HARDEST HIT FUND

Final Report and Key Lessons Learned – January 2023

Hardest Hit Fund

Background and Reference

- In 2010, Treasury established The Hardest Hit Fund (HHF) through the Troubled Asset Relief Program. HHF allocated $7.6 billion to 18 states and the District of Columbia to assist struggling homeowners through locally tailored programs administered by each respective housing finance agency (HFA) in order to help prevent avoidable foreclosures and stabilize housing markets. These areas were designated "hardest hit" because they experienced steep home price declines and/or severe unemployment in the economic downturn.

- On February 19, 2016, Treasury announced an additional $2 billion allocation to HHF, for a total allocation of $9.6 billion. States were required to finalize any decisions with respect to underwriting homeowner assistance or blight elimination projects by June 30, 2021.

- HFAs reported program performance on a quarterly basis to Treasury. This Report is intended to serve as an additional resource for Hardest Hit Fund program information, data and key lessons learned. For more detailed information, including previously published quarterly reports and summaries please refer to: www.treasury.gov/data/troubled-assets-relief-program/reports .

- Additionally, each participating state's official quarterly reports are posted on each Housing Finance Agency's website accessible on the "State-by-State Information" page found here: www.treasury.gov/HHF.

HARDEST HIT FUND

Program History

- The housing crisis that began in 2007 led to unprecedented home price declines and sustained, high unemployment in many parts of the United States.
- Families in these areas were particularly hard hit by this crisis as they struggled to make their monthly mortgage payments and grappled with deeply underwater mortgages.
- Treasury established the Hardest Hit Fund (HHF) in February 2010 to provide targeted aid to families in states hit hard by the economic and housing market downturn.
- As part of the overall strategy for restoring stability to housing markets, HHF provided funding for 19 state Housing Finance Agencies (HFAs) to develop locally-tailored foreclosure prevention solutions in areas that had been hard hit by home price declines and high unemployment.
- The 19 HFAs were selected based on high levels of home price depreciation and/or unemployment rates within their states.

HARDEST HIT FUND

Eligible State Participants

State	Launch Date	Allocation ($ Million)	September 2010 Unemployment
Alabama	February 2, 2011	$163	8.9%
Arizona	September 20, 2010	$296	9.7%
California	January 10, 2011	$2,359	12.4%
District of Columbia	April 19, 2011	$29	9.8%
Florida	April 18, 2011	$1,136	11.9%
Georgia	April 1, 2011	$370	10.0%
Illinois	July 25, 2011	$715	9.9%
Indiana	May 10, 2011	$284	10.1%
Kentucky	April 1, 2011	$207	10.1%
Michigan	July 12, 2010	$761	13.0%
Mississippi	May 16, 2011	$144	9.8%
North Carolina	December 1, 2010	$707	9.6%
New Jersey	May 8, 2011	$415	9.4%
Nevada	February 21, 2011	$203	14.4%
Ohio	September 27, 2010	$762	10.0%
Oregon	December 10, 2010	$315	10.6%
Rhode Island	December 1, 2010	$116	11.5%
South Carolina	January 20, 2011	$317	11.0%
Tennessee	March 1, 2011	$302	9.4%

HARDEST HIT FUND

Summary of Program Results

- HFAs implemented several different programs, including mortgage payment assistance, mortgage reinstatement, short sale assistance, principal reduction and modification assistance, down payment assistance, and residential blight elimination programs.

- Over the course of the program, funds were disbursed on behalf of 91 programs. Most of this assistance has been provided from HHF mortgage payment and reinstatement programs; which assisted borrowers suffering a financial hardship typically related to either unemployment or underemployment.

- In the aggregate, states disbursed $8.8 billion of their program funds from Treasury and assisted 418,670 homeowners while spending an additional $1.0 billion on administrative expenses.

- The largest number of HHF homeowners were assisted in 2013, and the largest amount of HHF assistance was disbursed in 2014.

HARDEST HIT FUND

Program Results – Number of Homeowners Assisted

	Homeowners Assisted per Year	Total Assistance Provided per Year
2010	757	$4,214,974
2011	29,883	$210,681,965
2012	63,416	$801,941,498
2013	67,727	$1,317,979,183
2014	56,667	$1,398,106,676
2015	31,292	$1,018,424,824
2016	42,464	$1,006,366,404
2017	55,211	$1,232,507,025
2018	36,204	$942,774.828
2019	22,880	$569,023,752
2020	8,810	$221,288,950
2021	3,359	$64,031,714

HARDEST HIT FUND

Program Results – Homeowner Retention

- 96.9% of homeowners who received HHF assistance avoided loss of a home due to foreclosure, deed-in-lieu, or short sale for at least 2 years after assistance*

State	Retention Percentage
Alabama	96.5%
Arizona	99.5%
California	97.8%
Florida	96.9%
Georgia	97.6%
Illinois	98.5%
Indiana	91.8%
Kentucky	98.9%
Mississippi	95.3%
North Carolina	96.4%
Nevada	97.7%
Ohio	96.1%
Oregon	96.1%
South Carolina	99.0%
Tennessee	91.2%

*Data for District of Columbia, Michigan, New Jersey and Rhode Island not available

HARDEST HIT FUND

Key Lessons Learned

- The decentralized, state-run model of HHF allowed for innovation in the foreclosure mitigation space, with states experimenting with various models of foreclosure prevention assistance. Hardest Hit Fund programs vary state to state, included the following:
    - Mortgage payment assistance for unemployed or underemployed homeowners
    - Principal reduction to help homeowners attain more affordable mortgages
    - Assistance for homeowners transitioning out of their homes and into more affordable places of residence
    - Blight elimination and down payment assistance efforts
- The HHF program was criticized for delays in providing assistance to homeowners at-risk of foreclosure. Primary reasons for this delay were challenges in standing up unprecedented programs, difficulties in securing the participation of mortgage loan servicers and initially, strict eligibility criteria for program applicants.
- Based on this experience, the HHF Program Team sought to build partnerships between Treasury, states, and servicers in order to ensure participation of key entities. These initiatives included the use of the Hardest Hit Fund's Common Data File (CDF), a record transfer process between states and servicers developed in the early days of HHF to facilitate approval of eligible homeowner applicants.
- Treasury also worked with state participants on revising eligibility criteria and documentation requirements in favor of more programmatic flexibility. In addition, Treasury facilitated sharing best practices through annual Hardest Hit Fund Summit meetings.

HARDEST HIT FUND

Key Lessons Learned

- Treasury owed a great deal to the state Housing Finance Agency partners who ran the Hardest Hit Fund Programs, which underlines the importance of participation and partnership at the state level in these housing programs. Also notable, was mortgage servicer participation in partnering with states HFAs to ensure at risk borrowers could take advantage of the various programs.

- Each state HFA's ability to manage the day-to-day operations of these programs allowed Treasury to focus on and manage larger and more long-term complexities within and among the programs and communicate across the state HFA partners.

- Treasury officials have publicly stated that lessons learned from the Hardest Hit Fund informed the Treasury Department's approach to implementing the Homeowner Assistance Fund, made available through the American Rescue Plan in response to the impact of the COVID pandemic on homeowners.