



June 10, 2021

FOR INFORMATION AND DISCUSSION

I. SUBJECT

Information and Discussion on the State's Proposal for the Homeowner Assistance Fund Program

II. FACTS

A. Homeowner Assistance Fund

On March 11, 2021, President Biden signed into law the American Rescue Plan Act of 2021 of which \$9.96 billion was appropriated to establish the Homeowner Assistance Fund (HAF) under section 3206 to mitigate financial hardship associated with the coronavirus pandemic.

The HAF Program was established to help homeowners experiencing financial hardship after January 21, 2020 as a result of the coronavirus pandemic. Hawaii is expected to receive the minimum allocation of \$50 million from the U.S. Department of the Treasury (Treasury) to help Hawaii homeowners struggling to keep up with payments, falling behind, or already in foreclosure due to the pandemic.

B. Fund Administration

The State of Hawaii's Department of Budget and Finance (B&F) will be the primary recipient of the funds from the Treasury. B&F will be the lead agency and provide fiscal oversight. It is intended for B&F to allocate funds to the counties for program implementation. The Hawaii Housing Finance and Development Corporation (HHFDC) will assist B&F with programming and management oversight.

III. DISCUSSION

- A. For the State to receive the \$50 million in HAF funds, a HAF Plan must be submitted to the Treasury by June 30, 2021.¹ The plan must describe in detail the needs of homeowners, the design of each program proposed for implementation, performance goals, and information regarding the state's readiness to implement the program. In its guidance of April 14, 2021, Treasury had indicated that a template for the HAF plan would be provided. However, as of June 4th, receipt of the template is pending.

¹ Per the guidance from Treasury, entities must submit a completed HAF plan or a date by which a HAF plan will be submitted by June 30, 2021.

A copy of the draft HAF Plan, dated June 4, 2021, is enclosed as **Exhibit A**. The draft plan will be revised as more guidance or information from the U.S. Treasury, National Council of State Housing Agencies, and stakeholders is received. The major components of the draft HAF plan are as follows:

1. Identification of homeowner needs based on a data-driven assessment of homeowner needs

The University of Hawaii Economic Research Organization (UHERO) was contracted to compile and analyze data on homeowner delinquency and forbearance. Dr. Phil Garboden leads UHERO's effort to produce a statistical portrait of COVID-19 induced homeowner hardship and propose a process for targeting and distributing funds.

HAF will assist homeowners who are experiencing financial hardship after January 21, 2020 and have incomes at or below 150% of the area median income. Priority will be for homeowners with incomes at 100% and below the area median income or socially disadvantaged individuals.²

Approximately 17,400 homeowners may be having difficulty in making their mortgage payments. At a minimum, approximately 70% of that population, or 12,200 homeowners may fall into the Treasury's priority categories (i.e., 100% AMI or socially disadvantaged).

2. Evidence of public participation and community engagement

Given the short time frame for formulating the plan, extensive stakeholder participation was not feasible. However, B&F and HHFDC staff conducted several meetings with relevant stakeholders to gather input on homeowner needs and program priorities. Staff also consulted with the county housing directors, HUD-approved counseling agencies, and local lenders on the extent of the mortgage delinquency problem among low- and moderate-income homeowners and foreclosure mitigation strategies.

3. Program design

As proposed, the HAF program will assist eligible homeowners with a long-term mortgage resolution and preliminarily includes the following:

- Short-term monthly payments for mortgage and other escrowed housing expenses (e.g., property taxes, homeowners' insurance, maintenance fees, homeowners'

² Socially disadvantaged individuals are those who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual qualities. The social disadvantage must stem from circumstances beyond their control. There is a rebuttable presumption that the following individuals are socially disadvantaged: Black Americans, Hispanic Americans, Native Americans, and Asian Americans and Pacific Islanders. In addition, an individual may be determined to be a socially disadvantaged individual in accordance with the procedures set forth at 13 CFR 124.103(c) or (d).

association fees, lease rent) to assist homeowners who have been keeping up with housing payments despite their reduction in income and financial hardship.

- Assistance with loan modifications or recasts resolve defaults and/or to make monthly payments more affordable.
- Grants (or, possibly loans with favorable terms if Treasury determines that program income need not be returned to the Treasury) to pay for arrearages to reinstate mortgages.

4. Performance goals

Specific goals for each of the above programs will be established pending further analyses and discussions with stakeholders.

5. Readiness

As proposed, the HAF program will follow the same structure being utilized to administer the Emergency Rental Assistance Program that was established and funded under Section 501 of division N of the Consolidated Appropriations Act of 2020. B&F will disburse funds to the counties which will contract with nonprofit organizations to administer the program.

6. Budget

In its guidance of April 14, 2021, Treasury had indicated that a budget template would be provided. However, as of June 4th, receipt of the template is pending.

The draft HAF plan includes a high-level budget that allocates \$42.5 million (85% of the total \$50 million) for direct payments and \$7.5 million (15% for administration).

- B. The Treasury will assess the HAF plan based on the factors including the alignment of (1) community need and program design, (2) performance goals with data on targeted populations, and (3) budget with performance goals and readiness to implement the program.

The Treasury may approve the plan in whole or in part. It will inform the State of the schedule for disbursements for the approved portions of the plan.

Attachment: Exhibit A – Draft 6/4/21 Homeowner Assistance Fund Program Plan

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HOMEOWNER ASSISTANCE FUND PROGRAM



Hawaii

Homeowner Assistance Fund Program

DRAFT PLAN

June 4, 2021

EXHIBIT A



HOMEOWNER ASSISTANCE FUND PROGRAM

I. OVERVIEW

On March 11, 2021, President Biden signed into law the **American Rescue Plan Act** of 2021 of which \$9.96 billion was appropriated to establish the Homeowner Assistance Fund (HAF) under section 3206.

The Homeowner Assistance Fund (HAF) Program was established to help homeowners experiencing financial hardship after January 21, 2020 as a result of the coronavirus pandemic. Being a relatively small state, Hawaii is expected to receive the minimum allocation of \$50 million from the U.S. Treasury Department to help Hawaii homeowners struggling to keep up with payments, falling behind, or are already in foreclosure due to the pandemic.

The State of Hawaii's **Department of Budget and Finance (B & F)** will be the primary recipient of the funds from U.S. Treasury and make disbursements to the counties who will implement the program. The counties will in turn contract with nonprofit organizations to administer the program and make it accessible to the homeowner community. This same structure is currently in place and being utilized to administer the Emergency Rental Assistance (ERA) Program that was established and funded under Section 501 of division N of the **Consolidated Appropriations Act** that was enacted in December 2020.

B&F will be the lead agency and provide fiscal oversight. The **Hawaii Housing Finance and Development Corporation (HHFDC)**, the housing finance agency in Hawaii, will assist B&F with programming and management oversight. The allocation for Hawaii is \$50,000,000. If approved by the U.S. Department of Treasury, the state of Hawaii will utilize these funds to implement the Homeowner Assistance Fund or HAF program.

II. NEEDS ASSESSMENT

A. Background

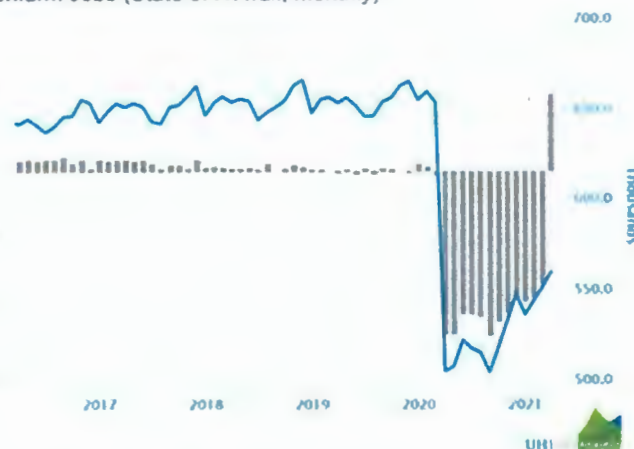
The State of Hawaii's population is at 1.4 million individuals living in 465,000 households. Approximately 280,000 or 60% of these households are owner occupants.

Due to its substantial reliance on tourism, the State of Hawaii has been an outlier in terms of the impact of the COVID-19 pandemic, including both an alarming number of job losses and a comparably modest pace of recovery. As shown in Figure 1, the economic shutdown from the COVID-19 pandemic resulted in a loss of approximately 150,000 jobs, fewer than half of which have returned (as of April, 2021).



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Total Nonfarm Jobs (State of Hawaii, Monthly)



(Figure 1: Nonfarm Job Losses, State of Hawaii, 2016-2021)

This impact has not been evenly distributed throughout the State. Lower-income service sector employees, women, and traditionally disadvantaged minorities such as Native Hawaiians and Micronesians have suffered the most severe hardships. The counties of Maui and Kauai, both of which are heavily reliant on tourism, suffered the most acute job losses. At the height of the downturn, Maui has lost roughly 37% of its nonfarm jobs and remains nearly 20% below baseline today. Kauai experienced a 31% loss, and is currently 20% below baseline.

By nearly any metric, Hawaii has one of the highest costs of living (if not the highest) of any State in the nation. Traditionally, one mitigating factor has been high levels of workforce participation; prior to the pandemic the State's unemployment rate was just 2.1%. In April 2020, Hawaii's unemployment rate reached 22.3%, but as reported by UHERO Executive Director Carl Bonham, to ABC News, because the unemployment surveys were conducted early that month before many of the job losses, some economists estimated the rate at 30% or more. When employment numbers plummeted, the fragile balance between high costs and near total employment broke down and pushed many families into crisis.

This hardship has been reflected in our housing sector where both renters and homeowners have struggled to afford their housing. CoreLogic reports that Hawaii and Nevada (both up 4 percentage points) logged the largest annual increase in overall delinquency rates in February 2021.¹ Hawaii is also listed in Black Knight's top 5 states with non-current loans (which combines foreclosures and delinquencies as a percentage of active loans) at 7.29% and by 90+ days delinquent percentage

¹ CoreLogic Loan Performance Insights report, February 2021 <https://www.corelogic.com/insights-download/loan-performance-insights-report.aspx>



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at 4.76%.² While Federal intervention and rapidly climbing housing values have limited foreclosure starts, the data suggest there is an enormous need for financial assistance to support homeowners as the State struggles through an extended recovery.

B. Homeowner Demographics and Needs Assessment

There is an acute need for direct mortgage assistance for borrowers facing delinquency and are at risk of foreclosure. HAF resources will help fill the gap to prevent foreclosures, reduce instability in communities and provide a safety net for homeowners.

The needs assessment section of this plan was done in collaboration with the University of Hawaii Economic Research Organization (UHERO) and is based on preliminary data available at the time the draft plan was posted before the public meeting. More specific data is being sought to provide a refined assessment of homeowner needs by demographics within each county.

The State of Hawaii has roughly 280,000 homeowner households of which 180,000 pay a mortgage on their property.

Homeowners in Hawaii are remarkably diverse, with the vast majority falling into Treasury's definition of "socially disadvantaged individuals," specifically Black Americans, Hispanic Americans, Native Americans, and Asian Americans and Pacific Islanders.

² Black Knight's First Looks at April 2021 Mortgage Data <https://www.blackknightinc.com/black-knights-first-look-at-april-2021-mortgage-data/>



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Race of Head of Household, Homeowners in Hawaii, 2019

	No Mortgage	Mortgage	% Mortgaged Homeowners
All Homeowners	102,961	178,965	100.0%
Asian American	61,358	102,326	57.2%
Pacific Islander	13,280	29,881	16.7%
White	39,380	77,483	43.3%
Black	1,460	3,812	2.1%
Native American	817	4,053	2.3%
Other	1,093	2,362	1.3%
Multiple Categories	11,844	31,702	17.7%
Not White Alone	72,771	125,226	70.0%

Source: ACS IPUMS Microdata

The two largest non-White ethnic categories among Hawaii’s homeowners are Asian American (57.2%) and Pacific Islanders (16.7%). Due to the state’s high number of multi-ethnic individuals and households, only 30% of heads of households do not fall into the Treasury’s priority categories. If other household members are included, this number is likely even lower.

While Hawaii’s homeowners have substantially higher incomes than renters, a significant portion have low to moderate incomes. Prior to the COVID-19 crisis, 32.0% of mortgaged homeowner households had incomes below 100% AMI (29.2% have incomes below 80% of AMI).

Household Income as Ratio of AMI, Homeowners in Hawaii, 2019

	No Mortgage	Mortgage	% Mortgaged Homeowners
All Homeowners	102,961	178,965	100.0%
Below 80% AMI	53781	52201	29.2%
Below 100% AMI	56366	57196	32.0%

Source: ACS IPUMS Microdata

Note: Counts represent prevalence pre-COVID as an indication of vulnerability.



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COVID-19 significantly lowered many homeowner households’ incomes in 2021. While desired microdata was difficult to access at the time this draft plan was posted for public awareness, UHĒRO estimates that roughly 50% of the States’ 100,000 job losses fell on homeowner households.

These demographic vulnerabilities are borne out by Hawaii’s high levels of delinquency and forbearance. As of January 2021, nearly 10% of mortgages in Hawaii were delinquent. The following chart shows that 2.8% of mortgages are 30 days or more delinquent and 6.9% of mortgages are in forbearance.

Percent Mortgages Delinquent and In Forbearance, Jan 2021

	30+ Delinquent (No Forbearance)	In Forbearance
Statewide	2.8%	6.9%
Hawaii County	3.29%	7.44%
Honolulu County	2.76%	5.81%
Kauai County	3.07%	8.76%
Maui County	2.24%	10.36%

Source: Atlanta Fed calculations using Black Knight McDash Flash daily mortgage performance dataset

As shown in the table above, the problem is not evenly distributed throughout the state. As with the economic downturn more generally, the rural outer-island communities of Maui, Kauai, and Hawaii County have the highest rates of forbearance.

The problem is exacerbated in particular subpopulations, particularly among loans that serve lower-income groups. Among FHA loans, for example, the statewide delinquency rate is estimated at 16%, 13% of which are seriously delinquent (>90 days).³ The delinquency rate appears to be particularly high for native Hawaiians residing in homes managed by the Department of Hawaiian Home Lands (DHHL). Of the 1,115 loans managed by DHHL (or through its partnership with HUD), 460 (41%) are at least 30 days delinquent as of May, 2021.⁴

³ <https://entp.hud.gov/sfnw/public/>

⁴ <https://dhhl.hawaii.gov/wp-content/uploads/2021/05/D-19-DHHL-Loan-Modification-Product..ppt>



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City & County of Honolulu

The City and County of Honolulu has the highest population count in the State of Hawai'i with about 974,563 people. With limited land and finite resources, Honolulu was recently ranked by NerdWallet as the 2nd most expensive city in the U.S. to live in. Honolulu's median price of a single-family home exceeded \$950,000 in April 2021, and the median rent for a one-bedroom apartment was reported to be \$1,480 by the March Zumper report. Honolulu's primary industry, tourism, was disproportionately affected by COVID-19, with an extended recovery period forecasted for the industry. While tourists have begun to return, employment, and therefore income, has lagged considerably, with the unemployment rate for the City at 7.2% in April 2021.

Hawaii County

Only a couple of years has passed since the Kilauea volcanic eruption in 2018 and the community is still trying to recover from the devastation.

Financial hardship can have far-reaching implications for Hawaii county residents, particularly for the elderly, special needs population, and families with children. A household that experiences financial difficulties may find it challenging or impossible to recover. As households who were impacted by the 2018 Kilauea eruptions continue to recover and stabilize their housing needs, many of them are impacted by economic impact caused by the COVID-19 pandemic.

The 2013–2017 American Community Survey (ACS) data indicates that approximately 33% of all households in the County of Hawaii were cost-burdened. This data was reinforced with the most recent HUD Comprehensive Housing Affordability Strategy (CHAS) data, which also indicated that 33% of households in the County are cost-burdened. Among current homeowners in the County with a mortgage, the 2013–2017 ACS reports that 39% spent more than 30% of their income on monthly housing costs.

Maui County

Maui County experienced one of the highest unemployment rates in the state given the concentration of resort/tourist related jobs on the island of Maui in particular. In February 2020, just before the beginning of the pandemic, Maui County had an unemployment rate of just 1.7% according to the U.S. Bureau of Labor Statistics. In April of 2020, just two months later, unemployment had shot up to 32.9%. Even a year later, in April 2021, unemployment was still hovering at 11.5%.

The U.S Census Bureau indicated that in 2019, Maui County had an owner-occupancy rate of 61% of housing units. The economic impact of the pandemic on Maui County homeowners has been significant.



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Kauai County

Although Kaua‘i is the smallest County in terms of population, Kaua‘i and the County of Hawai‘i have high rates of home ownership. According to the 2019 Hawai‘i Housing Planning Study, 62.9% of Kaua‘i residents own their homes and 34.6% rent. Accordingly, Kaua‘i has a somewhat high need for mortgage assistance.

C. Outreach & Stakeholder Engagement

Given the short time frame for formulating a plan as required by Treasury, extensive stakeholder participation was not feasible. However, HHFDC and B&F’s did conduct several meetings with relevant stakeholders to gather input on mortgage assistance needs and program priorities outlined in the U.S. Treasury Guidance.

Beginning in late-February and continuing through May 2021, HHFDC consulted with housing counseling agencies approved by the U.S. Department of Housing and Urban Development (HUD) -- Hawaii HomeOwnership Center and Hawaiian Community Assets -- on the extent of the mortgage delinquency problem among low- and moderate-income homeowners and foreclosure mitigation strategies.

During that same timeframe, B&F and HHFDC also began collaborating with lenders, housing advocates, and the county housing administrators to discuss opportunities being afforded to Hawaii under HAF. Mortgage needs data, including demographic and geographic data, was obtained from the City and County of Honolulu and County of Hawaii which administered mortgage assistance programs funded under the CARES Act in 2020.

Local lenders and HUD-approved counseling agencies shared foreclosure mitigation strategies for HHFDC to consider in designing the program. Discussions centered around eligibility criteria to increase the likelihood of sustaining homeownership, assistance amounts, and the partners who should be involved in the HAF program.

In June 2021, HHFDC published a public notice to solicit comments and feedback on the draft HAF plan at its June 10, 2021 board meeting. The public notice and meeting agenda were published on June 4, 2021. A copy of the draft plan was made available for review on HHFDC’s website at: <https://dbedt.hawaii.gov/hhfdc/board/meetings/>.

[INSERT FEEDBACK & COMMENTS FROM JUNE 10 PUBLIC MEETING]

These discussions have helped HHFDC and B&F form broad program goals to guide the development of the program.



HOMEOWNER ASSISTANCE FUND PROGRAM

III. PROGRAM DESIGN

A. Program Oversight

Department of Budget and Finance

The Department of Budget and Finance (B&F) is responsible for administering the financial affairs of the state of Hawaii including managing the state's \$15 billion budget to protect the health of Hawaii's people, support and promote economic recovery, and improve the state's overall fiscal position.

The Office of Federal Awards Management (OFAM) is a division within B&F that plans, organizes, directs, coordinates, and conducts federal award activities to advance the management, administration, and oversight of federal awards made to Executive State Departments and Agencies. OFAM performs a critical function within B&F of maximizing the program and fiscal performance of federal awards, ensuring state agencies operate in compliance with state and federal rules and regulations, and reduce the opportunity for waste, fraud, and abuse. OFAM will play an integral role in the fiscal monitoring and reporting aspects of the HAF program.

Hawaii Housing Finance and Development Corporation

Hawaii Housing Finance and Development Corporation of Hawaii (HHFDC) is a state agency administratively attached to the Department of Business, Economic Development and Tourism (DBEDT). The Corporation currently has about 60 employees and is governed by a nine-member Board of Directors which establishes policies and executive direction for the Corporation. In addition to managing an equity gap low-interest loan or Rental Housing Revolving Fund (RHRF) program, HHFDC also administers the Low-Income Housing Tax Credit (LIHTC) program for the state of Hawaii and serves as the state's conduit issuer of the tax-exempt revenue bonds through its Hula Mae Multi-Family Bond program. HHFDC administers the federal HOME Investment Partnerships (HOME) and National Housing Trust Fund (HTF) program and coordinates deployment with the non-entitled counties of Hawaii, Kauai, and Maui.

In Fiscal Year 2020, HHFDC assisted in the delivery of 772 workforce/affordable units while managing assets of approximately \$1.5 billion. Since its inception in 2006, HHFDC has facilitated the development of about 10,700 workforce and affordable units statewide and currently has a production plan in place to add nearly 8,000 more units over the next five years.



HOMEOWNER ASSISTANCE FUND PROGRAM

B. Program Structure

The State of Hawaii’s **Department of Budget and Finance (B&F)** will be the primary grant recipient of the HAF funds from U.S. Treasury. The current plan is for the counties to contract with a network of local nonprofit organizations to intake applications, check for duplication, screen for initial eligibility, and make the HAF funds accessible to the prioritized homeowner target group. This same structure is currently in place and is being utilized to administer the Emergency Rental Assistance (ERA) Program that was established and funded under Section 501 of division N of the **Consolidated Appropriations Act** that was enacted in December 2020. The plan is for the non-profits to engage with HUD-approved housing counseling agencies like the Hawaii HomeOwnership Center, Hale Mahaolu, and Hawaiian Community Assets which employ HUD certified counselors and can provide the appropriate foreclosure mitigation counseling services needed during the loss mitigation process. A link to HUD-approved counseling agencies follows: <https://apps.hud.gov/offices/hsg/sfh/hcc/hcs.cfm?webListAction=search&searchstate=HI>

B&F will be the lead agency and provide fiscal oversight. The **Hawaii Housing Finance and Development Corporation (HHFDC)** will assist B&F with programming and management oversight.

C. Program Description

HAF will provide Hawaii homeowners who are experiencing financial hardship after January 21, 2020 and have incomes at or below 150% of the area median income with assistance that will lead to long-term mortgage resolution. The **150%** income limits for 2020 and 2021 are provided in the tables below.

2020 HOUSEHOLD INCOME - 150% AMI								
Household Size	1	2	3	4	5	6	7	8
Hawaii	\$87,600	\$100,050	\$112,500	\$124,950	\$135,000	\$145,050	\$154,950	\$165,000
Kauai	\$102,000	\$116,550	\$131,100	\$145,650	\$157,350	\$169,050	\$180,750	\$192,300
Maui	\$107,700	\$123,000	\$138,450	\$153,750	\$166,050	\$178,350	\$190,650	\$202,950
Honolulu	\$132,300	\$151,200	\$170,100	\$188,850	\$204,000	\$219,150	\$234,300	\$249,300
2021 HOUSEHOLD INCOME - 150% AMI								
Household Size	1	2	3	4	5	6	7	8
Hawaii	\$90,000	\$102,750	\$115,650	\$128,400	\$138,750	\$148,950	\$159,300	\$169,500
Kauai	\$107,100	\$122,400	\$137,700	\$152,850	\$165,150	\$177,450	\$189,600	\$201,900
Maui	\$108,600	\$124,050	\$139,500	\$154,950	\$167,400	\$179,850	\$192,150	\$204,600
Honolulu	\$126,900	\$145,050	\$163,200	\$181,200	\$195,750	\$210,300	\$224,700	\$239,250



HOMEOWNER ASSISTANCE FUND PROGRAM

Types of homeowner assistance that maybe offered are as follows:

- **Mortgage and Housing Expense Payment Assistance**
Short-term monthly payments for mortgage and other escrowed housing expenses (e.g., property taxes, homeowners' insurance, maintenance fees, homeowners' association fees, lease rent) to assist eligible homeowners who have been keeping up with housing payments despite their financial hardship.
- **Mortgage Default Resolution**
Assistance other than full reinstatement. The assistance is intended to leverage HAF to allow homeowners to obtain a loan modification or recast that resolves the default and may also lower the monthly payment. This can include payments to reduce arrears and/or principal to enable default resolution and/or payment reduction. Loan modifications may include, but are not limited to the following:
 - Interest rate adjustments
 - Interest only and escrowed payments over the short term (e.g., one year)
 - Interest step ups
 - Re-amortization of the loan
 - Principal reduction
 - Waiver of late fees and penalties
- **Mortgage reinstatement**
A grant to pay for arrearages to reinstate (or bring current) mortgages, utilities, and other eligible costs under the program.⁵

Partnerships with experienced, mission-driven HUD-approved counseling agencies and Community Development Financial Institutions are seen to be an integral part of the success for the HAF program. Call centers, such as the Aloha United Way 2-1-1, may be considered to provide referrals and information for persons without internet access.

Proposed Maximum Assistance Available

Applicants may be approved for more than one type of HAF assistance, but the maximum amount of assistance available for any applicant or property across all HAF programs is \$30,000. The proposed limit is based on an affordable monthly housing payment of \$2,500.00 for a homeowner at 100% AMI, for an annual payment of \$30,000. The actual limit will be determined once adequate data is obtained and UHERO has completed a needs assessment.

⁵ Loans with favorable terms may be made if Treasury determines that program income (i.e., loan repayments) need not be returned to the Treasury.



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Use of Funds

As long as an applicant has a Qualifying Hardship, HAF funds may be used:

- To repay arrears that accrued before January 21, 2021, and
- For prospective payments, as specified in the applicable program template.

Intake Systems/Procedures/Participants

The application and intake process are designed and will be operated in a manner to avoid barriers to equitable access and allow for flexibility, particularly with regards to documentation requirements.

- The common application form provided by Treasury will be utilized.
- Homeowners may apply for assistance in the following ways:
 - Through an online portal
 - Via paper application form received by mail, email, fax or in person
 - To the extent possible, through in person events hosted by subcontractors

D. Target Population & Prioritization

At least 60% of the funds will be used to assist homeowners with incomes at or below 100% of area median income as determined by HUD. Remaining funds will be made available to socially disadvantaged individuals as defined in 13 CFR 124.103(c). If there are remaining funds after this prioritization, it will be made available for other eligible homeowners.

Priority will be given to:

1. Homeowners with total annual income equal or less than 100% AMI. The **100%** income limits for 2020 and 2021 are provided in the tables below.

2020 HOUSEHOLD INCOME - 100% AMI								
Household Size	1	2	3	4	5	6	7	8
Hawaii	\$58,400	\$66,700	\$75,000	\$83,300	\$90,000	\$96,700	\$103,300	\$110,000
Kauai	\$68,000	\$77,700	\$87,400	\$97,100	\$104,900	\$112,700	\$120,500	\$128,200
Maui	\$71,800	\$82,000	\$92,300	\$102,500	\$110,700	\$118,900	\$127,100	\$135,300
Honolulu	\$88,200	\$100,800	\$113,400	\$125,900	\$136,000	\$146,100	\$156,200	\$166,200



HOMEOWNER ASSISTANCE FUND PROGRAM

2021 HOUSEHOLD INCOME - 100% AMI								
Household Size	1	2	3	4	5	6	7	8
Hawaii	\$60,000	\$68,500	\$77,100	\$85,600	\$92,500	\$99,300	\$106,200	\$113,000
Kauai	\$71,400	\$81,600	\$91,800	\$101,900	\$110,100	\$118,300	\$126,400	\$134,600
Maui	\$72,400	\$82,700	\$93,000	\$103,300	\$111,600	\$119,900	\$128,100	\$136,400
Honolulu	\$84,600	\$96,700	\$108,800	\$120,800	\$130,500	\$140,200	\$149,800	\$159,500

2. Socially disadvantaged individuals - *Socially disadvantaged individuals are those who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual qualities. The social disadvantage must stem from circumstances beyond their control. There is a rebuttable presumption that the following individuals are socially disadvantaged: Black Americans, Hispanic Americans, Native Americans, and Asian Americans and Pacific Islanders.*

In addition, an individual may be determined to be a socially disadvantaged individual in accordance with the procedures set forth at 13 CFR 124.103(c) or (d).

E. Eligibility

Hawaii homeowners who meet the following criteria will be eligible for the HAF program.

- Own and occupy the single-family dwelling unit as their primary residence.
- Do not have an interest in other real property besides the primary residence.
- Have experienced a qualifying financial hardship associated with the COVID-19 pandemic which has impacted their ability to make mortgage or other housing-related expenses. A qualifying hardship is a material reduction in income or material increase in a household's living expenses associated with the COVID-19 pandemic that began, continued or worsened any time after January 21, 2020.
- Originated the mortgage before March 1, 2020 (home-equity and reverse mortgage loans are NOT eligible).
- Have a total gross annual income equal to or less than 150% of the HUD median income for each of the counties, with those earning at or below 100% receiving first priority.
- Have sufficient income to make current or reduced mortgage and escrowed housing-related payments going forward.
- Do not have other resources (e.g. savings, rental income, etc.) available to cover mortgage payments.
- Can provide all necessary documentation to satisfy program guidelines within the established timeframes.



HOMEOWNER ASSISTANCE FUND PROGRAM

F. Program Marketing

The HAF program will be marketed by each county through a broad range of outreach strategies, including posting information to the county websites, issuing public announcements and press releases describing the program's availability, parameters, and eligibility criteria. To promote statewide dissemination of information, HHFDC in collaboration with the Governor's Office, will also issue public announcements and post links to the various county websites on the HHFDC website. Program information will also be disseminated through housing counseling agencies, local homeownership departments, local credit unions, and other community organizations. HHFDC plans to coordinate with mortgage services and local financial institutions to make homeowners in the targeted population aware that HAF assistance may be available to them and encourage eligible homeowners to apply.

The county's marketing efforts and referral network will effectively communicate the conditions and terms of the program and address public misconception and false information about the program.



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IV. PROGRAM BUDGET

Program	
Direct Payments	\$42,500,000
Total Program	\$42,500,000
Administration	
Salaries & Wages	\$ 1,875,000
Contract Services including Software	6,000,000
Training & Certification	4,000
Equipment	16,000
Office Supplies & Postage	
Advertising/Marketing	100,000
Audit	250,000
Other	
Total Administrative	\$ 7,500,000
GRAND TOTAL	\$50,000,000



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Hawaii anticipates using the entire allocation of 15% of the \$50 million award for administrative expenses. It is anticipated that HUD-approved counseling agencies would be funded from grants provided by the Neighborhood Reinvestment Corporation, pursuant to section 3204 of the ARPA. However, the HAF program is anticipated to fund the cost of the final exam for HUD counselor certification and equipment (i.e., laptops) for the HUD-approved housing counseling agencies.

Expenditure Timeline (note – numbers are just place holders)

The schedule below describes Hawaii’s expectation that the original program funds will be drawn down over a four-year period. We believe the majority of applications will be submitted in Year One and Year Two with expenses reduced over Year Three and Year Four.

Implementation	Year One	Year Two	Year Three	Year Four
\$5,000,000	\$10,000,000	\$25,000,000	\$5,000,000	\$5,000,000

B&F received an initial draw of 10% of the \$50,000,000 awarded to the state of Hawaii. B&F will request funds as needed throughout the program but anticipates draws are to be made on a quarterly basis.

V. IMPLEMENTATION

A. Pilot / Readiness Assessment

In order to evaluate the readiness of the HAF program for a statewide launch, the state had planned to undertake a pilot program in Hawaii and Kauai County utilizing its current infrastructure utilized to administer the federal ERA program. However, due to the lack of information and guidance on the HAF, it is unlikely a pilot program will be launched.

B. Timeline to Deploy Funds

The pilot programs in the two counties may begin start-up activities related to the program utilizing a portion of the initial funding.

Prior to Treasury approval of the HAF plan, the state will:

- Work with the counties and stakeholders to develop program specifics
- Work with the counties to procure one or more agencies to assist in the preparation and recordation of mortgage documents



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Over the course of the next six months after receiving Treasury approval, B&F and HHFDC will undertake the following tasks supported by administrative dollars:

- Prepare program and service agreement templates
- Refine and develop program guidelines for use by the counties and their service providers.
- Establish a HUD counseling network
- Establish a local financial institution and services network
- Test program systems and adjust as necessary.
- Establish readiness to launch the full program.
- It is anticipated that a National HAF Common Data File format may be created that servicers will be asked to use to transfer data regarding homeowner applicants' accounts in a uniform manner to HAF programs. Therefore, data points that will be useful to gather for use in HAF programs through a National HAF Common Data File will be identified.

C. Challenges Affecting Implementation

HHFDC identifies four main obstacles for program implementation:

1. overwhelming demand,
2. insufficient counselor capacity,
3. the geographic positioning of appropriate resources across the state, and
4. managing expectations given the limited funding

Considering Hawaii's foreclosure and unemployment rates, HHFDC anticipates high public demand for this mortgage relief program. To address the overwhelming demand and limited funds available, the state will have to limit the assistance, at least initially, to those borrowers that are the most in need. In order to mitigate foreclosure, careful scrutiny is needed at the time of intake during the screening process. In addition to meeting the 100% AMI target requirement, those individuals without other sources of income or other real estate investments who are truly suffering a financial hardship and have the ability to eventually repay the debt, will have to be prioritized over other applicants.

HHFDC and county websites, service provider agencies and referral network call centers must manage a high volume of inquiries and ensure homeowners understand eligibility criteria prior to intake with the non-profit agency (or HUD counseling agency). Each county intends to procure a web-based client management system capable of managing the data and document and data stream from the state, counselors, loan servicers and U.S. Treasury. The employment of such a system should maximize efficiency and enable all program partners to serve more homeowners.



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As HUD-approved counseling agencies will be integral to the program, sufficient agency capacity and adequate statewide coverage are programmatic concerns. The non-profit agencies will augment local agency capacity by hiring additional staff, including housing counselors in-house and include some additional experienced organizations to serve intake functions in order to meet public demand.

D. Entity Readiness & Capacity to Implement

Both HHFDC and B &F do not currently have an existing mortgage assistance program like HAF, however, we have demonstrated experience and successful performance with administering a rent and mortgage assistance program funded by the CARES Act last year. The Hawaii State Legislature designated HHFDC, under Act 9 (SLH 2020), to oversee a Rent Relief and Housing Assistance Program (RRHAP) to assist renters and homeowners who suffered an economic loss due to the pandemic and were at risk of eviction or foreclosure.

In 2020, HHFDC contracted with two large, well-established, non-profit organizations – Catholic Charities Hawaii and Aloha United Way—to administer the program. It was quickly launched in September and concluded in December, but during those three short months we were able to distribute nearly \$60,000,000 to nearly 14,000 households. The program captured national attention and Hawaii was recognized by Forbes Magazine in December 2020. Here is a link to the Forbes article: <https://www.forbes.com/sites/rogervaldez/2021/01/04/rent-relief-needed-fast-hawaii-shows-how/?sh=292195057c68>.

To support a rapid expansion of foreclosure intervention in Hawaii, HHFDC successfully partnered with non-profit entities to implement Rounds 2-7 of the National Foreclosure Mitigation Counseling program, as well as the Emergency Homeowners' Loan Program from 2008 to 2013.

E. Implementing Entity backgrounds

Each county has established business processes to receive, administer, and disburse federal funds to meet program goals, in accordance with governmental requirements, and to minimize the risk for fraud or mismanagement of federal funds. The State Department of Budget & Finance (B & F) plays a vital role in the overall compliance infrastructure of all administered programs. The counties will coordinate and report disbursement activity to B &F. The counties each have demonstrated capability and capacity to:

- develop programs addressing community needs;
- establish systems and procedures in conformance with governmental regulations;



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- implement public marketing and communications tools;
- manage local networks of housing assistance providers?
- create meaningful monitoring and reporting mechanisms; and
- effectively disburse federal funds.

City & County of Honolulu

The City and County of Honolulu has the knowledge and capability to administer mortgage relief on behalf of the State. The City is currently administering several Federal housing relief programs in response to community needs. These include HUD voucher-based programs and rental subsidies, and direct rental and utility payments through the Treasury Emergency Rental Assistance. The City disbursed over \$15,000,000 and implemented an automated intake and deduplication procedure that speeds up the process while guarding against fraud.

While interfacing with the community for rental relief, the City has also received thousands of applications for mortgage assistance. While these applicants are ineligible for mortgage relief through our existing programs, our nonprofit providers retain the contact information of these households for quick implementation of a mortgage relief program, if approved.

Kauai County

The Kauai County Housing Agency (KCHA) has demonstrated experience as a lender, and program administrator for a wide range of housing programs including the HOME, HTF, CDBG, Community Development Block Grant Disaster Recovery (CDBG-DR) Program, Housing Choice Voucher Program (HCV), and the County's own Home Buyer Loan Program. As part of the County's Loan Program, KCHA manages a portfolio of just under 50 County-originated mortgage loans. Over years of operating these programs, KCHA has acquired significant expertise in loan origination, loan servicing, grant management, and direct housing unit development.

Kauai County has successfully implemented all of the above-referenced programs in cooperation with both HUD and its state partners at the HHFDC. KCHA is currently administering the ERA program for rental assistance in the amount of \$22 million. Prior to the availability of federal funds under the ERA program as well as the 2020 CARES Act program, KCHA designed and administered its own rent and mortgage assistance program utilizing CDBG-CV grant funds.

Hawaii County

The County of Hawai'i is committed to administering the homeowner assistance program on behalf of the State. The County has and will continue to work with on-island community-based



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organizations to administer several federal relief programs in response to community needs. These programs include child care assistance, food preparation and distribution, mental health services, and rental, mortgage and utility financial assistance.

In its initial round of rent and mortgage assistance, more than 200 households were approved and did not receive assistance due to the lack of funds. In addition, the current Emergency Rent Assistance Program has disapproved 38 applications due to requests for mortgage assistance. While these applicants are ineligible for mortgage relief through the county's existing programs, its nonprofit providers retain the contact information of these households for quick implementation of a mortgage relief program, if approved.

Hawaii County has established business processes to receive, administer, and disburse federal funds to meet program goals, in accordance with governmental requirements, and to minimize the risk for fraud or mismanagement of federal funds. These processes can be quickly updated to meet the requirements established for the homeowner assistance program.

Maui County

The County of Maui has extensive experience in overseeing a number of HUD-funded programs. These include the HOME, HTF, HCV, and the CDBG Programs. In addition, the County, through the Department of Housing and Human Concerns (DHHC), has also received state funds for a variety of social services, and administers County funds for programs such as our First Time Home Buyers Program, the Affordable Housing Fund, as well as a myriad of social services programs.

In 2020, the County administered programs utilizing CARES Act and County funds to provide direct mortgage and rent assistance to more than 600 households.

In overseeing these programs, the DHHC works closely with the County Department of Finance and the County Budget Office to coordinate acceptance and oversight of grant funding, and to ensure accountability for how grant funds are spent. The County has implemented risk assessments for grantees receiving federal funds and, in coordination with its auditors, has implemented all recommended administrative requirements.



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VI. PROGRAM GOALS

The goal of the HAF program is to help homeowners sustain homeownership and prevent foreclosures stemming from financial hardships associated with the COVID-19 pandemic.

NOTE: Program goals and benchmarks will be established upon receipt of additional data and public comment.

- List goals & benchmarks by target population – disaggregated by key characteristics:
- Mortgage type: FHA, VA, USDA, Fannie Mae, Freddie Mac
- Racial & ethnic demographics,
- Geographic area (including rural communities)