

HAFP-0093-Hawai'i – RESPONSE Nov. 5. 2021
Treasury Feedback for Resubmission of Plan

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

Completeness

- Your plan lists Mark K. Anderson as the Authorized Official, while the original application for HAF payments was signed by Craig Hirai. 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.

We reviewed the HAF plan submittal and noticed that Craig K. Hirai is listed as the Authorized Official and the Primary Contact as required by Treasury. Mark Anderson is the Reporting Contact, and Denise Iseri-Matsubara is an Additional Contact. We would be happy to discuss this further to resolve this issue.

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.

No additional public comments were received since the HAF Plan was submitted to Treasury.

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.

Hawai'i was particularly affected by the COVID-19 pandemic, due to the State's extensive reliance on the visitor and hospitality industry. With all travel shut down, and residents under lock-down orders, employers in the hotel and restaurant industry terminated or furloughed many employees, and unemployment spiked to 21.9% in April 2020. Without income, many individuals were no longer able to meet their mortgage and housing obligations.

Hawai'i utilized local and national studies to determine best practices to assist homeowners abruptly faced with lost income, which could result in loss of residence. The studies listed in the Homeowners Needs Section provided analyses of historical and ongoing housing challenges faced by populations in general, and specifically in Hawai'i by Native Hawaiian and Pacific Islander populations. Key program design elements included in Hawaii's HAF plan incorporated the information in the data sources listed in the "Homeowner Needs" section of the plan. The data sources indicated that these program elements were effective:

- Financial and foreclosure mitigation counseling by qualified counselors. The NFMC program demonstrated that counseling significantly lowered foreclosures and reduced delinquency for clients. It helped clients lower their monthly mortgage payments and reduced the chance that clients would default again, which allowed them to stay in their homes. Moreover, housing counselors emerged as a good liaison between the homeowners and servicers because they were able to translate the requirements between parties and help advocate for solutions that best fit all involved.
- Legal services. The Center for NYC Neighborhoods also spoke to the importance of integrating housing counseling and legal services into a mortgage assistance program. Legal services providers can train and support housing counselors in helping homeowners access programs and provide homeowners with in-court representation.
- Payments for property charges whether or not homeowner has an eligible mortgage. Elderly homeowners with reverse mortgages (many on fixed income) could lose their homes to foreclosure if they default on property charges, including property taxes and homeowner association fees. Payments for overdue property charges and utilities is also an NCSHA best practice (based on a survey of Hardest Hit Fund administrators).
- Mortgage reinstatement. One of the key lessons learned from administration of the Hardest Hit Fund program is the most effective way to help struggling homeowners is to first give them the assistance they need to reinstate their mortgage. If the homeowner requires more assistance, they will be in a better position to work out a loan modification with their servicer.
- Assistance is structured as non-recourse grant. Another lesson learned from HHF is to structure new mortgage assistance as a grant rather than a loan because loans require much more documentation and time to underwrite, process and service.
- 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. The plan is for homeowners to engage with HUD-approved housing counseling agencies very early in the process. At the point of application, screening will be conducted by housing counselors to identify immediate threats to housing stability. For example, if a homeowner has been served with a foreclosure complaint or notice of default and intent to foreclose, an immediate referral to legal services will be made.

- 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.

Hawaii's HAF program will connect homeowners with counselors from HUD-approved housing

counseling agencies very early in the process as noted in the response above. Homeowners will work with housing counselors to complete a questionnaire to assess program eligibility and identify immediate threats to housing stability.

Housing counselors will:

- Provide information on the foreclosure process and their rights.
- Refer homeowners to legal services when necessary.
- Determine eligibility for other financial assistance or public benefits.
- Provide counseling services including, but not limited to:
 - Assisting homeowners to create a budget and action plan
 - Foster an understanding of the foreclosure process and alternatives to foreclosure
 - Foster an understanding of loss mitigation options.
- Along with financial counselors from Treasury-certified CDFIs, assist homeowners with workout plans and communication with servicers.

Legal service providers will assist homeowners to better understand their legal options when facing foreclosures or defaults. Services will include:

- Legal representation in wrongful foreclosure actions.
 - Pro se motions to set aside default judgements; negotiate stipulated set asides of default judgements with legal counsel of HOAs and servicers.
 - Legal counsel and advice regarding a variety of situations including: post-foreclosure writ of ejectment or writ of possession process, real property tax delinquencies, foreclosures, and post-foreclosure rights of redemption, general effect of bankruptcy on mortgage default and foreclosures and timing of filing, responsive pleadings for homeowners in active foreclosure who do not have a defense, and viable exit strategies for those in active foreclosure.
 - Reviewing short sale agreements, deeds in lieu of foreclosure agreements, agreements of sale, and leasehold agreements.
 - Reviewing homeowner association's declaration of covenants, conditions and restrictions, bylaws and house rules.
- To the extent your mortgage reinstatement program will require that loss mitigation options be exhausted, please explain how the homeowner will document their efforts at loss mitigation, and whether any exceptions will be provided. Have you considered whether requiring that homeowners exhaust their loss mitigation options before accessing HAF may not always be feasible and may not result in the best outcome for the homeowner, such as when the loss mitigation process is ineffective or the servicer is not diligent?

The plan will be modified to reflect that homeowners will NOT have to fully exhaust all loss mitigation options prior to qualifying for HAF payment assistance. HAF payments will be incorporated into the waterfall to help homeowners to achieve an appropriate and sustainable outcome.

Homeowners may document their efforts at loss mitigation by providing any of the following information:

- A request to lender for loss mitigation assistance
- The Loss Mitigation program currently enrolled in – forbearance, deferment, repayment plan, trial payment plan, modification
- A copy of the lender’s loss mitigation denial letter or a demand letter

Eligibility

- Please provide the rationale for establishing the following additional eligibility requirements specified in your plan, including how you determined these requirements will not create unnecessary barriers to participation by eligible homeowners:
 - Have no more than five (5) months-worth of total housing expenses in liquid assets (exclusive of retirement (IRA, SEP, 401K), college (529), or health savings accounts).

The intent of the above eligibility criterion placing a cap on liquid assets is to leverage the limited HAF funds allotted to Hawaii and to address an issue raised by local banks and servicers whereby income-eligible borrowers want to hold out for HAF assistance to reinstate their mortgage despite having substantial savings or liquid assets. One of the examples shared with us was a homeowner who had accumulated about a million dollars in savings, but did not want to use his savings to pay the arrearage owed to the bank.

Banks and financial experts suggest saving anywhere from 3 to 6 months’ worth of salary to prepare for financial emergencies such as job loss, sudden medical challenges, or other unforeseen events. HAF-eligible homeowners who have prepared for such financial emergencies could draw on their emergency savings to address their housing needs. Homeowners are not required to exhaust their savings. Additionally, retirement, college, and health savings accounts will not be considered as liquid assets. This criterion is not intended to create an unnecessary barrier to participation by eligible homeowners. The plan will be revised to provide for reasonable exceptions.

- Mortgage originated prior to March 1, 2020.

This mortgage eligibility criterion will be stricken. The March 1, 2020 mortgage origination date was intended to dovetail with the Consumer Financial Protection Bureau’s 2021 Mortgage Servicing COVID-19 rule which defines the term “COVID-19 related hardship” as a financial hardship due, directly or indirectly, to the national emergency for the COVID-19 pandemic declared in Proclamation 9994 beginning on March 1, 2020. However, upon further review, the mortgage criterion is inconsistent with the Treasury Department’s guidance that homeowners must attest that they experienced financial hardship after January 21, 2020.

- Please provide the rational 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.

The overall goal of the HAF program is to help homeowners sustain homeownership and prevent foreclosure stemming from financial hardships associated with the COVID-19

pandemic. Obtaining income documentation from homeowners is a key piece of assessing loss mitigation options and sustainability.

In 2020, the Hawaii Housing Finance and Development Corporation (HHFDC) administered the Rent Relief and Housing Assistance Program (RRHAP), which provided rental and mortgage payment assistance using funds appropriated under the federal CARES Act. Because the RRHAP accepted various forms of income verification, obtaining documentation from applicants was not a barrier to participation. The Department of Hawaiian Home Lands and counties of Honolulu, Hawaii, Kauai, and Maui have also indicated that obtaining income documentation is not a major problem for their housing assistance programs.

However, to avoid unnecessary barriers to participation by eligible homeowners, the plan will be amended to allow for the use of a fact-specific proxy, such as an applicant's participation in other government programs with similar income eligibility or census tract data on the average incomes in the household's geographic area. A fact-specific proxy may be used in the event homeowners are unable to provide timely income documentation.

Outreach

- 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.

The HAF program will be marketed through a broad range of outreach strategies. Informational material will be translated into different languages, posted to state, county, and community websites, and marketed through trusted community-based organizations that serve persons with limited English proficiency. The state will also join the Department of Hawaiian Home Lands in messaging the HAF program through the Council for Native Hawaiian Advancement and other Hawaiian organizations.

The geographic areas where applications are from will be monitored to assess and, if needed, re-direct outreach strategies.

Applications will be accepted through multiple channels including an online portal, via paper application forms received by mail, email, fax or in person, and, to the extent possible, through in-person events while maintaining social distancing protocols.

Prioritization

- If your program intends to serve households who are over the 100% AMI threshold, how will your program prioritize Socially Disadvantaged Individuals?

The HAF program will prioritize homeowners with incomes at or below 100% AMI. According to the needs assessment that was done by the University of Hawaii Economic Research Organization, over 70% of the homeowners in Hawaii qualify as "socially disadvantaged" and Hawaii suffered the largest economic decline of any state in the nation due to the pandemic's impact on tourism. A significant portion have low to moderate incomes.

The lower income and socially disadvantaged homeowners represent the typical participant currently being served by the housing counselor agencies in Hawaii. Hawaii's program will be run by a network of these agencies that are adept with dealing with the target population for this HAF program and will have methods in place that will align with Treasury's priority targets.

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).

Dashboards reporting high level program metrics will be posted to the state and county websites. Metrics will include the following, with the top three considered the best indicators of success:

- Number of homeowners assisted (including the number of people in the household)
- Types of assistance provided (payment assistance, housing counseling services, legal service referrals, etc.)
- Geographic areas of homeowners assisted
- Number of applications received, denied, in process, approved, and disbursed
- Disbursement amounts
- Demographic and geographic characteristics of assisted homeowners disaggregated by income group, race, ethnicity, and gender of head of household

Readiness

- Please provide the most recent available information about your program's readiness, including staffing, contractors, etc.

The counties will administer the HAF program in their respective counties, except for the City and County of Honolulu where HHFDC will be the administrator. HHFDC and the counties have been holding weekly working group meetings to prepare for the launch of the HAF program. The counties of Hawaii and Kauai are furthest along with the impending launch of their pilot programs. HHFDC and the county of Maui will utilize the implementation strategy employed by Hawaii and Kauai. A Contractor will be procured to actually administer the program in the community and oversee the staffing/subcontracting, technology, and overall program delivery.

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

Pilot programs in Hawaii and Kauai counties are set to launch in November 2021. HAF programs in Honolulu and Maui will be ready to launch within 3-4 months of Treasury's 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.

Hawaii received an initial payment of \$5,000,000. Of that amount, the state entered into a \$100,000 contract with University of Hawaii Economic and Research Organization to gather data and assess and monitor homeowner needs. The state also entered into sub-recipient agreements with the County of Hawaii (for \$3,595,750) and Kauai (for \$1,179,250) to administer pilot programs which will launch in November 2021. The remaining balance of \$125,000 has been budgeted for state administrative expenses.

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..
 - payment assistance for homeowner's utilities, including electric, gas, home energy, and water
 - payment assistance for homeowner's insurance, flood insurance, and mortgage insurance
 - payment assistance for delinquent property taxes to prevent homeowner tax foreclosures
 - payment assistance for homeowner's internet service, including broadband internet access service, as defined in 47 CFR 8.1(b)
 - payment assistance for homeowner's association fees or liens, condominium association fees, or common charges
 - financial assistance to allow a homeowner to reinstate a mortgage or to pay other housing-related costs related to a period of forbearance, delinquency, or default
 - payment assistance for homeowner's association fees or liens, condominium association fees, or common charges

The HAF program budget is as follows:

Program Design Element	Amount
Direct Assistance including mortgage payments, mortgage reinstatement, mortgage principal reduction, mortgage interest rate reduction	\$31,000,000.00
Payment Assistance for housing related expenses including delinquent utilities, insurance, HOA fees, property taxes	9,000,000.00
Sub-total Payments	\$40,000,000.00
Counseling or Educational Services	2,000,000.00
Legal Services	500,000.00
Sub-total Services	\$ 2,500,000.00
Administrative Expenses	
• Community Engagement	\$ 1,130,000.00
• Needs Assessment*	100,000.00
• Planning & administrative expenses	6,270,000.00
Sub-total Administration	\$ 7,500,000.00
TOTAL BUDGET	\$50,000,000.00

*HAF funds were used to contract with the University of Hawaii Economic and Research Organization to provide data and analysis to inform the HAF Plan.