



## *Hardest Hit Recommendations*

### OVERALL PROGRAM DESIGN:

1. **Public Process:** We commend Oregon Housing and Community Services (OHCS) for holding public meetings with key stakeholders and the public across the state. Given the very short timeframe allowed by the Department of the Treasury for developing the proposal, the actions OHCS took to inform the public and to solicit input were exemplary.

As OHCS moves towards implementation, we encourage the agency to continue its commitment to a transparent process. At the Portland hearing, several community members recommended that OHCS convene an advisory board with a diverse membership to provide guidance on decisions related to program design, implementation, and evaluation. We like this idea and hope OHCS considers it.

2. **Allocation Criteria:** We support the use of weighted criteria to allocate funds. A formula that takes into account area foreclosure and delinquency rates, recent declines in home values, and recent changes in the unemployment rate seems appropriate.

However, to the extent possible, we encourage OHCS to also analyze this data by race and ethnicity, in order to identify the disparate impact on people of color. For instance, downturns in the economy have historically had a greater impact on people of color than on whites. The most recent data from the Bureau of Labor Statistics for Oregon shows that in 2008, the unemployment rate was nearly double for African Americans and for Hispanic/Latinos. More recent national data from the Joint Economic Committee shows that the recession has exacerbated unemployment among African Americans and Hispanic/Latinos. Moreover, African Americans are more likely to experience long-term unemployment. We believe that the foreclosure rate will also be disproportionately high among homeowners of color. For these reasons, we believe that OHCS should specifically direct resources to assist homeowners of color to remain in homeownership.

We encourage OHCS to do a finer analysis of all data to isolate the areas of the state with the highest level of distress that can be remedied by these funds. Applying the type of analysis used in the first NSP program might be helpful in this respect. There are parts of the County, including Lents, Rockwood and North Portland, with unemployment and foreclosure rates far above the County average. Attention should be focused on these 'hot spots.'



We also recommend that OHCS identify the outcomes it hopes to achieve with the Treasury funds, and structure its programs and funding allocations accordingly. The best outcome for these funds would be that families are able to avoid foreclosure and continue in homeownership. That outcome is most likely for households in urban areas with a strong economy. It appears that the three-County Portland metro area is again positioned to lead the State out of recession. Accordingly, a greater proportion of Loan Modification Assistance and Mortgage Payment Investment funds should be invested here, where recipients are more likely to secure employment at wages that will allow them to resume mortgage payments when the program assistance ends.

3. **A Second Look:** We were glad to learn that Treasury will allow OHCS to shift its allocation of funds among its programs based on its experience administering the programs, and on the changing profile of community needs. We hope that OHCS will undertake an annual evaluation and reassess its geographic and program allocations in light of on-the-ground results. For example, if banks and investors do not cooperate in streamlining loan modifications, it may be wise to allocate more funds to Mortgage Payment Investments.

- We recommend that this evaluation include an assessment of how well the programs are serving households of color. An evaluation may alert us to the existence of institutional bias that can be addressed in subsequent years.

4. **Eligibility Requirements:**

- We recommend a modification of the income eligibility ceiling for both the LMA and MPI programs from 120% of state median income (\$73,320 for family of four), to 120% of the greater of state median income or area median income (\$84,000 for family of four). The SMI is inadequate to protect homeowners who live markets where wages are somewhat higher, e.g. Multnomah County, Jackson County, and Lane County.
- We support expanding eligibility for all programs so that underemployed income-eligible households could participate in all programs. <sup>1</sup>

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<sup>1</sup> Specifically, we recommend that OHCS expand the eligible participants in both LMA and MPI to include all households that have experienced an involuntary drop in income after January 1, 2009. This would include (a) households where an employed person suffered a reduction in pay or hours, or became unemployed and accepted new employment at lower pay or for fewer hours; (b) multiple wage-earner households where one or more household member has become unemployed and the other does not earn enough to cover the mortgage payment; and (c) households where the wage-earner holds 2 or 3 jobs, and has lost one or more of them, or had to accept lower pay or fewer hours. We note that many households of color who own homes include multiple wage earners, and wage-earners who work multiple jobs.



## 5. Program Outcomes:

- We suggest that OHCS establish clear outcome goals for each category, by household income (e.g., below 80% MFI, 80-100% MFI, and 100-120% MFI) and race/ethnicity, to ensure that the homeowners most disproportionately affected by the foreclosure crisis will benefit equitably from these programs.

## COMMUNITY OUTREACH:

1. **Outreach Plan:** The City and County offer to partner with OHCS to develop a detailed outreach plan that reaches members of non-geographic communities, including homeowners of color, low-income homeowners, elders and other vulnerable homeowners.
2. **Use existing networks:** We encourage the state to tap into existing networks of non-profits, foreclosure prevention specialists, and culturally specific service providers to leverage existing capacity and ensure results. The City has made a considerable investment of General Fund in developing foreclosure counseling capacity at culturally-specific providers. The County also has an excellent network of culturally-specific providers. We urge the state to leverage these investments.
  - We recommend that OHCS work with the City's Housing Bureau and the County on the development of an RFP to fund organizations that have the capacity to provide foreclosure counseling and/or transitional assistance. Alternatively, the City and the County are willing to work with OHCS to coordinate funding efforts in order to maximize transparency, resources, and results.

## LOAN MODIFICATION ASSISTANCE PROGRAM (LMA):

1. **Funding:** We recommend reducing the amount funding in this program, and redistributing it among the other programs, where the money will provide relief more quickly.
  - We believe the \$20,000 maximum award per household is a reasonable amount of assistance. Periodic evaluations should indicate whether this is the correct amount, or whether some different amount is necessary to accomplish the general goal of preventing foreclosures or the more specific goal of assisting homeowners of color to remain homeowners.
2. **Intake:** We support the state's work with non-profit and counseling agencies to design an intake system for the program that is efficient for those seeking assistance. It is essential that triage



counselors be trained to recognize the particular ways that homeowners of color have been victimized, i.e., that they are less likely to be in a conventional loan product. This may affect the timing or type of intervention that is appropriate. The City and County are very willing to work with OHCS to develop an efficient process and system that will work for Multnomah County's diverse residents.

3. **Lender Support:** The plan assumes support from lenders and investors to provide matching assistance. Currently, the extremely slow pace of processing HAMP applications has frustrated homebuyers, lenders and homebuyer counselors. The barrier seems to be a lack of bank capacity to process the high volume of requests for modification. Our hope is that the state receives assurances from lenders and investors that they support and will be able to fulfill the goals of the Hardest Hit program. Elected officials from the City and County are willing to partner with OHCS to brainstorm ways in which to engage lenders on this issue.
4. **Principal Reductions:** The current draft proposal assumes that lenders will be able to provide matching principal reductions. We encourage OHCS to identify if the lender or investor reduces the principal owed; will that be considered "income" to the homeowner, triggering a tax liability that the unemployed or underemployed homeowner may not be in an in position to pay?

## MORTGAGE PAYMENT INVESTMENT:

1. **Funding:** We recommend increasing the amount of funding within this category. Given timeliness and the capacity of lenders to modify loans, we believe that MPI is a more efficient use of dollars than LMA. We support the \$8,000 dollar maximum award per household.
2. **Expand Eligibility :**
  - We recommend that OHCS expand the eligible participants in MPI to include all households that have experienced an involuntary drop in income after January 1, 2009. This would include households where an employed person suffered a reduction in pay or hours, or became unemployed and accepted new employment at lower pay or for fewer hours, multiple wage-earner households where one or more household member has become unemployed and the other does not earn enough to cover the mortgage payment; and households where the wage-earner holds 2 or 3 jobs, and has lost one or more of them, or had to accept lower pay or fewer hours. We note that many home-owning households of color include multiple workers, and workers who work multiple jobs. Conditioning participation in the MPI program on full unemployment of all wage-earners would render many households of color ineligible for this relief.
3. **Goal:** We recommend that OHCS reframe the goal for the MPI program. Given the potential sensitivity of the public regarding this program, we encourage the state to modify the goal for this program and to convey a message like *maintaining family stability*.



4. **Linkage to Other State Resources:** We believe that the MPI strategy will be most effective if the homeowner(s) secure stable employment at a rate of pay sufficient to cover the mortgage. The City and the County are willing to work with OHCS to identify linkages to local resources that can complement the Hardest Hit program.
5. **Matching Payment:** We encourage the state to examine if such a payment would be considered “income” to the homeowner, triggering a tax liability that the unemployed or underemployed homeowner may not be in a position to pay.

### TRANSITIONAL ASSISTANCE:

1. **Administration:** We recommend that, to the extent possible, OHCS use existing networks to distribute rent assistance. Both the City and County have invested in a short term rent assistance system that includes several culturally-specific service providers. We will be working over the next few weeks to assess how the existing system might be used to assist foreclosed homeowners to access the local rental market.
2. **Geographic flexibility:** We recommend that OHCS clarify that households may use Transitional Assistance funds to move to another city or county. Households should be free to relocate to areas with greater family support or greater job opportunities.

### DIRECT SERVICES TO HOMEOWNERS:

1. **Funding:** Currently there are other resources available for foreclosure prevention counseling (e.g., Neighbor works grant), but we are also aware that counseling is time-intensive and that the slow rate of the modification process increases the time each counselor must work with each home-owning household. The City and the County are available to assist OHCS in assessing the capacity of existing housing counseling organizations to meet the demand within Multnomah County, and to discuss how the current system might be coordinated with the new resources.
2. **Intake Capacity:** We recommend that OHCS invest in increasing the efficiency of the counseling process by improving timely access to information (e.g. household eligibility for modification with lender). The City’s Housing Bureau is available to work with OHCS on the coordination between agencies and to identify how culturally-specific services are engaged to ensure that services are accessed equitably and resources reach homeowners of color.

### PROGRAM ADMINISTRATION:

1. **Implementation Plan:** We recommend that OHCS develop a clear plan for implementation of the program, with benchmarks, and milestones. Additionally, we encourage OHCS to establish



reporting mechanisms and schedule periodic reports. Report data can be used to make mid-course corrections if the program is not on target to reach outcomes.

2. **Administrative entity:** We believe the State would be best served by a sole purpose non-profit entity that would sunset after the Treasury funds have been expended or returned.
3. **Transparency:** We hope that State will continue to use a transparent and open process as it develops the new entity.