htm>

According to the Consumer Financial Protection Bureau, 1.1% of mortgages in Wyoming were thirty (30) to eighty-nine (89) days delinquent in December of 2020. The same source states that 0.5% of Wyoming mortgages were at least ninety (90) days delinquent as of the same date. As of April of 2021, 3.8% of Wyoming mortgages were on a forbearance plan and 1.7% of Wyoming mortgages 30 or more days past due were not in forbearance plans.<sup>5</sup>

According to Black Knight Financial Technology Solutions Mortgage Monitor Report, Wyoming suffered a delinquency rate of 4.2% in May of 2021. These numbers align with the most recent data provided by the Wyoming Community Development Authority (WCDA), which is Wyoming’s only Housing Finance Agency and services approximately twenty-four percent (24%) of all mortgages in Wyoming. As of June 30, 2021, WCDA’s servicing portfolio consisted of 14,732 loans. 894 of those loans are delinquent, with 417 of them currently in forbearance. WCDA’s data is limited to the loan types in its portfolio and of course does not include delinquency data from the other seventy-six percent (76%) of Wyoming mortgages. Extrapolation of the numbers would suggest that the number of delinquent mortgages across all loan types in Wyoming is between two and four thousand (2,000 to 4,000). Considering the low population of Wyoming, a large number of families are in need of assistance. Table 1 summarizes the number of delinquent mortgages in Wyoming for FHA loans only, as of July 31, 2021.

**Table 1.** Number of Delinquent FHA Loans in Wyoming as of 7/31/2021<sup>6</sup>

<b>Servicer</b>	<b>30 Days Delinquent</b>	<b>60 Days Delinquent</b>	<b>Seriously Delinquent</b>	<b>Total</b>
<b>WCDA</b>	156	46	341	<b>543</b>
<b>All Others</b>	297	99	984	<b>1,380</b>
<b>TOTAL</b>	<b>453</b>	<b>145</b>	<b>1,325</b>	<b>1,923</b>

### **Socially Disadvantaged Individuals**

The State of Wyoming Fair Housing Team in 2016 commissioned a regional assessment “to identify fair housing issues and contributing factors and prioritize efforts to address those issues”<sup>7</sup>, resulting in a comprehensive report in 2017. Relevant findings in *The Regional Assessment of Fair Housing, 2017* include:<sup>8</sup>

- Overall levels of segregation are low across the state (page 52);
- Dissimilarity index values are difficult to interpret for many counties due to the low

<sup>5</sup> Federal Reserve Bank of Atlanta Mortgage Analytics and Performance Report. Retrieved from: <https://www.atlantafed.org/center-for-housing-and-policy/data-and-tools/mortgage-analytics-and-performance-dashb oard>

<sup>6</sup> Data from U.S. Department of Housing and Urban Development (HUD) Neighborhood Watch database <https://entp.hud.gov/sfnw/public/>

<sup>7</sup> Page 1

<sup>8</sup> [https://www.wyomingcda.com/wp-content/uploads/2018/03/WY\\_2017\\_AFH18.pdf](https://www.wyomingcda.com/wp-content/uploads/2018/03/WY_2017_AFH18.pdf)

number of racial and ethnic minorities present (less than 1,000 in many counties) (page 53);

- Fremont County, where the Wind River Reservation is located, had the highest and most sustained level of segregation between nonwhite and white populations (page 53);
- Disproportionality exists for borrowers seeking home purchase loans, with African American, Hispanic, and Native American borrowers experiencing higher denial rates than White and Asian borrowers (page 116).
  - Credit and income were two of the most often cited reasons for denial of a borrower.
  - Differences in access to financial services are likely the root cause of the observed differences in borrower outcomes (page 119).

Wyoming does not have any counties that meet criteria (5) of the U.S. Treasury HAF definition for socially disadvantaged individuals, meaning no county in Wyoming has had twenty percent (20%) or more of its population living in poverty in each of the three most recent decennial censuses.<sup>9</sup> For the purposes of the HAF funds, socially disadvantaged populations will be identified through self-reported race and ethnicity on the individual application and targeted outreach will be used to reach these populations.

## COMMUNITY ENGAGEMENT

To best serve the State and homeowners in need, public participation and community engagement in the relatively small State of Wyoming have been critical. When the HAF Program was announced by the U.S. Department of Treasury, Wyoming DFS established a HAF Program and Policy team, which includes representation from the following community stakeholders:

- Wyoming Community Development Authority (WCDA), the state's only housing finance authority;
- Wyoming Housing Network (WHN), a HUD-approved housing counseling agency; and,
- Wyoming Bankers Association.

The State also reached out to mortgage servicers, community and faith groups, and added a notification to its web page<sup>10</sup>, which was made public on June 1, 2021. The notification includes a summary of the funding, an upcoming events section with information on upcoming town halls and recordings of previous town hall events, and the option to sign-up for email updates. The Additional Resources area of the web page includes links for the Latest News and Press Releases as well as additional assistance available through Wyoming 211. Promotion of the program will be conducted through email, social media, networking with other Wyoming state

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<sup>9</sup> U.S. Census Bureau. Historical County Level Poverty Estimates Tool, years 1990, 2000, and 2010. Retrieved from:

<https://www.census.gov/library/visualizations/time-series/demo/census-poverty-tool.html>

<sup>10</sup><https://dfs.wyo.gov/assistance-programs/home-utilities-energy-assistance/homeowner-assistance/>

agency partners, WCDA, WHN, Wyoming 2-1-1, non-profit agencies around the state, lending organizations, banks, and credit unions.

This HAF Plan was informed by four virtual town halls held March 30, June 1, July 7, and September 1 via Google Hangouts. Public notice was provided via email and social media. A web page specific to the HAF was published on June 1, 2021, including an email address for comments and questions, [homeownerassistance@wyo.gov](mailto:homeownerassistance@wyo.gov), and the option to sign up for email updates. The draft plan was made available on the DFS website and by email to servicers, community-based organizations, and the email list on August 23, prior to the fourth public hearing. Recordings of the town halls have been made available on the HAF web page. Suggestions and information derived from feedback from both consumer and lenders at the town hall meetings have been shared at HAF Program and Policy team meetings for purposes of outreach and program development.

### **Tribal Partners**

DFS and the Governor's Office meet with the Northern Arapaho and Eastern Shoshone tribes every other week, with additional meetings as needed, to coordinate ERAP and HAF program administration across the state and to inform each other of program and policy decisions that may impact decision-making in other jurisdictions.



# Program Design

In Phase I of the HAF plan, Wyoming is requesting funds to assist eligible borrowers who are currently delinquent in bringing their accounts current with servicers. Future iterations of the HAF plan will focus on homeowners who do not have a mortgage in bringing their homeownership related accounts current, such as property taxes and utilities. \$3 million has been set aside for Phase II assistance for property taxes and utility relief for eligible homeowners that do not have a mortgage on their primary residence.

## MORTGAGE REINSTATEMENT

This program will provide one-time funds to eliminate or reduce past due payments and other delinquent amounts, including payments under a forbearance plan, on forward mortgages and loans secured by manufactured homes or contracts for deed. The program will not provide ongoing payments on behalf of borrowers.

HAF Funds may be used to bring the account fully current, with no remaining delinquent amounts, and to repay amounts advanced by the lender or servicer on the borrower's behalf for property charges, including property taxes, hazard insurance premiums, flood or wind insurance premiums, ground rents, condominium fees, cooperative maintenance fees, planned unit development fees, homeowners' association fees or utilities that the servicer advanced to protect the lien position. Payment may also include any reasonably required legal fees.

HAF funds may be used to supplement other loss mitigation options offered by the servicer under insurer requirements or where, without HAF funds, the homeowner would not qualify for a particular loss mitigation option.

## MAXIMUM ASSISTANCE

The maximum assistance an eligible homeowner can receive in the mortgage reinstatement program is \$15,000 in the form of a one-time payment to the servicer on behalf of the homeowner. Assistance will be structured as a non-recourse grant.

## ELIGIBILITY

To be eligible for HAF funds, homeowners must meet the following eligibility criteria.

- Household income must be at or below 150% of the area median income (AMI);
- The property must be the homeowner's primary residence;
- The homeowner must have experienced a Covid-related financial hardship after January 21, 2020;
- The homeowner must be delinquent by at least one payment, including due to a forbearance period; and,
- The loan must be the first lien on the property.

Other sources of relief that may be available to the Wyoming HAF program's target populations include:

- Low Income Energy Assistance Program (LIEAP) for utility expenses;
- Forbearance programs through individual lenders;
- HUD partial claim program;
- Fannie Mae deferral program;
- USDA Loan Modification Program; and,
- Local assistance through non-profit organizations

Because forbearance and deferral programs do not provide sustained assurance of household stability, a homeowner's enrollment in such programs will not render them ineligible for HAF. Likewise, homeowners will not be required to exhaust non-profit resources before applying for HAF.

## DOCUMENTATION REQUIREMENTS

Homeowners will be required to supply the following documentation with their application.

- Completed cover sheet/application;
- Self-attestation of a Covid-related financial hardship after January 21, 2020;
- 2020 tax returns or most recent two months of pay stubs for each member of the household aged eighteen (18) years and older and not enrolled full-time in an educational program; and,
- A statement as to whether the homeowner is able to continue making payments on the loan if a HAF grant is provided.

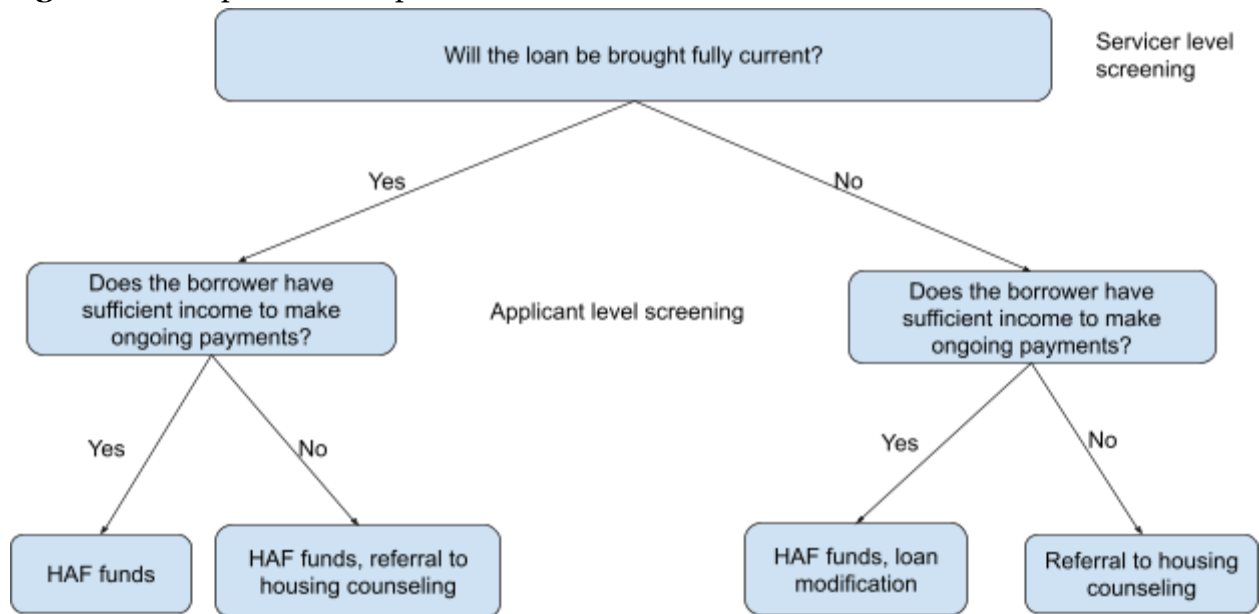
## APPLICATION PROCESS

The State of Wyoming believes servicers have an integral role to play in the HAF Plan. Servicers are already working with delinquent borrowers to inform them of loss mitigation options and to identify which option is most appropriate for that borrower's situation.

Servicers working with delinquent borrowers will provide a copy of the HAF application with the notice of delinquency. The borrower will be responsible for completing the application, attaching supporting documentation, and returning the packet to their servicer. The servicer will then attach the supporting loan documentation to the borrower's application. Servicers will then send a modified common data file (CDF) to DFS containing summary information on each of their borrower applicants, along with the supporting documentation files. DFS will make eligibility determinations based on the data contained in the CDF and an audit of ten percent (10%) of the application files to verify the accuracy of the information entered in the CDF file.

Figure 1, on the next page, illustrates the anticipated sub-populations to be served by the mortgage reinstatement program and their needs.

**Figure 1.** Anticipated Sub-Populations of Borrowers



## PAYMENT PROCESS

Once eligibility determinations are complete, DFS will then return the CDF to the servicer with the eligibility determination for each borrower and a bulk electronic fund transfer (EFT) payment. Borrowers will receive an eligibility determination notice directly from DFS. Payments will be made directly to the lender or servicer.

By incorporating the application process into the servicer’s regular communications with delinquent borrowers and making eligibility determinations through a flat file and supporting audits, the state hopes to be able to quickly and accurately make eligibility determinations to work within the tight regulatory timelines for servicers and insurers to work with borrowers to prevent foreclosure.

## PILOT PROGRAM

DFS is working with the WCDA to test procedures for the mortgage reinstatement program, including the modified CDF, application process, communication and marketing to borrowers, and payment files. The WCDA was selected as the servicer for the pilot program because borrower eligibility for WCDA programs aligns with the statutory priority population of

homeowner households at or below one hundred percent (100%) of AMI. Borrowers must be at or below eighty percent (80%) of AMI to be eligible for the majority of the WCDA programs. For the pilot program, all applications, eligibility determinations, and processes will be manual. DFS intends to use an electronic document management system and protected communication channels to send and receive the CDF and application files.

Once the procedures are fully tested the Steering Committee will determine if a more robust IT system is necessary for the volume of applications expected and open the program to additional servicers.

# Performance Goals

The goals of the Mortgage Reinstatement program are to prevent foreclosure and keep Wyoming homeowners stably housed. Funds will be targeted to priority populations, including homeowner households under one hundred percent (100%) of AMI and socially disadvantaged populations.

## PERFORMANCE METRICS

Wyoming DFS will measure HAF program performance using the following key metrics:

**Table 2.** Mortgage Reinstatement Metrics

Metric	Goal
<ul style="list-style-type: none"> <li>Average application processing time from initial inquiry through disbursement of funds;</li> </ul>	<ul style="list-style-type: none"> <li>Ten (10) days</li> </ul>
<ul style="list-style-type: none"> <li>Amount of disbursements to Socially Disadvantaged Individuals with zip codes identified - monitor for disproportionality;</li> </ul>	<ul style="list-style-type: none"> <li>Proportional to population of socially disadvantaged individuals in WY with mortgages</li> </ul>
<ul style="list-style-type: none"> <li>Number of socially disadvantaged homeowners assisted;</li> </ul>	<ul style="list-style-type: none"> <li>Proportional to population of socially disadvantaged individuals in WY with mortgages</li> </ul>
<ul style="list-style-type: none"> <li>Number of delinquent mortgages assisted</li> </ul>	<ul style="list-style-type: none"> <li>At least fifty percent (50%), stretch target eighty percent or more (80%+)</li> </ul>
<ul style="list-style-type: none"> <li>Denial rate for incomplete applications</li> </ul>	<ul style="list-style-type: none"> <li>Less than one percent (1%)</li> </ul>

## TARGETING OF FUNDS

DFS has contracted with a consultant to undertake marketing and outreach for both ERAP and HAF, with a focus on populations with limited English proficiency and limited or no access to the internet and technology. The borrower application will include a race and ethnicity question to identify socially disadvantaged populations. All program materials will be made available in both English and Spanish.

## Readiness

DFS is currently administering the Emergency Rental Assistance Program (ERAP). The Steering Committee and work group structure of the ERAP will also be applied to HAF, pursuant to Senate Enrolled Act 0072 of 2021. The ERAP is now entering maintenance mode, and lessons learned through administration of the ERAP will be used to streamline the HAF application process to reduce application processing times. Through the pilot program with WCDA, policies and procedures will be tested and refined prior to roll-out to all servicers and borrowers statewide. DFS has contracted with a consultant with expertise in mortgage servicing to provide subject matter expertise in the development of the mortgage reinstatement program policies and procedures.

The State continues to participate in telephone calls and virtual meetings with the National Council of State Housing Agencies (NCSHA) and other HAF grantees to share information regarding every aspect of program implementation, best practices, U.S. Department of Treasury guidance, and program requirements. Coordination with federal agencies, such as the Federal Housing Authority (FHA), Veterans' Affairs (VA), U.S. Department of Agriculture (USDA), Fannie and Freddie, has largely occurred through NCSHA facilitating communication through letters and telephone calls to the agencies and the U.S. Department of Treasury to clarify program details. The Federal Reserve Board of Atlanta also shared Black Knight servicing delinquency data that the state is reviewing now.

The State will rely upon its relationships with community non-profit organizations and other State agencies specified previously in this Plan in order to implement its program. These collaborative efforts will include creating program forms, marketing the program, selecting a software vendor (if needed), launching the program, assisting applicants, translating critical plan components into Spanish, answering calls, processing applications, counseling homeowners, and disbursing funds.

# Budget

DFS has received the initial ten percent (10%) up-front payment of \$5 million to conduct a pilot program. DFS is requesting an additional \$42 million of the remaining \$45 million available to the State of Wyoming to conduct the Phase I mortgage reinstatement program. \$3 million remains for Phase II, which will focus on homeowners without a mortgage who still face foreclosure and loss of housing due to unpaid property taxes and utility bills. DFS will submit an updated HAF Plan to include the property tax and utility programs at a later date.

**Table 3.** HAF Budget by HAF Plan Phase

		<b>10% Up-Front</b>	<b>Requested for Phase I</b>	<b>Reserved for Phase II</b>	<b>Total</b>
<b>Administration</b>		\$2.5M	\$5.0M	-	<b>\$7.5M</b>
<b>Direct Service</b>	Mortgage reinstatement	\$2.5M	\$34.5M	-	<b>\$37.0M</b>
	Housing Counseling	-	\$2.5M	-	<b>\$2.5M</b>
	Utilities & Property Taxes	-	-	\$3.0M	<b>\$3.0M</b>
<b>Total</b>		<b>\$5.0M</b>	<b>\$42.0M</b>	<b>\$3.0M</b>	<b>\$50.0M</b>