HomeSafe Georgia

Making the Most of a Valuable Resource

Janunary 2016 | A Special Report By

Georgia ACT

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Georgia Advancing Communities Together, Inc.

Press Time Update

After completion of this report, the U.S. Department of the Treasury announced it would obligate up to $2 billion in additional Troubled Asset Relief Program (TARP) funds to the Hardest Hit Fund (HHF). This additional HHF funding will be allocated among participating Housing Finance Agencies (HFA) in two phases of $1 billion each. Georgia will receive $30,880,575 of additional funding in the first phase. States must apply by Mach 11th for the $1 billion available in the second phase. States receiving additional funds will have until December 31, 2020 to utilize their HHF allocation, an extension from the current program end date of December 31, 2017.

Despite the extended deadline for obligating funding, Georgia ACT remains steadfast in our belief that the Georgia Department of Community Affairs (DCA) should modify and expand its existing program so that this funding is easier to use as intended – to help Georgia households impacted by or at risk of foreclosure. Additionally, DCA should request approval to use a portion of the State's allocation for blight remediation and support local jurisdictions in their efforts to stabilize neighborhoods negatively impacted by vacant, foreclosed properties.

HomeSafe Georgia:
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HomeSafe Georgia: Making the Most of a Valuable Resource

Executive Summary

Introduction

Georgia Advancing Communities Together (Georgia ACT) has analyzed implementation of HomeSafe administered by the Georgia Department of Community Affairs (DCA) and funded by the U.S. Department of the Treasury. Based on that analysis, Georgia ACT recommends the following HomeSafe program modifications and expansion to help ensure that the residents of Georgia receive the full benefit of the federal government's investment of Hardest Hit Fund dollars in our state.

Recommendations for modifying existing HomeSafe programs focus primarily on improving outreach and intake, allowing the layering of assistance and refining the type of hardships that trigger program eligibility and the period in which hardships must occur. Additionally, Georgia ACT recommends three major expansions to HomeSafe Georgia – the development of programs to assist seniors and other long-time homeowners and help severely underwater, low-to-moderate income homeowners and the reprogramming of some funding to support blight remediation.

Crisis and Response

The Troubled Asset Relief Program (TARP) was created to implement programs to stabilize the nation's financial system during the crisis of 2008. By 2009 American families were struggling to buy and keep their homes. In February of 2009, the United States Treasury, under TARP, established two central housing programs, Making Home Affordable and the Hardest Hit Fund. The Hardest Hit Fund (HHF) provides "targeted aid to families in states facing unemployment rates at or above the national average or home price declines greater than 20 percent", making funding available "for state Housing Finance Agencies to develop locally-tailored foreclosure prevention solutions." Treasury designated $7.6 billion in Hardest Hit funds to 18 states and the District of Columbia. Under current program guidelines, state housing finance agencies must 'commit' all funds by Dec. 31, 2017, or return them to Treasury.

To date approximately $600 billion in TARP funds have been spent to bail out banks and other financial institutions, AIG, and automobile companies; to purchase toxic assets; and to aid small businesses. Likewise, the Hardest Hit Fund can be considered as part of the "people's bailout", designed to assist American families in danger of losing their homes through foreclosure because of the financial crisis and the accompanying housing meltdown.

HomeSafe Georgia Analysis

Georgia was allocated $339,255,819, which is being made available to Georgia residents through the DCA HomeSafe Georgia program. HomeSafe Georgia "offers mortgage assistance programs to eligible homeowners" to "help homeowners avoid foreclosure and remain in their home" through three distinct programs. According to its published progress reports, DCA expended $152,324,444 of Hardest Hit Fund dollars allocated, or 45% of the total, between the first quarter of 2011 and the third quarter of 2015. If total expenditures remain at the post-2012 quarterly average of $11.21 million, DCA would expend an additional $101 million through the program's anticipated December 2017 end date, totaling $253.2 million and exposing $86 million in uncommitted Hardest Hit funds to a return to Treasury. DCA needs to average $20.7 million in expenditures for 9 consecutive quarters (from the 4th quarter of 2015 through the end of 2017) to use Georgia's total allocation; the largest expenditure to date has been $13.2 million during the second quarter of 2013.

Through the 3rd quarter of 2015, DCA has approved 29% of first-time applications, while denying assistance to 36% of first-time applicants. Furthermore, 84% of approved applicants live in the 28-county Atlanta Metropolitan Statistical Area. While heavy program use is expected in the State's most populous counties, it is troublesome that 49 of Georgia's counties account for less than 1% of all approved applications. Twenty (20) counties have one approved application each, while the other 29 have no homeowners approved for assistance. Of the 49 counties with one (1) or no approved applications, 34 fall in the bottom 50 poorest Georgia counties when ranked by per capita income.[1]

HomeSafe Georgia Modification Recommendations

Program Wide Modifications

- Improve program outreach and intake through means such as:
  - Increasing the number of HUD-approved housing counseling agencies approved to engage in program outreach and intake.
  - Developing a payment scheme for HUD-approved housing counseling agencies that covers the real costs associated with originating, preparing and assisting troubled borrowers through the HomeSafe application process.
  - Offering incentive payments to agencies upon application approval.
- Allow participants to receive assistance from more than one HomeSafe Program, subject to a program cap of $45,000.
- Allow qualifying hardships that have occurred since the beginning of the Great Recession in 2008, if the applicant can document a causal relationship between the event and default.

Mortgage Payment Assistance (MPA) Program Modifications

- Allow residents with any decrease in income to qualify for the program if the decrease causes housing payment to be more than 25% of gross monthly household income.
- Allow any job loss to support qualification if it causes an applicant's mortgage payment to exceed 25% of gross monthly household income.

Mortgage Reinstatement Assistance (MRA) Program Modifications

- Expand qualifying hardships to include divorce and unexpected expenses, like those associated with medical hardship, transportation, and home repair.

Mortgage Payment Reduction (MPR) Program Modifications

- Expand qualifying hardships to include loss of employment income, illness, divorce, military orders and increased living expenses.

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1 Source for per capita income data is 2010 US Census and 2006-2010 American Community Survey Five Year Estimates. See https://en.wikipedia.org/wiki/Georgia_(U.S._state)_locations_by_per_capita_income

HomeSafe Georgia Expansion Recommendations

Underwater Mortgage Assistance Program[2]

Georgia ACT recommends that DCA establish a program similar to one in Florida to help severely underwater, low-to-moderate income homeowners who have been consistently current on their mortgage payments by providing Hardest Hit Funds to reduce the amount of their outstanding principal loan balance to an amount as close to 100% loan to value (LTV) as possible and reduce their monthly mortgage payment.

Homeowner Stability Program

Provide one-time assistance payments – in a lump sum, capped at $30,000 - to enable homeowners, who are 60 years or older or who have a tenure of at least 10 years in the same home, to remain in their homes by allowing the modification or recasting of a loan, payment of delinquent property taxes or homeowner's insurance, or funding necessary home repairs. Program participants should be exempt from the post-assistance 80% LTV and 25% debt to income (DTI) limits that exist in the Mortgage Payment Reduction Program.

Reprogramming Hardest Hit Funds for Blight Elimination

A state participating in the HHF program may receive authorization for utilizing funds for blight remediation by amending its HFA Participation Agreement with Treasury.[3] Georgia ACT recommends the use of $64 million for blight remediation, or 19% of the original HHF allocation. Nationally, Georgia ranks 9th in the number of vacant residential addresses and 7th highest in housing units with "underwater mortgages", perpetuating a vicious cycle of continued foreclosures, additional property vacancy and abandonment, and increasing blight and crime. Georgia's cities and residents need help in addressing the crippling neighborhood de-stabilization that results.

Conclusion

Georgia ACT believes that implementation of these proposed changes would enable the State to expend all of the Hardest Hit funds in a prudent and fiscally responsible manner, while benefitting as many hardest hit Georgians and communities as possible in the limited time that remains before the program ends.

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2 An underwater mortgage is a home purchase loan with a higher balance than the free-market value of the home, a situation that prevents the homeowner from refinancing (in most cases) or selling the home without cash to pay the loss out of pocket.

3 See Eighth Amendment to Commitment to Purchase Financial Instrument and HFA Participation Agreement, by and between Treasury and South Carolina State Housing Finance and Development Authority, Service Schedule B, 5 (Sept. 29, 2015)

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Introduction

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Recommendations for modifying existing HomeSafe programs focus primarily on improving outreach and intake, allowing the layering of assistance and refining the type of hardships that trigger program eligibility and the period in which hardships must occur.

Additionally, Georgia ACT recommends three major expansions to HomeSafe Georgia – the development of programs to assist seniors and other long-time homeowners and help severely underwater, low-to-moderate income homeowners and the reprogramming of some funding to support blight remediation.

Crisis and Response

When Lehman Brothers filed for bankruptcy on September 15, 2008, the remaining major investment banking firms in this country teetered on the edge of collapse as their funding sources were squeezed. The day after Lehman fell, the stock market dropped 500 points and there were signs of a generalized run on America's financial system.

The Troubled Asset Relief Program (TARP), authorized by Congress through the Emergency Economic Stabilization Act of 2008, and overseen by the Office of Financial Stability at the U.S. Department of the Treasury (Treasury), was created to implement programs to stabilize the nation's financial system during the crisis of 2008.

As a critical part of the government's efforts to combat the worst financial crisis since the Great Depression, TARP included comprehensive measures in five key areas:

- Auto Programs
- Bank Investment Programs
- Credit Market Programs
- Housing
- Investment in American International Group (AIG)[4]

TARP Housing Programs

By 2009 home prices had fallen for 30 straight months – reducing home values by nearly one third - and American families were struggling to buy and keep their homes. In February of 2009, Treasury, under TARP, established two central housing programs: Making Home Affordable and the Hardest Hit Fund.

4 See https://www.treasury.gov/initiatives/financial-stability/about-tarp/Pages/default.aspx# (US Department of Treasury, Financial Stability, About TARP)

While Congress authorized $700 billion for TARP, the program's lifetime cost is now estimated to be approximately $37.2 billion, most of which will be attributable to the housing program's efforts to help struggling homeowners avoid foreclosure.

Making Home Affordable

Making Home Affordable (MHA) provides mortgage relief to homeowners to prevent avoidable foreclosures. This includes the Home Affordable Modification Program (HAMP), which permanently reduces mortgage payments to affordable levels for qualifying borrowers. MHA has since been expanded to include a number of other specialized programs. The application deadline for MHA, originally slated for December 2015, has been extended to December 2016.[5]

Hardest Hit Fund

The Hardest Hit Fund (HHF) was started in February 2010, to "provide targeted aid to families in states hit hard by the economic and housing market downturn." As part of an overall strategy for restoring stability to housing markets, HHF provides funding "for state Housing Finance Agencies to develop locally-tailored foreclosure prevention solutions." States selected for funding faced unemployment rates at or above the national average or home price declines greater than 20 percent.

According to Treasury, the manner in which State HFAs designed and administered programs varies widely, but includes:

- Mortgage payment assistance for unemployed or underemployed homeowners
- Principal reduction to help homeowners get into more affordable mortgages
- Funding to eliminate homeowners' second lien loans
- Help for homeowners who are transitioning out of their homes and into more affordable places of residence.

Most HHF programs target assistance toward unemployed homeowners and those with homes that are worth less than the value of their mortgages.[6]

Treasury designated $7.6 billion in Hardest Hit funds to 18 states and the District of Columbia (see Table 1, below). Under current program guidelines, state housing finance agencies must 'commit' all funds by December 31, 2017, or return them to Treasury. Georgia was allocated $339,255,819, which is being made available to Georgia residents through the Department of Community Affairs (DCA) HomeSafe Program.

To date approximately $600 billion in TARP funds have been spent to bail out banks and other financial institutions, AIG, and automobile companies; to purchase toxic assets; and to aid small businesses. The Hardest Hit Fund represents part of the "people's bailout", totaling $18.7 billion to date, designed to assist American families impacted by the financial crisis.

5 See https://www.treasury.gov/initiatives/financial-stability/TARP-Programs/housing/Pages/default.aspx (US Department of Treasury, Financial Stability, Housing)

6 See https://www.treasury.gov/initiatives/financial-stability/TARP-Programs/housing/hhf/Pages/Program-Purpose-and-Overview.aspx (US Department of Treasury, Financial Stability, Hardest Hit Fund)

Table 1: Total Hardest Hit Funds Obligated by State

State	Obligated Funding	State	Obligated Funding
District of Columbia	$20,697,198	Arizona	$267,766,006
Rhode Island	$79,351,573	South Carolina	$295,431,547
Mississippi	$101,888,323	New Jersey	$300,548,144
Kentucky	$148,901,875	Georgia	$339,255,819
Alabama	$162,521,345	Illinois	$445,603,557
North Carolina	$194,026,240	Nevada	$482,781,786
Tennessee	$217,315,593	Michigan	$498,605,738
Oregon	$220,042,786	Ohio	$570,395,099
Indiana	$221,694,139	Florida	$1,057,839,136
California	$1,975,334,096		

HomeSafe Georgia Analysis

According to DCA's program summary, HomeSafe Georgia "offers mortgage assistance programs to eligible homeowners" to "help homeowners avoid foreclosure and remain in their homes."

HomeSafe Georgia offers three (3) types of assistance:

Mortgage Payment Assistance offers up to 24 months of assistance to eligible applicants who have had an unemployment or underemployment hardship in the last four (4) years and need help paying their mortgage. The goal of this program is to provide monthly mortgage payment assistance while homeowners search for new or better employment.

Mortgage Payment Reduction offers a one-time payment of up to $45,000 submitted directly to the lender if the borrower has suffered a permanent loss of income in the last four (4) years. The goal of this program is to obtain an affordable mortgage payment.

Mortgage Reinstatement Assistance offers financial hardship help to eligible applicants who can currently afford their mortgage payments, but had fallen behind on payments due to a qualifying military, medical or death hardship that began in the last four (4) years. The goal of the program is to bring a delinquent mortgage current.

HomeSafe Georgia lists as threshold eligibility criteria:

- Owning and occupying the home as the primary residence
- Having a total mortgage balance less than $417,000
- Having suffered a financial hardship within the last four (4) years due to a job or wage loss, or having experienced a medical, military or death-related hardship

We believe these eligibility criteria are highly correlated to the difficulty in distributing funds to "troubled" Georgia borrowers – that HHF funding was designed to assist – before the federally mandated 2017 year-end deadline.

Disbursement History

According to its published progress reports, DCA expended $152,324,444 of the $339,255,819 in Hardest Hit Fund dollars allocated, or 45% of the total, between the first quarter of 2011 and the third quarter of 2015.

Since the first quarter of 2011, total quarterly disbursements (both assistance provided and administration) have averaged $8,017,076. Since the first quarter of 2013, when total quarterly disbursements first exceeded $10 million, that average has increased to $11,217,479.

If total expenditures remain at the post-2012 quarterly average, DCA would expend an additional $101 million through the program's anticipated December 2017 end date, totaling $253.2 million and exposing $86 million in uncommitted Hardest Hit funds to a return to Treasury. Maintaining this pace of expenditures seems unlikely unless the program is modified, as the rate of foreclosures has decreased since the height of the housing crisis, slowing expansion of the pool of eligible applicants.

Graph 1: HomeSafe Georgia, Total Expenditures over Time

DCA must average $20.7 million in expenditures for nine (9) consecutive quarters (from the 4th quarter of 2015 through the end of 2017) to use Georgia's total allocation; the largest expenditure to date has been $13.2 million during the second quarter of 2013.

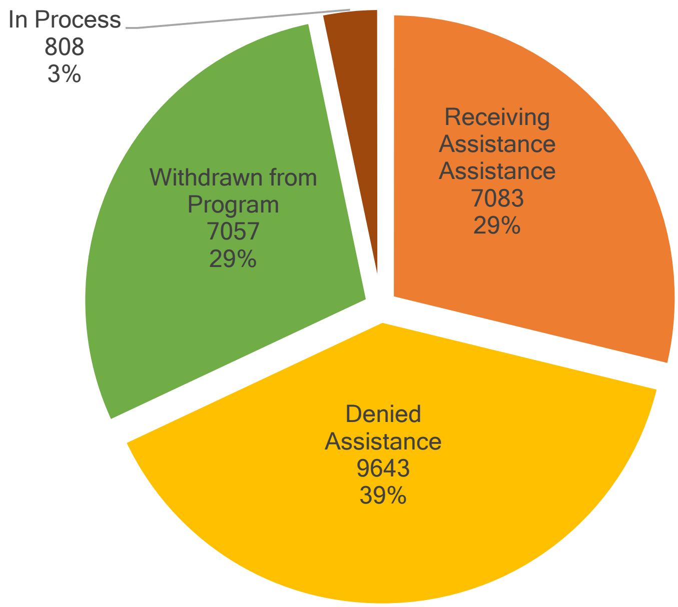
Assistance Approved for Applicants

As shown in Table 2 above, DCA has received 24,591 newly submitted (or unique) applications through the 3rd quarter of 2015 for assistance through HomeSafe Georgia. Of those applications, 7,081 – or 29% of the total - have been approved, providing $127.8 million in assistance to Georgia households.

Table 2: HomeSafe Georgia, Historical Application and Expenditure Data

Period		Applications			Status				Expenditures		
		Newly Submitted	Previously Submitted	Total Applications	Receiving Assistance	Denied Assistance	Withdrawn from Program	In Process	Assistance Provided	Administrative, Outreach & Counseling	Total Expenditure
		A	B	A + B	D	E	F	(A + B) - (D+E+F)	G	H	G + H
4th Q	2010			0	0	0	0	0	$ -	Not reported	$ -
1st Q	2011	97	0	97	9	62	9	17	$ 1,980	Not reported	$ 1,980
2nd Q	2011	1,671	17	1,688	30	282	74	1,302	$ 26,204	Not reported	$ 26,204
3rd Q	2011	1,803	1,316	3,119	193	667	491	1,768	$ 513,447	Not reported	$ 513,447
4th Q	2011	1,406	1,779	3,185	292	849	539	1,505	$ 1,253,817	Not reported	$ 1,253,817
1st Q	2012	988	1,564	2,552	348	756	470	978	$ 2,097,120	Not reported	$ 2,097,120
2nd Q	2012	2,971	1,046	4,017	371	723	460	2,463	$ 3,306,327	$ 4,738,333	$ 8,044,660
3rd Q	2012	1,823	2,541	4,364	465	833	565	2,501	$ 6,107,439	$ 1,401,147	$ 7,508,586
4th Q	2012	1,197	2,569	3,766	559	536	588	2,083	$ 8,314,977	$ 1,171,383	$ 9,486,360
1st Q	2013	1,283	2,208	3,491	620	693	733	1,445	$ 10,089,742	$ 1,616,436	$ 11,706,178
2nd Q	2013	1,235	1,567	2,802	665	419	635	1,083	$ 11,164,328	$ 2,053,477	$ 13,217,805
3rd Q	2013	1,348	1,218	2,566	452	465	622	1,027	$ 10,543,080	$ 1,334,690	$ 11,877,770
4th Q	2013	1,146	1,181	2,327	427	493	581	826	$ 9,431,259	$ 1,605,661	$ 11,036,920
1st Q	2014	877	993	1,870	339	338	425	768	$ 8,197,014	$ 1,244,783	$ 9,441,797
2nd Q	2014	1,223	930	2,153	378	482	342	951	$ 10,445,975	$ 1,758,348	$ 12,204,323
3rd Q	2014	1,343	1,183	2,526	408	673	395	1,050	$ 11,422,673	$ 1,542,006	$ 12,964,679
4th Q	2014	1,219	1,050	2,269	353	576	244	1,096	$ 9,308,519	$ 1,580,795	$ 10,889,314
1st Q	2015	1,065	1,230	2,295	336	585	294	1,080	$ 8,626,512	$ 1,412,018	$ 10,038,530
2nd Q	2015	1,090	1,191	2,281	441	451	362	1,027	$ 8,832,931	$ 1,781,882	$ 10,614,813
3rd Q	2015	806	1,154	1,960	397	465	290	808	$ 8,137,988	$ 1,262,153	$ 9,400,141
Totals		**24,591**	N/A	N/A	**7,083**	**10,348**	**8,119**	N/A	**$ 127,821,332**	**$ 24,503,112**	**$ 152,324,444**
Total Unique		**24,591**			**7,083**	**9,643**	**7,057**	**808**			
% Total Unique					**28.8%**	**39.2%**	**28.7%**	**3.3%**			
% of Total Expenditures									**84%**	**16%**	**100%**

Total Applications, as shown in Table 2, includes both newly submitted applications (or unique applications) and applications that have been previously submitted, i.e., newly submitted applications from previous quarters which have yet to be approved or denied as well as applications that have been denied or withdrawn, then resubmitted. As such, the Total Applications number is relevant only to understand the volume of applications under consideration by DCA during each quarter.



Note: These data points are through the end of the 3rd quarter of 2015.

Chart 1: HomeSafe Georgia, Status of Unique Applicants

Of the 24,591 unique applications, DCA has denied assistance to 36% or 9,643 homeowners. Applicants have withdrawn 7,057, or 29% of all unique applications submitted. Three percent (3%) of unique applications are still in process.

The relatively low percentage of approved applications, when viewed against the number of Georgia households adversely impacted by foreclosures during the housing crisis and the objective of Hardest Hit Fund dollars, strongly suggests that DCA should consider further modifications to the structure and eligibility criteria of HomeSafe Georgia assistance programs.

HomeSafe Georgia program data also strongly suggest that program modifications to better support impacted rural residents of the state deserve serious and immediate consideration. According to HomeSafe Georgia Borrower Characteristics by Geography, 5,959, or 84%, of the 7,083 approved applications are for homeowners of the 28-county Atlanta Metropolitan Statistical Area (MSA) (See Table 3, below).

While heavy use of the program is expected from the State's most populous counties, it is troublesome that 31% of Georgia's counties (or 49 of 159 counties) account for less than 1% of all approved applications, with 20 of those counties having one approved application each and the other 29 counties having no homeowners who have been approved for assistance. Of the 49 counties with one (1) or no approved applications, 34 of them fall in the bottom 50 poorest Georgia counties when ranked by per capita income (see Table 4, below).[7]

7 Source for per capita income data is 2010 US Census and 2006-2010 American Community Survey Five Year Estimates. See https://en.wikipedia.org/wiki/Georgia_(U.S._state)_locations_by_per_capita_income

Recommendations for Program Modification and Expansion

Georgia ACT offers the following program modifications and expansions to help ensure that homeowners in Georgia receive the full benefit of the federal government's investment of Hardest Hit Fund dollars in our state.

Program Modifications

Program Wide Modifications

Improve program outreach and intake through means such as:

- Increasing the number of HUD-approved housing counseling agencies approved to engage in program outreach and intake.
    - Developing a payment scheme for HUD-approved housing counseling agencies that covers the real costs associated with originating, preparing and assisting troubled borrowers through the HomeSafe application process.
    - To help ensure quality service delivery, an agency submitting a significant number of applications that gets declined can be provided additional training, placed on probation, or banned from future participation.
    - Offering incentive payments to agencies upon application approval.
    - Georgia ACT believes that meaningful engagement of Housing Counseling agencies would be useful in determining program modifications that would best support successful application submission, particularly in lower-income rural counties where homeowners are not currently being served by the program.
- Allow participants to receive assistance from more than one HomeSafe Program
    - Change program guidelines to allow participants to combine available programs, subject to a program cap of $45,000.
- Allow exceptions to the requirement that a qualifying hardship must have occurred within four years.
    - Allow qualifying hardships that have occurred since the beginning of the Great Recession in 2008, if the applicant can document a causal relationship between the event and default (e.g., drained savings and/or retirement; used temporary assistance from family members, etc.).

Mortgage Payment Assistance (MPA) Program Modifications

- Increase the type of hardships that trigger program eligibility
    - Currently, the only qualifying hardships are unemployment or underemployment. DCA should expand qualifying hardships to include illness, death, disability and divorce.

Table 3: HomeSafe Approvals, Atlanta MSA		
County	Number of Approved Applications	Per Capita Income Rank
Fulton	953	1
Forsyth	108	2
Fayette	91	3
Cobb	699	5
Cherokee	148	7
DeKalb	1,094	9
Gwinnett	996	13
Coweta	76	14
Pickens	12	15
Henry	300	16
Dawson	16	18
Douglas	193	22
Rockdale	151	23
Paulding	162	30
Walton	63	32
Bartow	30	36
Newton	155	40
Pike	10	45
Butts	12	47
Barrow	62	48
Carroll	52	52
Jasper	8	55
Spalding	54	64
Haralson	4	74
Clayton	493	78
Meriwether	1	85
Heard	2	91
Lamar	14	99
TOTAL	**5,959**	

Table 4: HomeSafe Underserved Counties		
County	Number of Approved Applications	Per Capita Income Rank
Chattahoochee	0	37
McIntosh	1	46
Brooks	1	54
Date	1	56
Miller	1	59
Seminole	1	70
Bleckley	1	77
Brantley	0	79

Table 4 (Continued) Underserved Counties		
County	Number of Approved Applications	Per Capita Income Rank
Pierce	0	89
Talbot	1	92
Toombs	0	93
Wilkinson	0	94
Marion	0	98
Crisp	1	108
Montgomery	1	109
Bacon	1	110
Lanier	0	114
Glascock	0	115
Tattnall	0	116
Treutlen	0	117
Clinch	1	118
Irwin	0	122
Cook	0	123
Baker	0	124
Webster	0	127
Dodge	1	128
Screven	0	129
Schley	0	130
Candler	0	132
Warren	0	134
Turner	1	135
Johnson	0	139
Stewart	0	140
Terrell	1	141
Atkinson	0	143
Jefferson	1	144
Washington	0	147
Dooly	0	148
Taylor	1	149
Echols	0	150
Taliaferro	0	151
Quitman	0	152
Telfair	0	153
Clay	1	154
Macon	1	155
Wilcox	1	156
Calhoun	0	157
Hancock	0	158
Wheeler	1	159
TOTAL	**20**	

- Eliminate the requirement that homeowners must experience a 25% Decrease in Income in order to qualify for the program
  - Allow any decrease in income if the decrease causes housing payment to be more than 25% of gross monthly household income.

- Eliminate Hours of Employment and Percentage of Income Requirement
  - Currently, a lost job must have provided either 30 hours of work per week or 20 hours of work per week and at least 50% of gross monthly household income. We recommend that any job loss should support qualification if it causes an applicant's mortgage payment to exceed 25% of gross monthly household income.

Mortgage Reinstatement Assistance (MRA) Program Modifications

- Increase the type of hardships that trigger program eligibility
  - The current list of qualifying hardships is too restrictive. DCA should expand qualifying hardships to include divorce and unexpected expenses, like those associated with medical hardship, transportation, and home repair.

Mortgage Payment Reduction (MPR) Program Modifications

- Increase the types of hardships that trigger program eligibility
  - Currently, there are only three qualifying hardships. DCA should expand qualifying hardships to include loss of employment income, illness, divorce, military orders and increased living expenses.

Program Expansion

Georgia ACT recommends two fundamental major expansions to HomeSafe Georgia – the development of a program aimed at assisting seniors and other long-time homeowners and the reprogramming of some funding to support a blight remediation program.

Underwater Mortgage Assistance Program[8]

Georgia ACT recommends that DCA establish a program similar to one in Florida, to help severely underwater, low-to-moderate income homeowners who have been consistently current on their mortgage payments by providing Hardest Hit Funds to reduce the amount of their outstanding principal loan balance to an amount as close to 100% LTV as possible and reduce their monthly mortgage payment. According to Zillow, 35 percent of metro Atlanta homes alone were underwater in 2013. By instituting such a program, DCA can help homeowners who have stayed in their homes, remained committed to their neighborhoods, and met their obligation to make their mortgage payments.

Such a program could help by reducing the amount of the unpaid principal balance on their first mortgage to an amount that aligns with the current value of the property, subject to program limits and by recasting or refinancing their loan, thus reducing their monthly mortgage payment.

8 An underwater mortgage is a home purchase loan with a higher balance than the free-market value of the home, a situation that prevents the homeowner from refinancing (in most cases) or selling the home without cash to pay the loss out of pocket. Many borrowers wanting to sell homes with underwater mortgages – perhaps because of a job loss – end up in foreclosure unless they are able to renegotiate the loan. See Investopedia, Underwater Mortgage at http://www.investopedia.com/terms/u/underwater-mortgage.asp.

Homeowner Stability Program

A homeowner stability program should be designed to prevent foreclosures among a particularly vulnerable group of long-term and senior homeowners who may not otherwise qualify for program assistance.

Georgia ACT recommends that DCA consider providing one-time assistance payments – in a lump sum, capped at $30,000 - to enable homeowners, who are 60 years or older or who have a tenure of at least 10-years in the same home, to remain in their homes by allowing, for instance, the modification or recasting of a loan, payment of delinquent property taxes or homeowner's insurance, or funding necessary home repairs. (Many older homeowners got into trouble when they refinanced their mortgage in order to pay for needed home repairs.) Additionally, the program should exempt participants from the post-assistance 80% LTV and 25% debt-to-income limits that exist in the Mortgage Payment Reduction Program.

Reprogramming Hardest Hit Funds for Blight Elimination

Background: In 2013 - in response to low utilization of funds through the Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets ("Hardest Hit Funds" or "HHF") – the U. S. Treasury began to grant states' requests to reprogram funds for blight remediation, which includes demolition and greening.

A state participating in the HHF program may receive authorization for utilizing funds for blight remediation by amending its HFA Participation Agreement with Treasury.[9] States may modify programs and reallocate funds through December 31, 2017.[10]

As of April 2015, $372 million in Hardest Hit Funds have been reallocated for blight remediation programs in six states, including two in the Deep South (see Table 5, below).[11]

In approving this new use for existing HHF program dollars, blight remediation program plans submitted to Treasury must set a specific dollar amount for the reallocation, establish a cap on allowable demolition and greening expenses per property, and determine an estimated number of properties to be demolished.[12]

Approved blight remediation programs are also overseen by the state housing finance agency. Treasury has been flexible in approving the design of blight remediation programs, allowing states to make grants to cities, counties, land banks, and nonprofit partners to achieve program objectives.[13] Indeed, the Special Investigator General for TARP issued an April 2015 report criticizing Treasury's "lack of oversight over remediation initiatives and its eagerness to approve such programs to have states spend down awarded funds".[14]

9 See Eighth Amendment to Commitment to Purchase Financial Instrument and HFA Participation Agreement, by and between Treasury and South Carolina State Housing Finance and Development Authority, Service Schedule B, 5 (Sept. 29, 2015)

10 Special Inspector General for the Troubled Asset Relief Program, Quarterly Report to Congress, 169 (Oct. 29, 2014).

11 Special Inspector General for the Troubled Asset Relief Program, Treasury Should Do Much To Increase The Effectiveness Of The Tarp Hardest Hit Fund Blight Elimination Program, 3 (Apr. 21, 2015), ("SIGTARP 15--001")

12 SIGTARP 15--001 at 16.

13 SIGTARP 15--001 at 4.

14 "State HFA officials from Michigan and Ohio told SIGTARP that the only goal Treasury has given them is to spend the HHF blight money by December 31, 2017." SIGTARP 15--001 at 5.

Table 5 - States with Approved Blight Remediation Programs - Allocation Levels

State	Obligated HHF Funding	Blight Elimination Allocation		Obligated Funding
	Amount	Amount	% of Obligated	Date
Alabama	$162,521,345	$25,000,000	15.38%	September 2014
Illinois	$445,603,557	$1,900,000	0.43%	Summer 2014
Indiana	$221,694,139	$75,000,000	33.83%	1Q 2014
Michigan	$498,605,738	$175,000,000	35.10%	November 2014
Ohio	$570,395,099	$60,000,000	10.52%	January 2014
South Carolina	$295,431,547	$35,000,000	11.85%	3 Q 2014
Average			**17.85%**	

Per the Special Inspector General for TARP, of the six states approved to reallocate HHF for demolition, only Michigan and Ohio have carried out demolitions using HHF as of December 31, 2014. Michigan has, by far, the largest allocation ($175 million), and has made the most progress towards utilizing these funds, having spent nearly $23 million to demolish 1,887 properties.[15]

Recommendation

Georgia ACT supports the effort by a number of Georgia cities to reprogram a portion of the remaining Hardest Hit Fund allocation to support local blight remediation efforts.

We recommend the use of $64 million for blight remediation, or 19% of the original HHF allocation. This approximates the average percentage (18%) of HHF allocation reprogrammed by other states with approved blight remediation initiatives. We also believe that this figure, which amounts to 30% of HHF funding remaining after the 3rd quarter of 2015, represents funding that would likely be uncommitted on December 31, 2017, and be subject to return to Treasury, even if other recommended program modifications and expansions are approved.

This effort would allow the State to impact not only individual families but entire neighborhoods, where property values are negatively impacted by abandoned, vacant and blighted homes, brought on in many instances by foreclosures resulting from the housing crisis.

Nationally, Georgia ranks 9th in the number of vacant residential addresses and 7th highest in housing units with "underwater mortgages", perpetuating a vicious cycle of continued foreclosures, additional property vacancy and abandonment, and increasing blight and crime. Georgia's cities and residents need help in addressing the crippling neighborhood destabilization that results.

Utilizing HHF to clear vacant, abandoned property can help to stabilize the value of surrounding property, prevent other homeowners from foreclosure, decrease crime and increase the confidence of nearby homeowners regarding the value of their current, and future investments.

15 SIGTARP 15--001 at 16-17.

It would serve as an important tool for not only stabilization, but revitalization efforts at the neighborhood and the larger community level.

Blight Remediation Program Approach

We believe that engaging local jurisdictions, land bank and development authorities, and non-profit community and housing developers is critical to developing a specific approach for Georgia.

A recommended case study for closer examination is Genesee County Land Bank, a subgrantee of the Michigan State Housing Development Authority that has detailed, transparent accounting of its goals and progress using reallocated Hardest Hit Funds in addition to other funding sources.[16]

Many see South Carolina's recently approved Neighborhood Initiative Program as a good example of how to utilize HHF for blight elimination: a targeted approach, with necessary benchmarks, that leads to accountability and successful outcomes. Approved by Treasury in the third quarter of 2014, the Neighborhood Initiative Program reallocated $35 million for demolition, with a cap of $35,000 per structure and a goal of demolishing between 1,000 and 1,300 vacant properties.[17]

The program is available statewide to units of local government and nonprofit partners that can demonstrate need in a locality and a blight remediation implementation strategy. HHF grants to partners may be used for demolition and greening of single and multifamily properties with title held by the partner. Of the maximum of $35,000 partners may receive per property for blight remediation, up to $2,000 may be used for administrative costs. Partners are required to record a mortgage in favor of the South Carolina Housing Corporation; the interest rate on the mortgage is 0%, and the mortgage is forgivable over a three-year period with one-third forgiven each year provided that covenants are satisfied.[18] Through June of 2015, South Carolina had yet to demolish any units with Hardest Hit Funds under its Neighborhood Initiative Program.[19]

Conclusion

Implementation of these proposed changes would enable the State to expend all of the Hardest Hit funds in a prudent, timely, and fiscally responsible manner, while benefitting as many hardest hit Georgians and communities as possible in the limited time remaining.

16 See Genesee County Land Bank, Funded Demolitions, http://www.thelandbank.org/blightfree.asp. Although the majority ($100 million) of Michigan's HHF blight remediation is earmarked for Detroit, as of January 2015, only one fourth of demolished properties were in Detroit. Todd Spangler, Inspector: Oversight Needed for Anti--Blight Money, Detroit Free Press (Jan. 28, 2015), http://www.freep.com/story/news/local/michigan/2015/01/28/blight-funds-questioned/22431115

17 This program also receives Neighborhood Stabilization Program grants for demolition from HUD, see SIGTARP 15--001 at 16--17.

18 SC HFA Agreement at B--5--1 through 3.

19 SC HELP, Quarterly Report for Quarter Ending Jun. 30, 2015, http://www.schousing.com/library/SCHELP/HFA_SC_Q22015.pdf

Georgia Advancing Communities Together
250 Georgia Avenue, Suite 350
Atlanta, Georgia 30312
404.586.0740
www.georgiaact.org

Georgia ACT, a statewide association of nonprofit housing and community development organizations, works collectively to influence public policy, increase resources, and impact practices that affect the ability of nonprofit organizations to provide affordable housing, revitalize marginalized communities, and empower Georgia's low- to moderate-income residents.

ACKNOWLEDGEMENTS
Georgia Advancing Communities Together, Inc. acknowledges with sincere appreciation the support and the vision of the Ford Foundation, which provides core support for our statewide affordable housing activities.

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