Hardest Hit Fund Fifth Round Funding Allocation – Frequently Asked Questions (FAQ)

Updated April 20, 2016

1. **What is the Hardest Hit Fund?**

   The Department of the Treasury (Treasury) established the Housing Finance Agency Innovation Fund for Hardest Hit Housing Markets (Hardest Hit Fund or HHF) in 2010, to provide assistance to states that were most severely impacted by the foreclosure crisis. Under the Hardest Hit Fund, Treasury provides Troubled Asset Relief Program (TARP) funds to state housing finance agencies in 18 states and the District of Columbia (HHF states), for use in preventing foreclosures and stabilizing state housing markets. As of the end of the fourth quarter of 2015, HHF has assisted nearly a quarter of a million homeowners and helped to remove more than 9,000 blighted properties in participating jurisdictions.

2. **Why is Treasury making additional investments in HHF now, and how is it able to do so?**

   While state unemployment rates and home prices have generally improved, many homeowners and neighborhoods continue to face obstacles. Recognizing the current and persistent need among HHF states, in December 2015 Congress included a provision in the Consolidated Appropriations Act, 2016 (the Act) that authorized Treasury to obligate no more than $2 billion in additional TARP funds for existing HHF states.

   The additional investment in HHF will enable participating states to continue assisting struggling homeowners and stabilizing housing markets in many of the nation's hardest hit states.

3. **How much will each state receive?**

   Treasury allocated the $2 billion authorized under the Act in two phases. The first phase (Phase 1) allocated $1 billion among states using a formula that took into account each state's population and its utilization of its previously allocated HHF funds. In order to qualify for Phase 1, states had to have drawn at least 50 percent of their to-date HHF funding. The second phase (Phase 2) allocated $1 billion through an application process that evaluated the state's application against criteria that included current housing market needs, the state's plan to address those needs, and a demonstrated ability to effectively utilize allocated funds.

FIFTH ROUND FUNDING ALLOCATIONS BY STATE

State	Phase 1 Allocation	Phase 2 Allocation	Total Fifth Round Funding Allocation	Total HHF Funding (Rounds 1-5)
AL	Ineligible	Did Not Apply	**$0**	$162,521,345
AZ	$28,282,519	Did Not Apply	**$28,282,519**	$296,048,525
CA	$213,489,977	$169,769,247	**$383,259,224**	$2,358,593,320
DC	$4,924,602	$3,123,331	**$8,047,933**	$28,745,131
FL	$77,896,538	Did Not Apply	**$77,896,538**	$1,135,735,674
GA	$30,880,575	$0	**$30,880,575**	$370,136,394
IL	$118,174,500	$151,299,560	**$269,474,060**	$715,077,617
IN	$28,565,323	$33,454,975	**$62,020,298**	$283,714,437
KY	$30,148,245	$27,955,713	**$58,103,958**	$207,005,833
MI	$74,491,816	$188,106,491	**$262,598,307**	$761,204,045
MS	$19,340,040	$23,063,338	**$42,403,378**	$144,291,701
NC	$78,016,445	$145,709,333	**$223,725,778**	$706,507,564
NJ	$69,231,301	$45,354,517	**$114,585,818**	$415,133,962
NV	$8,885,641	Did Not Apply	**$8,885,641**	$202,911,881
OH	$97,590,720	$94,316,248	**$191,906,968**	$762,302,067
OR	$36,425,456	$58,110,108	**$94,535,564**	$314,578,350
RI	$9,680,817	$26,942,913	**$36,623,730**	$115,975,303
SC	$22,030,274	Did Not Apply	**$22,030,274**	$317,461,821
TN	$51,945,211	$32,794,226	**$84,739,437**	$302,055,030
TOTAL	$1,000,000,000	$1,000,000,000	$2,000,000,000	$9,600,000,000

4. How did Treasury conduct the Phase 2 application process?

The application period was announced on February 19 and closed on March 11, 2016. All 19 of the state Housing Finance Agencies (HFAs) participating in HHF were eligible to apply for Phase 2 allocations. The HFAs were provided with detailed instructions on how to apply for Phase 2 funding, along with the criteria that Treasury would use to evaluate the applications .[2] States were eligible to apply for up to $250 million or 50 percent of their previous (Rounds 1-4) allocations, whichever was lower.

A successful application was required to (i) demonstrate the ongoing nature and type of the HFA’s need for additional funding to prevent foreclosures and stabilize housing markets, (ii) articulate a clear and reasonable plan of action to achieve defined program targets through programs that address the needs presented and leverage the HFA’s experience and track record in administering the proposed programs, and (iii) demonstrate the HFA’s ability to utilize all funding (existing and requested amounts) by December 31, 2020. Treasury received applications from 14 of the 19 eligible HFAs, with an aggregate requested amount of $1.85 billion, more than the $1 billion available.

5. **What factors did Treasury consider in reviewing the applications by the states, and how were the funds allocated?**

   The Phase 2 process enabled Treasury to evaluate states' applications against a number of important criteria. The states were asked to document their housing market needs, outline their plans of action to address those needs, and provide programmatic targets and credible utilization projections. Applications were reviewed and scored by an interdisciplinary committee within Treasury based on the criteria set out in the application instructions.

   Phase 2 allocations reflect the quality of each HFA's application relative to others, while taking into account that only $1 billion was available for distribution. Stronger quality applications had their requested allocation amounts discounted the least, while weaker applications received larger discounts.

6. **Why not allocate the entire $2 billion all at once?**

   The process Treasury used was intended to balance a number of objectives, including consideration of states' ongoing housing market needs, ensuring a timely allocation of funds, utilizing a transparent process, and encouraging an effective use of additional funds. Allocating the Phase 1 funds by formula allowed Treasury to allocate funds expeditiously -- which was critical -- as some states had already used or committed nearly all their HHF funding. The application process used in Phase 2 allowed Treasury to allocate additional funds based on each state's specific needs and plans for use of those funds.

7. **What economic statistics or other data did Treasury use in formulating the initial $1 billion formula phase?**

   The formula was based on publicly available data including state population from the U.S. Census Bureau[1] and the percentage of HHF funds each state has utilized.[2] The use of state population is consistent with previous rounds of HHF funding. It recognizes that states' housing market needs generally scale with the size of their populations. Utilization of HHF funding reflects the state's ability to put HHF funds to use in their communities.

[1] Available at: http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml

[2] Treasury reports the percentage of funds drawn down by each HHF state in its Monthly Report to Congress on the Troubled Asset Relief Program (TARP). These reports are available at: https://www.treasury.gov/initiatives/financial-stability/reports/Pages/Monthly-Report-to-Congress.aspx

8. **What if states are unable to use new funds by the program's new end date?**
   HHF funds allocated under the Fifth Round Funding are subject to a "use-or-lose" provision, which will periodically redirect allocated but unused funds to states with higher utilization rates. HHF states will have to meet annual utilization thresholds beginning at the end of 2016 in order to retain their full Fifth Round Funding (Phase 1 and/or Phase 2).

9. **How will states be able to use the new funds?**

   States design and administer their programs under the Hardest Hit Fund pursuant to contracts with Treasury. Use of HHF funds allocated under the Fifth Round Funding will be subject to the same criteria and Treasury approval as other HHF funding. In general, funds are to be used to support locally-tailored programs designed to prevent foreclosure and stabilize state housing markets.