
Report on the Homeowner Assistance Fund

LD 238 - An Act to Create a Program for Mortgage Assistance for Persons with Illnesses Related to COVID-19



A report to the Maine Legislature's Committee on Innovation, Development, Economic Advancement, and Business (IDEA) Committee

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LD 238 - An Act to Create a Program for Mortgage Assistance for Persons with Illnesses Related to COVID-19

Report to the Legislature

We are pleased to report on the progress of the Homeowner Assistance Fund, and we are willing to appear before the IDEA committee to review this report and answer questions at a time that is convenient for you.

This report is intended to meet the requirements of legislative resolve LD 238. That resolve specifies: *The authority shall submit a report to the Joint Standing Committee on Innovation, Development, Economic Advancement and Business summarizing its continued work implementing the programs identified in this section and analyzing the effectiveness of those programs in alleviating the financial burdens faced by those suffering the impact of illnesses or other factors related to COVID-19.*

Background

The State of Maine received \$50 million from the U.S. Treasury’s Homeowner Assistance Fund, established by the American Rescue Plan Act of 2021, to provide relief to homeowners who suffered a financial hardship due to the coronavirus pandemic. MaineHousing took over administration of this fund, which had been operated by the state’s Bureau of Consumer Credit Protection (the “Bureau”), in March 2023.

The Homeowner Assistance Fund can provide eligible homeowners up to \$50,000 in benefits. These benefits can be used for a variety of expenses or past due bills including mortgage payments for Maine homeowners. As of the end of January, 2024, the fund had committed approximately 80% of the available resources. With that metric in mind, the fund stopped accepting applications as of January 10th and has entered a wind down phase in order to assure that funding will be available to serve those applicants currently in the program pipeline. MaineHousing continues to accept applicants on a wait list in case additional funding is available.

Criteria for Funding

Eligible applicants must have experienced a financial hardship associated with COVID after January 21, 2020. In addition they must occupy the property and hold title to the home. Eligible expenses are past due mortgage balances, utility expenses, property taxes, and homeowner’s insurance premiums. Payments are made directly to mortgage servicers and other service vendors; payments are not made directly to homeowners.



Program Partners

MaineHousing works with partners to deliver the program statewide. In working with these partners during the transition, we expanded the work of that group to utilize their expertise in working directly with affected homeowners and providing housing counseling. The program partners are: Aroostook County Action Program, Avesta, Community Concepts Inc, Coastal Enterprises Inc, Four Directions, Kennebec Valley Community Action Program, PENQUIS, Waldo Cap, Western Maine Community Action, and York County Community Action Corporation.

Program Access and Delivery

MaineHousing made several changes to the program when we adopted it, including a simplified application process and improved client communications by allowing our statewide partners more control over interacting with clients. Under the Bureau's administration, an applicant was required to provide a narrative about the COVID hardship. Our research determined that the narrative allowed for a subjective determination of eligibility. By implementing a series of check-boxes instead of the narrative, we complied with Treasury's vision for this program and made the application process easier. We raised the income limit to 150% AMI in accordance with Treasury guidelines as even higher income earners were impacted by COVID. We also implemented categorical Eligibility, to reduce the documentation burden for lower-income applicants.

Behind the scenes we worked to eliminate administrative bottlenecks in moving applications forward. MaineHousing worked with the partners already delivering the program to create a two layered approval process. We created an underwriter position at the partner agencies, which were higher level staff that would be responsible for final eligibility review and grant approval. This reduced MaineHousing's potential administrative burden significantly and allowed a more streamlined process for applicants.

When we relaunched the program, we eliminated unnecessary complications, such as sub-limits on the different types of assistance available. We increased the maximum grant amount for all assistance collectively to \$50,000 from \$25,000. There were a number of prior denials due to mortgage delinquencies plus fees totaling more than \$25,000. After studying other states' programs and the needs of Maine homeowners, the \$50,000 limit was determined to be more in line with what was needed. We heard from housing advocates that requiring a denial of loss mitigation options from a servicer created a barrier for homeowners who often needed a simple reinstatement to overcome the hardship caused by COVID, so we allowed applicants to receive assistance without completing this workout step with their lender. Finally, we eliminated the requirement for a homeowner to prove their ability to sustain homeownership after receipt of grant funds as well.

Finally, in an effort to streamline assistance for homeowners, we funded individual payments for each program element as soon as the homeowner was determined to be eligible. This ensured that utility, tax, and other expenses were paid immediately, while we worked to determine reinstatement amounts for mortgages. Under the prior version of the program, all benefit funds were released at one time, which caused unnecessary delays on simple payments. Our streamlined payment process benefitted struggling homeowners.



Program Options

One of the most important changes we made to the program's options was to add payoff of partial claims. Partial claims are one of the loss mitigation options that were used by mortgage servicers at the beginning of the COVID pandemic. In this situation a servicer takes the past due balance plus any fees due, and makes a second mortgage that is due at sale or loan maturity. By adding the ability for the program to pay off these second mortgages, we eliminated the long-term impact of the delinquency that many homeowners worked hard to resolve before these grant funds were available. We also added three forward payments as an automatic benefit when a loan was reinstated, if grant funds allowed. MaineHousing created a new program element for Home Energy Costs to offset increases in heating fuel and electricity and the implications of those costs for Maine homeowners.

Program Progress to Date

As of today we have disbursed \$32,022,814, which is just over 75% of Maine's allocation. We have assisted almost 2,500 households. Our largest program utilization has been mortgage reinstatement, which accounts for \$21,607,618 of the payments made to date. The second-largest program used by homeowners is Utility Assistance, which includes power and heating assistance, at \$5.2 million. Here is the latest breakdown of complete expenditures:

<u>Program Area</u>	<u>Expenditure</u>
Reinstatement	\$21,607,618.37
Utility Assistance	\$5,225,057.64
Property Tax Assistance	\$2,372,008.35
Mortgage Modification	\$1,386,918.78
Principal Reduction	\$679,602.11
Lien Extinguishment	\$399,221.76
HOA/Condo Assistance	\$264,292.14
Utility Assistance (Internet)	\$50,304.28
Property Insurance Premiums	\$37,790.59

MaineHousing provides a public-facing dashboard of the program expenditures, which is available on the agency website and updated weekly. The dashboard may be accessed at:

[HAF Program Metrics \(mainehousing.org\)](https://mainehousing.org). A copy of the most current dashboard is appended to this report.



Lessons Learned and Conclusions

We are very proud of the way this program has progressed and with the assistance that has been provided to date. This program has saved people's homes and changed lives.

The many adaptations that we made to the program allowed us to serve more homeowners, serve them better, and bring them back to housing stability while still meeting the considerable rules for this program imposed by the US Treasury.

As the program progressed, Maine was recognized by Treasury for having particular success with the program component of Mortgage Modification. This feature allowed homeowners who had an arrearage that exceeded the maximum grant amount of \$50,000 to modify their mortgage to underwrite the past due amount into new mortgage terms.

This can be a complex process involving considerable paperwork and negotiation. Treasury met with us to find out how we were so successfully using this program option when many states were failing. Our process relied on housing counselors, who worked with the lenders as the grant application was in process. Then, when the funds were received by the servicer, all paperwork was in order and both parties were ready to agree to terms. As interest rates increased during 2023, homeowners were no longer able to modify their mortgages, as their payments at current rates would have been higher than their existing mortgage payment. However, before the increasing interest rate environment resulted in this program option no longer working, we spent \$2.3 million to assist homeowners in this way.

The program also featured a strong technological backbone that helped people apply online while also providing program integrity and expediting program delivery. One of the most important partnerships that we built as we administered this program, outside of those with the partner agencies, has been with software provider HOTB. We continued the contract started by the Bureau for the application portal, and expanded the contract to include vendor onboarding and the Common Data File process management. The Common Data File, or CDF, is the electronic method by which our program communicates with mortgage servicers. This process reduces the risk of fraud by ensuring that the applicant is the obligated party on the mortgage and that all amounts paid reconcile perfectly with the mortgage servicers' records.

The software provides current information about program expenditure and allocation. We are able to view the entire application pipeline from start to finish and identify program usage. As a result, we have been able to reallocate funds in response to actual program utilization. This ability to pivot in real time allowed us to truly meet the needs of Maine's homeowners. An example of our responsiveness was to increase the fund allocation to utilities from other underutilized programs, such as property insurance, as Maine homeowners are often heavily burdened by heating and electricity costs.

Another key element of success was that MaineHousing actively marketed this program in TV and radio commercials, newspaper ads, and on social media platforms. We proactively reached out to Maine's municipalities, utility providers, and to state representatives to ensure that the availability of this funding was widely known. Many of our housing partners did direct outreach to homeowners within their communities as well.



Winding Down the Program

In late December, based on our review of the average benefit paid, and because the program funds were 70% reserved, we made the decision to move to a waitlist, starting on January 10th at 5:00 pm. Our goal with this action was to assist all completed applications received through January 10. If we still have funds available, we can easily pull applications from the waitlist into the active pipeline to fully expend all program funds.

As of today, we have 28 applications on the waitlist. All program funds are required to be committed by 9/30/2025 and we do not expect to encounter any problems in meeting that requirement.

Making the decision to close a program is always difficult: part art and part science. But in doing this when we did, our aim was to achieve a “soft landing” with the program’s available funds and the applicant pipeline approximately in balance.

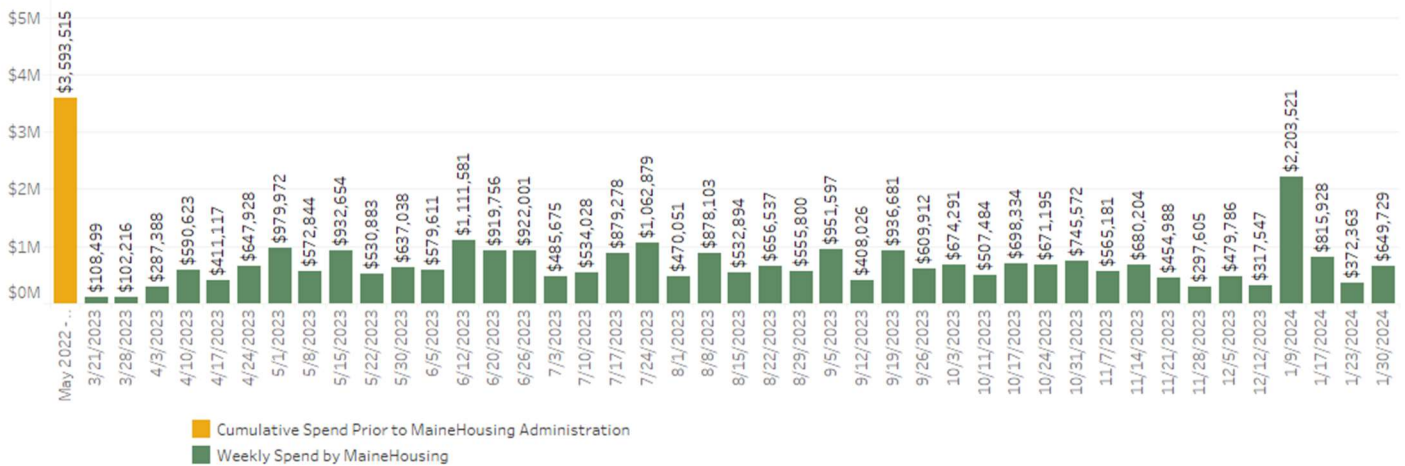
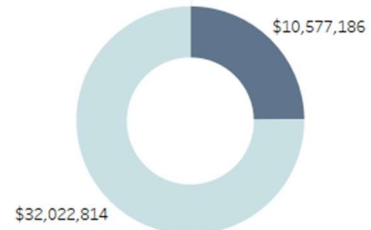


Appendix – Homeowner Assistance Fund (HAF) Dashboard

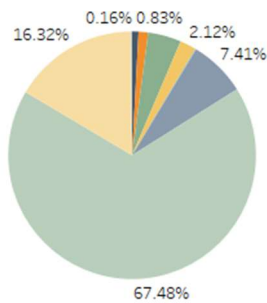
Maine Homeowner Assistance Fund

Summary by Year: As of January 30, 2024

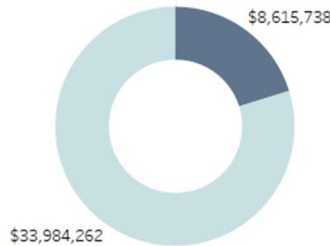
	Totals
Funds Available:	\$42,600,000
Funds Disbursed Prior to March 2023:	\$3,593,515
Funds Disbursed Since March 2023:	\$28,429,299
Total Funds Disbursed:	\$32,022,814
Utilization:	75.17%
Funds Remaining:	\$10,577,186



Funds Disbursed by Program



Funds Reserved
\$33,984,262 of \$42,600,000
79.78% Utilization



Applicants by County
Total: 9,288

