



## **Hardest Hit Fund Fifth Round Funding Allocation:** **Phase 2 – Application Overview**

In December 2015, Congress passed the Consolidated Appropriations Act, 2016 (the Act) that amended the Emergency Economic Stabilization Act of 2008 (as amended, EESA) as it relates to Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets (Hardest Hit Fund or HHF). The Act gives the Secretary of the Treasury the ability to commit up to \$2 billion in additional Troubled Asset Relief Program (TARP) funds to the 19 state housing finance agencies and designated “eligible entities” (collectively, HFAs) currently participating in the Hardest Hit Fund. The following guidelines apply to the HHF Fifth Round Funding Allocation (Fifth Round): Phase 2 – Application, as announced by Treasury on February 19, and do not apply directly to funds allocated in Phase 1 – Formula. Only HFAs that currently participate in the Hardest Hit Fund may apply. The term of HHF will be extended by three years, to expire on December 31, 2020.

### **GUIDELINES FOR PHASE 2 – APPLICATION**

HFAs who wish to request additional funding under Phase 2 must submit a written application specifying the amount of funds requested and meeting the criteria described below, no later than March 11, 2016. Treasury will review applications and score them in three categories (as outlined below) to determine if the key elements of each category are fully addressed (5 points), partially addressed (2 points) or not addressed (0 points). Please refer to Appendix A attached hereto for the Phase 2 – Application Checklist, which provides further information on how Treasury will score applications.

HFAs are encouraged to use data obtained from public, private, and program-specific data sources throughout the application, including sources such as the U.S. Bureau of Labor and Statistics, CoreLogic, Mortgage Bankers Association, or other industry-standard non-public sources, reports published by the HFA, HHF Quarterly Performance or Financial Reports, and other sources that provide either relevant economic information or demonstrate ongoing market needs related to foreclosure prevention or state housing market stabilization in specific HHF programs.

An HFA may request no more than 50% of previous allocations (i.e., Rounds 1-4) or \$250 million (whichever is lower). The amount of the final allocation for each HFA will vary and depend on a number of factors, including, but not limited to, the content of the application submitted, applications submitted by other HFAs, and availability of funds. Treasury reserves the right to require an application meet a minimum score and/or to adjust the amount of the allocation based on the application’s score as compared to other applications. Treasury expects to

announce final allocations under Phase 2 on or about April 20, 2016. HFAs are not guaranteed to receive an allocation under Phase 2.

Note that funds allocated in the Fifth Round are subject to the “use or lose” provisions described on Schedule I attached hereto. In addition, Fifth Round funding is contingent on the execution of an amendment to the HFA’s existing Commitment to Purchase Financial Instrument and HFA Participation Agreement (together with related exhibits, schedules and other documents, the HPA), in a form that will be provided by Treasury at a later date.

## **APPLICATION CATEGORIES**

### **CATEGORY I: CONDITIONS OF APPLICATION ELIGIBILITY**

*Please briefly describe how the application for Fifth Round funds supports foreclosure prevention and state housing market stabilization efforts, as well as the applicant’s performance to-date in the Hardest Hit Fund.*

- Applications must specify each existing and/or proposed program for which the HFA intends to apply additional funding and explain how the program(s) support ongoing foreclosure prevention and state housing market stabilization efforts through HHF.
- **Applications that do not support foreclosure prevention and state housing market stabilization efforts will not be considered.**
- If an HFA has received a performance memorandum from Treasury, the HFA must include a justification with performance data to demonstrate how it has addressed and/or met Treasury’s expectations for performance improvement. **All HFAs who have received a performance memorandum from Treasury must complete this component to be evaluated for additional funds.**

### **CATEGORY II: DEMONSTRATED NEED (25 points)**

*Please briefly describe the current neighborhood stabilization and foreclosure prevention needs of your jurisdiction. Use relevant statistics as appropriate.*

- Consideration will be given to how clearly the need is articulated and the relevant data provided to demonstrate the need.
- Relevant statistics may include, for example, recent trends in monthly production of existing HHF program(s) (i.e., pipeline demand of current program) and current market indicators related to mortgage delinquencies, foreclosures, unemployment, negative equity, blight and/or vacancy.
- Any data or statistics provided should be accompanied by the relevant source and any assumptions included within the analysis provided.

### **CATEGORY III – PLAN OF ACTION (50 points)**

*Please briefly describe your Plan of Action for the requested funds, including the program(s) identified in Category I and how such program(s) directly relate to the need outlined in Category II. In addition, briefly describe any changes to your program term sheet(s), organizational structure (e.g. hiring additional staff,) or processes and procedures (e.g. acquiring a new vendor), that are required to implement the Plan of Action.*

- Consideration will be given to: the program(s) ability to address the need(s) identified in Category II; whether design of the program(s) has a demonstrated record of effectiveness; the implementation timeline (i.e., the speed at which the program(s) can be implemented

and meet defined targets); and the existing track record of the HFA in utilizing previously allocated HHF funds.

- The Plan of Action must include clearly defined program targets (e.g., households assisted, spending and utilization) that align with the need identified in Category II.
- Any data or statistics provided must explain how the plan of action addressed the demonstrated need, as described in Category II.

#### **CATEGORY IV – ESTIMATED SPENDING PROJECTIONS (25 points)**

*Please provide estimated spending projections for both administrative expenses and program disbursements, on a quarterly basis, for all HHF allocations (including the Fifth Round Formula and Application Phases) through December 31, 2020. Estimates must demonstrate an ability to utilize the existing HHF allocations as well as the Fifth Round Funding. Estimates should indicate timing of any program or organizational changes required.*

- Consideration will be given to whether spending estimates are reasonable based on past performance of HFA and program(s) proposed, as well as efficient administration of the program(s).
- Estimated spending projections should take into account any necessary revisions to administrative expenses reflected on Schedule C to the HPA, and the cost of any program or organizational changes necessary to implement the Plan of Action as described in Category III.
- Relevant data may include, for example, projections based on HHF Quarterly Performance or Financial Reports, Draw Schedules, or other HHF program-specific data that accounts for operational and programmatic spending concerns.

#### **INSTRUCTIONS FOR SUBMITTAL**

##### Deadline

Applications must be submitted in PDF format to Hannah Resig at [Hannah.Resig@Treasury.gov](mailto:Hannah.Resig@Treasury.gov) by 5:00 p.m. EST on Friday, March 11, 2016.

##### Format

Each application must include a one-page cover letter that provides: (i) the name, title, mailing address, e-mail address, and phone number of the individual designated to receive communications from Treasury concerning the Phase 2 application; and (ii) a certification statement that the HFA (i.e., both the state housing finance agency and its designated “eligible entity”) understands and agrees to the terms set forth in these guidelines.

Applications may not exceed 10, one-sided pages, prepared in 12-point, Times New Roman font with 1 inch margins. Applications must not include other documents or attachments including but not limited to generic marketing or sales information unless directly related to the ability of the HFA to execute the proposed plan. Applications must not rely on cross-references to other documents or websites unless directly related to the ability of the HFA to execute the proposed plan.

Applications should not include any personally identifiable information (PII) other than names, titles and contact information for representatives of the HFA acting in their official capacity. Treasury reserves the right to make publicly available any application (in its entirety) submitted to Treasury, including on [www.financialstability.gov](http://www.financialstability.gov).

### Treasury Review

Applications will be scored according to the application checklist and reviewed by an interdisciplinary committee within Treasury. The purpose of the review is to confirm that applications adhere to the requirements of EESA and to evaluate how well the proposals fulfill the criteria described herein. Treasury may contact the HFA with questions as part of its review and may require the HFA to submit additional information. Treasury will notify the applicants once all applications have been reviewed and approved. Treasury expects to complete this process on or around April 20, 2016.

### Communication with Treasury

HFAs are responsible for and encouraged to seek clarification on any aspect of these guidelines that they do not fully understand. All questions should be directed to: [HFAInnovation@treasury.gov](mailto:HFAInnovation@treasury.gov).

Treasury, in its sole discretion, may respond orally or in writing to any question(s) submitted by an HFA or about an HFA's application. Substantive questions should be submitted as soon as possible. No information gained from any communication may be considered in any way binding or limiting on Treasury.

### Other Terms and Conditions

Treasury assumes no obligation to reimburse or otherwise compensate the HFA for expenses or losses incurred in connection with these guidelines, other than as specifically detailed in the HPA.

Treasury reserves the right to: (i) modify the requirements in these guidelines or withdraw these guidelines at any time; (ii) negotiate with each HFA and confirm any application considered acceptable in part or in total; (iii) request, orally or in writing, clarification of or additional information on an application; (iv) waive minor informalities or irregularities, or any requirement of these guidelines; and (v) reject an application that does not conform to the requirements of these guidelines or for other reasons .

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**APPENDIX A: HHF Fifth Round Funding Allocation: Phase 2 - Application Checklist**

Category	Eligibility Criteria	Point Max.	Addressed	Partially Addressed	Not Addressed	Total Points	Reviewer Comments
<b>Conditions of Application Eligibility</b>							
HHF Programs Under EESA	Does the program support foreclosure prevention and neighborhood stabilization efforts as currently offered by HHF programs?			N/A			
Performance History	<b>If an HFA has received a performance memorandum from Treasury, did the HFA must include a justification with performance data that demonstrates how it has addressed and/or met Treasury's expectations for performance improvement.</b>			N/A			
<b>Demonstrated Need (25 points)</b>							
Economic/Needs Indicators	Does the application clearly articulate ongoing housing market needs?	5					
	State indicators exceed the national average; or applicable existing program application pipeline indicates the need is ongoing	5					
	Local indicators exceed the state average; or applicable existing program application pipeline in target areas indicate the need the is ongoing	5					
Program Specific Needs	Does the application clearly articulate how previous HHF funds were effectively used by the HFA to address identified needs?	5					
	Does the application clearly demonstrate why the need is ongoing or persistent on the state and/or local level?	5					
<b>Plan of Action (50 points)</b>							
Program Design	Does the plan involve a) re-opening or providing additional funds to the HFA's existing program(s) with limited changes; or b) introduction of a new program approved in another state?	5					
	Does the plan align with the demonstrated needs presented?	5					
Operational Capacity	Does the HFA have a demonstrated operational structure in place and/or experience for implementing the plan?	5					
	Is there a reasonable staffing plan proposed, including training for new or inexperienced staff?	5					
Program Targets	Does the plan of action include program targets that will have a meaningful impact on the demonstrated need?	5					
	Does the plan target funding to the geographic areas or population(s) of greatest identified need?	5					
	Does the plan proposed address program targets that align with spending and utilization targets?	5					
	Do the program targets for households or properties assisted align with current production rates and demonstrated need?	5					
	Does the HFA have a reasonable marketing and promotions plan to achieve program targets?	5					
Length of Time to Implement	Can the HFA implement the plan through production phase (i.e. program launch, if applicable), within <b>90 calendar days</b> of HPA amendment?	5					
<b>Estimated Spending Projections (25 points)</b>							
Operational/Administrative Costs	Do the administrative spending projections and costs estimates reasonably reflect operational needs outlined in the plan of action?	5					
Utilization Reasonability	Do the estimated spending projections align with current utilization rates <sup>1</sup> ?	5					
Utilization Projections	Does the plan demonstrate the HFA's ability to utilize 70% of existing allocation by December 31, 2016?	5					
	Does the plan demonstrate the HFA's ability to utilize all of its existing allocation by December 31, 2017?	5					
	Does the plan demonstrate a reasonable way to utilize all requested funding by December 31, 2020?	5					
						<b>Total Score:</b>	

<sup>1</sup>The utilization rate is calculated using the amount drawn-to-date by the HFA as a percentage of the HHF allocation.



## **Hardest Hit Fund Fifth Round Funding Allocation:** **Schedule I – Utilization Thresholds**

The following guidance applies to the Hardest Hit Fund (HHF) Fifth Round Funding Allocation (Fifth Round) (Phase 1 – Formula and Phase 2 – Application), as announced by Treasury on February 19. Only state housing finance agencies (HFAs) that currently participate in the Hardest Hit Fund are eligible for the Fifth Round. Any additional funds received will be subject to the following utilization thresholds:

- By December 31, 2016, an HFA must have utilized<sup>1</sup> at least 70% of its existing allocation (i.e., Rounds 1-4).
  - If the threshold is not met, the HFA will forfeit 50% of any funds allocated under the Fifth Round.
- By December 31, 2017, an HFA must have utilized at least 95% of its existing allocation (i.e., Rounds 1-4).
  - If the threshold is not met, the HFA will forfeit up to 100% of any funds allocated under the Fifth Round.
- By December 31, 2018, an HFA must have utilized at least 80% of its Total Allocation (i.e., Rounds 1-5).
  - If the threshold is not met, the HFA will forfeit any funds allocated under the Fifth Round that have not been obligated on behalf of a unique HHF program participant (e.g., a homeowner) or property.

Fifth Round funds which are forfeited as described above will be reallocated to HFAs who meet the above utilization thresholds, using a methodology similar to that used in Phase 1 – Formula. Treasury reserves the right to adjust the utilization thresholds in the future.

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<sup>1</sup> Utilized refers to the amount drawn as of a given date by the HFA.