# Section One

## 1) Overview of Program

In August 2010, President Obama's administration 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 in September 2010 (Round 4 of the program) offered 18 states and jurisdictions the opportunity to develop an unemployment bridge program tailored to the needs of local communities. Indiana received $82,762,859 in this round. A subsequent expansion of the program (Round 5) brought Indiana's total HHF allocation to $221,694,280.

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 their own. As part of the unemployment bridge program, we will offer one-time assistance to recipients who, again 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 Indiana's most severely impacted counties 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, (DWD), which administers Unemployment Insurance and many workforce training programs in the state, and connecting unemployed homeowners with opportunities to engage in education, training or structured volunteer work, HHF funds will help us remedy the effects of both structural and cyclical unemployment while offering Hoosiers who face only time-limited unemployment the opportunity to give back to their communities through structured volunteer work. 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 and underemployed homeowners current on their mortgage. In addition, Treasury staff has informed Indiana that TARP funds may only cover the cost of services necessary and incidental to the implementation of HHF and that HHF may not be used to fund homeownership counseling. Indiana will implement procedures to ensure that TARP funds are not used to pay for inappropriate services.

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 DWD, and homeownership preservation efforts through the Indiana Foreclosure Prevention Network (IFPN), an established network of foreclosure prevention specialists which will serve as our primary referral mechanism for HHF assistance.

<u>The Indiana Foreclosure Prevention Network</u>: 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 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. Finally, state 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 85,000 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 or entrepreneurship training, education leading to a degree or certification, or some form of voluntary service;
- Optimize the potential for sustainable results after assistance;
- Operate with the highest levels of transparency and fairness; and
- 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.

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 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 monthly housing expenses and engage in approved job readiness or entrepreneurship training, education, or volunteer work, we affirm the homeowner's role as a partner in crafting their future, rather than simply a passive recipient of assistance.

Homeowners in need of assistance will utilize select members of Indiana's existing IFPN infrastructure, composed of state-approved agencies, to certify their initial and ongoing eligibility for HHF dollars; IHCDA has selected twenty-four (24) agencies through a competitive proposal process, and will provide training to qualified counselors to help them to offer assistance related to HHF goals and objectives. An Indiana HHF-trained foreclosure specialist 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

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

related solely to TARP-funded modification programs. IHCDA will review 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.

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. Using the tagline "Building the Bridge to Recovery", we have developed branding and marketing materials to communicate the availability of assistance for qualified households through HHF. IHCDA recently implemented a similar campaign revolving around our statewide foreclosure prevention efforts using the tagline "Don't Let the Walls Foreclose in on You"; as a result of that effort, Indiana's Foreclosure Prevention Hotline (1-877-GET-HOPE) quickly ramped up to 70 calls per day and continues to build as the message reaches a wider audience (and more Indiana homeowners encounter difficulty)

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) <u>Partial mortgage payment assistance</u>: 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 Principal/Interest/Taxes/Insurance where appropriate (hereafter, PITI), with HHF dollars covering the balance. Borrowers will remit their monthly payment to U.S. Bank, the special servicer selected by IHCDA through a competitive process (hereafter, Special Servicer). U.S. Bank will collect and aggregate partial payments from borrowers and forward in batches to IHCDA. After IHCDA confirms the recipient's continued eligibility IHCDA will match the borrower's payment with the appropriate amount of HHF funds and forward payments in batches to the borrower's loan 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 that have been approved by the DWD Commissioner, such as training that would represent an eligible expenditure under either the Indiana Individual Training Account or Trade Adjustment Act programs.
(2) Entrepreneurship training programs that have been approved by the Indiana Economic Development Corporation, Indiana's quasi-governmental lead economic development agency.

(3) Educational programs accessible through accredited institutions that are eligible to receive payments on behalf of students under the Free Application for Federal Student Aid; this would include two-year degree programs such as those offered by Indiana Vocational Technical College and four-year degree programs such as those offered by the eight campuses of the Indiana University system. Intake specialists will confirm that such training will further the individual's progress toward a recognized certification or degree that will improve the beneficiary's employment prospects.
(4) Structured volunteer activities, intended to both help participants build skills and build their sense of self-efficacy.

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 PITI to bring beneficiaries current on obligations such as past-due mortgage payments or escrow shortfalls that would mitigate the effectiveness of ongoing assistance if left unpaid. On a limited basis, we may also provide this form of assistance to an employed individual who can document:
(1) A period of unemployment;
(2) An arrearage in their mortgage resulting from that unemployment;
(3) Sufficient resources to make a meaningful contribution toward their arrearage;[2] and
(4) Underemployment resulting in an inability to bring the mortgage current with their own resources.

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[3] 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 thirty percent (30%) of their income for PITI, and will be eligible for monthly assistance totaling the balance of their PITI 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 borrowers utilize any funds up front for mortgage reinstatement (as for example if they need to clear an arrearage), then their monthly assistance will either be for a shorter term (if their monthly obligation is $1,000), a lesser monthly amount or both.
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

[2] The target amount would be thirty percent (30%), as with other aspects of the program.
[3] Our methodology for determining hardest-hit status is set forth in more detail in Section Two.

households with current incomes below 140% AMI. Moreover, individuals with liquid assets equal to six months or more of PITI 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 foreclosure prevention counseling, we will also help them to avoid potential pitfalls upon reemployment.

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 thirty percent (30%) of their current income toward PITI.

vi) Ongoing monitoring of progress: The key to this entire system is the foreclosure prevention specialist, who will maintain contact with the borrower, monitor his or her progress against an HHF action plan, and work with borrowers, IHCDA and its Special 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 work with a specialist to develop an HHF action plan and maintain regular contact to confirm their progress against that plan.

*b) Program allocation and targeting*

Under these assumptions, we will serve about 16,250 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 of service 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.

*c) Program delivery and partner expenses*

In order to facilitate HHF delivery, we are budgeting roughly 18.7% 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.

*d) Leverage*

The primary leverage for the program will come from program recipients, who will be required to contribute toward their monthly housing expenses based on thirty percent (30%) of their current income.

## Section Two

### 1) Program Overview

*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 is limited to households with current incomes at or below 140% of Indiana's Area Median Income and total mortgage debt below the Federal Housing Finance Agency's conforming loan limit, as it may be adjusted from time to time. Indiana's HHF will be available to 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[4]. 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[5], 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.

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

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

period they studied, each foreclosure within a one-mile radius reduced the sales price of the average home by three to four percent.[6] 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.[7] If analysts at Deutsche Bank are right, moreover, this number could climb as high as 48% before the trend reverses.[8]

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. For those who do not engage in either education or job training, we are offering opportunities to give back to the community through voluntary service.

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

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

## *2) Program Description*

As set forth in more detail in our term sheet, Indiana will provide sufficient assistance on a monthly basis to reduce an eligible recipient's monthly housing obligation to no more than thirty percent (30%) of household income. We will seamlessly integrate HHF into the existing IFPN to complete intake and qualification processes and provide assistance 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 notice. 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. 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, he or she may receive no more than twelve months of unemployment bridge payments. Following are our projected results, measures, and numbers for the program.

| **Result** | **Measure** | **Number** | **Verification** |
|---|---|---|---|
| **Potential participants learn about the program and apply for assistance.** | **Homeowners Intake/Triage** | **80,000** | **CounselorDirect (via www.877gethope.org)** |
| | **Underwriting/Verification** | **45,000** | |
| | **HHF action plans proposed** | **20,000** | **CounselorDirect** |
| **Review and approve homeowner eligibility and HHF action plans** | **Eligible Applicants approved by lender** | **18,000** | **Lender approved secure communication portal** |
| | **HHF action plans Approved by Lender and IHCDA** | **16,257** | **CounselorDirect** |
| | **Payments to Counselors** | **$26,877,100** | **IHCDA Internal Reports** |
| **Provide partial mortgage payments while homeowners search for a job and engage in job training/education or voluntary service, as well as a one-time payment as needed to bring them current on their mortgage.** | **Homeowners served** | **16,257** | **IHCDA Loan Tracking System, CounselorDirect, reports from third party servicer.** |
| | **Average total assistance amount[9]** | **$11,235** | |
| | **Defaults/foreclosures prevented[10]** | **14,632** | |

[9] Average term of 16 months, including 2 months' back payment and 3 months' post-unemployment payment.
[10] Presumes that ten percent will still go into foreclosure.

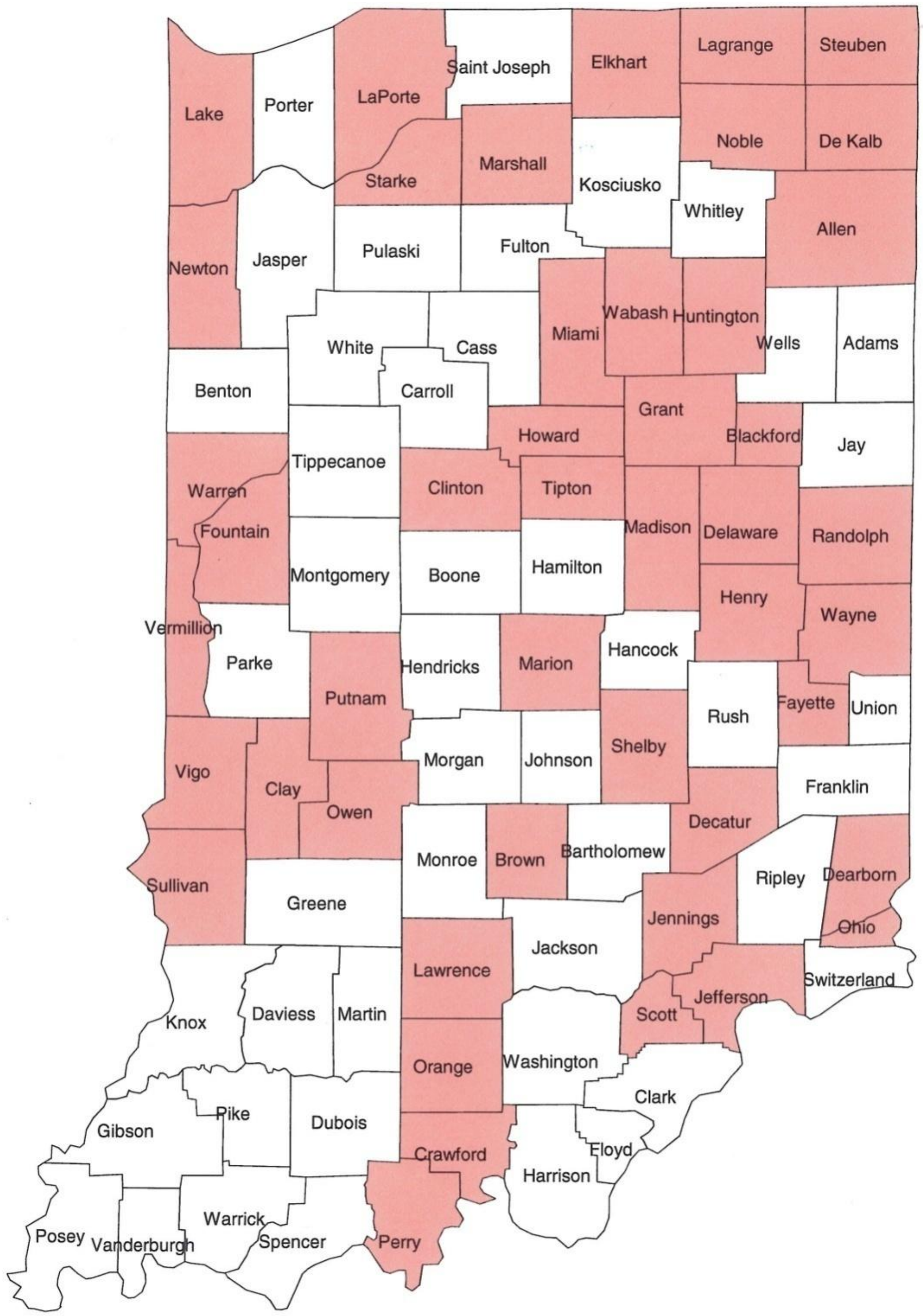
*a) Population Served and allocation methodology*

IHCDA estimates that slightly more than 16,250 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 homeowners 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) <u>Current and historic county unemployment as a percentage of total state unemployment</u>: Recognizing that the primary intent of HHF is to remedy the effects of unemployment, IHCDA weighted this variable at 70% of the final score for each county. Using data from DWD, 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) <u>Current and historic foreclosure rates as a percentage of total foreclosures in the state</u>: 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.

These variables helped us 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
Miami
Wabash
Huntington
Wells
Adams
White
Cass
Carroll
Benton
Grant
Blackford
Jay
Howard
Tippecanoe
Clinton
Tipton
Warren
Fountain
Madison
Delaware
Randolph
Montgomery
Boone
Hamilton
Henry
Wayne
Vermillion
Parke
Hendricks
Marion
Hancock
Putnam
Rush
Fayette
Union
Vigo
Clay
Morgan
Johnson
Shelby
Franklin
Owen
Decatur
Monroe
Brown
Bartholomew
Sullivan
Greene
Ripley
Dearborn
Jennings
Ohio
Lawrence
Jackson
Switzerland
Jefferson
Knox
Daviess
Martin
Scott
Orange
Washington
Clark
Gibson
Pike
Dubois
Crawford
Floyd
Harrison
Warrick
Posey
Vanderburgh
Spencer
Perry

*b) 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, with the support of the Lieutenant Governor, 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 continued 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 are meeting 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.

*c) Process Flows*

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

**i) Intake Process**

(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 CounselorDirect system.
(3) CounselorDirect then relays client information to the IFPN helpline/website administrator who then refers to a local HHF agency in the client's service area.
(4) HHF Intake Specialist contacts client within 2 business days to discuss the process and to instruct client to complete the information in packet sent by specialist and submit as soon as possible but no later than 30 days from date of referral.
    (a) If Specialist 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. **EXIT POINT #1**

   (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) Specialist 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, Specialist will notify the client and refer to IFPN for foreclosure prevention services. **EXIT POINT #2**

(6) Once complete packet of information is submitted, Specialist will contact the client for follow-up phone intake. 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. **EXIT POINT #3.** 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 CounselorDirect). If no, then go to STEP 8.

(8) Specialist works to receive response from lender:
   (a) If applied for HAMP and answer is YES, then complete process with client through successful modification. **EXIT POINT #4**.
   (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 Specialist completes process and the client is not HHF-eligible. **EXIT POINT #5**

(9) Specialist 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 Specialist available on a regular (to be determined) basis.
   (b) Specialist explains the program to the client and any requirements that they will need to complete in order to remain eligible.
   (c) Specialist works with client to develop an HHF action plan.

(d) If the Specialist believes that the client is eligible, then the documents and application are sent via CounselorDirect 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 specialist for further information on the client. The first Underwriter may choose to approve an application, at which time, the Specialist will be informed.

(a) If application is denied, then client is not HHF-eligible. **EXIT POINT #6.** If first reviewer is unclear, skip to STEP 13.

(11) Underwriter will complete loan/closing documents and send to specialist.

(12) Closing

(a) See Closing/Post Closing Process below.

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

(14) If first Underwriter is uncertain regarding eligibility, first Underwriter provides file to second Underwriter. If they concur that the client should not be approved, then the Specialist is notified. The Specialist informs the client and discusses all remaining options (including an out-of-home option if that was not the initial desired outcome). **EXIT POINT #7.**

(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 Specialist is notified, who then discusses all remaining options with client. **EXIT POINT #9**.

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

(1) As noted above, HHF Underwriter will prepare loan documents and forward to Specialist for closing. Loan will be closed by Specialist. 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– these include a requirement to provide regular documentation (as IHCDA requires) to the Specialist (who will then upload the information into CounselorDirect for IHCDA staff) in order for payments to continue to be made. Loan documents recorded by Specialist and sent to Special Servicer.

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

(3) For the $1^{st}$ month, IHCDA will make the entire mortgage payment for the borrower. After that, the borrower must make timely payment of their portion to the Special Servicer each month. Borrower portion of the monthly payment will be taken from borrower bank account through automatic withdrawal on the scheduled payment date. If there are insufficient funds in the account for this withdrawal, Special Servicer will attempt to notify borrower by a phone call. Borrower will have three business days from the day notified to bring the account up to the needed level. After the three business days, a second attempt will be made to retrieve the funds. If they are still insufficient, borrower will be removed

from the program. Borrowers can be removed from the program for missing payments in two ways, (1) if they miss the scheduled payment three times throughout the life of the program or (2) if they miss the scheduled payment and second attempt during the same month.

(4) IHCDA pulls down HHF funds from Bank of New York-Mellon, matches with borrower contribution, then makes payment to the borrower's servicer. [11]
(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 the start of re-employment).
(7) Once borrower has fully utilized assistance, borrower will not be making any further payments to the Special Servicer. Should the borrower sell, refinance, or be foreclosed upon, our Special Servicer will receive notice and notify IHCDA so that we are in position to receive repayment. IHCDA will also be responsible for filing mortgage releases once the loan is fully forgiven (in year 10).

## 3) Staffing and Business Partners

### *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

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

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 to nine months after approval of the program by the US Department of Treasury.

i) During the review period, IHCDA has:

(1) Drafted, circulated and reviewed responses from Requests for Proposals in the following areas (The numbers in our revised budget set forth the final negotiated compensation amounts in each of these areas:
  (a) <u>HHF-related eligibility screening and action planning</u>: Through a competitive RFP process, IHCDA has selected 24 agencies to provide these services throughout the state;
  (b) <u>Special Servicer</u>: IHCDA has selected U.S. Bank, with which IHCDA already has established systems, to act as Special Servicer, although, IHCDA will approve and forward final payments to lenders at the recommendation of our Special Servicer. U.S. Bank is providing similar services for the established HHF program in Ohio; and
  (c) <u>External Monitor</u>: This RFP solicited 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. IHCDA is currently working on the RFP and will make it available to prospective vendors no later than February 21, 2011.

(2) Developed the following documents:
  (a) Standard note and mortgage for unemployment bridge program assistance;
  (b) Detailed program guidelines for use by housing specialists, servicers/investors, and the Indiana HHF Special 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, which is currently in the implementation stage; and
(d) Position descriptions for contract positions to be hired by IHCDA for eligibility verification, grant administration and housing counseling management.

(3) Developed an online application and eligibility determination module for homeowners desiring assistance from Indiana HHF.

ii) IHCDA has also completed the following steps:

(1) Executed the HFA Participation Agreement with Treasury;
(2) Based on responses to the RFPs circulated during Treasury's review of our plan, committed awards to and enter into contracts with:
  (a) Loan servicing companies; and
  (b) Agencies providing intake/triage, eligibility determination and client tracking.
(3) Developed web and phone content outlining HHF options and eligibility;
(4) Hired or contracted with project-specific IHCDA HHF staff;
(5) Formally notified banks and foreclosure prevention counseling agencies throughout the state that funds are available; and
(6) Options to learn more about or apply for HHF have gone live on IFPN's website (877GETHOPE.ORG) and foreclosure prevention hotline (1-877-GET-HOPE).

iii) Finally, we will complete the following steps by the date on each item:
(1) Pilot phase will begin on or before March 1 2011.
(2) Test and refine the eligibility module and make if available to specialists and other outreach partners—on or before March 1 2011;
(3) Complete and test the application and verification modules made available by CounselorDirect or other vendors—on or before March 1 2011;
(4) Train HHF Intake Specialists on program guidelines, procedures and software—on February 15 2011;
(5) Enter into agreements with lender/servicers and train lender/servicers on HHF programs and procedures—this is ongoing;

c) *<u>Demonstration of capacity to implement HHF programs</u>*

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:

a) <u>The Indiana Foreclosure Prevention Network</u>: As discussed above, IHCDA is the manager of the IFPN and will work with our existing partners to reach out to prospective HHF beneficiaries and manage qualification, eligibility determination and continued verification, and progress against HHF action plans.

b) <u>The National Foreclosure Mitigation Counseling (NFMC) Program</u>: 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.

c) 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.

d) Homelessness Prevention and Rapid Re-housing Program: IHCDA manages the Homelessness 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.

e) 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:
   *i)* *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
   *ii)* *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:

(i) The Indiana Department of Corrections to create a program to provide rental assistance to ex-offenders;
(ii) 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
(iii) 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, oversees all financial operations of the Authority. 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 IHCDA, 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) David Kaufmann joined the Authority in 2005 and has over twelve years of experience in community development and asset preservation. As Chief Strategy Officer, Mr. Kaufmann leads a team responsible for orchestrating the business development, governmental affairs, communication, and research functions of IHCDA. The agency's asset development and asset preservation strategies fall under this purview. Mr. Kaufmann holds a Masters in Public Affairs degree from Indiana University's School of Public and Environmental Affairs and has worked with the Center on Philanthropy at Indiana University.

(g) Stephanie Reeve, Director of Asset Preservation, oversees the IFPN, the Indiana Hardest Hit Fund and the Mortgage Foreclosure Trial Court Assistance Project (an IHCDA-funded program in partnership with the Indiana Supreme Court). Prior to taking the reins of the IFPN in fall of 2009, Stephanie served as IHCDA's Legislative Liaison where she was instrumental in creating legislation passed in Indiana's General Assembly that resulted in the state's first Affordable Housing Trust Fund and the state's first comprehensive foreclosure prevention program. Stephanie received her Bachelor's degree in Public Affairs from Indiana University and is completing her Master's degree in Public Affairs at IU as well. She has worked in the public sector for nearly nine years in various legislative and policy roles.

(2) Short-Term Staff: In order to facilitate our efforts, we also have made or anticipate the following new hires, which will be IHCDA permanent positions for the duration of the HHF program:
(a) Operations Manager (1.0 FTE), who will facilitate communication among the various parties and ensure that transactions are proceeding in a timely fashion.
(b) Underwriters (3.0 FTE), who will underwrite individual HHF loans and assist Foreclosure Prevention Counselors with determination of eligibility.
(c) Accounting Specialists (2.5 FTE), who will manage the flow of HHF funds to and from IHCDA.
(d) Servicer Liaison (1.0 FTE), who will manage relationships with loan servicers and serve as primary contact with our Special Servicer;
(e) Project Coordinator (0.5 FTE), who will track transactions and help to enforce deadlines and accountability mechanisms.

(3) Contractors: Finally, IHCDA is contracting with the following independent consultants for at least the next year, with the prospect of renewal:
(a) Liaison with the Indiana Office of Faith-Based and Community Initiatives (OFBCI) (1.0 FTE), who will work with OFBCI and faith-based organizations to manage our voluntary service offerings (75%) and coordinate education and outreach activities regarding Fair Housing in cooperation with the Indiana Civil Rights Commission (25%); note that Fair Housing activities will NOT be paid from HHF dollars.
(b) Contract Attorney (1.0 FTE), who will work with our General Counsel and Director of Asset Preservation to address legal issues relating to HHF;
(c) Monitors (2.0 FTE), who will ensure compliance with all applicable law and regulation by IHCDA, servicers and other partners.

*d) Expenditure information*

i) Administrative Expenses: IHCDA anticipates using approximately 17.61% of the $221.7 million award towards administrative expenses of IHCDA and foreclosure prevention agencies:

(1) $9,154,310 (about 4.13% 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) $2,619,477 (about 1.18% of our total award) will cover transaction-related expenses, including but not limited to title searches, recording and wire transfer fees and loan servicing costs;
(3) $175,000 (about 0.08% of our total award) will be used for outreach efforts;
(4) $27,092,800 (about 12.22% of our total award) will cover individual services directly related to HHF, including eligibility determination, development of an HHF action plan, and ongoing monitoring to confirm progress against that plan.

*Administrative Expenses by Year*

| Category | Year 1 | Year 2 | Year 3 | TOTAL |
|---:|---:|---:|---:|---:|
| **IHCDA Operational Costs** | $3,440,770 | $2,856,770 | $2,856,770 | $9,154,310 |
| **Transaction Related Expenses** | $1,309,739 | $654,869 | $654,859 | $2,619,477 |
| **Outreach Efforts** | $100,000 | $50,000 | $25,000 | $175,000 |
| **HHF Plan Expenses** | $13,546,400 | $6,773,200 | $6,773,200 | $27,092,800 |
| **TOTALS** | $18,396,909 | $10,334,839 | $10,309,839 | $39,041,587 |

ii) Program Expenses: IHCDA plans to devote more than 82% of its total allocation to program expenses, as follows:

*Program Expenses by Year*

| Partial Payment Assistance | Year 1 | Year 2 | Year 3 | TOTAL |
|---:|---:|---:|---:|---:|
| **Number Assisted** | 8,123 | 4,084 | 4,050 | 16,257 |
| **Amount** | $91,261,905 | $45,883,740 | $45,506,907 | $182,652,552 |

iii) Total Expenses: Thus, our total expenses by year are anticipated to be as follows:

*Total Expenses by Year*

| Category | Year 1 | Year 2 | Year 3 | TOTAL |
|---:|---:|---:|---:|---:|
| **Administrative Expenses** | $18,396,909 | $10,334,839 | $10,309,839 | $39,041,587 |
| **Program Expenses** | $91,261,905 | $45,883,740 | $45,506,907 | $182,652,552 |
| **TOTALS** | $107,632,759 | $57,043,190 | $57,018,190 | $221,694,139 |

*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 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 and Necessary Funding

IHCDA will implement a secure, web-based client management system to provide client level information in real time. CounselorDirect will be used to develop an online system for IHCDA and foreclosure prevention agency personnel covering intake, screening and confirming applicant eligibility for funds. CounselorDirect will also serve as our tracking mechanism for available funds, and will facilitate submissions to servicers by foreclosure prevention agencies.

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. 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.

## 4) Conclusion

The Indiana Housing and Community Development Authority appreciates the opportunity to provide this proposal for deployment of $221.7 million in Hardest Hit Fund dollars 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
Director of Asset Preservation
Indiana Housing and Community Development Authority
30 South Meridian, Suite 1000
Indianapolis IN 46204-3565
sreeve@ihcda.in.gov
317-233-4474 phone
317-232-7778 fax

Questions so directed will be forwarded as appropriate and necessary to other staff within IHCDA. Thank you once again for this opportunity.

**SCHEDULE A**
**Indiana Hardest Hit Fund Unemployment Bridge Program**
**Allowable Administrative Expenses**

| | Indiana | |
|---|---|---|
| | | |
| ***One-time / Start-Up Expenses:*** | | |
| Initial Personnel | | |
| Building, Equipment, Technology | $89,000 | Space build out ($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 | $175,000 | |
| Travel | $10,000 | |
| Website development/Translation | $175,000 | Website update and CounselorDirect Purchase |
| Contingency | $5,000 | |
| **Subtotal** | **$584,000** | |
| | | |
| ***Operating / Administrative Expenses:*** | | |
| Salaries | $350,000 | 1.75 FTE: HHF Manager (1.0) and Customer Liaison (0.5), plus time of other staff devoted to project (0.25 total)—CFO, General Counsel, Chief Strategy Officer, Controller, Policy & Research Manager |
| Professional Services (Legal, Compliance, Audit, Monitoring) | $2,192,000 | 12 FTE: Operations Manager, 3 underwriters, 2.5 accountants, servicer liaison, project coordinator (0.5), 2 monitors, attorney plus OFBCI Liaison. Also $60,000 for consulting services related to database, PR, background checks, and media activities |
| Travel | $87,000 | |
| Buildings, Leases & Equipment | $71,550 | 1,500 SF at $15.90/sf for three years |
| Information Technology & Communications | $2,500,000 | CounselorDirect, HHF Website/Hotline |
| Indiana Office of Faith-Based and Community Initiatives | $2,794,350 | OFBCI will provide assistance in establishing and managing a voluntary service option for HHF beneficiaries. This represents the cost of OFBCI services plus the purchase and set-up of volunteer management software statewide. |
| Office Supplies/Postage and Delivery/Subscriptions | $25,000 | |
| Risk Management/ Insurance | $25,410 | General Liability, Theft, Errors/Omissions and All-risks incremental cost for all FTEs |
| Training | $150,000 | $50,000 per year for three years |
| Marketing/PR | $375,000 | |
| **Subtotal** | **$8,570,310** | |
| | | |

| | | |
|---|---|---|
| ***Transaction Related Expenses:*** | | |
| Recording Fees | $487,710 | At $30 per recording x 16,257 transactions |
| Wire Transfer Fees | $156,067 | At $.30 per ACH x 32 ACH per client (first and one subordinate lienholder) x 16,257 clients |
| Automated Valuation Model | $350,000 | To provide initial value estimations to confirm alignment with LTV standards |
| Loan Servicing | $1,625,700 | $100 per client served—one time servicing fee |
| ***Intake and Processing Expenses*** | | (Assuming a total of 16,257 clients enrolled for HHF) |
| Outreach | $175,000 | |
| File Intake and Triage Counseling | $4,000,000 | $50 per file (assume 80,000 applicants) - only if CounselorDirect determines HHF eligibility |
| Decision Costs | $18,000,000 | $400 per file for 45,000 applicants |
| Successful File | $4,877,100 | $300 per file for 16,257 clients |
| Key Business Partners On-Going | $215,700 | Consulting services as needed |
| **Subtotal** | **$27,092,800** | |
| | | |
| **Grand Total** | **$39,041,587** | |
| | | |
| **% of Total Award** | **17.61%** | |
| **Award Amount** | **$221,694,139** | |

## SERVICE SCHEDULE B-1

### Indiana
### Hardest Hit Fund Unemployment Bridge Program

### Summary Guidelines

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| **1. Program Overview** | 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 may 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 may also provide assistance 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. Assistance is subject to approval of the homeowner's HHF Action Plan, which is a plan relating solely to TARP funded modification programs that will be developed by a housing counseling agency in connection with the initial intake eligibility screening and file underwriting process, and approved by IHCDA (the "HHF Action Plan"). |
| **2. Program Goals** | The goal of the UBP is to cover a portion of PITI for eligible unemployed and substantially underemployed homeowners, allowing them to:<br>1) Secure re-employment in their occupation; or<br>2) Access training made available through the Indiana Department of Workforce Development that will help them secure employment in a new occupation. |
| **3. Target Population / Areas** | 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). |
| **4. Program Allocation (Excluding Administrative Expenses)** | $182,652,552.15 |
| **5. Borrower Eligibility Criteria** | 1) Unemployed and eligible for unemployment insurance or (in limited cases) substantially underemployed and able to document both current financial hardship and a prior period of unemployment resulting in a current delinquency;<br>2) Engaged in approved training, education or structured volunteer work (as defined by IHCDA) except for the limited number of cases in which we will assist currently underemployed individuals;<br>3) Current household income below 140% AMI adjusted for borrower |

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| | household size;<br>4) Documentation of six months of pre-hardship timely payments;<br>5) Agreement to pay a minimum of 30% of household income at time of enrollment toward PITI based on documentation of unemployment benefits, except for the limited number of cases in which we will assist currently underemployed individuals; in those cases, individuals will be expected to make some contribution toward clearing their delinquency, with 30% of household income serving as the standard;<br>6) Owning only one home;<br>7) Submission of hardship affidavit documenting inability to pay mortgage;<br>8) Priority of service will be extended to veterans and military personnel (active or reserve);<br>9) Receiving unemployment insurance benefits from the Indiana Department of Workforce Development ("DWD") on or after the UBP implementation date;<br>10) At IHCDA's sole discretion, Borrower may be removed from the program for failing to make their required payments, |
| **6. Property / Loan Eligibility Criteria** | 1) Owner-occupied primary residence located in Indiana.<br>2) The unpaid principal balance of the borrower's first lien mortgage cannot exceed the conforming loan limit established by the Federal Housing Finance Agency, as modified from time to time. |
| **7. Program Exclusions** | 1) Property is vacant, abandoned or condemned.<br>2) Borrower has not exhausted or been ruled ineligible for other programs (federal or direct lender).<br>3) Borrower has liquid assets sufficient to make 6 months' worth of payments, excluding retirement accounts.<br>4) Borrower is ineligible for unemployment benefits (for example due to nature of job loss or no W-2 reportable wages). |
| **8. Structure of Assistance** | All assistance is structured as a forgivable, non-recourse, non-amortizing loan, secured by a junior lien on the property. The loan has a term of 10 years and is forgiven at a rate of 20% per year in years 6 through 10 of the loan term. If the borrower sells the property before the forgiveness period expires; all net sale proceeds up to the full principal balance outstanding will be due and payable to IHCDA. All funds returned to the UBP may be recycled until December 31, 2017; thereafter they will be returned to Treasury. |
| **9. Per Household Assistance** | Total assistance per household is not to exceed $18,000 in hardest hit counties or $12,000 in balance of state. |
| **10. Duration of Assistance** | 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. In either case, assistance will terminate upon household's receipt of the maximum assistance. As applicable, total assistance will be reduced by 1) the number of months' payment required to bring a homeowner current on their mortgage and/or 2) the amount required to pay for taxes and insurance on non-escrowed loans. Once homeowner is brought current, the maximum amount of monthly assistance per household may not exceed $1,000.00. |
| **11. Estimated Number of** | An estimated 16,257 households will receive assistance, at an average assistance level of about $702 per month for an average of approximately sixteen (16) |

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| **Participating Households** | months of assistance, inclusive of payments to clear delinquencies and assistance after re-employment. |
| **12. Program Inception / Duration** | 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. |
| **13. Program Interaction with Other Programs (e.g. other HFA programs)** | 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 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. |
| **14. Program Interactions with HAMP** | Borrowers will be pre-screened for HAMP, HAFA and HAMP-UP and programs offered by lenders. HHF funds can be utilized before or after assistance from HAMP-UP. |
| **15. Program Leverage** | 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. |
| **16. Qualify as an Unemployment Program** | ☑ Yes ☐ No |