State of Indiana
Hardest Hit Fund Proposal
September 23, 2010
Eligible Entity:
The Indiana Housing & Community Development Authority

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Section One

President Obama's administration has announced an additional $2 billion in Troubled Asset Relief Program (TARP) funds to states and jurisdictions that have experienced sustained unemployment rates above the national average over the last twelve months through the Housing Finance Authority Hardest Hit Fund (hereafter, HHF). The expansion offers nine new states and jurisdictions the opportunity to develop an unemployment bridge program tailored to the needs of local communities.

Indiana will deploy HHF funds to provide an unemployment bridge program to assist homeowners throughout the state to avoid foreclosure resulting from loss of income due to layoff, reduction in force, or other job loss through no fault or neglect of the employee. As part of the unemployment bridge program, we will offer one-time assistance to recipients who, through no fault of their own, are also in need of help to bring their mortgage current when assistance commences. Helping those homeowners to remain in their homes and preserve what is likely their largest asset both stabilizes local property values and fosters family and neighborhood stability in the face of record levels of unemployment and seismic shifts in Indiana's manufacturing-based economy. Moreover, by offering families in the most severely impacted counties in Indiana eligibility for a longer term of assistance, we are tailoring our efforts to local conditions. Finally, by coordinating our efforts with Indiana's Department of Workforce Development (which administers Unemployment Insurance and workforce training programs in the state) and focusing our assistance on individuals in need of job training to secure new employment, HHF funds will help us remedy the effects of both structural and cyclical unemployment. This is particularly critical as Indiana's economic base continues its evolution from manufacturing to knowledge.

a) *U.S. Department of Treasury Guidance on HHF*

Since HHF is an extension of TARP, all programs must satisfy funding requirements under the Emergency Economic Stabilization Act of 2008 (EESA). EESA's purposes are to restore liquidity and stability to the financial system; in that context, TARP funds are intended to protect home values, preserve homeownership, and promote jobs and economic growth, all with the highest levels of public accountability.

Through published guidelines and guidance from staff in response to our inquiries, Treasury has limited eligible uses for these funds to an unemployment bridge program and related expenses, including one-time payments to bring unemployed homeowners current on their mortgage so that they may receive assistance through the unemployment bridge program. In addition, Treasury staff has informed Indiana that TARP funds may only cover the cost of counseling services necessary and incidental to the implementation of HHF. Counseling may not cover other services, and Indiana will implement procedures to ensure that TARP funds are not used to pay for other forms of counseling.

b) *Indiana's challenges and our responses to date*

Like other states in receipt of HHF dollars, Indiana has been hard-hit by unemployment and foreclosure. Since November 2008, in fact, Indiana's unemployment rate has been below the national average for only one month. In 2009, moreover, six percent of all mortgage loans in Indiana were subject to foreclosure filing at some point in the year. Together with the shift in the economy, these factors have contributed to falling property values, which are further destabilizing Indiana's neighborhoods. Home prices in Indiana did not experience the bubble that the rest of the nation (and our Midwestern neighbors) enjoyed, yet we have shared in the decline. Indiana is working to address these issues on two fronts, with cutting edge training and technical assistance for job seekers through the Indiana Department of Workforce Development, and homeownership preservation efforts through the Indiana Foreclosure Prevention Network, an established network of foreclosure prevention specialists which will serve as our primary referral mechanism for HHF assistance.

The Indiana Foreclosure Prevention Network: In early 2006, the Indiana Housing and Community Authority (IHCDA) hosted a series of meetings with government agencies and industry leaders to discuss the issues surrounding foreclosures and potential solutions for reducing foreclosures. Out of these meetings came a group known as the Indiana Foreclosure Prevention Network (IFPN). IFPN worked with elected officials to create legislation outlining a multi-tiered solution to delinquency and foreclosure in 2007. The initiative was launched in November 2007, and included a targeted public awareness campaign, a telephone helpline, and a state-wide network of trained mortgage foreclosure counselors.

Beginning in November 2007, IFPN launched a public awareness campaign to encourage individuals and families facing foreclosure to seek help by calling 1-877-GET-HOPE or by visiting www.877gethope.org. Upon contact, the homeowner is referred to a certified foreclosure prevention specialist with a local nonprofit organization. From its outset, the "Don't Let the Walls Foreclose in on You" campaign has concentrated on grassroots strategies that have resulted in the distribution of more than 350,000 marketing and collateral pieces. Over the past two years, IFPN has purchased or secured donations for radio, print, and billboard advertising in communities experiencing the highest concentrations of foreclosure. In addition to the mass marketing, IFPN has hosted eight borrower outreach events that have brought more than 900 borrowers face-to-face with their lender or a housing counselor to discuss options to avoid foreclosure. In an effort to give troubled homeowners the opportunity to access foreclosure prevention assistance through the privacy of a phone call, in June of 2009 IFPN hosted a Phone-A-Thon. In addition, legislation went into effect July 1st 2010 giving all homeowners for whom foreclosure proceedings have commenced the right to request and receive a settlement conference with a representative of their lender. Although we cannot yet assess the impact of this change in the law, we anticipate that the addition of HHF to our arsenal will vastly facilitate successful settlements. More than 75,000 Hoosiers have received assistance from IFPN since its inception.

Indiana's network of foreclosure prevention specialists helps homeowners communicate with their lenders/servicers and navigate the foreclosure prevention options offered by Making Home Affordable (MHA) and individual loan servicing companies and lenders. Unfortunately, through the end of June, only about one percent of eligible borrowers were in active trials or had secured permanent modifications.[1] Moreover, with the exception of HAMP-UP (which is too new to evaluate) and programs made available by loan servicing companies and lenders, assistance for unemployed borrowers in need of forbearance is virtually non-existent.

c) *Program Overview*

In order to be most effective in Indiana, HHF must:

- Use existing networks and infrastructure to promote, support and administer programs developed with HHF;
- Facilitate intervention as early as possible;
- Require borrowers to make some meaningful contribution to their ongoing housing expenses;
- Facilitate borrower participation in job training or further education;
- Optimize the potential for sustainable results after assistance;
- Operate with the highest levels of transparency and fairness;
- Collect and deploy data effectively to ensure that assistance at the micro level leads to sustainable change at the macro level.

Our proposed model incorporates each of these features.

i) The model will be implemented statewide with provisions to assist both homeowners who can soon find a new job with their existing skills as well as homeowners who do not qualify for Trade Adjustment Assistance but are unlikely to find new jobs in their current trades. Our unemployment bridge program will offer homeowners with the greatest need assistance to prevent foreclosure and position the family for long-term sustainability. Indiana's two-tiered approach offers homeowners in communities with high foreclosure levels and high unemployment a longer maximum term of assistance, in recognition that in such communities, securing re-employment will be measurably (and verifiably) more difficult. Moreover, by requiring the homeowner to make some meaningful contribution to their monthly housing expenses and engage in some level of job readiness training, skills training, education, or volunteer work, we recognize the homeowner's role as a partner in crafting their future, rather than simply a recipient of assistance.

ii) Homeowners in need of assistance will utilize Indiana's existing IFPN infrastructure, composed of state-approved counseling agencies, to access HHF dollars; IHCDA will provide training to qualified counselors to help them to offer counseling related to HHF goals and objectives. An Indiana HHF-trained housing counselor will work will each individual homeowner to screen for eligibility and develop an individualized HHF action plan to address the homeowner's particular needs; the HHF action plan will be related solely to TARP-funded modification programs. IHCDA will review

[1] http://www.financialstability.gov/docs/June%20MHA%20Public%20REVISED%20072610.pdf

and approve eligibility applications and HHF action plans, and monitor each homeowner's continued eligibility based on data provided by the counseling agency and the Indiana Department of Workforce Development. IHCDA will also closely monitor HHF results through ongoing reports from counselors and data-sharing agreements with the Indiana Department of Workforce Development.

iii) Indiana proposes to use tested and proven targeted outreach strategies, which may include events, informational materials and collaboration with local media outlets to inform the public of the availability of HHF dollars.

d) *Program Descriptions*

The term sheet included as Schedule B-1 sets forth the proposed terms of assistance in more detail. Following is a brief summary:

i) Partial mortgage payment assistance: Indiana HHF assistance will provide partial mortgage payment assistance to eligible unemployed homeowners who have suffered job loss through no fault or neglect of their own. We will work with lenders and servicers in the state to complete participation agreements specifying the conditions under which payments must be accepted and applied to principal and interest. Homeowners will be required to contribute thirty percent (30%) of their current income toward PITIA, with HHF dollars covering the balance. Borrowers will remit their monthly payment to a special servicer selected by IHCDA through a competitive process; after IHCDA confirms the recipient's continued eligibility and remits payment to our special servicer, the special servicer will submit full payment on a monthly basis to the mortgagor or servicer. The maximum term of assistance will be specified in the homeowner's HHF action plan and may not exceed the maximum term available for the homeowner's county. As a condition of assistance, borrowers must engage in one or more of the following:
   (1) Job training programs made available at no cost through Indiana's WorkOne centers. Eligible training offerings include but are not limited to:
      (a) Interviewing and job search skills to position a homeowner in a high-growth, high-demand field to rapidly secure a new position;
      (b) Training to update a participant's existing job skills, allowing them to be more competitive for positions in their current field; and
      (c) Training to help a participant gain new skills, allowing them to secure a position in a new field.
   (2) Educational programs accessible through institutions with a statewide reach, such as Indiana Vocational Technical College or the Indiana University system.
   (3) Structured volunteer activities, intended to both help participants build skills and build their sense of self-efficacy.
   (4) All borrowers will also be required to participate in intake/program-related counseling to ensure that they can sustainably remain in their home upon the conclusion of assistance from HHF.

ii) Rescue payment assistance: In order to ensure that lenders and servicers accept payments through HHF and apply them appropriately to principal and interest, IHCDA may at its sole discretion make one-time payments of up to three months' PITIA to bring unemployment bridge program recipients current on obligations such as past-due mortgage payments or escrow shortfalls that would mitigate the effectiveness of ongoing assistance if left unpaid. We will provide this form of assistance, in an amount equal to three months' PITI, to an employed individual who can document both a period of unemployment and an arrearage in their mortgage resulting from that unemployment, provided that the borrower:
   (1) Qualifies in all other respects for assistance;
   (2) Demonstrates that he or she can afford mortgage payments with their current income;
   (3) Cannot qualify for mortgage reinstatement BUT FOR HHF assistance.

The total amount of assistance made available through these avenues may not exceed the maximum amount available to borrowers based on their county of residence. Our proposed programs are tailored to meet the particular needs of Indiana, as follows:

i) Maximum term of assistance: Borrowers in the 46 counties classified as hardest hit[2] will be eligible for a maximum term of assistance of eighteen months. Borrowers in the balance of the state will be eligible for a maximum term of assistance of twelve months. In order to facilitate success once the borrower becomes re-employed, assistance will be available for up to three months *after* the borrower secures a new position (subject to these maximum term limitations).
ii) Maximum amount of assistance: All borrowers will be required to pay 30% of their income for PITIA, and will be eligible for monthly assistance totaling the balance of their PITIA obligation or $1,000, whichever is less. Total assistance will therefore not exceed $18,000 in targeted counties and $12,000 in non-targeted counties. If PITIA obligation per month after homeowner contribution is more than $1,000, we will pay the appropriate amount, but will reduce the term of assistance accordingly; for example, if a hardest-hit county homeowner's monthly assistance amount is $2,000, they will as a result be eligible for only 9 months of assistance rather than the eighteen for which they would qualify if their PITIA was below the monthly cap.
iii) Maximum income and asset level to be eligible for assistance: Because we want to target individuals with the greatest need for assistance, we are limiting eligibility to households with current incomes below 120% AMI. Moreover, individuals with liquid assets equal to six months or more of PITIA will be ineligible for assistance.
iv) Requirement for participation in job training, education or volunteer work: In order to ensure that HHF assistance translates into long-term positive change for the homeowner, IHCDA plans to require that borrowers document that they are engaged in some form of job training, education or structured volunteer work during the period that they are receiving assistance. Through intake/program-related counseling, we will also help them to avoid potential pitfalls upon reemployment.

[2] Our methodology for determining hardest-hit status is set forth in more detail in Section Two.

v) Homeowner contribution to monthly housing expenses: In order to ensure that borrowers play a role in the preservation of their homes, IHCDA will require that borrowers contribute 30% of their current income toward their housing expenses.
vi) Intake/program-related counseling requirement: The key to this entire system is the counselor, who will maintain contact with the borrower, monitor his or her progress in securing new employment, and work with borrowers, IHCDA and its master servicer and lending institutions to ensure that HHF assistance will result in a favorable and sustainable outcome for the client. Accordingly, we expect all participants to take part in at least some level of intake/program-related counseling.

e) Program allocation and targeting

Under these assumptions, we will serve about 5,895 homeowners in Indiana. Our only preference in terms of households will be for veterans and current military personnel (active or reserve): they will receive priority for processing over all other customers, but will not receive a greater level of assistance. In terms of geographic preferences, homeowners residing in one of the forty-six (46) Indiana counties with higher distress levels will be eligible for a longer term of assistance (18 months as opposed to 12 months) and maximum assistance amount ($18,000 as opposed to $12,000) than families residing in the balance of the state.

f) Program delivery and partner expenses

In order to facilitate HHF delivery, we are budgeting roughly 20% of our total award amount for program delivery and partner expenses, including one-time set-up costs, transaction/processing costs, and foreclosure prevention activities directly related to HHF assistance. More detail on our proposed use of program delivery funds appears in Section Two.

g) Leverage

The primary leverage for the program will come from program recipients, who will be required to contribute up to thirty percent of their current income toward their monthly housing expenses.

Section Two

a) Introduction

The purpose of HHF is to help families stay in their homes and avoid preventable foreclosure. Consistent with the purposes of EESA and TARP, Indiana's proposed program will be offered in a manner that protects home values, preserves homeownership, promotes jobs and economic growth and provides public accountability. Indiana's program is statewide in range and comprehensive in scope; at the same time, it is tailored to the unique needs and values of the Hoosier State. The program will focus on homeowners who are at risk of foreclosure due to a temporary or permanent reduction in income. Eligibility would be limited to households with current incomes at or below 120% of Indiana's Area Median Income and total mortgage debt less than 80% of the maximum FHA loan limit for the area. Indiana's HHF will serve homeowners at any point on the road to foreclosure, from those who have just experienced a hardship but are not yet delinquent on their mortgage to those who are at the point of sheriff's sale.

Indiana has faced significant challenges in the last year that have particularly impacted low to moderate income homeowners:

i) Indiana has lost its status near the top of the foreclosure filings ranks only because the subprime crisis has caught up with more populous states in the west and south. With nearly 41,000 new foreclosure filings in 2009, concentrated particularly in the industrial corridors in the northern and eastern parts of the state, Indiana's homeowners are more vulnerable than ever to the effects of foreclosure.

ii) With agriculture and manufacturing as its historic economic drivers, Indiana is particularly vulnerable to downturns in the economy; from July 2008 to July 2010, over 260,000 jobs evaporated, again concentrated particularly in the northern and eastern parts of the state[3]. This represents nearly 8.5% of all Hoosier jobs. As the nascent recovery gains strength in other parts of the country, Indiana's job growth has been strong[4], but we have far to go before we reach pre-recession levels. Moreover, the job growth that Indiana (and the rest of the country) will see in coming years will be in industries requiring significant levels of education for wages once available to high school graduates in manufacturing jobs. Accordingly, education and training will be critical for former manufacturing workers seeking to compete in the twenty-first century economy.

[3] http://www.stats.indiana.edu/laus/laus_view2.html
[4] http://www.wthr.com/Global/story.asp?S=12685388

iii) Without discounting the devastating emotional and financial consequences of foreclosure on the family losing their home, we must also acknowledge the effect on the surrounding neighborhood. The Indiana University Center for Urban Policy and the Environment developed a statistical model based on foreclosures and housing values in Marion County (Indiana's most populous county) and noted that during the period they studied, each foreclosure within a one-mile radius reduced the sales price of the average home by three to four percent.[5] With foreclosures concentrated in areas in which job growth (and demand for housing) is already stagnant to declining, the impact on entire neighborhoods of multiple foreclosures can be tremendous. According to data prepared by CoreLogic (a private research firm), about 25% of Indiana's homeowners with mortgages currently owe more than their house is worth, in no small part due to the drop in values spawned by foreclosures and the disappearance of jobs.[6] If analysts at Deutsche Bank are right, moreover, this number could climb as high as 48% before the trend reverses.[7]

With all this in mind, our goals for HHF are as follows:

i) Reduce foreclosure: Because unemployed homeowners are generally not eligible for loan modifications but are at great risk for foreclosure due to loss of income, IHCDA's primary goal is to help this specific population avoid foreclosure through the payment of part of their monthly housing obligations until they can secure re-employment. Our intent is to provide sufficient assistance to help the homeowner secure new employment; in hardest hit counties, as discussed further below, we are providing a longer maximum term of assistance under the theory that finding a job in those communities will take longer. As a result of our assistance, the slide in property values in Indiana will at least slow, preserving wealth for the millions of Hoosiers whose home is their largest asset (and most critical safety net).

ii) Help the homeowner during the critical early months of new employment: Because most employers impose a three month probationary period on their new hires during which employees may be fired without cause, we will provide assistance through the first three months of re-employment.

iii) Create incentives for participation in programs that will facilitate more rapid re-employment in jobs with a future: By offering the homeowner the opportunity to update (and in appropriate cases, completely re-tool) their skills, we are positioning homeowners to compete for future jobs in a knowledge economy.

iv) Help homeowners to help themselves by providing most but not all of the funds needed to meet monthly housing obligations: By requiring the homeowner to have some "skin in the game", we both increase the number of homeowners we can help and help homeowners to take responsibility for their own destiny. In the Hoosier state, government handouts are not viewed kindly. By positioning HHF assistance to

[5] http://www.policyinstitute.iu.edu/PubsPDFs/Foreclosures.pdf
[6] http://www.corelogic.com/About-Us/ResearchTrends/Negative-Equity-Report.aspx
[7] http://www.bloomberg.com/apps/news?pid=newsarchive&sid=adBYDzUMt68k

provide a helping hand rather than a handout, we reduce public perception that a select number of lucky homeowners are getting something for nothing.

b) Program Description

As set forth in more detail in our term sheet, Indiana will provide sufficient assistance on a monthly basis to reduce a recipient's monthly housing obligation to no more than thirty percent of household income. We will seamlessly integrate HHF into the existing Indiana Foreclosure Prevention Network to complete intake and qualification processes and provide intake/program-related counseling on an as-needed basis to ease the borrower's efforts to preserve the value of his or her home and conduct ongoing negotiation with lenders as needed; we will also coordinate our efforts with the Indiana Department of Workforce Development to incorporate information about the availability of HHF assistance into documents sent to unemployment insurance recipients, including the determination letter. As part of the unemployment bridge program, Indiana will also cover up to three delinquent housing payments in an amount not to exceed $3,000) to bring a homeowner current on his or her mortgage and prevent ongoing accumulation of fees and penalties; this assistance may be extended both to currently unemployed homeowners and homeowners who have secured a new job but accumulated an arrearage during their unemployment period. Finally, we will offer up to three months of assistance (again not to exceed $3,000) after the borrower regains employment, so that recipients of assistance can get through their probationary/training period at work. We will provide this form of assistance, in an amount equal to three months' PITI, to an employed individual who can document both a period of unemployment and an arrearage in their mortgage resulting from that unemployment, provided that the borrower:

i) Qualifies in all other respects for assistance;
ii) Demonstrates that he or she can afford mortgage payments with their current income;
iii) Cannot qualify for mortgage reinstatement BUT FOR HHF assistance

Any assistance made available through these avenues will reduce the eligibility period and the amount the borrower may receive accordingly; that is, if a borrower in a hardest hit county receives three months of delinquent mortgage payments and three months of post-unemployment assistance, they may receive no more than twelve months of unemployment bridge payments. Following are our projected results, measures, and numbers for the program.

Potential participants learn about the program and apply for assistance.	Homeowners referred	25,000	Web tracking system
	Applications submitted	20,000	
	HHF Action Plans proposed	20,000	Client Management System (CMS)
Review and approve homeowner eligibility and HHF Action Plans	Eligible Applicants approved by lender and confirmed ineligible for HAMP, HAFA, or HARP	10,000	CMS and HOPE Loan Port
	HHF Action Plans Approved by Lender and IHCDA	7,400	CMS
	Payments to Counselors	$9.8 million	IHCDA Internal Reports
Support unemployed homeowners by providing partial mortgage payments while they search for a job and engage in job training/ education as well as a one-time payment as needed to bring them current on their mortgage.	Homeowners served	5,895	IHCDA Loan Tracking System, CMS, reports from third party servicer and IHCDA fiscal tracking.
	Average total payment amount (based on average term of 16 months, including two months' back payment and three months' post-unemployment payment.	$11,235	
	Defaults/foreclosures prevented (presumes that 10% of households assisted will still enter foreclosure).	5,304	

c) Population Served and allocation methodology

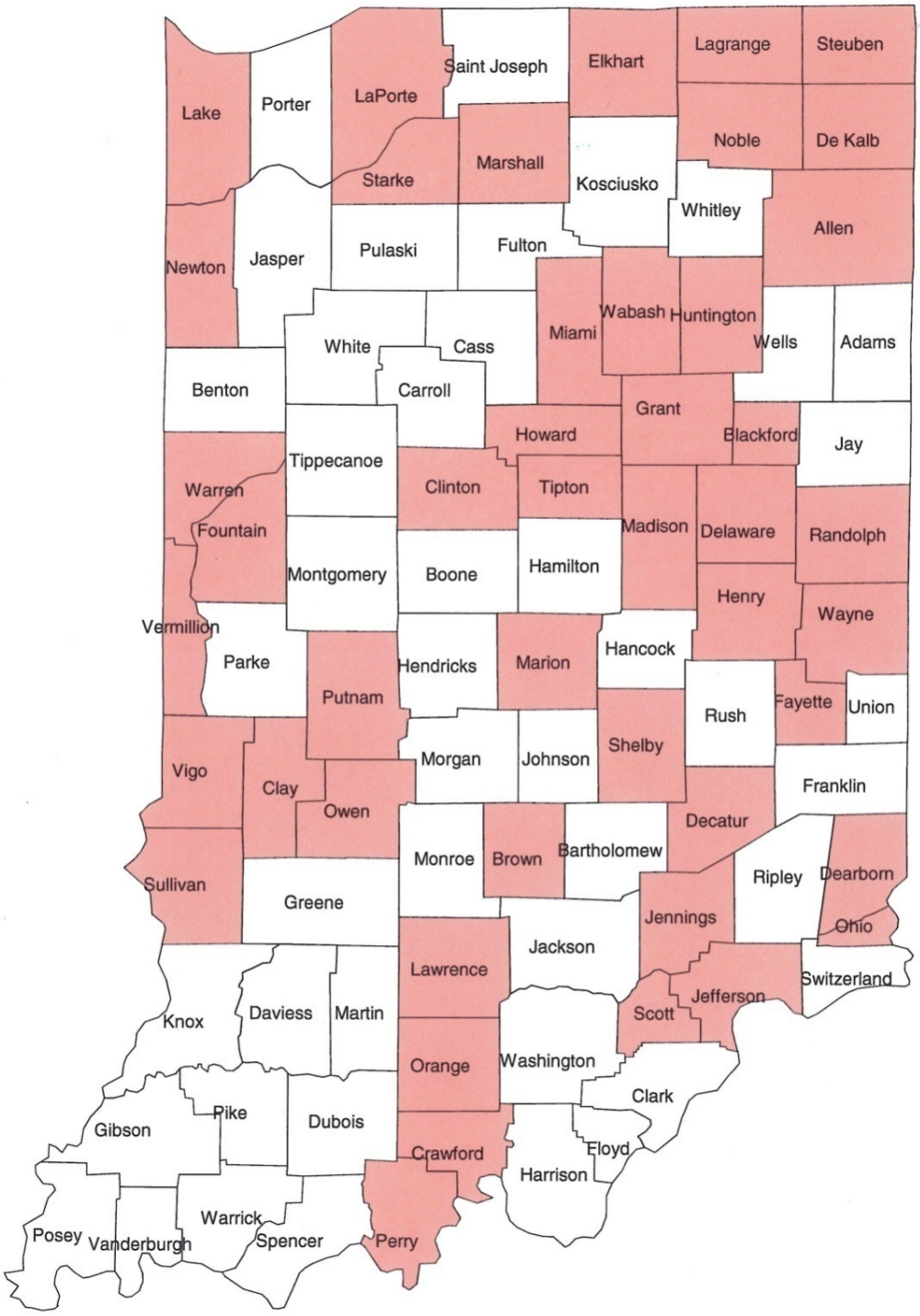
While we would assert that HHF will result in tangible benefits for 20,000 borrowers in Indiana, IHCDA estimates that 5,895 homeowners will be *directly* assisted by Indiana HHF, with ancillary benefits for neighboring homeowners as discussed above. Our method of allocating funds will thus be customer-driven, with funds made available to homebuyers on a first-come, first-served basis regardless of an individual's county of residence. However, because we recognize that homeowners in the hardest hit Indiana counties will experience more difficulty securing re-employment, we will extend the maximum term of assistance in those counties by fifty percent, so that homeowners in non-targeted counties will be eligible for assistance for a maximum term of one year (or maximum assistance amount of $12,000) while homeowners in targeted counties will be eligible for assistance for a maximum term of eighteen months (or a maximum amount of $18,000).

To establish the counties of greatest need in Indiana, IHCDA reviewed current and historic data regarding unemployment, foreclosure and housing appreciation in all 92 Indiana counties. Based on our analysis, we chose two variables to designate our counties of greatest need:

1) Current and historic county unemployment as a percentage of total state unemployment: Recognizing that the primary intent of the Hardest Hit Fund is to remedy the effects of unemployment, IHCDA weighted this variable at 70% of the final score for each county. Using data from the Indiana Department of Workforce Development, IHCDA policy staff assigned a value of one to three to each Indiana county as follows:
   a) Counties were assigned a 1 if they were above their market share of unemployment as of July 2010 (that is, if the percentage of unemployment claimants in the county is greater than the percentage of Indiana's population represented by that county)
   b) Counties were assigned a 2 if they were below their market share of unemployment as of July 2010 but their market share had increased from July 2008.
   c) Counties were assigned a 3 if they were below their market share of unemployment as of July 2010 and their market share had declined from July 2008.

2) Current and historic foreclosure rates as a percentage of total foreclosures in the state: Because past foreclosure rates are also an important predictor of future foreclosure rates, ceteris paribus, we included this variable at a weight of 30% of the final score for each county. Using data furnished by county clerks in each of the 92 counties in Indiana, IHCDA policy staff assigned a value of one to three to each Indiana county as follows based on their foreclosure rate in July 2010 relative to other counties in the state. The top third were assigned a 1, the middle third were assigned a 2, and the bottom third were assigned a 3.

We weighted these results as noted above to identify the 46 hardest hit counties, as shown below (hardest hit counties are shaded in red).


Lake
Porter
LaPorte
Saint Joseph
Elkhart
Lagrange
Steuben
Noble
De Kalb
Starke
Marshall
Kosciusko
Whitley
Allen
Newton
Jasper
Pulaski
Fulton
Wabash
Huntington
Wells
Adams
White
Cass
Miami
Benton
Carroll
Grant
Howard
Blackford
Jay
Tippecanoe
Warren
Clinton
Tipton
Madison
Delaware
Randolph
Fountain
Montgomery
Boone
Hamilton
Henry
Wayne
Vermillion
Parke
Hendricks
Marion
Hancock
Putnam
Rush
Fayette
Union
Morgan
Johnson
Shelby
Vigo
Clay
Owen
Franklin
Decatur
Monroe
Brown
Bartholomew
Ripley
Dearborn
Sullivan
Greene
Jennings
Ohio
Jackson
Lawrence
Switzerland
Jefferson
Knox
Daviess
Martin
Scott
Orange
Washington
Clark
Pike
Dubois
Gibson
Crawford
Floyd
Harrison
Warrick
Posey
Vanderburgh
Spencer
Perry

d) Process used to secure feedback from state stakeholders

IHCDA collected feedback through meetings with select partners and stakeholders, including:

i) The Indiana Department of Workforce Development to discuss how best to optimize our partnership;
ii) The Governor's Office to discuss how best to coordinate our efforts with other state agencies;
iii) The Indiana Mortgage Bankers Association to solicit feedback regarding the participation of lenders and servicers;
iv) The Indiana Association of Realtors to discuss how they might work with us to identify prospective customers;
v) The Indiana Credit Union League to discuss how we might work with credit unions to reach prospective customers.

In addition, we presented our proposed HHF model to our Board at its regular meeting on August 26 2010.

Because of the limited lead time between notification of the availability of funds and the plan due date, however, we must continue to hold stakeholder meetings over the next several months to refine our implementation processes and ensure we are reaching the right customers with our products. To continue our efforts, we will likely meet with representatives of member banks for the Indiana Mortgage Banker Association as well as representatives of the Mortgage Foreclosure Trial Court Assistance Project (which is coordinated by the Indiana Supreme Court), among other key stakeholders.

e) Process Flows

Following is more detail on the specific processes by which eligible homeowners will qualify for and access assistance.

(1) Client goes to www.877gethope.org, either as a referral via IFPN marketing activities or via WorkOne staff referral.
(2) Client completes online intake which feeds into CMS system.
(3) CMS then relays client information to the IFPN helpline/ (via IFPN helpline/website administrator) to a local IFPN agency in the client's service area.
(4) Counselor contacts client within 2 business days to discuss the process and to instruct client to complete the information in packet sent by counselor and submit as soon as possible but no later than 30 days from date of referral.
    (a) If counselor attempts on 3 separate dates to contact borrower at phone/email provided by borrower with no response, then letter is sent to client. If 14 days go by with no follow-up on the part of the client, the case is closed out and notated in system. If 30 days elapse with no return of packet, the case is closed out and notated in system.
    (b) If client contacts IFPN at a later date, they must start over again at STEP (1). Any subsequent assessment for assistance will take into account the client's

initial non-responsiveness. Further non-responsiveness will be cause for program dismissal.

(5) Counselor completes initial screen based on information provided and indicates probability of client's eligibility for FHA, HARP, HAMP/HAFA, HHF and whether or not lender/servicer would be willing to modify their existing loan (through a "private label" option) with information given.
   (a) If initial screen indicates that client is not eligible for HHF, counselor will notify the client and refer to IFPN for foreclosure prevention services.

(6) Once complete packet of information is submitted, counselor will contact the client for follow-up phone counseling. There are then initially 3 screens:
   (a) Does the client have an FHA loan? If yes, then apply for FHA modification/forbearance. If no, go to STEP 6B.
   (b) Does the client have a GSE-backed loan? If no, go to STEP 7. If yes, then:
   (c) Does the client qualify for HARP (current on payments, less than 125% LTV, ability to repay)? If yes, then apply for HARP plan.
   If no, go to STEP 7.

(7) Is the client eligible for HAMP (home bought before 1/1/09, payment greater than 31% of gross monthly income)? This includes the UP (HAMP Unemployment Program). If yes, then apply for HAMP via HOPE LoanPort (which interfaces with CMS). If no, then go to STEP 8.

(8) Counselor works to receive response from lender:
   (a) If applied for HAMP and answer is YES, then complete process with client through successful modification.
   (b) If applied for HAMP and answer is NO, then determine:
      (i) Does the case need to be escalated through MHA?
      (ii) Is the client best served by an out-of-home workout? If so, discuss this option and, if they are amenable, seek a HAFA alternative ($1k servicer incentive and $1.5k relocation funds for homeowner for short-sale or deed-in-lieu).
   (c) If applied for any other government program (as outlined above) and the answer is NO, then proceed to STEP 9.
   (d) If applied for any other government program and the answer is YES, then counselor completes process and the client is not HHF-eligible.

(9) Counselor works to determine eligibility for HHF.
   (a) Client must come in to office for face-to-face document verification meeting. This may be done by appointment in the county WorkOne office, where counseling agency will make counselor available on a regular (to be determined) basis.
   (b) Counselor explains the program to the client and any (depending on what we decide) requirements that they will need to complete in order to remain eligible.
   (c) Counselor will calculate, based on client documentation and client's potential for re-employment whether client will likely be able to afford the home. If counselor determines that client will not be able to afford the home after

termination of HHF assistance, counselor will advise client to work toward an out-of-house solution, and client will not be HHF eligible.

(d) If the counselor believes that the client is eligible, then the documents and application are sent via CMS to IHCDA staff for final review. Among these documents will include all previous notes on attempts to contact client, etc.

(10) IHCDA staff will review information received and may contact counselor for further information on the client. The first reviewer may choose to approve an application, at which time, the counselor will be informed.
   (a) If application is denied, then client is not HHF-eligible.
   If first reviewer is unclear, skip to STEP 13.

(11) IHCDA will work with title company to complete title search, verifying that title is not unduly clouded and that no subordinate lien holders that are likely to foreclose if unpaid still have a claim the property.

(12) Closing
   (a) See Closing/Post Closing Process below.

(13) Counselor will continue to negotiate with servicer for a long-term modification of the client loan.

(14) If first reviewer is uncertain regarding eligibility, first reviewer provides file to second reviewer. If they concur that the client should not be approved, then the counselor is notified. The counselor informs the client and discusses all remaining options (including an out-of-home option if that was not the initial desired outcome).
   (a) If there are dissenting internal IHCDA staff opinions on the client application, then go to STEP 14.

(15) The entire HHF team (including the administrator) meets as a committee to decide on the HHF application. If the committee decides to approve the client, then return to STEP 11. If the committee decides to deny the application, then the counselor is notified, who then discusses all remaining options with client.

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ii) <u>Closing/Post Closing Process</u>

(1) Loan closed (by either counselor or title company). Instructions on where the client will send payments and future documentation will be provided and the client will be again be reminded of their responsibilities they will be required to provide documentation (as we require) to the counselor (who will then upload the information into CMS for IHCDA staff monitoring) on a monthly basis in order for payments to continue to be made. Documents recorded and sent to special servicer.

(2) Special servicer sets the loan up in its system to allow borrower to make a payment either electronically or via mail. Borrower will be paying a portion of the mortgage payment monthly to the servicer.

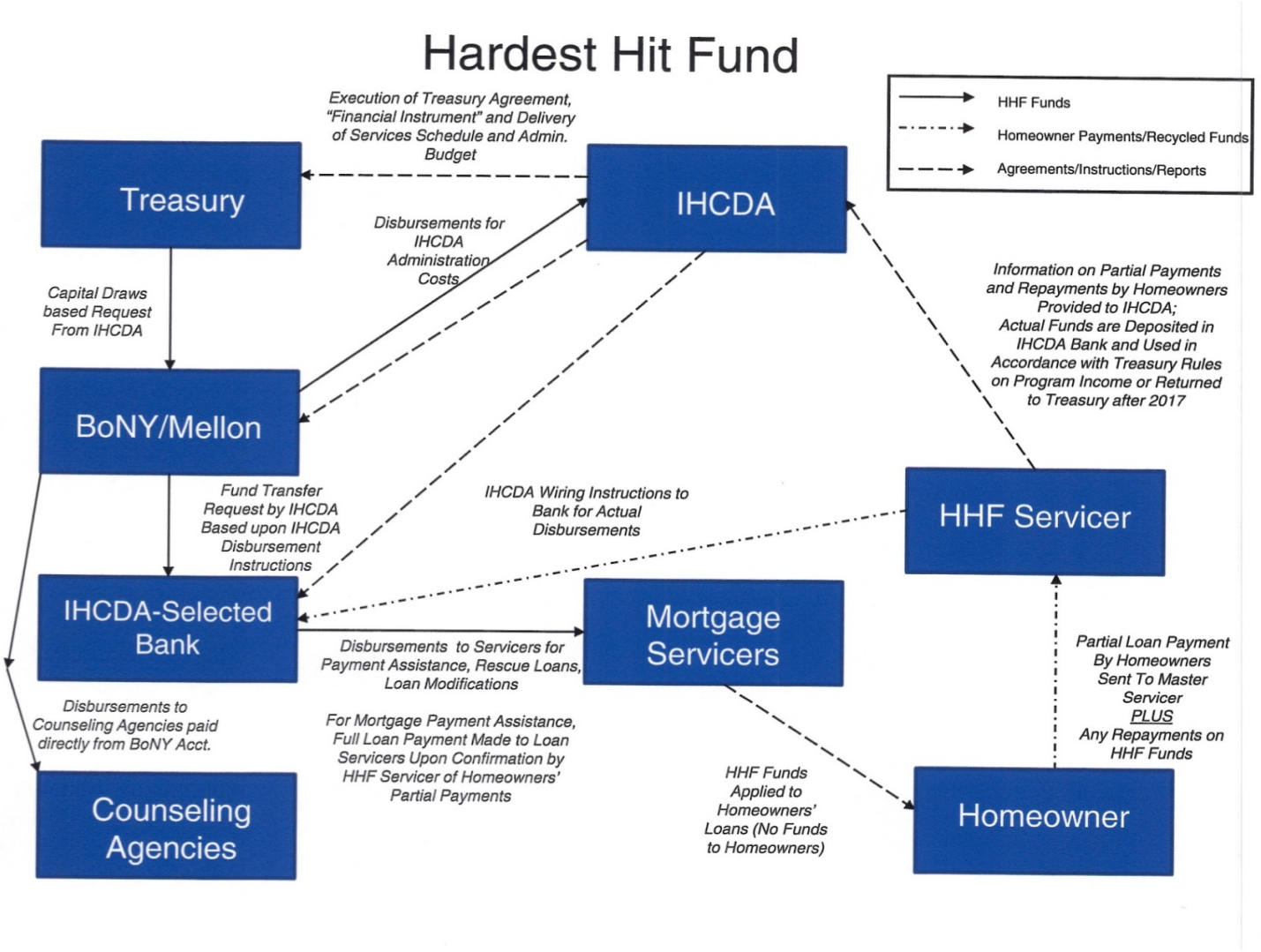
(3) For the 1st month, IHCDA will make the entire mortgage payment for the borrower. After that, the borrower must have payment to the servicer by the 5th of the month. For example, if IHCDA makes the September payment, the borrower must have their portion of the October payment to the Special Servicer by

September 5th. Servicer must try to make contact w/borrower multiple times for the next 20 days to get payment. If still no payment, servicer will provide report to IHCDA and those borrowers will be suspended until borrower pays his or her portion. Two months of nonpayment (not necessarily consecutive) will result in borrower being terminated from the program.

(4) Special Servicer remits payments to BONY. IHCDA pulls down HHF funds from BONY, then makes payment to the borrowers servicer. [8]
(5) Borrower gets a maximum of 12 or 18 months worth of assistance. The specific time period for each borrower will be communicated to the servicer.
(6) The monthly process should continue until the borrower has fully drawn their assistance or been re-employed, whichever comes first (a re-employed borrower that has not fully drawn their assistance will still get up to 3 months of assistance after reemployment).
(7) Once borrower has fully utilized assistance, borrower will not be making any further payments to the special servicer. IHCDA would then look to the special servicer to handle payoffs on the loan should the borrower sell, refinance, or be foreclosed upon. Special Servicer would remit funds to BONY (or other as determined) and provide report to IHCDA. Servicer would also be responsible for filing mortgage releases once the loan is fully forgiven (in year 10).

On the next page, we set forth the flow of funds throughout this process.

[8] This may change depending on final arrangements with Treasury.


Hardest Hit Fund
HHF Funds
Homeowner Payments/Recycled Funds
Agreements/Instructions/Reports
Execution of Treasury Agreement, "Financial Instrument" and Delivery of Services Schedule and Admin. Budget
Treasury
IHCDA
Disbursements for IHCDA Administration Costs
Capital Draws based Request From IHCDA
Information on Partial Payments and Repayments by Homeowners Provided to IHCDA; Actual Funds are Deposited in IHCDA Bank and Used in Accordance with Treasury Rules on Program Income or Returned to Treasury after 2017
BoNY/Mellon
Fund Transfer Request by IHCDA Based upon IHCDA Disbursement Instructions
IHCDA Wiring Instructions to Bank for Actual Disbursements
HHF Servicer
IHCDA-Selected Bank
Mortgage Servicers
Disbursements to Servicers for Payment Assistance, Rescue Loans, Loan Modifications
Partial Loan Payment By Homeowners Sent To Master Servicer PLUS Any Repayments on HHF Funds
Disbursements to Counseling Agencies paid directly from BoNY Acct.
For Mortgage Payment Assistance, Full Loan Payment Made to Loan Servicers Upon Confirmation by HHF Servicer of Homeowners' Partial Payments
HHF Funds Applied to Homeowners' Loans (No Funds to Homeowners)
Counseling Agencies
Homeowner

a) Eligible Entity

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

First, IHCDA is a regulated entity. IHCDA is a "public body corporate and politic" established and regulated by the State of Indiana (Indiana Code 5-20-1-3). As a body corporate and politic and authority, IHCDA is subject to various regulatory provisions of state law, such as The Open Door Law (Indiana Code 5-14-1.5), The Access to Public Records Act (Indiana Code 5-14-3), and The Ethics and Conflicts of Interest Law (Indiana Code 4-2-6).

Second, several other provisions of IHCDA's enabling statute further confirm that IHCDA is not a part of state government itself. The powers of IHCDA are vested in a seven-person board, with the board delegating certain duties to the Executive Director and staff. (Indiana Code 5-20-1-3). Furthermore, IHCDA is not a constituent part of the state budget, as the general fund revenue of the State of Indiana may not be used to pay all or part of the obligations of IHCDA. (Indiana Code 5-20-1-7). IHCDA is a self-supporting organization.

Finally, the third requirement is that the entity must have the corporate powers to receive HHF funds from Treasury. IHCDA has such powers, which include the authority to "to enter into agreements or other transactions with any federal, state, or local governmental agency for the purpose of providing adequate living quarters for such persons and families in cities and counties where a need has been found for such housing" (Indiana Code 5-20-1-4(a)(10)), the authority to "to make, execute, and effectuate any and all agreements or other documents with any governmental agency or any person, corporation, association, partnership, limited liability company, or other organization or entity necessary or convenient to accomplish the purposes of this chapter" (Indiana Code 5-20-1-4(a)(16)), the authority to "to accept gifts, devises, bequests, grants, loans, appropriations, revenue sharing, other financing and assistance and any other aid from any source whatsoever and to agree to, and to comply with, conditions attached thereto" (Indiana Code 5-20-1-4(a)(17)), and the authority to "administer any program or money designated by the state or available from the federal government or other sources that is consistent with the authority's powers and duties" (Indiana Code 5-20-1-4(a)(34)).

Having met all the criteria set forth in the Guidelines, IHCDA qualifies and will be used as the Eligible Entity for the purpose of receiving the HHF Award from Treasury.

b) *Timeline from Treasury Approval to Deployment of Capital*

We will begin implementation activities immediately upon application submission in order to reduce time to implementation for HHF activities. With this early start and the presumption of a pilot program requirement by Treasury, we should be in a position to begin serving eligible borrowers throughout the state within six months after approval of the program by the US Department of Treasury.

i) During the review period, IHCDA will:

(1) Draft, circulate and review responses from Requests for Proposals in the following areas (Final compensation in each of these areas will be determined through the RFP process):
   (a) Intake/program-related counseling: At a minimum, the RFP will ask agencies to describe their qualifications and capacity for counseling, specify their service area and project the number of homeowners they will serve under this program with new or existing staff. We anticipate that the majority of our responses will come from agencies currently participating in the Indiana Foreclosure Prevention Network.
   (b) Loan Servicing: The RFP will solicit proposals from firms qualified to collect and properly record partial payments from HHF participants, combine those funds with HHF dollars, forward payments to servicers and ensure proper credit for payments. The servicer will be responsible for applying guidelines provided by IHCDA in all transactions with constituents and reconciling its accounts with IHCDA on a regular basis.
   (c) External Monitor: This RFP will solicit bids from firms qualified to act as External Monitor for Indiana's HHF program. The External Monitor's work will include file reviews, system reviews, and transaction tracing to confirm internal controls for both IHCDA and its partner agencies handling HHF dollars.
   (d) Title Companies: This RFP will solicit proposals from title companies qualified to close and record second mortgages on behalf of IHCDA;
(2) Develop the following documents:
   (a) Standard note and mortgage for unemployment bridge program assistance;
   (b) Detailed program guidelines for use by housing counselors, servicers/investors, and the Indiana HHF loan servicer, including terms of assistance and repayment, procedures for deferring repayment in cases of continuing borrower hardship and procedures for forgiving debt in cases of severe negative equity;
   (c) Detailed plan for marketing and customer outreach, to be implemented upon notification of approval of our plan;
   (d) Position descriptions for contract positions to be hired by IHCDA for eligibility verification, grant administration and housing counseling management; and
(3) Develop an online application and eligibility determination module for homeowners desiring assistance from Indiana HHF.

ii) Upon notice of award, IHCDA will:

(1) Execute the HFA Participation Agreement with Treasury upon receipt of approval by our Board;
(2) Commit awards to and enter into contracts with intake/program-related counseling agencies, loan servicing companies and title companies, based on responses to the RFPs circulated during Treasury's review of our plan.

(3) Test and refine the eligibility module and make if available to counselors and other outreach partners;
(4) Complete and test the application and verification modules made available by Counselor Direct or other vendors;
(5) Train counselors on program guidelines, procedures and software;
(6) Enter into agreements with lender/servicers and train lender/servicers on HHF programs and procedures;
(7) Develop web and phone content outlining HHF options and eligibility; and
(8) Hire or contract with project-specific IHCDA HHF staff.

iii) When HHF becomes available in the state:

(1) IFPN staff will formally notify banks and intake/program-related counseling agencies throughout the state that funds are available;
(2) Options to learn more about or apply for HHF will go live on IFPN's website (877GETHOPE.ORG) and foreclosure prevention hotline (1-877-GET-HOPE); and
(3) Pilot phase will begin.

c) Demonstration of capacity to implement HHF programs

i) IHCDA manages a range of programs designed to assist both individuals and communities to prevent foreclosure where possible and remedy the effects of foreclosure where necessary, including the following:

(1) The Indiana Foreclosure Prevention Network: In early 2006, the Indiana Housing and Community Authority (IHCDA), hosted a series of meetings with government agencies and industry leaders to discuss the issues surrounding foreclosures and potential solutions for reducing foreclosures. Out of these meetings came a group known as the Indiana Foreclosure Prevention Network (IFPN.) IFPN worked with elected officials to create legislation outlining a multi-tiered solution to delinquency and foreclosure in 2007. The initiative was launched in November 2007, and included a targeted public awareness campaign, a telephone helpline, and a state-wide network of trained mortgage foreclosure counselors. Beginning in November 2007, IFPN launched a public awareness campaign to encourage individuals and families facing foreclosure to seek help by calling 1-877-GET-HOPE or by visiting www.877gethope.org. Upon contact, the homeowner is referred to a certified foreclosure prevention specialist with a local nonprofit organization. From its outset, the "Don't Let the Walls Foreclose in on You" campaign has concentrated on grassroots strategies that have resulted in the distribution of more than 350,000 marketing and collateral pieces. Over the past two years, IFPN has purchased radio, print, and billboard in communities experiencing the highest concentrations of foreclosure. In addition to the mass marketing, IFPN has hosted eight borrower outreach events that have brought more

than 900 borrowers face-to-face with their lender or a housing counselor to discuss options to avoid foreclosure. In an effort to give troubled homeowners the opportunity to access foreclosure prevention assistance through the privacy of a phone call, in June of 2009 IFPN hosted a Phone-A-Thon. More than 60,000 Hoosiers have received assistance from the Indiana Foreclosure Prevention Network. Through our established IFPN network, we have the relationships and customer outreach and qualification mechanisms to hit the ground running in dealing with HHF dollars.

(2) The National Foreclosure Mitigation Counseling (NFMC) Program: IHCDA has been awarded over $2.4 million through NFMC, including a Round IV award of over $1.5 million. NFMC has helped us to create and refine systems for client intake and counseling as well as for outreach to and negotiation with lenders.

(3) Indiana's downpayment assistance programs: IHCDA manages downpayment assistance programs for a range of low- to moderate-income homebuyers. Key to our efforts in this regard is education for new homeowners to help them avoid the financial habits and practices that lead to foreclosure.

(4) Neighborhood Stabilization Program: Finally, IHCDA is the entity charged with managing Indiana's NSP allocation of $82 million. IHCDA is deploying NSP funds on two fronts:
   (a) The Market Stabilization Program provides downpayment assistance and funding to offset the cost of rehab for homebuyers purchasing a home that has been the subject of foreclosure; and
   (b) The Comprehensive Neighborhood Revitalization Fund provides development subsidy for projects that help nonprofit organizations combat and forestall the effects of foreclosure on their neighborhoods.

ii) Program management: In order to effectively manage the program, IHCDA will deploy the expertise of its management team while securing needed support from outside contractors, as follows:

(1) IHCDA internal team leaders

(a) Sherry Seiwert: In early 2005, Governor Mitch Daniels appointed Sherry Seiwert as Executive Director of the Indiana Housing and Community Development Authority (IHCDA). Since then, Ms. Seiwert has made outstanding contributions to Indiana's communities through her work and service.

Sherry is an Indiana University Hoosier Fellow, as well as a board member of the Indianapolis Local Initiatives Support Corporation (LISC) and the Economic Club of Indianapolis, President of her neighborhood association, and Secretary of the Indianapolis/Marion County Plat Committee. In 2005, her very first year as

Executive Director of IHCDA, Ms. Seiwert led the agency in the creation of a four-year strategic plan for Indiana's housing and community development, and obtained the Governor's approval of Indiana's ten-year plan to end chronic homelessness, all while managing IHCDA's continued efforts in rehabilitation and new construction of affordable housing, which created more than 1,100 jobs and over $100 million in local income and wages. Moreover, she worked with the Indiana General Assembly to expand the scope and scale of the state's housing finance agency, while consolidating housing and community development programs formerly fragmented across a host of state agencies (such as the Housing Choice Voucher program, formerly part of Indiana's social service agency) into the new Indiana Housing *and Community Development* Authority. Since then, Sherry's leadership has helped IHCDA to:

(i) Secure a dedicated revenue source for the Indiana Affordable Housing and Community Development Fund, which supports a host of community development and affordable housing efforts throughout the state;
(ii) Embrace a leadership role in Indiana's efforts to link housing with services and build permanent supportive housing developments in order to meet the specific needs of each of the most difficult-to-serve homeless populations in the state; and
(iii) Re-design IHCDA's funding processes, moving from the administration of different funding sources to the pursuit of housing solutions.

Sherry is committed to creating partnerships to better leverage resources. In recent years, Sherry has fostered partnerships with:

(iv) The Indiana Department of Corrections to create a program to provide rental assistance to ex-offenders;
(v) The Indiana Family and Social Service Administration's Division of Aging to establish a program that would allow seniors to transition from nursing homes to a more independent living situation in the community of their choice; and
(vi) The Indiana Office of Community and Rural Affairs and Indiana Office of Tourism to establish the Real Estate Capital Access Program (RECAP) to redevelop and revitalize main streets through a combination of façade renovation, predevelopment capital, and flexible project financing.

As head of the agency responsible for implementing several ARRA programs, including Housing Tax Credit Monetization/TCAP, ARRA Weatherization Assistance, and Community Service Block Grant supplemental allocations, Sherry has leveraged those one-time infusions of capital into long-term change that will improve the lives of Hoosiers for years to come. For example, our work with ARRA Weatherization Assistance Program dollars has resulted in systems that allow IHCDA to pursue an agency-wide strategic focus on preserving the long-term viability of Indiana's affordable housing stock.

(b) Mark Young, Chief Operating Officer, oversees the Section 42 Tax Credit and Bond Allocation, Multi-family Compliance, Community Development and

Community Services Departments. He plays a key role in creating many policies and procedures at IHCDA to administer over $700 million in affordable housing funding annually. Prior to becoming the Chief Operations Officer in 2006, Mr. Young held various positions at IHCDA including the Housing and Community Development Manager, Rental Housing Compliance Manager, Assistant Compliance Manager, and Compliance Specialist. Before joining IHCDA in 1998, Mr. Young was a Comprehensive Planner and a Project Coordinator at the Department of Metropolitan Development for the City of Indianapolis. Mr. Young also holds a Real Estate license and has 15 years experience in property development. Born in Indianapolis, Mr. Young attended Ball State University where he received a B.S. in Biology and an M.S. in Urban and Regional Planning.

(c) Blake Blanch, Chief Financial Officer, will be responsible for developing the systems and procedures for both loan processing and internal controls. Mr. Blanch joined the Authority in July 1996. He holds a Bachelors of Science Degree in Accounting from Ball State University, a J.D. from Indiana University School of Law - Indianapolis, and a Masters in Business Administration from the Kelley School of Business, Indiana University - Indianapolis. Before moving into his current role, Mr. Blanch had worked in the Finance, Single Family, and Accounting departments of the Authority. Mr. Blanch is responsible for all debt management of the Authority including new issues.

(d) A. Isaac Levy, Controller, is in charge of the Accounting Department of nine employees, and has worked at IHCDA since October 2005. He previously worked as Director of Finance at Hook's Discovery and Learning Center for two years and as Associate Dean of Research and Sponsored Programs at the Indianapolis campus of Indiana University for seventeen years. Before that, he worked at the City of Indianapolis, Blue Cross/Blue Shield and Amax Coal Company. Mr. Levy holds a Bachelor's degree in Accounting and a JD in Law, both from Indiana University and is a Certified Public Accountant.

(e) Mark Wuellner, General Counsel, joined the Authority in January 2010. He holds a J.D. from Cornell Law School and a Bachelors of Science in Spanish and Business Studies from Butler University. Before joining the Authority, Mr. Wuellner worked with the Authority in his capacity as a corporate law practitioner at Bose McKinney & Evans LLP, an Indianapolis law firm. Mr. Wuellner serves as chief legal counsel for the Authority, is responsible for supervising outside counsel relationships, and manages the Authority's legal department and human resources department.

(f) Stephanie Reeve, Indiana Foreclosure Prevention Network Manager, is responsible for IFPN's overall program administration, including the management of 25 network foreclosure counseling agencies, five team members, and a $3.8 million budget. Under her tenure, IFPN agencies

increased favorable client outcomes by over 700%, counselor capacity by 60% and federal counseling funding by 300%.

(2) Contract Staff: In order to facilitate our efforts, we also anticipate the following new hires, on a contract basis since their work will be of limited duration:
   (a) Project Manager/Coordinator (1.0 FTE), who will facilitate communication among the various parties and ensure that transactions are proceeding in a timely fashion.
   (b) Underwriters (2.0 FTE), who will underwrite individual HHF loans and assist Counselors with determination of eligibility.
   (c) Monitor/Auditor (1.0 FTE), who will ensure compliance with all applicable law and regulation.
   (d) Accounting specialists (1.5 FTE), who will manage the flow of HHF funds to and from IHCDA.
   (e) Outside Auditor (TBD), who will complete all required audits of program financials and policies/procedures to confirm compliance with applicable law and regulation.
   (f) Liaison with servicers/customers (1.0 FTE), who will facilitate communication between IHCDA, counselors, servicers and customers as appropriate.
   (g) Outreach/communications (0.5 FTE), who will manage efforts to communicate program availability.

d) Expenditure information

i) Administrative Expenses: IHCDA anticipates using approximately 20% of the $82 million award towards administrative expenses of IHCDA and counseling agencies:
   (1) $3,550,000 (about 4.29% of our total award) will cover IHCDA Operational Costs, including but not limited to the cost of staff time, professional services, and information technology;
   (2) $1,536,309 (about 1.86% of our total award) will cover transaction-related expenses, including but not limited to recording and wire transfer fees and loan servicing costs;
   (3) $175,000 (about 0.21% of our total award) will be used for outreach efforts;
   (4) $6.965,000 (about 8.55% of our total award) will cover outreach, intake/program-related counseling and other services directly related to the Hardest Hit Fund.

Administrative Expenses by Year

	$1,692,364	$1,163,364	$1,163,364	$4,019,091
	$1,793,303	$1,793,303	$1,793,303	$5,379,909

	$100,000	$50,000	$25,000	$175,000
	$3,480,000	$1,740,000	$1,740,000	$6,960,000
	$7,065,667	$4,746,667	$4,721,667	$16,534,000

ii) Program Expenses: IHCDA plans to devote roughly 80% of its total allocation to program expenses, as follows:

Program Expenses by Year

	2,947	1,474	1,474	5,895
	$33,114,430	$16,557,215	$16,557,215	$66,228,859

iii) Total Expenses: Thus, our total expenses by year could be as follows:

Total Expenses by Year

	$7,065,667	$4,776,667	$4,721,667	$16,534,000
	$33,114,430	$16,557,215	$16,557,215	$66,228,859
	$40,180,096	$21,303,881	$21,278,881	$82,762,859

e) Compliance Infrastructure

IHCDA will commit to comply with all requirements under EESA and related law and regulation. We will facilitate compliance oversight, internal controls and fraud prevention through a variety of internal and external means. IHCDA currently manages a range of financial instruments and funding sources according to established and proven policies and procedures. Our HHF procedures will be developed on the basis of these successful models, with appropriate adjustments for the specific laws and regulations governing the program. IHCDA's internal audit functions will be expanded to include the review of internal and partner program activities under HHF.

i) Audit and Internal Controls

Independent CPA auditors annually perform single audits for IHCDA and its nonprofit subsidiary, the Indiana Equity Fund. Additionally, Indiana's Office of Budget and Management has provided extensive and in-depth materials for state agencies in receipt of funds made available through the American Recovery and Reinvestment Act of 2009 or related sources. IHCDA's internal audit staff will take the following steps to confirm the effectiveness of those measures:

(1) Evaluate policies, procedures and internal controls for compliance with program requirements;
(2) Test processes for controls being in place and operating before program start-up and during its operation;
(3) Evaluate program process compliance with applicable U.S. Office of Management and Budget (OMB) Circulars A-87, A-102, A-133, and Addendum #1 to the Compliance Supplement;
(4) Determine if any entity within the program is a subgrantee as defined in applicable law and regulation and plan internal control features for its processes; and
(5) Establish the financial reporting systems for Indiana HHF activities within IHCDA's existing financial reporting system.

ii) Fraud Risk Mitigation

IHCDA's internal audit staff and external auditors will carry out the following steps for Indiana HHF:

(1) Review internal controls and fraud prevention mechanisms and detect weaknesses that could result in fraud, waste, abuse or loss of funds;
(2) Recommend process improvements and any necessary compensating controls;
(3) Confirm that key control points have been assigned to specific staff members who are accountable and responsible to a senior manager; and
(4) Evaluate program compliance with ethics requirements and investigate complaints of alleged fraud, waste or abuse in conjunction with IHCDA's General Counsel.

iii) Reporting Protocols

IHCDA will track expenses associated with HHF in a manner consistent with its existing practices for tracking administrative costs for other federally funded programs. These processes are consistent with the cost principles outlined in OMB Circular A-87. We will fully comply with tracking and reporting requirements provided by Treasury. Additionally, program participants will be expected to provide authorizations to release information allowing IHCDA to track outcomes on a file by file basis. Participating servicers/lenders will be required to provide ongoing reports on assisted borrowers' payment histories both during and after receipt of HHF assistance.

In management of all major federal funding sources, IHCDA maintains compliance with all applicable requirements as described in OMB Circular A-133. Accordingly, IHCDA establishes and maintains effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs, including but not limited to: HOME Investment Partnership Program, Community Development Block Grant, Section 8 Housing Assistance Program, and the National Foreclosure Mitigation Counseling (NFMC) Program.

iv) Systems infrastructure

IHCDA will implement a secure, web-based client management system to provide client level information in real time. Counselor Direct or a comparable CMS will be used to develop an online system for IHCDA and foreclosure prevention agency personnel covering intake, screening and confirming applicant eligibility for funds. Our CMS will also serve as our tracking mechanism for available funds, and will facilitate submissions to servicers by foreclosure prevention agencies. To complement our CMS, IHCDA and its partners will also use HOPE LoanPort for data exchange with lenders/servicers.

v) Implementation Mechanisms

Prior to program implementation, IHCDA will provide extensive training to housing counselors and internal staff regarding policies and procedures to be followed, with a detailed program manual made available to all trainees; we will also provide training to homelessness prevention counselors, regarding the availability of HHF for homeowners facing homelessness due to foreclosure. As part of its outreach and communications efforts, IHCDA will work with IFPN members and partners (including the Indiana Attorney General's Office) to conduct outreach to Indiana homeowners before, during and after program implementation to ensure homeowners receive accurate information and do not fall victim to foreclosure rescue scams.

The Indiana Housing and Community Development Authority appreciates the opportunity to provide this proposal for deployment of over $82 million in Hardest Hit Funds from the U.S. Department of Treasury. We believe that our proposal is in compliance with program requirements while remaining responsive to the unique needs and values of Indiana.

Any concerns or questions identified during the review process should initially be directed to:

Stephanie Reeve
Indiana Foreclosure Prevention Network Manager
Indiana Housing and Community Development Authority
30 South Meridian, Suite 1000
Indianapolis IN 46204-3565
sreeve@ihcda.in.gov
317-233-4474 phone
317-232-778 fax

Questions so directed will be forwarded as appropriate and necessary to other staff within IHCDA.

Thank you once again for this opportunity.

One-time / Start-Up Expenses:		
Initial Personnel	$0	
Building, Equipment, Technology	$89,000	Space buildout ($75,000) plus initial MIS requirements ($2,000 per FTE) for seven (7) FTEs
Professional Services	$120,000	Readiness Audit and Training plus 6 months of PM/TAC
Supplies / Miscellaneous	$10,000	
Marketing /Communications	$70,000	
Travel	$10,000	
Website development/CMS	$175,000	Website update/translation and CMS Purchase
HOPE Loan Port Set-up	$5,000	
Contingency	$50,000	
Operating / Administrative Expenses:		
Salaries	$279,000	2 FTE: HHF Manager and Customer Liaison
Professional Services (Legal, Compliance, Audit, Monitoring)	$1,620,000	7 FTE: Project Mgr/TA Coordinator, 2 underwriters, 1 monitor, 1.5 accountants and outside auditing
Travel	$72,000	
Buildings, Leases & Equipment	$71,550	1,500 SF at $15.90/sf for three years
Information Technology & Communications	$1,000,000	CMS, HHF Website/Hotline
Office Supplies/Postage and Delivery/Subscriptions	$15,000	

Risk Management/ Insurance	$2,541	
Training	$150,000	
Marketing/PR	$175,000	
Miscellaneous	$105,000	Hope Loan Port fee at $25,000 per year for three years and other miscellaneous expenses
	$3,490,091	
Transaction Related Expenses:		
Title Search	$2,800,000	To confirm encumbrances on property and chain of title
Recording Fees	$210,000	At $30 per recording x 7,000 transactions
Wire Transfer Fees	$33,600	At $.30 per ACH x 16 ACH per client x 7,000 clients
Automated Valuation Model	$350,000	To provide initial value estimations to confirm alignment with LTV standards
Loan Servicing	$1,986,309	3 years at 100 basis points per year
Counseling Expenses	***$7,135,000***	(Assuming a total of 7,000 clients served successfully)
Outreach	$175,000	
File Intake	$1,000,000	$50 per file (assume 20,000 applicants) - only if CMS determines HHF eligibility
Decision Costs	$4,000,000	$400 per file for 10,000 clients
Successful File	$1,860,000	$300 per file for 6,200 clients
Key Business Partners On-Going	$100,000	Consulting services as needed
	82,762,859	

	Under Indiana's Hardest Hit Fund Unemployment Bridge Program (UBP) the Indiana Housing and Community Development Authority (IHCDA) will offer individuals who are unemployed through no fault or neglect of their own a monthly benefit to cover a portion of their first mortgage and related expenses while the individual seeks new employment. When necessary, IHCDA will also provide a limited amount of funding at the outset of assistance to bring a mortgage current so that IHCDA may provide future monthly payments. IHCDA will also provide assistance (up to three months principal, interest, taxes and insurance (PITI) plus fees) in cases to currently substantially underemployed homeowners who accumulated a delinquency during a period of unemployment but cannot bring their mortgage current with their current income. This last category of assistance will only apply if borrowers: (a) qualify in all other respects for assistance; (b) have demonstrated that they can afford mortgage payments with their post-unemployment income; and (c) cannot qualify for mortgage reinstatement BUT FOR HHF Assistance.
	The goal of the UBP is to cover a portion of PITI for eligible unemployed and substantially underemployed homeowners, allowing them to: 1) Secure re-employment in their occupation; or 2) Access training made available through the Indiana Department of Workforce Development that will help them secure employment in a new occupation.
	Our target population is low- to moderate-income homeowners in any county in Indiana. Homeowners in the 46 counties classified as hardest hit will be eligible for a longer term of assistance (18 months) than homeowners residing in other counties (12 months).
	$66,228,859.00
	1) Unemployed and eligible for unemployment insurance OR (in limited cases)

	underemployed and able to document both current financial hardship and a prior period of unemployment resulting in a current delinquency; 2) Engaged in approved training, education or structured volunteer work EXCEPT for the limited number of cases in which we will assist currently employed individuals; 3) Enrollment in counseling; 4) Current household income below 120% AMI adjusted for borrower household size; 5) Documentation of six months of pre-hardship timely payments; 6) Agreement to pay 30% of current income toward PITI EXCEPT for the limited number of cases in which we will assist currently employed individuals; in those cases, individuals will be expected to make some contribution toward clearing their delinquency, with 30% serving as the standard; 7) Owning only one home; 8) Submission of hardship affidavit documenting inability to pay mortgage; 9) Veterans and military personnel (active or reserve) will receive priority over all other applicants; and 10) Filed for unemployment insurance on or after the UBP implementation date. 11) IHCDA will require the borrower to contribute 30% of his or her *current* household income for PITI based on documentation of unemployment benefits. Borrower delinquency of more than thirty days for two payment periods (consecutive or nonconsecutive) is cause for automatic termination of assistance.
	1) Principal balances below $217,000 (80% of FHA Loan Limit for single family homes in the majority of Indiana). 2) Loan-to-value below 125% at time of application inclusive of HHF assistance.
	1) Property is vacant, abandoned or condemned. 2) Borrower has not exhausted or been ruled ineligible for other programs (federal or direct lender). 3) Borrower has liquid assets sufficient to make 6 months' worth of payments, excluding retirement accounts. 4) Borrower is ineligible for unemployment benefits (for example due to nature of job loss or no W-2 reportable wages). 5) Property is subject to a second mortgage and second mortgage servicer will not agree to forbearance or other arrangements during assistance period.
	All assistance is structured as a forgivable, non-recourse, non-amortizing loan, secured by a junior lien on the property. The loan is forgiven at a rate of 20% per year in years 6 through 10 of the loan term. This loan will only be repayable if the borrower sells the property before the forgiveness period expires and there is sufficient equity to pay the loan. All funds returned to the UBP may be recycled until December 31, 2017; thereafter they will be returned to Treasury.
	Total assistance per household is not to exceed $18,000 in hardest hit counties or

	$12,000 in balance of state.
	In hardest hit counties, up to eighteen months or three months after re-employment, whichever comes first; in balance of state, up to one year or three months after re-employment, whichever comes first. Eligibility for assistance will be reduced by the number of months' payment required to bring a homeowner current on their mortgage upon commencement of assistance.
	An estimated 5,895 households will receive assistance, at an average assistance level of about $702 per month for an average of about sixteen (16) months of assistance, inclusive of payments to clear delinquencies and assistance after re-employment.
	Provided that IHCDA receives prompt and reasonable cooperation from servicers, IHCDA anticipates that the pilot period will begin as soon as November 1, 2010 (but no later than March 1, 2011) and will last for five (5) months. After the pilot period, IHCDA anticipates that the program will last for approximately two (2) years.
	IHCDA manages the Homeless Prevention and Rapid Re-Housing Program (HPRP) funding for the balance of state Continuum of Care. IHCDA assessment tool for HPRP will incorporate screening for HHF eligibility for homeowners at risk of homelessness through foreclosure. HPRP administrators will be trained on eligibility requirements and screening for HHF. IHCDA also manages the Indiana Foreclosure Prevention Network (IFPN), which is a coalition of community service and housing-related organizations, government agencies, lenders, realtors, and trade associations that are actively addressing Indiana's foreclosure crisis through a variety of methods. IHCDA anticipates contracting with some of the organizations which are providing IFPN counseling services to provide eligibility screening, intake and preliminary underwriting for HHF. Finally, IHCDA will work with the Indiana Department of Workforce Development (DWD) to coordinate efforts; for example, the availability of HHF for qualified unemployed persons may be noted in Unemployment Insurance benefit determination letters from DWD.
	Borrowers will be pre-screened for HAMP, HAFA and HAMP-UP and programs offered by lenders. Eligible households will receive assistance from these programs before receiving assistance through the UBP except where not eligible for HAMP.

	No leveraging from banks and servicers is required. IHCDA anticipates entering into participation agreements with servicers that will set forth IHCDA's expectations for servicers, including acceptance of payment from IHCDA and application of payment to PITI only.
	☑ Yes ☐ No