



# **Iowa Homeowner Assistance Fund**

For U.S. Treasury Department Approval

Date: December 1, 2021

## OVERVIEW

The COVID-19 public health crisis and resulting economic crisis have severely strained many households across the United States, threatening housing stability for both renters and homeowners. In response to this crisis, Congress passed the American Rescue Plan Act (ARPA), setting aside a total of \$1.9 trillion in federal funding for coronavirus pandemic related expenses and needs. Section 3206 of the ARPA established the Homeowner Assistance Fund (HAF), which provides approximately \$10 billion in federal funding to states, territories, and tribal governments to assist vulnerable homeowners who have experienced a negative financial impact associated with the coronavirus pandemic.

The HAF was established to mitigate financial hardships associated with the coronavirus pandemic by providing funds to eligible entities for the purpose of preventing homeowner mortgage delinquencies, defaults, foreclosures, loss of utilities or home energy services, and displacements of homeowners experiencing financial hardship after January 21, 2020, through qualified expenses related to mortgages and housing.

Guidance provided by Treasury stipulates that not less than 60 percent of the state's total HAF allocation be made available to homeowners at or below 100 percent of the area median income (AMI) or 100 percent of the median income for the United States, whichever is greater. The remaining portion of funding must be prioritized for socially disadvantaged individuals before providing funding to other eligible homeowners.

IFA understands these eligibility requirements and is committed to developing and administering a program that meets the intent of the guidance, while promoting sustainability by ensuring that Iowa homeowners negatively impacted by COVID-19 who receive funds are positioned to fulfill their mortgage requirements independently going forward. This Needs Assessment and Plan (Plan) estimates the impact that the COVID-19 pandemic has had on Iowa homeowners. There are an estimated 900,000 owner-occupied dwellings in Iowa, including mortgaged homeowners who are in forbearance or delinquent on their mortgage; non-mortgaged homeowners who may be delinquent on their property taxes; condominium owners who may be behind on their monthly maintenance or HOA fees; and manufactured homeowners who may have other types of housing debt, such as chattel loans or retail installment contracts, which also may be in arrears due to the impacts of the pandemic.

Based on the data and methodology used by the United States Department of Treasury (Treasury), the State of Iowa (State) will receive \$50,000,000 from the Homeowner Assistance Fund help eligible homeowners. Iowa Finance Authority (IFA) will administer the HAF program on behalf of the State.

As a result, IFA has developed two initial programs to assist in curing mortgage and property charge defaults for low- and moderate-income and Socially Disadvantaged Individuals<sup>1</sup>. In addition, funding has been set aside to provide housing counseling and legal aid services to Iowa homeowners. IFA will reassess the need for additional programs or changes in current programs within three months from the launch. At that time, IFA will determine whether any program changes are necessary, or if new programs need to be established to serve the goals of HAF.

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<sup>1</sup> Socially Disadvantaged Individuals is defined, per U.S. Treasury guidance, as "those who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual qualities. The social disadvantage must stem from circumstances beyond their control. There is a rebuttable presumption that the following individuals are socially disadvantaged: Black Americans, Hispanic Americans, Native Americans, Asian Americans and Pacific Islanders. In addition, an individual may be determined to be [Socially Disadvantaged] in accordance with the procedures set forth at 13 CFR 124.103(c) or (d)."

# HOMEOWNER NEEDS AND COMMUNITY ENGAGEMENT

## Data-Driven Assessment of Homeowner Needs

### Homeownership in Iowa

Iowa has one of the highest rates of homeownership in the country<sup>2</sup>, with nearly 900,000, or 71%, of the state's 1.26 million housing units identified as owner-occupied<sup>3</sup>. The 900,000 owner-occupied housing units include: mortgaged homeowners, some of whom are in forbearance or are delinquent on their mortgage; non-mortgaged homeowners who may be delinquent on their property taxes and/or other property charges; condominium owners who may be behind on their monthly maintenance or homeowners' association fees; and manufactured/mobile homeowners who may have other types of housing debt.

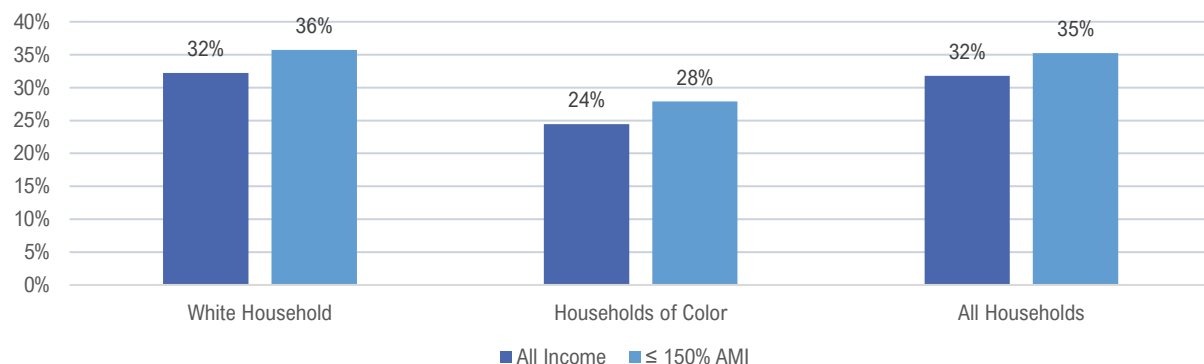
Among Iowa's owner-occupied housing units, 847,000, or 94%, are classified as single-family dwellings, another 18,800 units are small and large multifamily buildings, and nearly 33,000 homeowners live in manufactured or mobile homes.

Approximately 60%, or more than 543,000, of households in Iowa have a mortgage. White households are more likely than households of color (HHOC) to own their homes free and clear; 32% vs 24%, respectively. In addition, lower income households, regardless of their rates and ethnicity, are slightly more likely to own their homes without a mortgage; 35% for households making less than 150% of the AMI versus 32% for households of all incomes.

	Housing Units	
	Number	% of Total
1 Unit	847,144	94.2%
2-4 Units	7,228	0.8%
5+ Units	11,644	1.3%
Mobile Homes	32,949	3.7%
Other	258	0.0%
All Housing Types	899,223	100.0%

Owned with Mortgage or Loan	Owned Free and Clear	Total
543,407	355,679	899,086
60.4%	39.6%	100.0%

Figure 1: Share of Iowa Homeowners Without a Mortgage



Source: U.S. Census Bureau, American Community Survey (ACS) 5-Year Estimates Public Use Microdata Sample 2019

<sup>2</sup> <https://www.urban.org/urban-wire/homeownership-will-look-much-different-across-states-2040-how-does-your-state-rank>

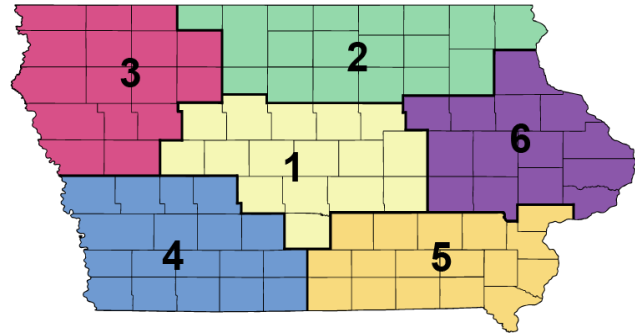
<sup>3</sup> U.S. Census Bureau, American Community Survey (ACS) 5-Year Estimates 2015-2019

## Demographics

Iowa is home to more than 3.2 million people, living in approximately 1.4 million housing units<sup>4</sup>. The State is administratively divided into 99 counties and 947 incorporated cities. While approximately 64 percent of Iowa's population lives in urban areas, more than half of Iowa's incorporated cities have populations less than 500.

The Iowa Department of Homeland Security and Emergency Management has organized the state into six planning districts (See Map). These districts are used at various points in this Homeowner Needs Assessment to describe the State's demographic, economic, and housing conditions and how they vary geographically.

Each district is comprised of whole, contiguous counties, as follows:



District	Counties
<b>District 1</b>	Boone, Calhoun, Carroll, Dallas, Greene, Grundy, Hamilton, Hardin, Jasper, Marshall, Polk, Poweshiek, Story, Tama, Warren, Webster
<b>District 2</b>	Allamakee, Bremer, Butler, Cerro Gordo, Chickasaw, Emmet, Fayette, Floyd, Franklin, Hancock, Howard, Humboldt, Kossuth, Mitchell, Winnebago, Winneshiek, Worth, Wright
<b>District 3</b>	Buena Vista, Cherokee, Clay, Crawford, Dickinson, Ida, Lyon, Monona, O'Brien, Osceola, Palo Alto, Plymouth, Pocahontas, Sac, Sioux, Woodbury
<b>District 4</b>	Adair, Adams, Audubon, Cass, Clarke, Decatur, Fremont, Guthrie, Harrison, Madison, Mills, Montgomery, Page, Pottawattamie, Ringgold, Shelby, Taylor, Union
<b>District 5</b>	Appanoose, Davis, Des Moines, Henry, Jefferson, Keokuk, Lee, Louisa, Lucas, Mahaska, Marion, Monroe, Muscatine, Van Buren, Wapello, Washington, Wayne
<b>District 6</b>	Benton, Black Hawk, Buchanan, Cedar, Clayton, Clinton, Delaware, Dubuque, Iowa, Jackson, Johnson, Jones, Linn, Scott

The vast majority of loans originated in Iowa are for homeowners with income less than or equal to 150% of the Area Median Income (AMI). More than 70% of the 1.2 million mortgages originated in Iowa between 2007 and 2020 were for homeowners with income less than or equal to 150% of AMI. The same data reveals that just 12% of these loans were originated to non-White applicants.

Applicant AMI	# of Loans Originated	% Total	Applicant Race and Ethnicity	# of Loans Originated	% Total
Greater than 150% AMI	278,164	23.04%	Race/Ethnicity Data Unavailable	70,623	5.85%
Over 100 - 150% AMI	299,334	24.80%	Household of Color	76,025	6.30%
100% AMI or lower	555,935	46.05%	White Household	1,060,490	87.85%
Not Available	73,705	6.11%	<b>Grand Total</b>	<b>1,207,138</b>	<b>100.00%</b>
<b>Total</b>	<b>1,207,138</b>	<b>100.00%</b>			

Source: HMDA 2007-2020

<sup>4</sup> <https://www.iowadatabase.org/quickfacts#section-9>

Regions 1 and 6 are home to some of Iowa's most populous counties, including Polk, Dallas, Story, Warren, Linn, Johnson, and Scott. More than 44% of the state's population live in one of these seven counties alone. Home Mortgage Disclosure Act (HMDA) data show Regions 1 and 6 accounted for more than 73.4% of all loans originated in Iowa between 2007-2020 (roughly 886,000 loans). The table in Figure 2 and the maps in Figures 3, 4, and 5 further demonstrate this concentration of lending. In addition, Regions 1 and 6 also account for 73.5% of the loans originated for individuals at or below 150% AMI and 86% of the loans originated for non-White households<sup>5</sup>.

Figure 2: Loans Originated to Applicants at ≤150% AMI

Region	White Household	Non-White Household	Race Data Unavailable	Total (150% AMI)	All Originated Loans	% Total White HH	% Total Non-White HH
Region 1	257,957	14,803	22,385	295,145	422,718	30.2%	1.7%
Region 2	39,543	460	2,299	42,302	59,598	4.6%	0.1%
Region 3	56,215	1,875	2,693	60,783	87,924	6.6%	0.2%
Region 4	57,547	938	3,955	62,440	84,262	6.7%	0.1%
Region 5	56,146	1,245	3,535	60,926	83,714	6.6%	0.1%
Region 6	303,158	12,813	17,700	333,671	464,054	35.4%	1.5%
Location Data N/A	2			2	4,868	0.0%	0.0%
<b>Statewide</b>	<b>770,568</b>	<b>32,134</b>	<b>52,567</b>	<b>855,269</b>	<b>1,207,138</b>	<b>90.1%</b>	<b>3.8%</b>

Source: HMDA 2007-2020

Figure 3: Portion of Originated Loans in Iowa to Households with ≤ 100% AMI

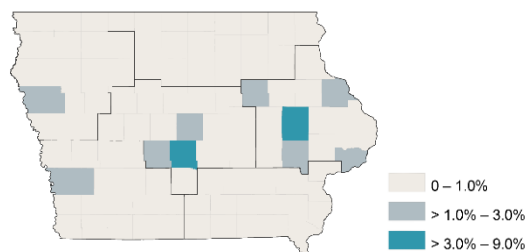
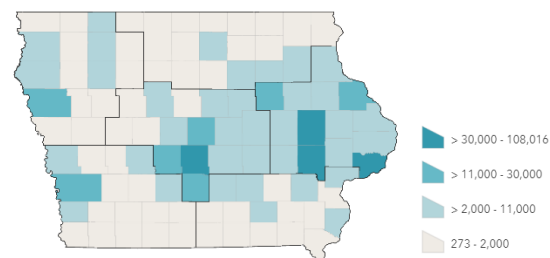


Figure 4: Number of Originated Loans in Iowa to Households with ≤ 100% AMI



Source: HMDA 2007-2020

Iowa has a relatively small non-White population, representing just 10% of the overall population. However, data from the U.S. Census Bureau's American Community Survey show that approximately 96% of all homeowners in the state are White. Furthermore, a report by the National Association of Realtors<sup>6</sup> found that homeownership rates within certain households of color are significantly lower than White households. According to the report, 24% of African American households in Iowa are homeowners, 54% of Asian households are homeowners, and 53% of Hispanic or Latino households are homeowners; comparatively, 74% of White households in Iowa are homeowners.

<sup>5</sup> Does not take into account loans originated to households where race data was unavailable.

<sup>6</sup> National Association of Realtors, ["A Snapshot of Race & Home Buying in America"](#) 2019

Figure 5: Race and Homeownership in Iowa

Race	Total Population	% of Total Population	Owner-occupied Housing Units	% of Total Owner-Occupied Units
White alone	2,826,070	90.0%	863,658	96.0%
Black or African American alone	116,359	3.7%	9,470	1.1%
American Indian and Alaska Native alone	11,976	0.4%	1,783	0.2%
Asian alone	75,741	2.4%	12,581	1.4%
Native Hawaiian and Other Pacific Islander alone	3,729	0.1%	287	0.0%
Some other race alone	39,048	1.2%	5,079	0.6%
Two or more races	66,585	2.1%	6,365	0.7%
<b>Total</b>	<b>3,139,508</b>	<b>100.0%</b>	<b>899,223</b>	<b>100.0%</b>

Source: U.S. Census Bureau, American Community Survey (ACS) 5-Year Estimates 2015-2019

Lastly, most of the loans originated in Iowa for households of color are in a handful of counties. Figures 6 and 7 show where loans have been historically originated for households of color at or below 150% of AMI. This analysis, combined with the income-based loan data above, will be helpful as IFA targets and prioritizes assistance to these groups.

Figure 6: Portion of Originated Loans in Iowa to Households of Color  $\leq$  150% AMI

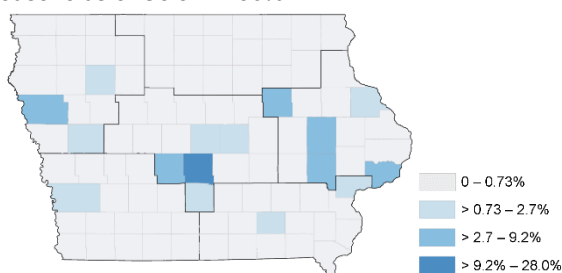
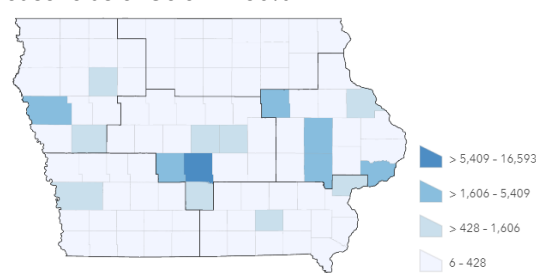


Figure 7: Number of Originated Loans in Iowa to Households of Color  $\leq$  150% AMI



Source: HMDA 2007-2020

## Employment

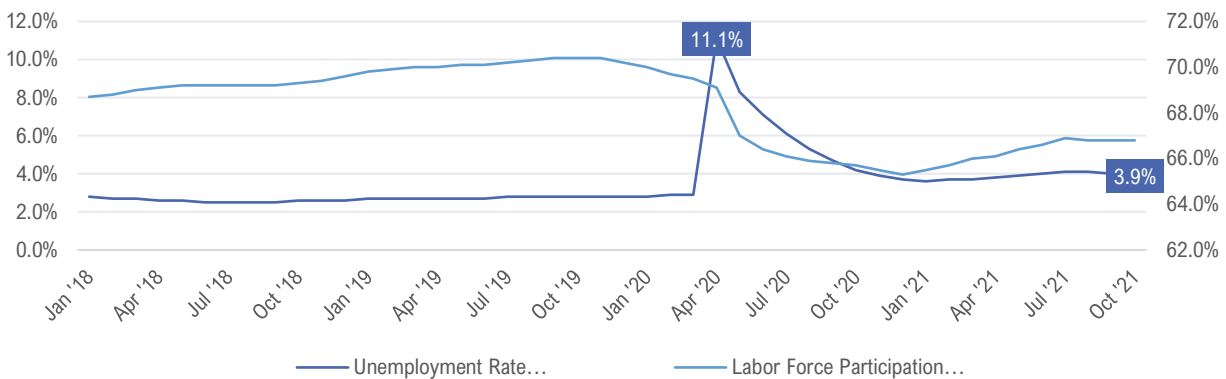
Prior to the coronavirus pandemic, Iowa was enjoying a healthy economy and low unemployment rates. From January 2018 to March 2020, Iowa's unemployment rate was one of the lowest in the nation, averaging 2.7%. By April 2020, unemployment rates across the country increased dramatically, including in Iowa. According to the Bureau of Labor Statistics, in April 2020 the national unemployment rate was 14.8%, while the unemployment rate in Iowa was 11.1%.

By October 2021, Iowa's unemployment rate had fallen to 3.9%, 0.7% better than the national average of 4.6%. While this shows that the state's economy has improved from its pandemic high unemployment rate, many borrowers have been unable to recover financially from the impact of the pandemic on their ability to work and earn a sufficient income to maintain their household.

The state's Labor Force Participation Rate (LFPR), which represents the percentage of the population working or actively seeking work, has also been negatively impacted by the COVID-19 pandemic. LFPR rates have steadily been improving again as we emerge from the pandemic and the economy continues to regain strength.

Both the unemployment rate and labor force participation rate show that while great progress has been made recently, the labor market remains less robust than pre-pandemic.

Figure 8: Statewide Unemployment and Labor Force Participation Rate



Source: Iowa Workforce Development, Local Area Unemployment Statistics – October 2021

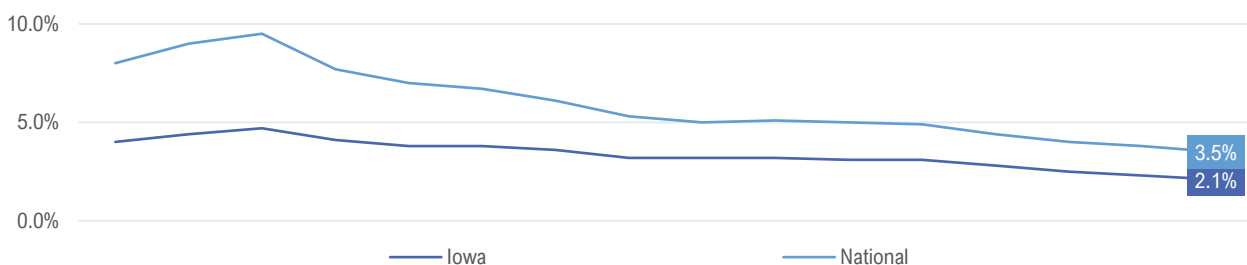
### Mortgage Loan Delinquency and Forbearance Activity

Despite the gradual improvement in the overall economy since the height of the pandemic in 2020, Iowa mortgage delinquencies remain higher than pre-pandemic levels. According to the most recent data available from the Mortgage Bankers Association and the Federal Reserve Bank of Atlanta's Mortgage Analytics and Performance Dashboard (MAPD)<sup>7</sup>, delinquency rates across all loan types hovered around 4% in the immediate pre-pandemic period.

The forbearance rate in Iowa peaked in June 2020 at 4.7% (vs. 9.5% nationwide) declined steadily to 3.5% as of July 2021 (Figure 9). As of September 30, 2021, the delinquency rate for all loans is slightly higher than pre-pandemic levels at 4.12%, while VA and FHA loans continue to have significantly elevated delinquency rates, at 5.8% and 11.2%, respectively (Figure 11).

Figure 9: Forbearance Outstanding, April 2020 - July 2021 (Iowa vs. National)

	Apr 2020	May 2020	Jun 2020	Jul 2020	Aug 2020	Sep 2020	Oct 2020	Nov 2020	Dec 2020	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021	Jun 2021	Jul 2021
Iowa	4.0%	4.4%	4.7%	4.1%	3.8%	3.8%	3.6%	3.2%	3.2%	3.2%	3.1%	3.1%	2.8%	2.5%	2.3%	2.1%
National	8.0%	9.0%	9.5%	7.7%	7.0%	6.7%	6.1%	5.3%	5.0%	5.1%	5.0%	4.9%	4.4%	4.0%	3.8%	3.5%

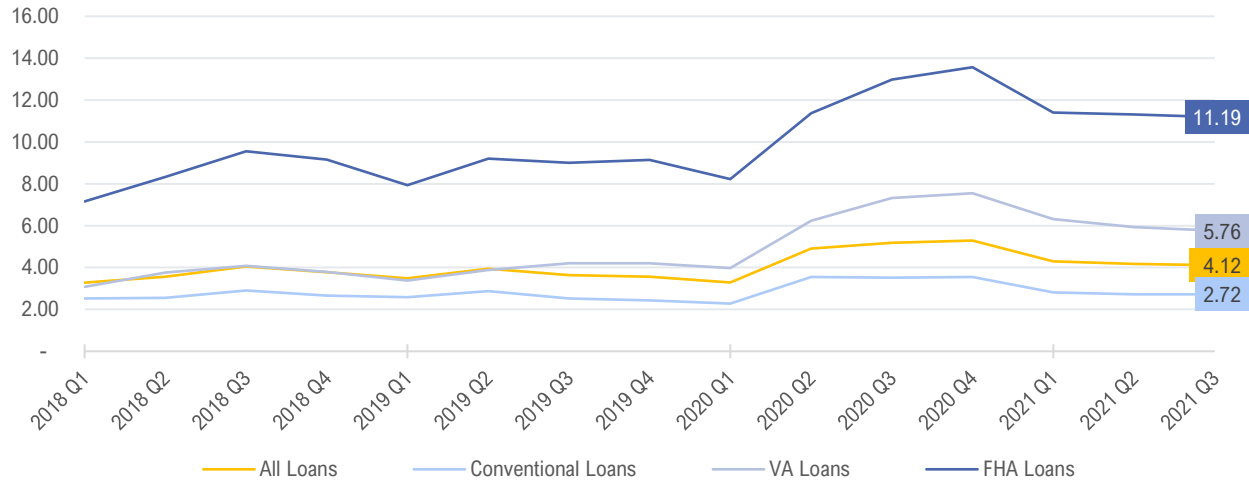


<sup>7</sup> <https://www.atlantafed.org/center-for-housing-and-policy/data-and-tools/mortgage-analytics-and-performance-dashboard>

Figure 10: Non-Forborne Mortgages 30+ Days Past Due, April 2020 - July 2021 (Iowa vs. National)

	Apr 2020	May 2020	Jun 2020	Jul 2020	Aug 2020	Sep 2020	Oct 2020	Nov 2020	Dec 2020	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021	Jun 2021	Jul 2021
Iowa	1.5%	2.1%	1.8%	1.9%	1.8%	2.0%	2.2%	2.2%	2.2%	2.1%	2.0%	2.1%	1.6%	1.6%	1.8%	1.8%
National	2.1%	2.9%	2.6%	2.5%	2.4%	2.6%	2.9%	3.0%	3.1%	2.8%	2.7%	2.8%	2.5%	2.4%	2.5%	2.5%

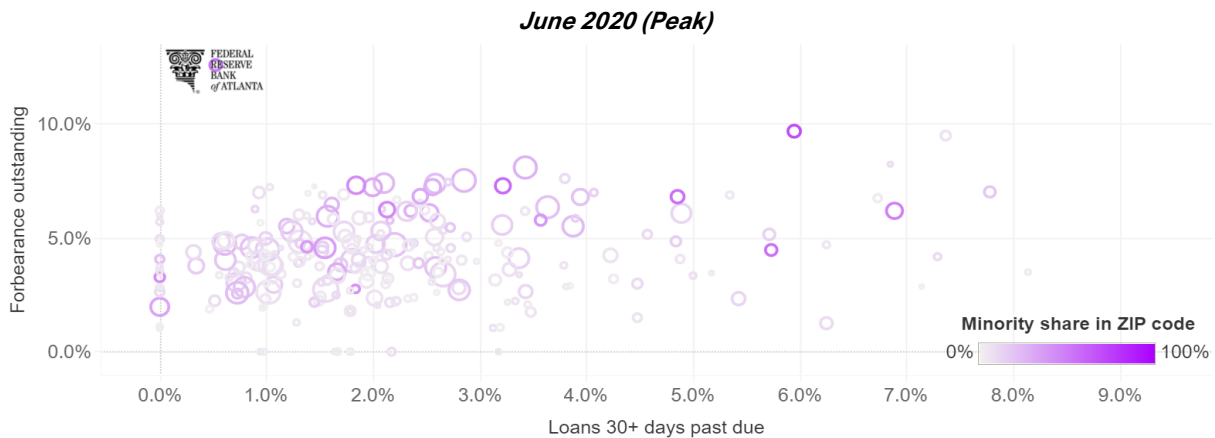
Figure 11: Statewide Percent of Loans with Past Due Installments



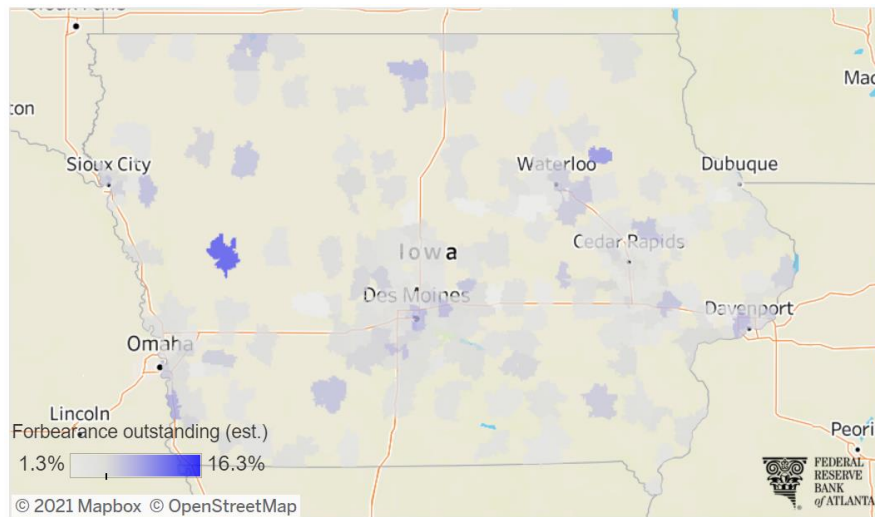
Source: Mortgage Bankers Association

Highlighting the need to prioritize HAF funding to those who have been disproportionately affected by the pandemic, Figures 12 and 13 show that forbearance rates were much higher, both during the peak of the pandemic in summer 2020 and as the crisis waned, in the ZIP codes with the highest share of minorities and those with higher rates of low- to moderate-income homeowners, as compared to the rest of the state.

Figure 12: Forbearance Rates by Minority Share of ZIP Code (June 2020 and July 2021)

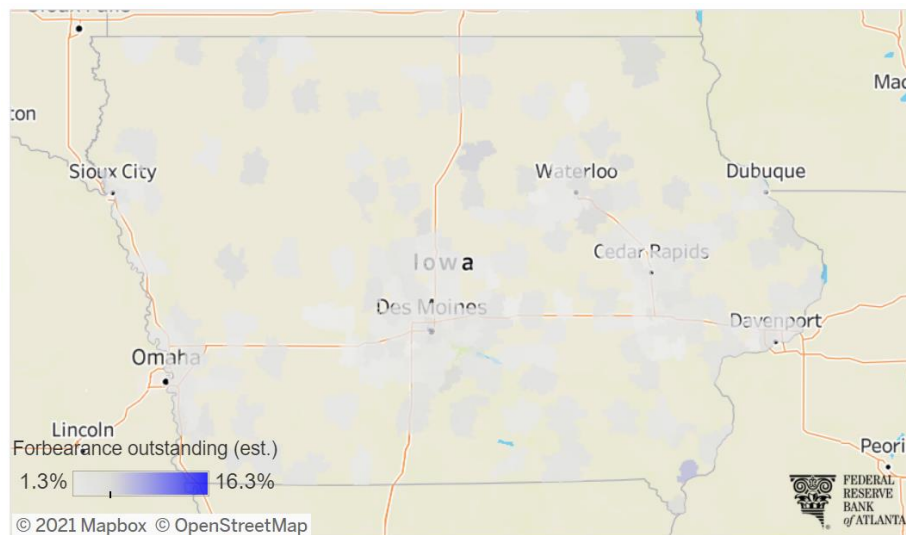
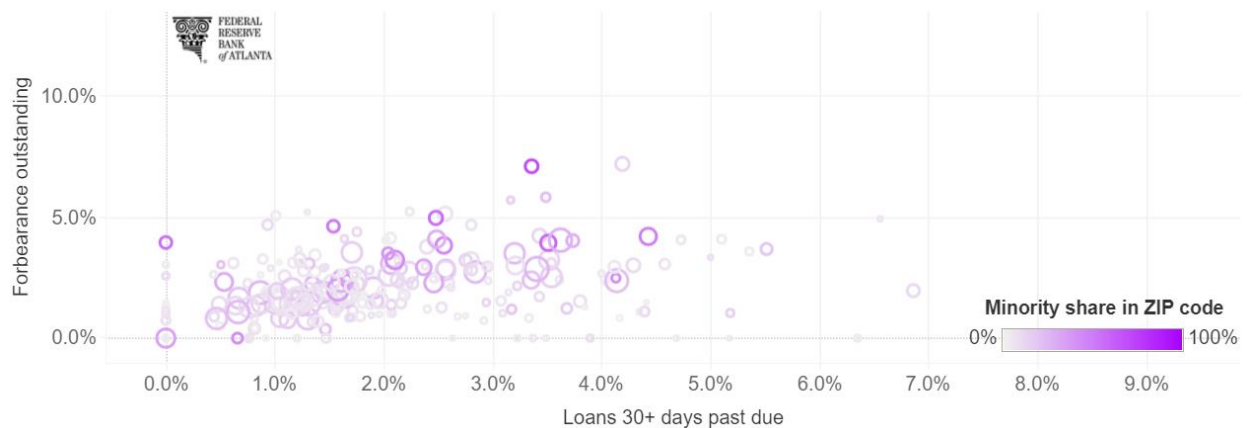






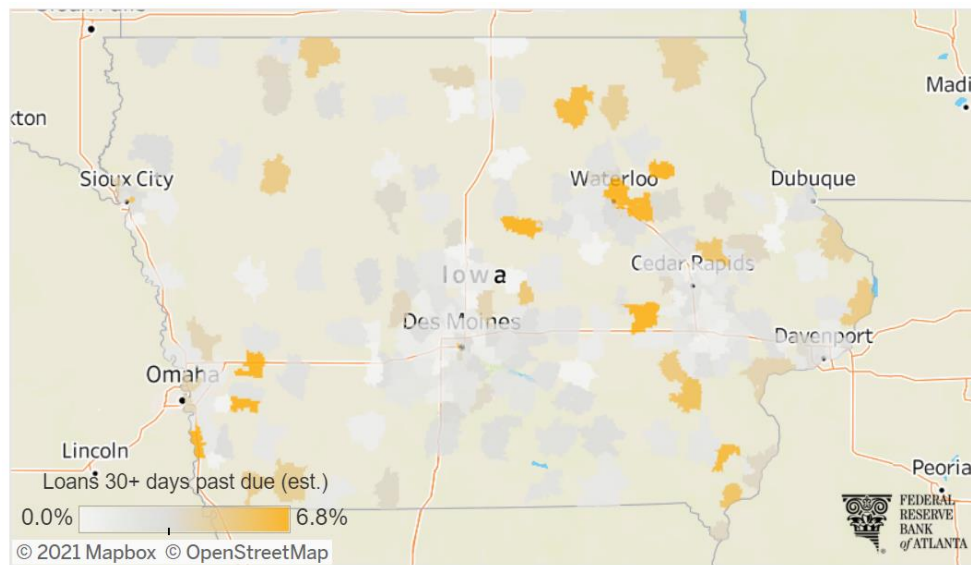
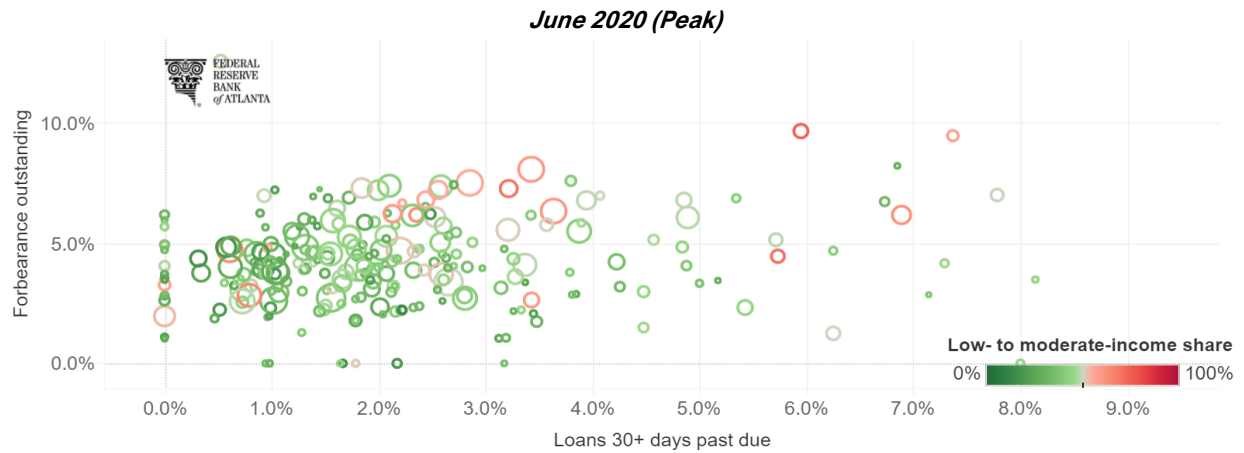
Source: Federal Reserve Bank of Atlanta Mortgage Analytics and Performance Dashboard (MAPD)

**July 2021 (most recent data)**

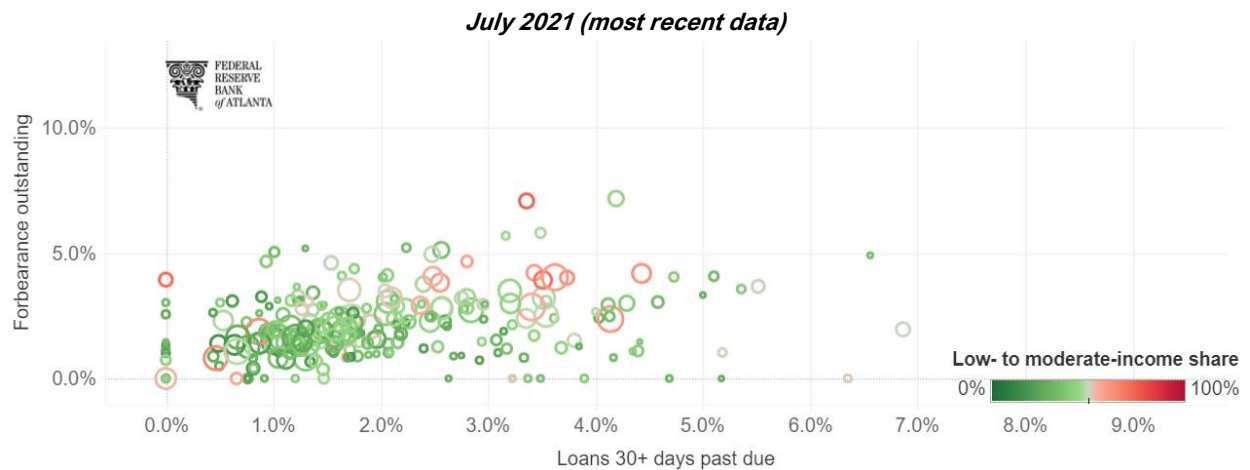


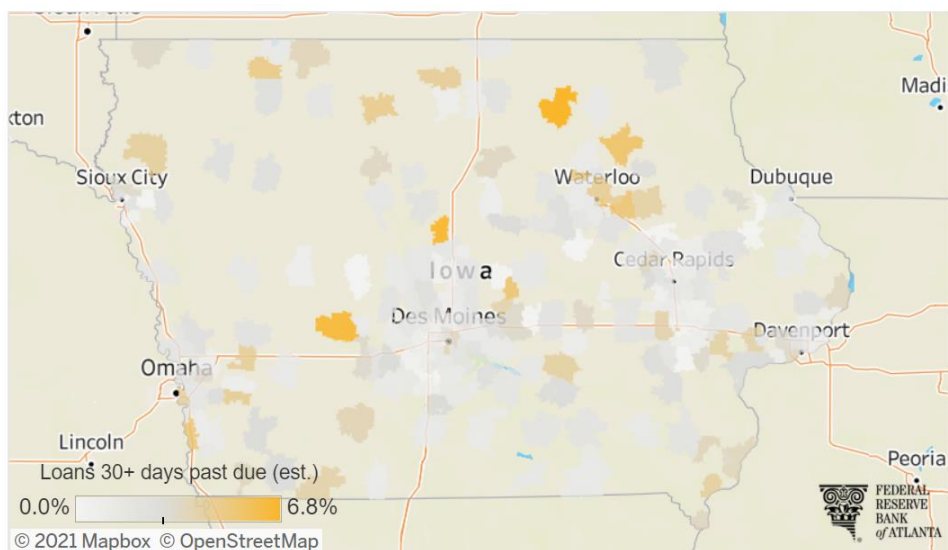
Source: Federal Reserve Bank of Atlanta Mortgage Analytics and Performance Dashboard (MAPD)

Figure 13: Forbearance Rates by Low- to Moderate-Income Share of ZIP Code (June 2020 and July 2021)



Source: Federal Reserve Bank of Atlanta Mortgage Analytics and Performance Dashboard (MAPD)





Source: Federal Reserve Bank of Atlanta Mortgage Analytics and Performance Dashboard (MAPD)

## Public Participation and Community Engagement

IFA staff members interact frequently with various stakeholders such as housing counselor organizations, insurance companies, legal service organizations, real estate professionals, mortgage lenders, and loan servicers throughout the state.

Since the HAF Guidance was originally published on April 14, 2021, IFA has engaged in discussions with several of the largest mortgage loan servicers in Iowa. Principal discussions pertain to homeowners with delinquent loans and loans in forbearance, and the processes by which these loans can be reinstated using HAF funds. Additionally, IFA has reached out to its master servicer and others for data relating to the number of loans that are past due and the amount required to reinstate.

IFA published a draft HAF Plan for public comment on July 21, 2021, with a public comment period through July 26, 2021. Two public hearings on the draft HAF Plan were conducted on July 21 and July 23, 2021. Feedback and input submitted before the submission of this plan were considered and incorporated as determined appropriate by IFA.

## PROGRAM DESIGN

Iowa's Homeowner Assistance Fund (HAF) program will mitigate financial hardships associated with the COVID-19 pandemic by providing funds to eligible homeowners to prevent homeowner delinquencies, defaults, foreclosures, and homeowner displacement. The primary goal of the program is for homeowner retention and reduced delinquencies among homeowners receiving assistance.

The programs in this plan are designed provide financial assistance to eligible Iowa homeowners to eliminate or reduce past due payments associated with homeownership, including payments under a forbearance plan, deferred payments, full or partial reinstatements, and past due payment on loans secured by manufactured home or contracts of deeds. Additionally, financial assistance will be available to

eligible Iowa homeowners to eliminate or reduce past due property tax, condominium association dues, and other non-mortgage charges.

IFA is committed to help resolve defaults that threaten a homeowner's ability to sustain ownership of the property. In service of this commitment, IFA is presenting its initial HAF Plan to Treasury with two programs, to which up to 80% of the state's total HAF allocation will be dedicated:

- Mortgage Reinstatement Program
- Property Charge Default Resolution Program

While there may be a need for homeowner assistance with utility costs, IFA intends to initially prioritize mortgage and mortgage-related assistance. Qualified assistance uses that are not included in the initial program may be offered at a later date. IFA will reassess the need for additional programs or changes in current programs within three months from the launch. At that time, a determination will be made as to whether any program changes are necessary, or if new programs need to be established to serve the goals of HAF.

For all HAF Programs:

- The overall household maximum amount of HAF funds per household will be \$25,000.
- Consistent with Treasury guidance, all Eligible Applicants experiencing mortgage default will be required to seek loss mitigation options first with their servicer prior to receiving HAF funds.

## **Mortgage Reinstatement Program**

The goal of the Mortgage Reinstatement Program is to eliminate or reduce mortgage loan delinquencies to prevent foreclosure and homeowner displacement by reinstating mortgage loans that are at least thirty days delinquent. Through this program, delinquent mortgage loans will be fully reinstated, allowing homeowners to remain in their homes and avoid foreclosure and displacement. Homeowners will also be required to inquire about loss mitigation programs available through their lender/servicer prior to receiving HAF assistance.

Homeowners for whom reinstatement will not be a long-term solution (will not be able to resume regularly scheduled payments, even with assistance through this Program) will be referred to their servicer to explore other loss mitigation options or to a HUD-certified counseling agency for preforeclosure counseling. HAF funds will be used to supplement other loss mitigation options offered by the servicer under investor requirements or where, without HAF funds, the homeowner would not qualify for a loss mitigation option.

Eligible mortgages include existing first mortgage loans, subordinate mortgages with scheduled principal and interest payments, contract for deed instruments, land contracts, and manufactured/mobile home loan monthly payment.

Eligible expenses include amounts advanced by the lender or servicer for property charges, including property taxes, insurance premiums, homeowners' association (HOA) fees, condominium fees, and manufactured housing lot rent, or common charges that threaten sustained ownership of the property.

The maximum amount of household assistance from the Mortgage Reinstatement Program will be \$25,000 and subject to an overall household maximum HAF benefit amount \$25,000 from all programs. Assistance will be provided as a nonrecourse grant to the homeowner.

## **Property Charge Default Resolution Program**

The goal of the Property Charge Default Resolution Program is to provide financial assistance to resolve any property charge default that threatens a homeowner's ability to sustain ownership of the property.

Eligible expenses include delinquent property taxes, insurance premiums, homeowners' association (HOA) fees, condominium fees, manufactured housing lot rent, or common charges that threaten sustained ownership of the property. Through this program, delinquent property charges will be fully reinstated, allowing homeowners to remain in their homes and avoid foreclosure and displacement.

The maximum amount of household assistance from the Property Charge Default Resolution Program will be \$25,000 and subject to an overall household maximum HAF benefit amount \$25,000 from all programs. Assistance will be provided as a nonrecourse grant to the homeowner.

## **Housing Counseling and Legal Aid Services**

In addition to the two programs outlined above, Treasury guidance allows states to use up to 5% of a their HAF allocation for housing counseling and/or legal service to assist eligible homeowners.

- *Housing Counseling Services:* Up to 2.5% (\$1,250,000) of HAF will be allocated to Housing Counseling Services to assist homeowners with pre-foreclosure counseling. All applicants will be eligible to receive these services and IFA will strongly encourage their participation.
- *Legal Aid Services:* Up to 2.5% (\$1,250,000) of HAF will be allocated to Legal Aid Services to provide free in-state legal services to at-risk eligible homeowners. All eligible applicants will be entitled to receive these services.

## **General Eligibility Requirements**

### **Homeowner Eligibility**

Eligible homeowners must meet the following criteria:

- Homeowner must attest that they experienced a Qualified Financial Hardship on or after January 21, 2020 (defined below), or had a financial hardship that began before January 21, 2020, but continued after that date. The attestation must describe the nature of the financial hardship.
- Homeowner must currently own and occupy the property as their primary residence.
- Homeowner must meet the Income Eligibility Requirements (defined below).
- The original, unpaid principal balance of the homeowner's first mortgage loan, at the time of origination, cannot be greater than the "conforming loan limit" (as determined under the provisions of the Housing and Economic Recovery Act of 2008) in effect at time of origination.

- Homeowners who have previously filed for bankruptcy but who are no longer in bankruptcy may need to provide proof of court ordered “discharge” or “dismissal” or permission from the bankruptcy trustee to participate in the HAF program.
- Homeowners whose Qualified Financial Hardship is due to a job loss and are not working at the time of application are required to provide documentation showing they are actively seeking work.
- The homeowner must provide all necessary documentation to satisfy program guidelines within timeframes established by IFA, including self-certification or attestation of income and Socially Disadvantaged Individual status, as applicable.

### **Eligible Properties**

Eligible properties are those that are:

- Single-family (attached or detached) properties
- Condominium units.
- 2- to 4-unit properties where the homeowner is living in one of the units as their primary residence.
- Manufactured homes permanently affixed to real property and taxed as real estate.
- Mobile homes not permanently affixed to real property.

Ineligible properties are those that are:

- Vacant or abandoned.
- Second homes.
- Non-owner-occupied investment property.

Occupancy will be determined based on a self-certification and additional documentation to be provided by the homeowner, which may include any one of the following: driver’s license or state-issued ID, utility bill, phone or internet bill, bank statement, mortgage statement, property tax bill, tax return, deed, or any government issued document that includes the applicant’s name and address.

### **Qualified Financial Hardship**

Homeowners must attest that they have a Qualified Financial Hardship. A Qualified Financial Hardship is a material reduction in income or material increase in living expenses associated with the coronavirus pandemic that has created or increased the risk of mortgage delinquency, mortgage default, foreclosure or displacement for a Qualified Homeowner.

- *Reduction of Income:* Temporary or permanent loss of earned income directly related to the coronavirus pandemic after January 21, 2020, or that began before January 21, 2020, but continued after that date.
- *Increase in Living Expenses:* Increase in out-of-pocket household expenses after January 21, 2020, such as: medical expenses, increase in household size, or costs to reconnect utility services directly related to the coronavirus pandemic.



Homeowners must complete and sign an affidavit, which includes an attestation of Qualified Financial Hardship. IFA received stakeholder feedback regarding the need to simplify documentation requirements wherever feasible, which informed the decision to use attestation.

### **Income Eligibility**

To be eligible for assistance under the HAF programs, homeowners must have incomes equal to or less than 150 percent of the area median income (AMI) household limit (three times the income limit for very low-income families, for the relevant household size), in accordance with HUD'S FY 2021 HAF Income Limits. HAF participants are given two options to use in calculating income for eligibility determination:

- Department of Housing and Urban Development's (HUD) definition of "annual income" in 24 CFR 5.609<sup>8</sup>.
- Use adjusted gross income (AGI) as defined for purposes of reporting on Internal Revenue Service (IRS) form 1040 series for individual federal annual income tax purposes.

Income may be determined in two ways:

- *Annual Income*: Applicants should provide at the time of application source documents evidencing annual income (e.g., wage statement, interest statement, unemployment compensation statement), or a copy of Form 1040 as filed with the IRS for the household.
- *Monthly Income*: Applicants should provide income source documentation, as listed above, for one month prior to the submission of the application for assistance.

### **Intake Systems and Application Process**

The application and intake process will be designed and operated in a manner to avoid barriers to equitable access and to allow for maximum flexibility. Homeowners will be able to apply through a mobile-friendly online portal that will allow for the upload of all supporting documents. The application portal and related information about the application process will be made available in multiple languages.

### **Targeting HAF Funding**

Treasury guidance requires 60 percent of amounts made available to the state to assist homeowners with incomes equal to or less than 100 percent of the Area Median Income (AMI) or equal to or less than 100 percent of the median income for the United States, whichever is greater. The remaining allocation to the state must be prioritized for socially disadvantaged individuals, and after prioritization to those individuals, funds will be made available to other eligible households.

### **Prioritization**

At all times while HAF funds are available, homeowners facing imminent foreclosure will be moved to the front of the line irrespective of geographic location of the residence. In accordance with Treasury's HAF Guidance, applicants will be prioritized in the following manner:

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<sup>8</sup> <https://www.law.cornell.edu/cfr/text/24/5.609>

- *Homeowners Earning 50 percent or less of the Area Median Income.* IFA recognizes that homeowners at this income level are often in portfolios of government-backed and guaranteed mortgages and may be in most need.
- *Homeowners Earning 100 percent or less of the Area Median Income.* In accordance with HAF Guidance and recognizing that homeowners earning up to 100 percent of the area median income are overrepresented in portfolios of government-backed and guaranteed mortgages compared to the market as a whole, IFA will prioritize assistance to homeowners with Federal Housing Administration (FHA), Veteran's Administration (VA), and United States Department of Agriculture (USDA) mortgages and homeowners who have mortgages made with proceeds of mortgage revenue bonds will be prioritized for assistance.
- *Socially Disadvantaged Individuals.* As defined in the HAF Guidance dated August 2, 2021, socially disadvantaged individuals are those whose ability to purchase or own a home has been impaired due to diminished access to credit on reasonable terms as compared to others in comparable economic circumstances, based on disparities in homeownership rates in the HAF participant's jurisdiction as documented by the U.S. Census. The impairment must stem from circumstances beyond their control. Indicators of impairment under this definition may include being a (1) member of a group that has been subjected to racial or ethnic prejudice or cultural bias within American society, (2) resident of a majority-minority Census tract; or (3) individual with limited English proficiency.
- *Government Loan and Affordable Housing Portfolios.* IFA will prioritize assistance to eligible homeowners with FHA, VA, and USDA mortgages and homeowners who have mortgages made with the proceeds of mortgage revenue bonds or other mortgage programs that target low- and moderate-income homeowners.
- *Non-Traditional Loans and Properties.* Recognizing the unique needs of homeowners in rural communities with less housing stock than larger MSAs, IFA will prioritize homeowners who would not typically be included in Government Loan and Affordable Housing Portfolios. IFA will be able to assist homeowners with less traditional financing instruments and will be able to provide assistance to homeowners whose property is a manufactured home as defined by Iowa Code Chapter 435<sup>9</sup>. Homeowners of manufactured housing may not be able to qualify for traditional loan products containing competitive market rates and may have mortgages with higher rates and shorter terms.

All remaining funds not otherwise prioritized will be made available for other Eligible Homeowners.

## Outreach and Marketing Plan

Outreach and marketing will include a designated Homeowner Assistance Fund webpage on IFA's website, email listserv, social media, press releases, and through partner organizations including lenders, Realtors, housing counseling organizations, CDFIs, and other affordable housing organizations throughout Iowa. Outreach and marketing materials, particularly those detailing homeowner and property eligibility, will be made available in multiple languages, including English and Spanish.

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<sup>9</sup> <https://www.legis.iowa.gov/docs/code/435.pdf>



IFA will review its outreach and marketing efforts periodically, in conjunction with its Performance Goals, to ensure that outreach and marketing efforts are effectively reaching target homeowners. Adjustments to the outreach and marketing plan will be made accordingly.

## **Best Practices and Coordination with Other HAF Participants**

Since the HAF Guidance was initially published by Treasury on April 14, 2021, IFA has participated in regular meetings with other HAF administrators coordinated by the National Council of State Housing Agencies (NCSHA). In addition, IFA has considered the best practices and lessons learned by many of the Hardest Hit Fund states and reviewed several draft plans developed by other HAF administrators in the design of a plan to address the needs of Iowa homeowners impacted by the COVID-19 pandemic.

IFA is also actively involved in discussions with several of the largest mortgage loan servicers regarding delinquent loans and loans in forbearance and the process by which those loans can be reinstated. In an effort to streamline collaboration and communication with loan servicers, IFA will adopt the Common Data File (CDF) for data exchange with servicers and will use a servicer collaboration agreement that was designed for common use across states and programs.

IFA will continue to actively engage with all housing partners to establish and implement best practices for HAF for the life of the program.

## **PERFORMANCE GOALS**

The primary goals of the Mortgage Reinstatement Program and the Property Charge Default Program are to:

- Avoid foreclosure and homeowner displacement for homeowners with incomes equal to or less than 100 percent of the area median income (two times the income limit for very low-income families, for the relevant household size) or equal to or less than 100 percent of the median income for the United States, whichever is greater.
- Reduce mortgage loan delinquencies and prevent mortgage loan defaults with respect to homeowners with incomes equal to or less than 100 percent of the area median income (two times the income limit for very low-income families, for the relevant household size) or equal to or less than 100 percent of the median income for the United States, whichever is greater.

In accordance with Treasury recommendations, specific goals and benchmarks for each program are outlined below.

- The ease and speed by which an applicant receives a final determination of benefit assistance – from initial inquiry to disbursement of funds, denial or withdrawal of an application, as applicable;
- The number of households served and the amount of financial HAF program assistance provided;
- The number and percentage of applicants who received assistance through the program (versus the number and percentage of denied and/or withdrawn applications); and
- The number of households served and the dollar amount of HAF assistance provided to homeowners expressed in area median income ranges and number of persons in the household.

Program Design Element	Metric of Success	Goal
<b>Mortgage Reinstatement Program</b>	Number of mortgage loans reinstated (home loss avoided)	Reinstate 1,500 mortgage loans within 24 months of program launch
<b>Property Charge Default Program</b>		
Delinquent Property Taxes	Number of homeowners for which delinquent property taxes are brought current to avoid tax foreclosure	Bring 500 homeowners current on delinquent property taxes within 24 months of program launch
Insurance Premiums	Number of insurance policies brought current	Bring 500 insurance policies current within 24 months of program launch
Homeowner and Condo Association Fees, Liens, and Common Charges	Number of homeowners brought current on delinquent HOA or condominium association fees, or common charges	Bring 100 homeowners current on HOA or condominium association fees or common charges to avoid homeowner displacement
Pre-foreclosure or Foreclosure-related Legal Fees, and Other Related Charges	Number of homeowners for which outstanding pre-foreclosure or foreclosure-related legal fees and other charges are brought current	Bring 100 homeowners current with respect to outstanding pre-foreclosure or foreclosure-related legal or other related fees to avoid homeowner displacement

## Periodic Review

IFA will conduct periodic reviews of the program, not less than quarterly, reviewing a random sampling of applications (not less than 10%) to evaluate performance, and to ensure that the required elements of the program are being met.

# READINESS

## Staffing and Systems

IFA has selected Witt O'Brien's, LLC ("Witt O'Brien's") to assist in program planning and administration. Witt O'Brien's will be the prime contractor, providing expertise in the development of the plan and overseeing the processing of HAF applications, including (i) application review, prioritization, underwriting, and approval; (ii) calculation of payments; (iii) processing payments; (iv) reporting; and (v) call center operations.

Witt O'Brien's developed partnerships with other vendors to assist in the program administration:

- Yardi Solutions will serve as the technology partner, providing the platform solution and necessary system training for the HAF program. The system of record for the program will be Yardi Mortgage Relief.

- Plexos will provide call center services and potential augmentation support for application processing and case management.

IFA expects that the vendors will provide a significant amount of the staffing for the implementation and operation of the program. IFA will add additional staff as the program develops, as needed.

IFA will ensure program integrity by undertaking system-generated, random selection of case reviews after eligibility determination and prior to funding; 100% review of all declined cases and a reasonable selection of each reviewer's pipeline, beginning with 10% of volume and eventually decreasing to a minimum of three cases weekly.

## Contracts and Partnerships

In addition to the contracts resulting from requests for proposals described above, IFA will partner with mortgage loan servicers through the mutual execution of a cooperation or partnership agreement. IFA will work closely with qualified housing counselors, CDCs, CDFIs, and other non-profit organizations with the capacity to assist homeowners with obtaining HAF assistance, particularly those that can assist with reaching low to moderate income homeowners with less traditional mortgage loans and expects to contract with these providers on a pay-for-performance basis.

## Existing and Pilot Programs

IFA intends to release a pilot program that would be a smaller scale version (limited audience) of the Mortgage Reinstatement and Property Charge Default Resolution Programs. The pilot is expected to run for several weeks prior to full program release (pending Treasury approval) and will assist in ensuring that system and operational processes are running smoothly and efficiently prior to full program launch.

## BUDGET

Homeowner Assistance Funds Available	\$50,000,000
Administrative Expenses* (up to 15%)	\$7,500,000
Housing Counseling Services (up to 2.5%)	\$1,250,000
Legal Aid Services (up to 2.5%)	\$1,250,000
Balance Available for Programs	\$40,000,000

\* Any administrative funds not used for payment of program expenses may be used for additional homeowner assistance.