

**HOUSING FINANCE AGENCY INNOVATION FUND FOR
THE HARDEST-HIT HOUSING MARKETS – SECOND ALLOCATION**

Submission of Rhode Island Housing

May 27, 2010
Amended July 22, 2010

SECTION ONE

Background

Rhode Island has been hit hard by both the overall economic crisis and housing crisis. Surging unemployment, a rising tide of foreclosures, recent floodwaters and declining state and local revenues have left our families and communities struggling to make ends meet. And while some economists predict that we are finally on a gradual slope to recovery, many Rhode Islanders and many Rhode Island communities have been devastated.

Access to \$43 million in federal funding through the Housing Finance Agency Innovation Fund for Hardest-Hit Housing markets (“HHF” or “Hardest-Hit Fund”) established by the U.S. Department of the Treasury (“U.S. Treasury”) will enable qualified Rhode Island homeowners to receive direct financial support to help prevent foreclosures and stabilize housing markets.

Immediately after the allocation was announced, Rhode Island Housing convened a “working group” of partners from state agencies, lenders, non-profits and businesses to come together to help design effective programs to best utilize these precious funds. Rhode Island Housing, along with its community partners, developed a suite of programs that leverage these funds to achieve maximum results and keep as many Rhode Islanders in their homes as possible. This group will be relied upon to help review and monitor Program performance.

Beginning in the early 2000s, the State of Rhode Island was disproportionately impacted by historic home price increases--leading the U.S. in the rate of increase for 5 quarters from Q3 2002 through Q3 2003. In addition to skyrocketing prices, in 2003, the Mortgage Bankers’ Association estimated that Rhode Island led the U.S. in use of subprime mortgages, which accounted for 14% of the mortgage market at the time. The stage was set for the economic disaster that was to follow. By 2007, the first wave of households to experience significant delinquencies and mortgage failure were those that had been targeted by subprime lenders. According to the MBA’s National Delinquency Survey, by Q2 2007, Rhode Island ranked 8th in the country for seriously delinquent subprime loans and 16th in delinquent loans overall. For the most recent 10 quarters, the State has consistently ranked in the top percentage for delinquent loans overall, with 9.23% of all loans either 90+ days past due or in foreclosure inventory, representing more than 12,500 loans.

The second blow to the State’s economic situation is revealed by the State’s unemployment statistics. Rhode Island, which already suffers from comparatively lower wages than its southern New England neighbors, has exceeded all of New England’s and the national unemployment rate since 2007 according to the U.S. Bureau of Labor Statistics. Rhode Island, at 12.6% unemployment as of March 2010, was tied for third in the nation with California. According to

the State's Department of Labor and Training, there are currently more than 106,000 open claims for unemployment insurance. Given the vast loss of income across the state, the landscape of foreclosure initiations has evolved as well from being almost exclusively a problem of the State's urban core communities to one that affects the entire State. However, given the State's population density, its urban core communities still represent a majority of the households impacted.

The working group provided thoughtful insight into the design of three primary programs which target HAMP and Non-HAMP mortgages, as well as homeowners needing additional temporary assistance. The working group demonstrated a need for some more flexible targeting for families who have been the most hardest-hit, have special circumstances and need assistance that differs from the primary programs and may be needed in higher amounts. There was also significant support for providing some assistance to families for whom the best outcome is to find an alternative place to live.

Each Program will be administered 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, which prohibit discrimination on a prohibited basis in connection with mortgage transactions. Mortgage modification programs are subject to the fair lending laws. Rhode Island Housing will ensure that the Programs do not treat a borrower less favorably than other borrowers 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.

Establishment of an Eligible Entity:

Under HHF Guidelines, an Eligible Entity must be (i) a regulated entity that is (ii) incorporated separately from state government itself, and (iii) having the corporate powers to receive HHF funds from Treasury. For the reasons set forth below, Rhode Island Housing constitutes an Eligible Entity under the Guidelines.

First, Rhode Island Housing is a regulated entity. Rhode Island Housing is public corporation established by Chapter 42 of Title 55 of the Rhode Island General Laws, The Rhode Island Housing and Mortgage Finance Corporation Act (the "Act"). Rhode Island Housing is subject to various regulatory provisions of state law, such as the Open Meetings Act, (Chapter 46 of Title 42 of the Rhode Island General Laws), the Access to Public Records Act (Chapter 2 of Title 38 of the Rhode Island General Laws), the Rhode Island Code of Ethics (Chapter 14 of Title 36 of the Rhode Island General Laws). In addition, Rhode Island Housing is subject to various sections of the Title 19 of the Rhode Island General Laws governing Financial Institutions, including Chapter 9 of Title 19, dealing with Community Obligations and Banking Offenses.

Second, although Rhode Island Housing is established and regulated by the State of Rhode Island, it is incorporated separately from state government itself, and does not constitute a part of state government. Section 42-55-4(a) of the Act provides in pertinent part:

There is authorized the creation and establishment of a public corporation of the state, **having a distinct legal existence from the state and not constituting a department of state government**, with the politic and corporate powers as are set forth in this chapter to be known as the "Rhode Island housing and mortgage finance corporation" to carry out the provisions of this chapter. (Emphasis supplied.)

Several provisions of the Act further confirm that Rhode Island Housing is not a part of state government itself. Rhode Island Housing is not a constituent part of the state budget, but is a self-supporting organization. The powers of Rhode Island Housing are vested in a seven-person Board of Commissioners. R.I.G.L. Section 42-55-4(b). The debts and obligations of Rhode Island Housing are not debts and obligations of state government. R.I.G.L. Section 42-55-19.

Finally, Rhode Island Housing has the corporate power to receive funds from Treasury under the HHF initiative. Section 42-55-5 of the Act sets forth the general powers of Rhode Island Housing. These powers include the authority to "enter into agreements or other transactions with and accept grants and the cooperation of the United States or any governmental agency or instrumentality thereof" (Section 42-55-5(8)) and the authority to "receive and accept aid or contributions from any source ... to carry out the purposes of this chapter subject to the conditions upon which the grants and contributions may be made" (Section 42-55-5(10)).

SECTION TWO

a. Overview of Program

As designed, these programs will create a comprehensive battle plan to fight foreclosure in Rhode Island providing assistance and relief to individuals, families, neighborhoods, communities and the state as a whole. In a state as dense as Rhode Island helping 5,000 families avoid foreclosure will have a major beneficial impact.

In considering the program design, a great deal of attention was given to the maximum amount of assistance which could be offered to homeowners, knowing that tens of thousands of Rhode Island homeowners have experienced a financial set-back and are at the risk of foreclosure. Our goal is to assist the greatest number of families in an amount sufficient to have a significant likelihood of preventing foreclosure. In addition, all eligible borrowers must document the hardship placing them at risk of foreclosure. The hardship may include unemployment or underemployment.

Rhode Island Housing's HHF Program is designed to provide alternative and flexible assistance options. The maximum amount of assistance is targeted at \$6,000 per household, although up to \$30,000 in assistance may be available in exceptional circumstances to targeted homeowners. Most funds will be provided in the form of a zero-percent interest loan forgivable at 20% per year over 5 years, if the homeowner fulfills his or her obligations under the assistance agreement. In addition, grants may be provided under one of the programs described below.

Rhode Island Housing proposes four programs:

1. Loan Modification Assistance for HAMP Customers (LMA-HAMP)
2. Loan Modification Assistance for Non-HAMP Customers (LMA-Non-HAMP),
3. Temporary and Immediate Homeowner Assistance (TIHA)
4. Moving Forward Assistance (MFA)

There are two major categories of lenders serving Rhode Island homeowners. One group consists of large national lenders who participate in the federally structured HAMP program. While

HAMP does provide federal funds to help the homeowner and the lender, it also comes with major limitations, particularly for unemployed borrowers.

The other major category of lenders consists of smaller lenders not governed by HAMP who may also offer local servicing. Two of the major proposed programs, LMA-HAMP and LMA-Non-HAMP, address these two classes of lenders and contributes up to \$6,000 per transaction to help lenders and borrowers reach a settlement that allows the homeowner to remain in the home. Additional aid may be available to targeted homeowners under Temporary and Immediate Homeowner Assistance (TIHA).

The third major program, TIHA, provides other temporary or immediate assistance to prevent foreclosure. The TIHA program also has a limit of \$6,000. Borrowers accessing either the LMA-HAMP or the LMA-Non-HAMP programs can receive additional assistance under the TIHA program up to \$2,500 to supplement a mortgage workout. Additionally, up to \$30,000 in assistance may be available to targeted homeowners under Temporary and Immediate Homeowner Assistance (TIHA).

Funds provided under the fourth program, MFA, for those who can no longer afford to stay in their home, are capped at \$4,000 and will be in form of a grant. Additional aid may be available to targeted homeowners under Temporary and Immediate Homeowner Assistance (TIHA).

In total, these much-needed HHF funds will bring relief to nearly five thousand homeowners at risk of losing their homes due to job loss or other financial hardship that has occurred beyond the homeowners control since the inception of the mortgage loan. We will be targeting Rhode Islanders who are struggling due to job loss and job cutbacks. Our hope is that our lender partners will see that, in helping to leverage the program, they not only will help their existing customers, but will free up other money for new customers. When done right, the effects of this investment will be felt throughout the business community and the neighborhoods for the long term. Rhode Island Housing's goal is to design, implement and manage programs to help prevent foreclosures and stabilize housing markets.

Throughout the life of the HFA Hardest-Hit Fund Program, Rhode Island Housing will monitor program performance adopt new Programs and / or re-allocate funding across Programs based on Program performance subject to review and approval by U.S. Treasury.

Each proposed program is further described below.

1. Loan Modification Assistance for HAMP Customers (LMA-HAMP)

HAMP is the primary federal foreclosure prevention program for major lenders and is designed to assist at-risk homeowners avoid foreclosure by reducing monthly mortgage payments through loan modifications. Under the HAMP program, the federal government provides direct incentives for homeowners and lenders to renegotiate mortgage payments to a sustainable level. The lender is responsible for reducing payments to 38% of the borrower's current gross monthly income and the federal government will share in a further reduction to 31% of borrower's current income. Lenders conduct an analysis comparing the net present value (NPV) cost of modifying the loan pursuant to HAMP guidelines versus the NPV cost of foreclosure. There is evidence that, in many circumstances, less than \$10,000 can reverse an adverse decision arising out of that analysis.

LMA-HAMP program will provide up to \$6,000 in assistance to allow the homeowner to qualify for a HAMP modification provided that: (i) the Lender can document that it has made contributions having a value of at least an equal amount, (ii) the borrower contributes at least 20% of the advanced amount and (iii) a HAMP modification agreement for a minimum 5-year term is signed by the borrower and lender. The lender contribution may be in the form of an interest rate reduction, extension of the mortgage term or principal forbearance or forgiveness. Forgiveness or forbearance of late fees or costs of collection will not be counted toward the match. In addition to the \$6,000 permitted under this program, an additional \$2,500 may be available under the Temporary and Immediate Homeowner Assistance program for special circumstances, such as where the borrower has insufficient funds to provide the match, where there may be a third-party creditor, or when an escrow shortfall needs addressing. In addition, up to \$30,000 in total assistance may be available for targeted homeowners who are at risk of foreclosure through the TIHA program.

Payments under this program will be made to the lender or third-party on behalf of the borrower on a monthly or lump sum basis. If the lender elects to participate in this program, they must agree in writing to participate in mediation with a HUD-approved counseling agency if the borrower subsequently becomes more than 60 additional days delinquent within the 5 year modification period, before it can proceed to foreclosure.

All borrowers participating in this program option must work through a HUD-approved counseling agency for eligibility screening and intake.

Goal: 1,150 families

Budget: \$6.90 million

2. Loan Modification Assistance for Non-HAMP Customers (LMA-Non-HAMP) Many local and regional lenders do not participate in the HAMP program. Many of their customers are also struggling to meet mortgage payments. LMA-Non-HAMP will provide up to \$6,000 to assist the borrower and lender to achieve a workout. As a condition of participating in this program, lenders must agree to assume the full cost of modifying the loan, for a minimum of 12 months, to a payment amount that is 38% of the borrower's income ("debt to income ratio" or "DTI") based on the borrower's income *at the time when the loan was originally made*. Assistance under this program will be made to the lenders to further modify the loan to reduce the payment to a level that is 35% or 31% housing debt to income ratio based *on the borrower's current income*. The lender will match HHF funds on a one-for-one basis to fund these additional reductions, subject to a \$6,000 cap of HHF assistance. The lender contribution may be in the form of an interest rate reduction, extension of the mortgage term or principal forbearance or forgiveness. Forgiveness or forbearance of late fees or costs of collection will not count toward the match. The lender must agree in writing to mediation with a HUD-approved counseling agency if the borrower becomes more than 60 days delinquent and is at risk of foreclosure during the subsequent 24 month period before it can proceed to foreclosure.

Lenders participating in this program who demonstrate local servicing capability may access the program directly. In other circumstances the borrower must be represented by a HUD-approved counseling organization. An additional \$2,500 may be available under the Temporary and Immediate Assistance program in special circumstances where there may be a third-party creditor or escrow that needs addressing. In addition, up to \$30,000 in total assistance may be available for targeted homeowners who are at risk of foreclosure through the TIHA program.

Goal: 1,500 families

Budget: \$9.0 million

3. Temporary and Immediate Homeowner Assistance (TIHA)

There are many situations where payments made by or on behalf of the borrower toward the first mortgage are not sufficient to prevent an avoidable foreclosure. These include, but are not limited to, situations where a borrower has had a temporary loss of income or increase in expenses that have created a first mortgage delinquency or another delinquency that has or may result in a default under the first mortgage, which, if not cured, may result in foreclosure. This situation could arise even when the borrower's current income may be sufficient to pay the first mortgage going forward. There are also situations where a borrower cannot provide the matching funds needed under LMA-HAMP or LMA-Non-HAMP, or where the borrower needs temporary supplemental mortgage payment assistance for the borrower and lender to agree on a mortgage modification. This is frequently the result of a temporary interruption in or reduction of employment.

Borrower must be able to document the reason for the hardship and will be required to complete a Hardship Affidavit. A hardship is defined as an uncontrollable increase in housing expense or an uncontrollable decrease in income that has placed the homeowner at risk of foreclosure. Additionally, the homeowners combined income loss or expense increase under the TIHA program must be greater than the indicated percentage of income at the time the loan was made according to the following schedule:

Income Level	Combined minimum income loss or cost increase
less than \$35,000	up to 5%
\$35,001 to \$50,000	5%
\$50,001 to \$65,000	10%
\$65,001 to \$80,000	15%
above \$80,000	20%

The maximum amount of assistance under TIHA is \$6,000 per household, but is limited to \$2,500 when the maximum assistance has been provided under LMA-HAMP or LMA Non-HAMP. The combined assistance permitted under these programs is \$8,500 per household and may be made on a lump sum or monthly basis. In addition, up to \$30,000 in total assistance may be available for targeted homeowners who are at risk of foreclosure. Target homeowners include:

- HHF-eligible homeowners age 62 and over who are unable to refinance an unaffordable mortgage and need assistance to meet the lender's minimum refinancing requirements
- HHF-eligible homeowners who have a deed restricted property and have received federal or state subsidies and are at risk of foreclosure.
- HHF-eligible multi-family property homeowners who have experienced a loss of rental income that has compromised their ability to afford their mortgage payment.
- HHF-eligible homeowners who have received FEMA or other federal flood assistance and still need assistance due to extensive property damage

Payments under this program may only be advanced upon a determination that such payment is essential to preventing an otherwise avoidable foreclosure.

Goal: 1,800 families

Budget: \$16.5 million

4. Moving Forward Assistance (MFA)

This program is designed to provide eligible homeowners with assistance to facilitate a short sale or deed-in-lieu of foreclosure when it is determined that they can no longer afford to stay in their home. It can be used only when other federal programs are not available.

In some circumstances the best outcome for borrower, lender and community may be for the borrower to relinquish the property in an orderly process. MFA assistance can take the form of a contribution to the primary or secondary lender to help facilitate a short sale or deed in lieu of foreclosure. It could also be used to provide the borrower relocation assistance including a security deposit/first and last months rent, moving expenses, moving van expenses, or utility deposit. MFA assistance could be used to satisfy subordinate or superior real estate tax liens against the real estate that prevent the homeowner from transferring clear title. These liens may include judgments, mechanics liens, defects, inheritance taxes, water fees, fire district or sewer fees, condo fees, PUD lien sale or other legal encumbrances on the property or to satisfy judgments or loan deficiency balances resulting from a short sale.

Funds will be provided directly to the ultimate recipient (i.e. lender, apartment owner), not through the borrower. Assistance under this program will be limited to \$4,000 per family; \$1,500 to facilitate a short sale or deed in lieu of foreclosure and \$2,500 to assist the homeowner with relocation. Additionally in special circumstances, up to \$30,000 aid may be available through the TIHA program to facilitate a short sale or deed-in-lieu of foreclosure for homeowners of targeted properties that are at risk of foreclosure.

Targeted homeowners are:

- HHF-eligible homeowners who have a deed restricted property and have received federal or state subsidies and are at risk of foreclosure.

Goals: 550 families

Budget: \$3.5 million

B. General Program Guidelines

- **Hardship.** Eligible borrowers receiving HHF Program funds must be able to document hardship circumstances that have occurred subsequent to the making of the loan and places the borrower at risk of foreclosure. A hardship is defined as an uncontrollable increase in housing expenses or an uncontrollable decrease in income. Examples of a hardship include: unemployment, reduction of income, underemployment, death or disability in family, unforeseen medical expense, and costly home repairs. A loss of home value does not, in itself, constitute a financial hardship, but may be considered a contributing factor in the evaluation of the request for assistance. Assistance will be commensurate with the severity of the hardship, up to the maximum amount allowed for the specific program. Assistance is only available to households who have exhausted all options in remaining current on their mortgage payments. Overall financial assistance is capped at \$8,500 per eligible owner-occupant household except in exceptional circumstances where up to \$30,000 of assistance may be available to targeted homeowners.
- **Income Limits.** Rhode Island's Mortgage Revenue Bond income limits apply to all assistance programs. These eligibility limits are based on current income and family size.

They are generally up to 140 percent of area median income. Currently, one or two person households can earn up to \$87,800. Households of three or more can earn up to \$102,400.

- **Eligible Properties.** Assistance will be provided to owners of one-to four-family properties and condominiums only if the owner occupies one unit in the structure as their primary residence provided the original mortgage was not greater than \$729,750 as specified in the 'Treasury's Guidelines for HFA Proposal Submission'.
- **Targeting.** If the volume of requests for assistance under the program exceeds the available funds, priority shall be given to the communities which have the highest levels of unemployment and foreclosures. Otherwise, financial assistance will be available to qualified hardest hit borrowers throughout Rhode Island.
- **Intake.** Funding reimbursement will be provided to HUD-approved counseling organizations, certified by Rhode Island Housing, under the Hardest-Hit Fund guidelines who provide intake and modification/work-out services. HHF-certified counseling organizations will receive \$200 for each fully completed intake application and an additional \$400 for each successful work-out. The post-intake work may be delegated to another HUD-approved and Rhode Island Housing HHF-certified counseling organization. Rhode Island Housing's HelpCenter is a HUD-approved counseling center and may provide intake and modification/work-out to participants in the Hardest-Hit Program and be reimbursed in the same manner as other HUD approved counselors. Intake screening will determine eligibility for the HHF Program.
- **Documentation.** All borrowers seeking assistance under these programs must provide full documentation of personal and financial circumstances including copies of federal tax returns and authorization to verify such documentation. All lenders/servicers participating in these programs must certify in each circumstance that they have not provided assistance to other borrowers in a manner that covers similar items that are being funded by this assistance. Borrowers and lenders/servicers must provide an affidavit certifying the accuracy of submitted documentation and acknowledging that providing false information in order to obtain these funds may result in criminal prosecution as well as a civil action to recover the funds.
- **Eligibility of Rhode Island Housing Borrowers.** Rhode Island Housing borrowers are eligible to participate in any of the programs described above except for the HAMP loan modification assistance program.

b. Population served and allocation methodology

Methodology

In response to the U.S. Treasury's proposal guidelines that require Rhode Island Housing to identify the population served and the allocation methodology, Rhode Island Housing collected data from a variety of sources including major lenders, loan servicers, mortgage loan repositories, the State of Rhode Island Department of Labor and Training and the Federal Reserve Bank of Boston, among others, and shared information on delinquencies and unemployment with the working group. The consensus of the working group is that the unemployment crisis and record numbers of foreclosures have impacted every community in the State of Rhode Island and therefore eligible participants may live in any community. However, given the geographic concentration of delinquencies and unemployed Rhode Islanders, we

expect that the funds will be concentrated within the 12 communities in the State most impacted by foreclosures and will primarily be spent in communities with an unemployment rate in excess of 12%.

In designing the various programs for the Hardest Hit Fund, we have attempted to maximize the number of homeowners who will be assisted by the program by offering a variety of flexible approaches to meet most circumstances. We are projecting assistance to a total of 5,000 homeowners over a twenty-four month period. This number is based on the limits of funding available as well as an analysis of recent loan delinquencies and data from our NeighborWorks[®] America, National Foreclosure Mitigation Counseling (NFMC) grant program. By offering intake and triage through our partner non-profit counseling agencies in the community as well as through our HelpCenter, which is located in downtown Providence, and through our outreach efforts, we will be reaching out to borrowers in the areas with the highest concentration of need.

Hardest Hit Funds will be available for distribution 30 days after U.S. Treasury approval of Rhode Island's plan. We anticipate the Program life to be 24 months.

Rhode Island Housing acknowledges that one of the current hindrances to loan modification programs is the difficulty associated with the transfer of borrower financial information and program documents to and from loan servicing operations. We will make every effort to build working relationships that streamline current processes to deliver assistance to HHF Program recipients as expeditiously as possible.

It is anticipated the Rhode Island Housing programs which includes Land Bank, Construction Loans, Home Repair Loans, and Home Equity Conversion Mortgages may interact with the HHF Programs. Lender contributions may include one-for-one match, short sales or deed in lieu of foreclosures, loan modifications, loan forbearances, Home Equity Conversion Mortgages, Home Repair Loans and lender contribution to the Hardest of Hardest-Hit sub-initiatives pool of fund.

c. Demonstration of capacity to implement

Background on Rhode Island Housing

For more than 35 years, Rhode Island Housing has been making it easier for people to make Rhode Island their home.

We provide low-interest loans, grants, education, advocacy and consumer counseling to help our customers rent, buy and retain their homes. We also offer special programs to ensure that these homes are safe and healthy. From our rental assistance programs, Homebuyer Education and safe, affordable mortgages, to our partnerships with developers and our work with non-profit community organizations, Rhode Island Housing is the state's leading resource for addressing housing needs.

Working together - with our residents, community partners, businesses and city, town and state leaders- we have helped more than 60,000 families buy homes and have financed the creation of more than 14,000 homes to rent that low- and moderate-income Rhode Islanders now call home. Over the past three decades, we have invested \$3.2 billion in the purchase, construction or renovation of homes and apartments in Rhode Island to make them safe and healthy.

In response to the foreclosure crisis, Rhode Island Housing HelpCenter opened its doors in November of 2007. The HelpCenter was created to serve as a triage center and provide free independent, comprehensive counseling and partner referrals to Rhode Island families at risk of losing their homes. To date over 7,000 families have sought assistance from the HelpCenter. Our trained HUD-approved counselors have provided direct counseling and negotiated with lenders to assist over 3,000 families avoid foreclosure.

Rhode Island Housing is a self-sustaining public agency, which generates its own operating income, without state funding. Everything we earn is reinvested to provide safe, healthy homes for Rhode Islanders. We were formed by the State Legislature to tackle Rhode Island's widespread, critical housing issues, but we do so as a private entity, bringing about 400 million in investor dollars into the state each year, by selling tax-exempt bonds.

Rhode Island Housing has earned 13 national housing awards for our innovative and effective programs. Rhode Island Housing is one of a handful of state housing finance agencies nationwide to have earned Standard & Poor's "Top Tier" designation, a tribute to our management capability and fiscal responsibility.

Experienced Staff

Rhode Island Housing's lending, servicing and counseling programs are managed and administered by a team of experienced senior staff who collectively have over 200 years of experience in mortgage finance, affordable housing bond program development and administration. Rhode Island Housing's Management Staff, titles and years of experience are as follows:

Richard Godfrey, Executive Director

Mr. Godfrey joined Rhode Island Housing in November 1993 as Executive Director. Prior to his appointment, he was a partner in the law of Hannock Weisman from 1990 to 1993 and the law firm of Hawkins, Delafield and Wood from 1988 to 1990, specializing in financial and urban development matters. Mr. Godfrey served as the Deputy Treasurer and Executive Director of the Department of the Treasury of the State of New Jersey from 1986 to 1988, and held a number of positions at the New Jersey Housing and Mortgage Finance Agency from 1978 through 1986, including Acting Executive Director and Deputy Director. Mr. Godfrey holds a bachelor of Arts in Architecture and Urban Planning from Princeton University and Juris Doctorate from Seton Hall University.

Susan Bodington, Deputy Director of Programs

Ms. Bodington joined Rhode Island Housing in 1991 and served as the HOME Program Coordinator from 1992 to 1993. She then served as Assistant Director for Housing Policy until her appointment as Director of Policy in 1998. She was appointed Deputy Director of Programs in September, 2003. Prior to joining Rhode Island, Ms. Bodington was Community Development Programs Manager for the State of Rhode Island from 1985 to 1991 and previously held planning and community development positions with the Cities of Providence and East Providence. Ms. Bodington holds a Bachelor of Arts degree in Economics from Smith College.

Thomas F. Hogg, Deputy Director & CFO

Mr. Hogg joined Rhode Island Housing in October, 1994 as Chief Financial Officer and Director of Staff Operations. He became Deputy Director of Finance for Rhode Island Housing in 1998. Prior to his appointment, he was Vice President and Treasurer of RIAC, a company that raised private capital for the purpose of purchasing financial institutions from the Resolution Trust Corporation. From 1970 to 1993, Mr. Hogg held a variety of positions at Old Stone Corporation, a financial services company, including Executive Vice President of Finance. Mr. Hogg holds a Bachelor of Arts degree in Economics/Engineering from Brown University and a Master of Business Administration degree from the University of Rhode Island.

Cathleen A. Paniccia, Director of Homeownership

Ms. Paniccia joined Rhode Island Housing in June, 1995 as its Director of Homeownership Opportunities Programs. Ms. Paniccia is responsible for the agency's single family mortgage programs design and production. Ms. Paniccia was responsible for establishing the agency's in-house mortgage servicing operation, retail loan production center and the agency's HelpCenter, an independent, HUD-approved counseling agency dedicated to providing professional support and education to help Rhode Islanders at risk of foreclosure. Prior to her appointment, Ms. Paniccia was Senior Vice President responsible for Old Stone Bank's Residential Mortgage Department from 1990 to 1995. Between 1976 and 1995, she held various management positions within the residential lending and servicing areas of Old Stone Bank, Rhode Island Hospital Trust National Bank and Mercury Savings and Loan. Ms. Paniccia has served on the board of the Rhode Island Mortgage Bankers Association since 1996 and currently chairs its education committee.

Leslie McKnight, Director of Loan Servicing

Ms. McKnight joined Rhode Island Housing in June, 1995 as Mortgage Servicing Default Manager. She was appointed Assistant Director in September, 2000 and Director of Loan Servicing in September, 2003. Ms. McKnight was instrumental in implementing the agency's in-house servicing operation in 1995. This operation currently services \$1.1 billion of 1-4 family residential mortgages and \$350 million of multi-family mortgages. In her role as Director of Loan Servicing, Ms. McKnight is accountable for the cost-effective management of the agency's loan portfolio and ensures that the single family portfolio is properly serviced in compliance with bond indentures requirements, appropriate mortgage insurer, investors, FHA, VA, Rural Development, agency guidelines and state and federal regulations. Prior to joining Rhode Island Housing, Ms. McKnight worked as a Loan Workout Specialist for Plymouth Mortgage Company from 1991 to 1995. With over 27 years of mortgage lending and retail banking experience, Ms. McKnight has held various management positions since 1982. Ms. McKnight received her Bachelor of Science Degree in Business Administration from Bryant College.

Michael V. Milito, Deputy Assistant Director, Law and Human Resources

Mr. Milito joined Rhode Island Housing in July, 1998 as Corporation Counsel, and was appointed Deputy Assistant Director for Law and Human Resources in July, 2000. Prior to joining the agency, Mr. Milito was a consultant engaged in affordable housing development from 1996 through 1998. From 1994 through 1996, Mr. Milito was the Community Reinvestment Manager for Citizens Bank. From 1989 through 1994, Mr. Milito was engaged in affordable housing development on behalf of nonprofit organizations in Rhode Island. Mr. Milito was a staff attorney in the housing unit with Rhode Island Legal Services from 1982 to

1989. Mr. Milito received a Bachelor of Arts degree from Le Moyne College and a Juris Doctorate from Northeastern University School of Law.

Kara L. Lachapelle - Controller

Ms. Lachapelle joined Rhode Island Housing in October, 2001 and served as Assistant Controller from 2001 to 2007. She was appointed Controller in January, 2007. Ms. Lachapelle is also responsible for the agency's investor accounting function which currently includes reconciliation and remittance to the Bond Trustee of our current residential loan portfolio of \$1.2 billion. In addition, Ms. Lachapelle is responsible for the reconciliation and remittance of the agency's \$350 million multi-family portfolio. From 1997 to 2001, Ms. Lachapelle held various positions in public accounting at Rooney, Plokin & Willey, specializing in governmental and non-profit audit clients. Ms. Lachapelle also worked in the Trust Department at Durfee Attleboro Bank. She is a member of the America Institute of Certified Public Accountants and received a Bachelor of Science Degree from Bryant College.

Technology & System Infrastructure

Rhode Island Housing will primarily utilize its current infrastructure and systems to administer HHF Program dollars efficiently and effectively to achieve Program goals. There will be some new technology developed specifically for the HHF Programs to capture, track and monitor each program transaction. Rhode Island Housing will explore every opportunity to leverage in-house resources and technologies and external industry processes, workflows, and reports that are already in use by the industry to perform loss mitigation activities.

Internal Controls

Rhode Island Housing will develop a comprehensive list of data elements and internal control points for each HHF Program from which we will perform regular quality assurance tests, fraud and risk mitigation protocols. The primary elements of any quality fraud mitigation program include timely identification, validation and verification of the processes core areas of risk. In this program, we will focus on validating, verifying and reviewing information provided by the borrower, loan originator, loan servicer, lender and other outside organizations that are a party to the transaction.

Borrowers and lenders/servicers must provide an affidavit certifying the accuracy of submitted documentation and acknowledging that providing false information in order to obtain these funds may result in criminal prosecution as well as a civil action to recover the funds.

d. Localization to help areas with concentrated economic distress

Rhode Island Housing has been tracking the foreclosure crisis as it unfolded since late 2006, when we first began to analyze foreclosure initiation data. As the crisis progressed, we have made monthly reports to our Board covering not only foreclosure initiations but also, when available, national and regional data, including actual foreclosures. In addition, for our 2008 Neighborhood Stabilization Program application, Federal Reserve Bank of Boston analyses of American Loan Performance and McDash data on mortgage performance and characteristics, and the Mortgage Bankers' Association National Delinquency Survey were reviewed.

For the Hardest Hit Fund application, we also analyzed unemployment statistics from the Rhode Island Department of Labor and Training as well as the U.S. Bureau of Labor Statistics, and reviewed Census Tract details for FEMA applications after the historic flooding that hit March 30-31, 2010.

Based on the analysis of the above data, and given Rhode Island's small size and highly concentrated at-risk population, HHF funds will be available statewide. However, the bulk of the funding will be targeted to those communities most impacted by foreclosures and unemployment.

The eleven most populous cities are home to nearly 63% of the state's population, and these cities are also congruent with the worst of the state's dual economic crises of foreclosure and unemployment. The twelfth city that Rhode Island's plan will target, Central Falls, is small in size, but disproportionately impacted by all measures due to its socio-economic make-up. This twelve community target area comprises approximately 65% of the state's total population.

As illustrated in Table 1 and 2, these cities are the top twelve hardest hit communities in the State based on the number of delinquencies, the number of unemployed, and the number of customers served by the HelpCenter in 2009. These communities represent from 65% to 82% of the economic distress measures of foreclosure initiations, mortgage delinquencies, and unemployment claims. Additionally, these cities are home to nearly 84% of Rhode Island Housing's HelpCenter customers, which was set up in November 2007, to help counsel the homeowners of the then-emerging foreclosure crisis. The HelpCenter, as well as the other HUD approved counseling agencies in the State, are also all located within these 12 targeted communities and will be providing outreach to eligible homeowners. We anticipate that approximately 70% of the Hardest-Hit Funds will be disbursed on behalf of homeowners in these top 12 communities.

As noted, Hardest-Hit Funds will be available to every community in the State. Thirty of the State's thirty-nine cities and towns had unemployment rates of 12% or higher in February 2010. These communities represent about 85.45% of the State's population. We therefore estimate that at least 85% of the Hardest-Hit Funds will benefit homeowners in communities with unemployment rates of 12% or higher.

As the program progresses, we anticipate continuing to analyze data sets to monitor progress in achieving our goals and keeping the programs fine-tuned to reflect the needs of our State's homeowners.

Table 1
Rhode Island Housing Hardest Hit Fund Program
Data Measures

Cities	Foreclosure Initiations	Cities	90-day Delinquencies	Cities	30-60 day Delinquencies	Cities	Unemployment Claims	Cities	RIH HelpCenter Clients
Providence	1,793	Providence	1,066	Providence	807	Providence	11572	Providence	955
Warwick	986	Warwick	462	Warwick	443	Warwick	5802	Cranston	294
Cranston	599	Cranston	383	Cranston	385	Cranston	5405	Pawtucket	264
Pawtucket	596	Pawtucket	335	Pawtucket	285	Pawtucket	5267	Warwick	261
Woonsocket	379	Johnston	179	East Providence	202	E. Providence	3785	Johnston	127
West Warwick	324	Woonsocket	168	Coventry	177	Woonsocket	3428	N. Providence	125
North Providence	302	E. Providence	160	West Warwick	150	Coventry	2680	E. Providence	124
Johnston	300	Coventry	148	Johnston	146	Cumberland	2436	West Warwick	86
Coventry	267	West Warwick	143	Woonsocket	134	West Warwick	2414	Woonsocket	85
East Providence	233	Cumberland	103	Cumberland	113	Johnston	2329	Coventry	63
Cumberland	172	Central Falls	82	North Providence	85	N. Providence	2276	Central Falls	60
Central Falls	150	N. Providence	69	Central Falls	54	Central Falls	1272	Cumberland	59
	6,101		3,298		2,981		48,666		2,503
	81.71% of state's total		76.13% of state's total		71.78% of state's total		64.7% of state's total		83.94% of HelpCenter total

Data Sources:

1. Foreclosure Initiations (April 2009-March 2010), *Kent County Daily Times* and The Warren Group
2. Delinquencies, Federal Reserve Bank of Boston analysis of McDash data (December 2009)
3. Unemployment Claims, RI Department of Labor and Training and US Bureau of Labor Statistics (February 2010)
4. Rhode Island Housing HelpCenter clients (March 2007-March 2010), Rhode Island Housing per NeighborWorks America's National Foreclosure Mitigation Counseling Grant

Table 2

Rhode Island Unemployment Rates

Municipality	2000 Census Population	UE Rate--Feb 2010 (BLS)
New Shoreham	1,010	27.5%
Little Compton	3,593	15.5%
Woonsocket	43,224	15.4%
Central Falls	18,928	15.4%
Tiverton	15,260	14.9%
Johnston	28,219	14.8%
Burrillville	15,796	14.7%
Charlestown	7,859	14.7%
Providence	173,618	14.6%
Newport	26,475	14.6%
East Providence	48,688	14.5%
West Warwick	29,581	14.4%
Hopkinton	7,836	14.3%
Warren	11,360	14.1%
Pawtucket	72,958	14.0%
Foster	4,274	13.9%
Middletown	17,334	13.5%
Scituate	10,324	13.3%
Bristol	22,469	13.2%
Coventry	33,638	13.0%
Smithfield	20,589	13.0%
Cranston	79,269	12.8%
East Greenwich	12,948	12.8%
Cumberland	31,840	12.3%
Exeter	6,045	12.3%
North Providence	32,411	12.2%
West Greenwich	5,115	12.2%
Lincoln	20,898	12.1%
North Smithfield	10,618	12.1%
Warwick	85,808	12.0%
	897,985	
Total State Population	1,050,788	
% of population over 12%UE rate	85.45%	

e. Staffing and business partners

We expect that an initial wave of borrowers will contact Rhode Island Housing’s HelpCenter, other Rhode Island HUD-approved counseling agencies or lender/servicers seeking to take advantage of one or more of the new HHF Programs. Through the first 6 months we anticipate a heavy monthly inflow of borrowers that are experiencing financial hardships or have newly defaulted on their loans as lender servicers work through their pipeline. This will place an immediate demand on current Rhode Island Housing’s staff once the HHF Program funds become available.

The staffing plan detailed below is based on Rhode Island Housing’s Proposal for the HHF Programs and the efforts needed to develop, implement and support the programs for their expected duration.

The following is Rhode Island Housing’s best estimate of the staffing requirements for the HHF Programs, and includes estimates of the number of staff necessary for the duration of the program.

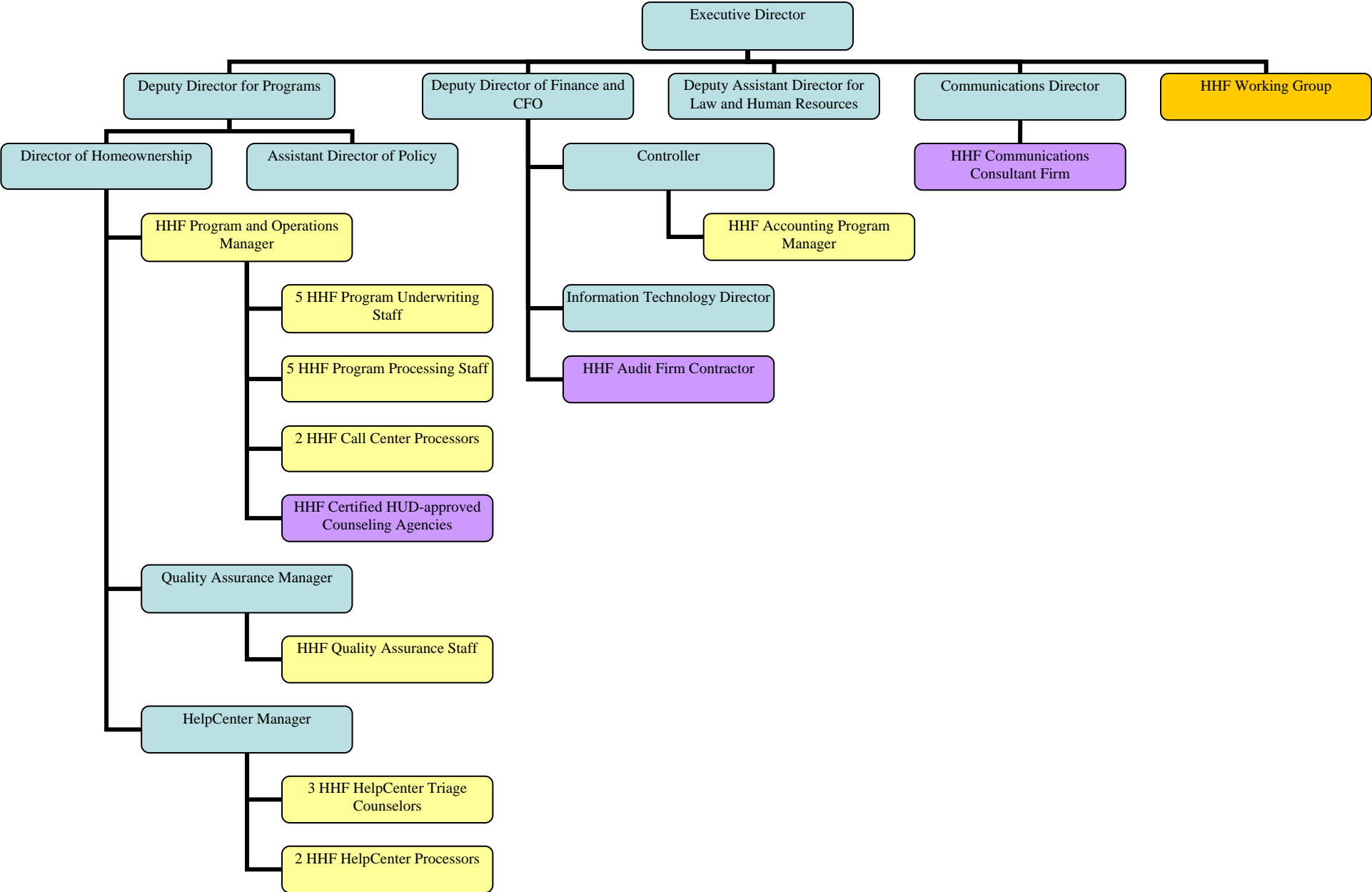
Role	Role Description	# of Staff and Timeline
Executive Director	Oversight	1 nominal throughout Program life
Deputy Director for Programs	Oversight	1 nominal throughout Program life
Deputy Director of Finance	Oversight	1 nominal throughout Program life
Deputy Assistant Director for Law and Human Resources	Legal and compliance oversight	1 nominal throughout Program life
Director of Homeownership	Oversee the HHF Program operations, ultimately responsible for HF Program delivery	1 part-time throughout Program life
HHF Program Underwriting and Operations Manager	Responsible for the day-to-day operations of the HHF Program	1 full-time throughout Program life (Compliance & Reporting)
HHF Program Underwriting Staff	Responsible for underwriting the application packages received from servicers and HHF certified HUD-counselors for Hardest Hit funds and ensuring the program and lender criteria are met. Working with senior program managers, provide program training	5 full-time staff during funds allocation only; may include underwriters to be housed at key triage locations; anticipate that the number of staff necessary will be greater in year 1 and will lessen progressively after 18 months

	materials and information to various housing stakeholders (e.g., servicers, counselors, advocates) regarding the HHF Program, policies and processes	
HHF Program Processing Staff	Responsible for reviewing and processing application packages received from HHF certified HUD approved counseling agencies and lender/servicers.	5 full-time staff during funds allocation only; may include underwriters to be housed at key triage locations; anticipate that the number of staff necessary will be greater in year 1 and will lessen progressively after 18 months
HHF Call Center Processors	Responsible for answering inbound calls from, and making outbound follow up calls to homeowners, servicers, counselors, and other housing stakeholders involved in the HHF Program	2 full-time throughout Program life
HelpCenter Manager	Responsible for the day-to-day operations HHF HelpCenter Triage counseling	1 part-time throughout Program life
HHF HelpCenter Triage Counselors	Responsible for intake and collection of supporting documents applicants to determine eligibility for HHF Programs	3 full-time throughout Program life
HHF HelpCenter Triage Processors	Responsible for reviewing and processing application packages for HHF Programs	2 full-time throughout Program life
Quality Assurance & Reporting	Responsible for managing functions required to ensure compliance with Treasury and internal compliance guidelines control to mitigate fraud and risk. Will ensure guidelines and processes comply with industry standards.	1 part-time throughout Program life

HHF Program Quality Control Staff	Responsible for reviewing HHF Program processes, policies, practices and reporting and conducting quality control audits to ensure compliance with program guidelines and mitigate fraud and risk.	1 full-time throughout Program life
Assistant Director of Policy - Program Data Analyst	Responsible for analyzing the HHF Program housing program data to identify trends and ensure business processes are continuously improved	1 part-time throughout Program life
Information Technology Director	Oversee the development, maintenance and delivery of the technology components that enable the HHF Program	Nominal effort throughout Program life
Controller	Oversee accounting program function and HHF Program fund audit compliance.	Part-time throughout Program life
HHF Accounting Program Manager	Responsible for ensuring the proper accounting of HHF Program funds; appropriately responds to findings of independent financial auditor	Full-time throughout Program life
Communications Director	Oversee the communication and outreach for the HHF Program, ultimately responsible for communication delivery	Part-time throughout Program life
Business Partners		
Audit Firm Contractor	Provides independent financial audit, program audit of Rhode Island Housing processes and audits of participating servicers	Anticipate no more than the equivalent of one fulltime contractor for the funds allocation period and part-time during reporting and compliance
Communications Consultant Firm	Provide consultation necessary to develop a communications and outreach plan to reach	Anticipate engagement in preparation for Program rollout and periodically throughout Program life

	target audience	
HHF Certified Counseling Agencies	Responsible for intake triage document collection and referral to appropriate HHF program	Full-time throughout Program life.
HHF Working Group (comprised of partners from state agencies, lenders, non-profits and businesses)	Rely upon to help review and monitor Program performance.	Attend quarterly performance review meeting throughout Program life

Rhode Island Housing HHF Program Organization Chart



Proposed HHF Program Budget and Families Served

(\$ millions)

Program Allocation

1. Loan Modification Assistance - HAMP	\$ 6.9
2. Loan Modification Assistance - Non-HAMP	9.0
3. Temporary and Immediate Homeowners Assistance	16.5
4. Moving Forward Assistance	3.5
<i>Total for Programs</i>	\$35.9

Program Expenses

* Intake (8,000 x \$200)	\$1.6
**Work-out/success (4,000 x \$400)	1.6
Administration (9.1%)	3.9
<i>Total Program Expenses</i>	7.1

Total **\$43.0**

* Intake funds will be used to determine potential eligibility for the HHF Programs.

**Work-out/ Success will only be awarded if a customer is served by one of the HHF Programs.

Rhode Island Families Served

1. Loan Modification Assistance - HAMP	1,150
2. Loan Modification Assistance - Non-HAMP	1,500
3. Temporary and Immediate Homeowner Assistance	1,800
4. Moving Forward Assistance	550
<i>Total families served</i>	5,000

g. Overview of risk management / fraud prevention

Rhode Island Housing understands the public interest in ensuring that HHF Program funds are used in a transparent and responsible manner. To that end, Rhode Island Housing will establish protocols to comply with all requirements under EESA, including but not limited to, allowing full compliance and oversight by the U.S. Treasury, the Comptroller General of the United States, Government Accountability Office, the Congressional Oversight Panel, and the Special Inspector General of the Troubled Asset Relief Program as to the application of any EESA funds. Rhode Island Housing agrees to grant access, upon reasonable request, to these governmental entities of all books, communications and records regarding the use of funds provided to Rhode Island Housing under the Hardest Hit Fund.

In most cases, the initial assessment of applicant eligibility for HHF assistance and recommendation for assistance will be conducted by a HUD-approved counseling agency. We expect that a significant number of applicants will be handled by Rhode Island Housing's HelpCenter. Other HUD-approved counseling agencies in the State will also handle applicants for these Programs.

Since the proposed Programs are new and provide assistance not otherwise currently available to troubled borrowers, Rhode Island Housing will require that any HUD-approved foreclosure counseling agency must successfully complete a training session on the Programs. Only counseling agencies that have been certified by Rhode Island Housing may participate in the Programs.

Rhode Island Housing will confirm the HUD-approved counseling agent's assessment of the applicant's qualifications and recommendation for assistance prior to issuing a commitment for HHF assistance.

In addition, lender/servicer involvement and cooperation will be critical to the success of this program. The lender/servicer shares Rhode Island Housing's interest in ensuring that the Program is properly implemented since they will be required to financially participate in any workout transaction under the Program. As a condition of receiving funds under the Program, Rhode Island Housing will require that lenders/servicers agree to cooperate with our compliance and monitoring requirements.

Compliance oversight, internal controls, and fraud prevention will be accomplished through several means including:

- Regular monthly and targeted audits of a statistically significant sample of program files by Rhode Island Housing compliance staff. Approved counseling agencies and lenders/servicers will be contacted with a list of files selected for review and will be required to submit copies of the entire modification file along with any internal processing notes.

- Rhode Island Housing compliance staff will review the file for compliance with program requirements, evidence of internal consistency within the application package, and proper documentation.
- Any files that contain substantive discrepancies or suggest integrity violations will be forwarded to the Quality Control Manager for further review and a complete re-verification of the application will be completed by Rhode Island Housing staff.
- Serious or repeated violations of program guidelines or misrepresentations by certified HUD-approved counseling agencies, lenders/servicers or borrowers may result in immediate dismissal from the program, cancellation of assistance to homeowners, referral to appropriate law enforcement authorities, and/or efforts to collect assistance previously provided.

Rhode Island Housing will maintain a separate budget and tracking system for the Hardest-Hit Fund Program, and all Treasury funds provided to implement this plan will be used solely to fund the Hardest-Hit Fund Program and related expenses.

Rhode Island Housing adheres to OMB A-133 audit requirements. Rhode Island Housing contracts with an independent audit firm to carry out annual audits of the financial statements. The independent auditor opines on the financial statements; internal control over financial reporting and on compliance and other matters; and compliance and internal control applicable to each major federal award program.

h. Tracking / reporting

The primary determination of evaluating the success of our program is whether the applicant was able to obtain a mortgage modification that would allow them to maintain ownership of their home, or achieve an orderly transition from the property in cases where a loan modification is not financially feasible. Rhode Island Housing's anticipates 10,000 requests for assistance and estimates conservatively that about 50% will achieve a successful outcome.

Initial data tracking will be undertaken at the triage stage by the HUD-approved, certified mortgage counseling agencies. These organizations will be required to capture data on each applicant as requested by Rhode Island Housing. These organizations will use third-party data collections software specifically designed for mortgage counselors to collect the required information and transmit it to Rhode Island Housing in a specified format. Examples of this software include CounselorMax, Home Counselor Online or Nstep.

Rhode Island Housing anticipates that the following information will be collected for each applicant:

- Date of HHF Program Application
- Name
- Address
- Date of Birth
- Gender
- Race
- Ethnicity

- Date of Loan
- Household Size
- Household Income
- Income Source
- Originating Lender
- Current Servicer
- Type of Mortgage
- Second Mortgage Data
- Credit Score
- Current PITI
- Original Housing and Overall DTI Ratio
- Current Housing and Overall DTI Ratio
- FHA/VA Insured
- Reason for Default
- Current Delinquency

Following the intake, this information will be transmitted to Rhode Island Housing. Rhode Island Housing uses The Mitas Group software for financial accounting and certain loan servicing functions. The Mitas Group software offers the ability to track funding sources on a programmatic and transaction level, export data and provide ad hoc reporting.

Rhode Island Housing will set up a unique record in The Mitas Group system for each applicant under the Program, using the information collected by the mortgage counselor at the triage stage. Rhode Island Housing will be able to track progress of each applicant over time, and permit detailed analysis of the outcomes of the Program, including measuring outcomes against goals. Rhode Island Housing expects to be able to track and generate reports as follows:

Borrower/Property

- Income
- Ethnicity
- Property location (municipality/census tract)
- LTV and CLTV
- Loan Type
- Property Type
- \$ Contribution, if applicable

Lender/Servicer

- Program participation rate
- # and \$ for each program
- Program performance - approve & cancel rate
- Loan performance - # of post-program current/delinquent loans
- Leveraged dollars per program
- Average LTV, borrower income
- By census tract

Program Data

- # and \$ for each program
- Per household
- Borrower income level
- # Approved & Denied transactions, income and county
- # Program requests per household
- Average monthly payment savings when combined with modification program