



Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets

Alabama Housing Finance Authority

Submission to the U.S. Department of Treasury | August 31, 2010

INTRODUCTION

In August 2010, the U.S. Department of Treasury announced \$2 billion in funding to provide additional assistance targeted at unemployed homeowners in states with the highest unemployment rates. The Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets (HHF) gives HFAs in 17 states and the District of Columbia, including the Alabama Housing Finance Authority (AHFA), the opportunity to develop innovative programs to help unemployed homeowners avoid foreclosure. Each state is directed to use the funds to provide temporary assistance to homeowners by offering a standard unemployment bridge program that will pay the homeowner's mortgage payment while they are unemployed.

Responsible families across the country have found themselves unable to pay their mortgages due to unemployment. The economic downturn has led to a record number of workers suffering from long-term unemployment, and millions more are working part-time because they cannot find full-time or otherwise adequate work. Homeowners who have experienced an involuntary loss of income are at a high risk of foreclosure, particularly in an environment of declining home values. Homeowners who have experienced a temporary loss of income may benefit from short-term assistance to help bridge the gap until they have restored their income. This assistance is designed to help thousands of families stay in their homes until they can they find work.

This additional funding for HHF is designed to provide targeted relief to unemployed homeowners, while allowing HFAs to retain the flexibility to tailor the assistance to the needs of each participating state. This program will pay a homeowner's mortgage payment for a period to be determined by the HFA to allow a homeowner to secure employment.

The 18 states and jurisdictions eligible for this additional funding had sustained unemployment rates over the last 12 months (through June 2010) that were at or above the national average.

HHF is an extension of the Troubled Asset Relief Program (TARP); therefore, all programs must satisfy funding requirements under the Emergency Economic Stabilization Act of 2008 (EESA). EESA purposes are to restore liquidity and stability to the financial system and to use TARP funds in a manner that among other things, protects home values, preserves homeownership, promotes jobs and economic growth and provides public accountability.

To receive funding from HHF, a program must satisfy the requirements for funding under EESA. These requirements include that the recipient of funds must be a financial institution, as defined by EESA, and that the funds must be used to pay for a program designed to prevent avoidable foreclosures and other permitted uses under EESA.



AHFA appreciates the opportunity to help homeowners avoid foreclosure using resources from HHF. AHFA is uniquely qualified to develop and administer programs to utilize HHF dollars, as it is a leader in designing and implementing programs to meet the housing needs of Alabama's low- to moderate-income families.

OVERVIEW OF PROGRAM

For HHF, HFAs must create and implement a single unemployment bridge program that pays an unemployed homeowner's mortgage while they search for work. All assistance must be structured as a non-recourse loan, secured by a junior lien on the property, which will be forgivable over a period not to exceed 10 years. This loan will only be repayable if the homeowner sells or refinances the property before the forgiveness period expires and there are sufficient equity proceeds from the sale to pay all or part of the portion of the loan that has not yet been forgiven.

The HFAs should obtain documentation of unemployment from all participating homeowners. The HFAs may determine the eligibility criteria to use for this program to better ensure that this assistance has the maximum local impact and leads to sustained homeownership.

Each program must be in full compliance with all federal, state, and local laws, including, but not limited to, the Equal Credit Opportunity Act and the Fair Housing Act that prohibit discrimination on a prohibited basis in connection with mortgage transactions. These programs are subject to the fair lending laws, and HFAs should ensure that the programs do not treat a homeowner less favorably than other homeowners on grounds such as race, religion, national origin, sex, marital or familial status, age, ability, or receipt of public assistance income in connection with any program.

The purpose of HHF is to help families stay in their homes or otherwise avoid preventable foreclosure. To do so, AHFA proposes to administer HHF—as Hardest Hit for Alabama's Unemployed Homeowners—to provide direct assistance to pay an eligible unemployed homeowner's current mortgage payment and all other mortgage-related expenses, including payments on any subordinate liens. Alabama's program will be available statewide and focused on unemployed homeowners who are at risk of mortgage loan default or foreclosure due to a reduction in income.

Responsible families across the state have found themselves unable to pay their mortgages due to unemployment. The economic downturn has led to a record number of workers suffering from



long-term unemployment. Unemployed homeowners are generally not eligible for loan modifications, but they are at substantial risk of mortgage default and foreclosure.

In Alabama, the average yearly unemployment rate reached 10.8 percent in 2009, higher than the national average of 9.8 percent. As of June 2010, 46 of Alabama's 67 counties had double-digit unemployment rates, and an estimated 100,000 citizens were actively receiving unemployment benefits.

The recession has posed significant challenges for the state and the nation, compounding the housing issues already facing Alabama families. Alabama ranks low on various socioeconomic criteria compared to other states, including median family income (fourth lowest of all states over the 2005-2007 timeframe) and poverty (sixth highest rate in the U.S. in 2007). The median household income for the state remains at about 80 percent of the U.S. median, or about the same as it was at the beginning of the decade.

Any job gains in Alabama in 2010 are expected to be concentrated in retail, steel and auto manufacturing, though those increases are not expected to dramatically improve Alabama's unemployment rate. So workers face a double burden—the loss of their jobs, coupled with the knowledge that few, if any, of these jobs will return.

While a majority of Alabama's population is classified as "urban," 50 of its 67 counties remain predominantly rural. However, nearly 71 percent of all occupied housing units in Alabama are owned, with homeownership proportionately higher in the rural areas of the state than in urban locales—making foreclosure mitigation/prevention a priority.

As of the fourth quarter of 2009, the Mortgage Bankers Association reported that in Alabama, 11.45 percent (higher than the national average of 10.44 percent) of the 595,620 loans serviced were past due, with 6.79 percent of those loans classified as seriously delinquent—meaning that for an estimated 40,400 Alabama families foreclosure was imminent.

HHF will assist the homeowner in retaining homeownership by subsidizing 100 percent of their mortgage payment and all other mortgage-related expenses (including subordinate liens, if applicable) during the time that they are eligible to receive unemployment compensation. The assistance will not exceed a total of 12 consecutive monthly payments (including all payments needed to bring loans current) or \$15,000 per household. Alabama's HHF will provide a payment (not to exceed the lesser of six monthly payments plus fees and costs or \$7,500) to a participating homeowner's servicer to help bring the homeowner current on his or her delinquent mortgage(s). This payment could cover principal, interest, fees, escrow/impound expenses, delinquent taxes or escrow shortage for taxes and homeowners insurance.

AHFA will use a web-based portal to receive and track applications electronically. Approved homeowners will be expected to submit certain information documenting their inability to pay



their mortgage and supporting their mortgage claims. Once in the program, homeowners will be expected to re-certify their continued eligibility to receive unemployment compensation and continued residence in the home on a monthly basis no less than five days before the due date of their mortgage payment. Each homeowner's eligibility to receive unemployment compensation must be confirmed by the Alabama Department of Industrial Relations. HHF payments will be distributed to servicers on a monthly basis, contingent upon homeowner recertification and DIR eligibility confirmation.

Homeowners receiving assistance will execute a note and subordinate mortgage in favor of AHFA. Loans will be zero percent and non-amortizing. Loans originated between the pilot program commencement and December 31, 2012 will be forgiven over a five-year term at 20 percent per year. Loans originated between January 1, 2013, and December 31, 2013, will be forgiven over a four-year term at 25 percent per year. Loans originated between January 1, 2014, and December 31, 2014, will be forgiven over a three-year term at 33.3 percent per year. No loans will be originated after December 31, 2014, and any recaptured funds will be returned to Treasury on or before December 31, 2017. The forgiveness period commences on the date of execution of the HHF note and mortgage.

The loans will be repayable only if the homeowner sells the property before the forgiveness period expires and there is sufficient equity to pay all or part of the loan, which has not been forgiven at the time of the sale of the property. Repayment of the funds will be re-invested back into new homeowner assistance. Mortgages will be recorded in public records, and ongoing monitoring, repayments and satisfactions will be conducted through AHFA.

Assistance will continue for no more than 12 consecutive monthly payments (including two months following re-employment), not to exceed \$15,000, or until the property ceases to be the homeowner's primary residence. The maximum amount will not exceed \$15,000, even if the total amount is advanced in less than 12 months. Assistance will last only as long as the maximum available amount (which will be \$15,000 less all total due payments required to bring the homeowner current on eligible mortgage loans) covers 100 percent of the household's monthly mortgage payments. Assistance will cease two months after homeowner returns to work, regardless of whether the maximum available benefits have been received.

This assistance is eligible for Home Affordable Modification Program (HAMP) loans as well as non-HAMP loans. As AHFA has access to the largest concentration of low- to moderate-income homeowners with an in-house servicing portfolio of 21,000 loans, we anticipate that a number of existing AHFA customers will use HHF assistance.

HHF will be available to homeowners after approval by Treasury and will last as long as funds are available. After successful completion of a pilot program, AHFA anticipates that funds will



be available statewide on or about February 1, 2011. Implementation will include preparation of marketing materials, legal documentation, and monitoring tools.

When HHF becomes available in Alabama, AHFA anticipates an initial surge in demand due to the high number of homeowners who are already at risk of default or foreclosure. AHFA expects the initial funding allocation to be expended within three years, though any funds returned according to established guidelines will be used to assist additional homeowners until December 31, 2014. On or before December 31, 2017, any remaining funds will be returned to Treasury. Because repayments will only occur if a homeowner sells or refinances a home before the loan is entirely forgiven, and only if there are sufficient net proceeds, very few repayments are expected.

The greatest obstacle anticipated by AHFA is the dramatic increase in the volume of applications to be reviewed and loans to be delivered, as compared with current AHFA loan products. We will need to build our own capacity in order to manage the increased volume of applications and loans. We will also need to add staff to assist with intake, counseling, application review, and closing the loans.

To test readiness of HHF, AHFA plans to perform a pilot evaluation on a sampling of its 21,000-loan in-house servicing portfolio. As soon as feasible after Treasury approval, AHFA plans to issue no more than 20 percent of the HHF allocation (\$9.8 million to an estimated 650 households) by advertising the program via a mail campaign and/or referrals by AHFA customer service and default staff.

Conducting the pilot evaluation prior to statewide release allows AHFA staff adequate time to follow a loan through the entire process. AHFA expects the pilot to uncover potential flaws in the process and expose any need for additional staff capacity prior to statewide implementation.

POPULATION SERVED & ALLOCATION METHODOLOGY

Treasury has directed that the target population for HHF should be limited to residences with unpaid principal balances equal to or less than the current GSE conforming limit of \$729,750. However, HFAs may target low- and moderate-income homeowners at their discretion consistent with that HFA's state enabling legislation. The HFAs may determine the eligibility criteria to use for this program to better ensure that this assistance has the maximum local impact and leads to sustained homeownership. AHFA will be using the current Mortgage Revenue Bond program maximum sales price limit for a non-target area of \$258,691. The homeowner's unpaid principal balance of all mortgages may not exceed this amount.



Alabama homeowners who qualify to receive state unemployment compensation benefits may apply for HHF assistance through AHFA. This program will assist low- to moderate-income families in Alabama. To qualify, applicants must have a total household income of less than 140 percent of the state median income. Using this calculation establishes the program's maximum income limit at \$75,740, as of the date of this proposal. AHFA may change this income limit annually when new income data becomes available from the U.S. Department of Housing and Urban Development.

The homeowner must currently occupy the property as their primary residence, and the residence must be located within the state of Alabama. Eligible structures include single-family homes, attached or detached, and manufactured housing attached to real property. All existing mortgage loans must have an unpaid principal balance totaling no more than \$258,691. Second homes or investment properties will not be eligible for HHF assistance. Alabama HHF will be available only for mortgages executed and recorded on or before September 1, 2010.

Homeowners will be required to provide a financial hardship affidavit documenting inability to pay their mortgage. HHF will be available on a first-come, first-served basis.

AHFA does not anticipate targeting this assistance on a geographic basis. However, AHFA intends to use targeted outreach strategies, which may include events, informational materials and collaboration with local media outlets, to inform the public of Alabama's HHF.

Based upon maximum assistance of \$15,000 per household, it is projected that an estimated 3,500 households may be assisted. If the average assistance per household is \$10,000, approximately 5,200 households may be assisted.

As AHFA is our state's largest servicer of low- to moderate-income residential mortgage loans, we calculated the average loan amounts and monthly payments of the homeowners in our portfolio. Using an average loan amount of \$90,617 and an average monthly payment of \$748, AHFA set the assistance cap at \$15,000 to ensure that the typical homeowner would be aided in keeping their home.

DEMONSTRATION OF CAPACITY TO IMPLEMENT

AHFA was created in 1980 by Act No. 80-585 of the Alabama Legislature. AHFA is a public corporation and instrumentality of the State of Alabama dedicated to serving the housing needs of low- and moderate-income Alabamians.



By statute, AHFA is governed by a Board of Directors that provides policy direction, authorizes bond issues and program development, and evaluates AHFA's efforts. Its appointed members serve staggered seven-year terms. The governor appoints one person from each of the seven congressional districts—two home builders, two real estate brokers, a lender, a mayor and a county commissioner—and one from the state at large. The lieutenant governor and speaker of the House each appoint two members. The state finance director, treasurer and superintendent of banks serve as *ex officio* members.

AHFA creates housing opportunities for low- and moderate-income Alabamians through the affordable financing of single- and multifamily housing. To accomplish our mission, AHFA provides capital and technical expertise and builds private and public partnerships, matching its resources with the resources of lenders, builders, local governments, and housing producers throughout the state. Our programs have helped more than 116,500 families find homes they could afford.

Through its First Step and Step Up financing programs, AHFA offers affordable interest rates and entry cost assistance on 30-year, fixed-rate mortgage loans to low- and moderate-income homebuyers. Since 1980, AHFA has financed \$3.7 billion in home mortgage loans, helping 55,600 Alabama families.

Working together with Habitat for Humanity, AHFA purchases mortgages from Alabama's 36 Habitat affiliates. AHFA has provided funding of approximately \$16 million toward this program, the first of its kind in the nation, purchasing 400 loans since 1992.

Expanding its focus of long-term mortgage solutions, AHFA now services its loans in-house, managing a portfolio of 21,000 outstanding mortgage loans, totaling \$1.2 billion.

Servicing Solutions offers residential mortgage servicing for financial institutions. AHFA's servicing division is approved as a FHA, VA, Rural Development, Fannie Mae and Ginnie Mae servicer. The servicing department received the highest designation of Tier 1 Servicer from the U.S. Department of Housing and Urban Development—one of only nine state housing finance agencies to do so.

AHFA's multifamily programs help developers buy land or buildings and build or repair housing to create affordable, rental property for Alabama's low-income families. These financial incentives encourage developers to increase the supply of rental housing for economically disadvantaged families. Combined, AHFA's rental financing programs have allocated \$1.3 billion in HOME funds, Housing Credits and/or Multifamily Bonds to create 60,500 units of affordable housing for the residents of our state.



With AHFA's extensive experience in administering state and federal housing programs, AHFA has proven itself as a leader in the design and implementation of innovative programs to address housing issues, particularly for Alabama's low- to moderate-income families.

AHFA's key staff members that will be involved with HHF are as follows:

- *Robert Strickland, Executive Director*
 Bob became the first employee of AHFA in 1987 after a 14-year career in commercial banking and now leads its efficient 68-member staff. His responsibilities include statewide oversight of affordable housing construction and renovation efforts and administration of single-family programs geared toward first-time and low- to moderate-income homebuyers. He currently serves as a Director on the Federal Home Loan Bank of Atlanta's Board of Directors and on the FHLBank Atlanta's Executive Committee and chairs the organization's Housing Committee. He held the position of president of the Board of Directors of the National Council of State Housing Agencies for two terms. Bob is a graduate of Auburn University with major studies in sociology and business administration. He also completed the University of Oklahoma's National Commercial Lending School and the University of Notre Dame's Executive Development Seminar.
- *Michael J. King, Single-Family Administrator*
 Mike oversees all aspects of AHFA's single-family division, including the issuance of tax-exempt mortgage revenue bonds, mortgage products and all homeownership efforts. In addition, he directs AHFA's servicing department, which currently manages a portfolio of more than 21,000 mortgage loans, has been approved by FHA, VA, Rural Development, Fannie Mae and Ginnie Mae, and is designated a Tier 1 Servicer by the U.S. Department of Housing and Urban Development. The 1980 Auburn University graduate, who earned a bachelor's degree in business administration with an emphasis on finance and marketing, accumulated 16 years of mortgage banking experience prior to joining AHFA in 1988. Mike has been active with the Homebuilders Association of Alabama, various Boards of Realtors, and the Montgomery YMCA. He currently serves on the National Advisory Council for Genworth Financial and has completed the University of Notre Dame's Executive Development seminar.
- *Cathy James, Affordable Housing Coordinator*
 Cathy is responsible for loan reservation and approval for the First Step Mortgage Revenue Bond, Step Up, Mortgage Credit Certificate and Habitat for Humanity Loan Purchase programs. Additionally, she is the primary promoter of AHFA's programs at tradeshow and conferences and through homebuyer and financial education seminars. She has served on the governor's committee to improve affordable housing in Alabama's Black Belt counties. Cathy has been employed with AHFA since 1999 and has more than

15 years' experience in the mortgage banking industry. She is a graduate of Jacksonville State University, where she earned a Bachelor of Science degree with an emphasis on marketing.

- *Neal Acker, General Counsel*

Neal was employed as general counsel of AHFA in January 2003. Prior to joining AHFA, he was in private law practice for 35 years. He was a shareholder in Capell & Howard, P.C., which represented AHFA as its general counsel for more than 10 years. Neal has a Bachelor of Science in Accounting and a Juris Doctor, both from the University of Alabama, and a Master of Laws in Taxation from New York University. He is a member of the Alabama State Bar and the National Association of Bond Lawyers.

- *John Weissend, Internal Audit*

John Weissend has been with the AHFA for a little more than one year as its Internal Auditor. John oversees the quality control function for its single-family operations and performs audits for targeted areas. Additionally, support is given to executive management by helping create solid policies and procedures to enhance AHFA's internal controls. Prior to his employment with AHFA, John held various positions including mortgage division accounting manager, financial systems director and accounting corporate projects director more than 14 years at a top 100 bank. John also worked for four years in public accounting at PriceWaterhouseCoopers (PWC). He is a graduate of Auburn University with a Bachelors of Science in Business Administration with an emphasis in Accounting and is a member of the American Institute of CPAs and the Alabama Society of CPAs.

- *C. Wesley Oden, Accountant*

Wes is responsible for reconciling and reviewing operating cash, investments, fixed assets and program fees and expenses as well as reconciling and compiling financials of AHFA's bond issues. Additionally, he assists in the preparation of Arbitrage Rebate calculations and cash flow reports of bond issues; and he assists in the preparation of annual financial statements and helps to ensure compliance with Federal and State reporting requirements. Wes is a graduate of both Auburn University and Troy University and is a member of the American Institute of CPAs and the Alabama Society of CPAs.

- *Gary Donegan, Research & Planning Administrator*

Gary joined AHFA in 1993 to write the Comprehensive Housing Affordability Strategy (CHAS) for the State of Alabama. He continues to be responsible for the housing portion of the State of Alabama Consolidated Plan, a HUD-required planning document and a pre-requisite for the receipt of more than \$50 million annually for the state's HOME

program. In addition to these duties, Gary also oversees AHFA's information technology and communications departments. Gary also serves as a trustee for the Alabama Center for Real Estate (ACRE) at the University of Alabama and a member of the Planning Council for the State of Alabama Department of Mental Health. He holds a Bachelor of Science degree in Business Administration from Troy University.

- *Alison Ingle, Communications Manager*

Alison heads AHFA's communications staff, which oversees AHFA's marketing, public relations, communications, event management and legislative affairs. Prior to joining AHFA in 2006, she held previous positions in marketing and advertising specializing in real estate development and served as the Director of Communications for Alabama Bankers Association. She is a graduate of Auburn University Montgomery and is a member of the Public Relations Council of Alabama as well as the Southern Public Relations Federation.

In accordance with HHF Guidelines published by the U.S. Department of Treasury, each recipient of funding from HHF must qualify as an Eligible Entity. This is a "financial institution," as that term is defined in the EESA. AHFA is an Eligible Entity for purposes of the HHF initiative because it was duly established in 1980 by the Alabama legislature as a public corporation and instrumentality of the State of Alabama and is regulated by the State of Alabama, for purposes of EESA, through the appointment (and removal as provided by state law) of all members of its Board of Directors. Under its enabling act (Ala. Code §24-1A-1 *et seq.*), AHFA has the power to receive funds from Treasury, enter into contracts, and operate independently of any principal state department.

AHFA intends to comply with all requirements under EESA and will accomplish compliance oversight, internal controls and fraud prevention through several means. Policies, procedures and internal controls required to implement Alabama's HHF will be modeled on processes that are already in place and operating as intended. AHFA's Internal Audit division will expand its work plan to include the review of both internal and external partners' program activities.

Internal audit will evaluate all policies, procedures and internal controls established specifically for HHF prior to implementation. Internal Audit will test controls and processes as a part of the ongoing audit process of AHFA. Additionally, an annual review will be performed on the cost allocation plan as presented in compliance with OMB A-87. Finally, AHFA's external audit will be performed as required by OMB A-133.

It is the policy of AHFA to immediately report any indication of fraud, waste, abuse, or potentially criminal activity pertaining to federal funds to the appropriate federal department and the cognizant inspector general of such department.

AHFA will track costs associated with HHF in a manner consistent with its existing practices for tracking administrative costs for other federally funded programs. These processes are consistent with the cost principles outlined in OMB Circular A-87.

AHFA will be required to develop and maintain operational and performance metrics, have a detailed financial reporting system, and track homeowners helped through its program. AHFA will report data to Treasury on a periodic basis, including metrics used to measure program effectiveness against stated objectives. Treasury will provide a list of metrics that have to be reported to Treasury on a regular basis. Treasury may make any or all data reported by AHFA available to the public.

Though not all specifics are available from Treasury, AHFA expects to comply fully with tracking and reporting requirements provided by Treasury. Additionally, program participants will be required to provide authorizations to release information allowing AHFA to track outcomes on a file-by-file basis.

Progress will be measured by the total number of homeowners assisted and the number of homeowners who resumed mortgage payments and successfully remained in their home one to five years after the assistance ended.

AHFA maintains compliance with the requirements described in the OMB Circular A-133 that apply to its major federal programs. In this respect, AHFA is responsible for establishing and maintaining effective internal controls over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs such as the HOME Investment Partnerships Program and the Low-Income Housing Tax Credit Program.

AHFA will require the use of a secure, web-based client management system to provide client level information in real time. AHFA anticipates selecting a third-party vendor to develop the online system for eligibility of applicants and as the tracking mechanism for available funds. This online system will also facilitate homeowner intakes, referrals and submissions to servicers. AHFA will treat the development and ongoing costs associated with implementing the system as a reimbursable administrative cost.

AHFA will review each loan before closing. In addition, AHFA will service each of the loans that are originated with HHF. The following are activities AHFA will perform to ensure that eligible homeowners are receiving the assistance:

1. File intake will be performed via web-interface.
2. AHFA staff will review all loan packages for completeness.
3. AHFA will review each loan.

4. AHFA will verify the recipient's identity at closing through its agents.
5. Loan servicing will be performed in-house by AHFA.

Quality Control will review 10 percent of all applications for program compliance. Prior to the implementation date of the program, AHFA will provide extensive training with its internal staff regarding policies and procedures to be followed. AHFA will also provide outreach to Alabamians prior to and during implementation to ensure homeowners receive accurate information.

STAFFING & BUSINESS PARTNERS

AHFA has an experienced staff and a history of successfully implementing programs in collaboration with other Alabama state agencies and external partners. However, to implement HHF, AHFA will use a combination of employees and outside contractors.

AHFA anticipates the need for additional clerical positions to effectively administer HHF. The program is expected to begin in February 2011. The following clerical positions will be filled by outside contractors:

- *HHF Customer Service Representative (6)*—The HHF Customer Service Representative will answer phone calls and general customer inquiries. In preparation for the initial influx of phone calls, the CSR positions may be temporary.
- *HHF Intake Clerk (10)*—The HHF Clerk responsibilities include answering general questions about the program, loan file setup, matching loan documents to loan files, and completing follow-up with homeowners and outside contacts.
- *HHF Compliance Examiner (4)*—The HHF Compliance Examiner will review homeowners' financial plans, validate homeowners' eligibility for the program, issue loan commitments, initiate loan closing, and conduct closed file follow-up.

The following new employee positions will be created at AHFA:

- *HHF Accountant (1)*—The HHF Accountant will be responsible for all remittances to the servicers, all receipts from Bank of New York, the tracking of budget expenditures, and financial reporting.



- *HHF Information Systems Associate (1)*—The HHF IS Associate will provide routine operational customer support on a limited scope with active supervision for information systems resources and services.

The following HHF positions will utilize existing AHFA employees:

- *HHF Coordinator (1)*—The HHF Coordinator will organize day-to-day operations of the HHF program, coordinate training for AHFA staff and outside partners, produce reports specific to the HHF program for internal and external use, approve requests for funding, and monitor program funding allocation.
- *HHF Compliance Examiner (1)*—The HHF Compliance Examiner will review homeowners’ financial plans, validate homeowners’ eligibility for the program, issue loan commitments, initiate loan closing, and conduct closed file follow-up.

AHFA will arrange with outside contractors to conduct certain professional services. AHFA expects to contract with up to three or four title companies across the state to conduct limited title searches for all HHF loans before closing and to assist in the closing and to record HHF documents. In addition, AHFA will enlist an employment agency to aid with clerical staffing needs, as set forth above, and anticipates using a third-party vendor to carry out quality assurance functions.

ADMINISTRATIVE EXPENSES

AHFA will be eligible to receive funds for administrative expenses necessary to achieve the program goals and as approved by Treasury.

	Alabama
<i>One-time/Start-Up Expenses:</i>	
Initial Personnel	\$ 652,500
Building, Equipment, Technology	250,000
Professional Services	75,000
Supplies/Miscellaneous	50,000
Marketing/Communications	130,000
Travel	5,000
Website Development/Translation	0
Contingency	50,000



Subtotal	\$ 1,213,000
<i>Operating/Administrative Expenses:</i>	
Salaries	\$ 4,375,500
Professional Services (Legal, Compliance, Audit, Monitoring)	500,000
Travel	10,000
Buildings, Leases & Equipment	0
Information Technology & Communications	485,000
Offices Supplies/Postage and Delivery/Subscriptions	56,600
Risk Management/Insurance	0
Training	0
Marketing/PR	0
Miscellaneous	200,000
Subtotal	\$ 5,627,100
<i>Transaction-Related Expenses:</i>	
Recording Fees	\$ 260,000
Wire Transfer Fees	20,000
<i>Counseling Expenses:</i>	
File Intake	800,000
Decision Costs	0
Successful File	260,000
Key Business Partners On-Going	3,484,000
Subtotal	\$ 4,824,000
Grand Total	\$11,664,100
% of Total Award	19.2%
Award Amount	\$60,672,471

AHFA anticipates HHF administrative expenses will be utilized as described in the following timeline:

Per fiscal year beginning each October 1	Amount
Year 1	\$ 6,415,300
Year 2	3,585,800
Year 3	875,000
Year 4	465,000
Year 5	230,000
Year 6	58,000



Year 7	35,000
All Future Years	0
Total	\$11,664,100

OVERVIEW OF RISK MANAGEMENT/FRAUD PREVENTION

AHFA will comply with all requirements under EESA, including but not limited to, allowing full compliance and oversight by Treasury, the Comptroller General of the United States, Government Accountability Office, Congressional Oversight Panel, and the Special Inspector General of the Troubled Asset Relief Program as to the application of any EESA funds. All books, communications and records regarding the use of EESA funds will be available for review by any of these entities upon request.

In addition, AHFA will be required to design a program, establish monitoring mechanisms, and implement a system of internal controls, which minimize the risk of fraud, mitigate conflicts of interest, and maximize operational efficiency and effectiveness. A system of internal controls should encompass AHFA’s processes, their business partnerships and relationships and any constituency being aided through this program. AHFA will test, certify, and verify the effectiveness of these controls at least annually and conduct an assessment prior to program launch to ensure AHFA has taken appropriate steps to meet program objectives, as well as to provide annual audited financial statements to Treasury.

A multiple-discipline group was created to review the steps to be taken for this new funding source to include the areas of Executive Management, Internal Audit, Accounting, Legal, Research & Planning and Single-Family. The task force will analyze the requirements of the program and ensure that all areas are working to meet them. Task force members will develop policies and procedures under HHF guidelines. The task force operates under the direction and approval of the executive director.

AHFA will operate the program and will be responsible for the monitoring and administration of the program’s guidelines, in relation to OMB Circulars A-133, A-87 and any other federal/state regulation. The accounting department functions are segregated to monitor cash receipts and disbursements daily to ensure compliance with all programs. Proper segregation of duties is maintained within the accounting department to ensure proper disbursement, collection and reconciliation of all program accounts. The accounting department will match all reconcilements



to both internal and external source documents to ensure completeness and accuracy of all reporting for the program.

AHFA will create the program guidelines to encompass the requirements in OMB A-133 to include the areas of control environment, risk assessment, control activities, information security, communication and overall program monitoring. An annual audit is performed after each fiscal year (September 30th) by AHFA's independent audit firm. The audit encompasses AHFA's basic financial statements and supplementary information. The audit is performed in accordance with auditing standards generally accepted in the United States for financial audits as contained in the Government Auditing Standards issued by the Comptroller General of the United States. The audit will assess AHFA's compliance with internal financial controls, certain provisions of applicable laws, regulations, contracts, program agreements, and other matters.

AHFA will compile on an annual basis a Cost Allocation Plan at the end of each fiscal year in accordance with OMB Circular A-87, which establishes the principles and standards for determining both direct and indirect costs for federal cost-based awards. AHFA will track all direct costs in a separate cost center on the general ledger very similar to the method used for our HOME program. Allocable time that can be tracked by department will be accumulated from the respective employees to ensure that proper allocation of salaries and benefits are tracked. Additionally, if an employee is 100 percent dedicated to HHF all hours will be assumed to be allocated to the program unless otherwise documented. Finally, all costs shared by multiple departments or programs will be allocated based upon predetermined factors by AHFA. AHFA has cost centers (projects) that track all eligible operating expenses directly associated with a federal or state program.

AHFA is currently fostering a relationship with a potential vendor to assist with the intake, documentation, and disbursement of funds for the program. Additionally, controls are being implemented to track the actual disbursement of funds back to the originating system as well as a monthly reconciliation of the cash balance held at the Bank of New York to the unexpended funds.

AHFA maintains all its accounting records at its office located at 7460 Halcyon Pointe Drive, Suite 200, Montgomery, AL 36117. It maintains all cash receipts, cash disbursements and general ledger activity on a local area network. AHFA maintains an information security program that complies with industry-standard best practices.

AHFA's annual financial statements, annual reports, Moody's Investors Service rating information and bond disclosure reports may be found on its website at www.AHFA.com.

