# DRAFT
# Vermont's Homeowner Assistance Fund Plan

## I. HOMEOWNER NEEDS AND ENGAGEMENT

Vermont's economy continues to struggle in many sectors, contributing to an extended need for mortgage assistance. The number of jobs in Vermont declined by a dramatic 7.6% between March 2020 and March 2021—more than any other New England state. This level of job loss is the highest on record in Vermont and is hitting Vermont's tourism sector particularly severely. Leisure and hospitality made up 12% of all Vermont jobs pre-pandemic, and the sector lost 12,300 jobs, or 34%, in 2020.

Vermonters' employment losses are reflected in missed mortgage payments, which have doubled over the course of the pandemic. Nearly 4.4% of all Vermont mortgages were seriously delinquent in March 2021, compared to just 2.2% at the end of 2019, according to the Mortgage Bankers Association.

The Vermont Housing Finance Agency (VHFA) has a long history of recognizing the critical importance of data-driven decisions when it comes to housing programs. For this reason, the Agency's housing research department runs the Vermont Housing Data website (www.housingdata.org) and conducts in depth housing needs assessments at the state, county and local levels. Unless otherwise noted, data and estimates presented in this plan are based on the Community Profiles and reports provided through this website.

These data are also much richer thanks to the high level of public and partner engagement throughout the development of this program. These contributors supplied valuable data about arrearages and demand for similar programs, including those funded in 2020 by the CARES Act to help stabilize the homes of lower income Vermonters.

### A. Data on Homeowner Needs

Vermont has a high rate of homeownership, with an estimated 182,321 homeowners, or nearly 71% of all households, owning their homes. As of 2019, Vermont's homeownership rate was the 7th highest in the nation.

With such a high homeownership rate, Vermont's homeowners make up most of the state's moderate-income households, making homeowner assistance especially critical.

| Household income | Owner households | % of all VT households |
|---|---|---|
| <150% AMI | 112,350 | 62% |
| <100% AMI | 72,692 | 56% |

Although the depth and breadth of the needs in our state is sometimes masked by its relatively smaller population, many factors highlight the importance of this program. These include:

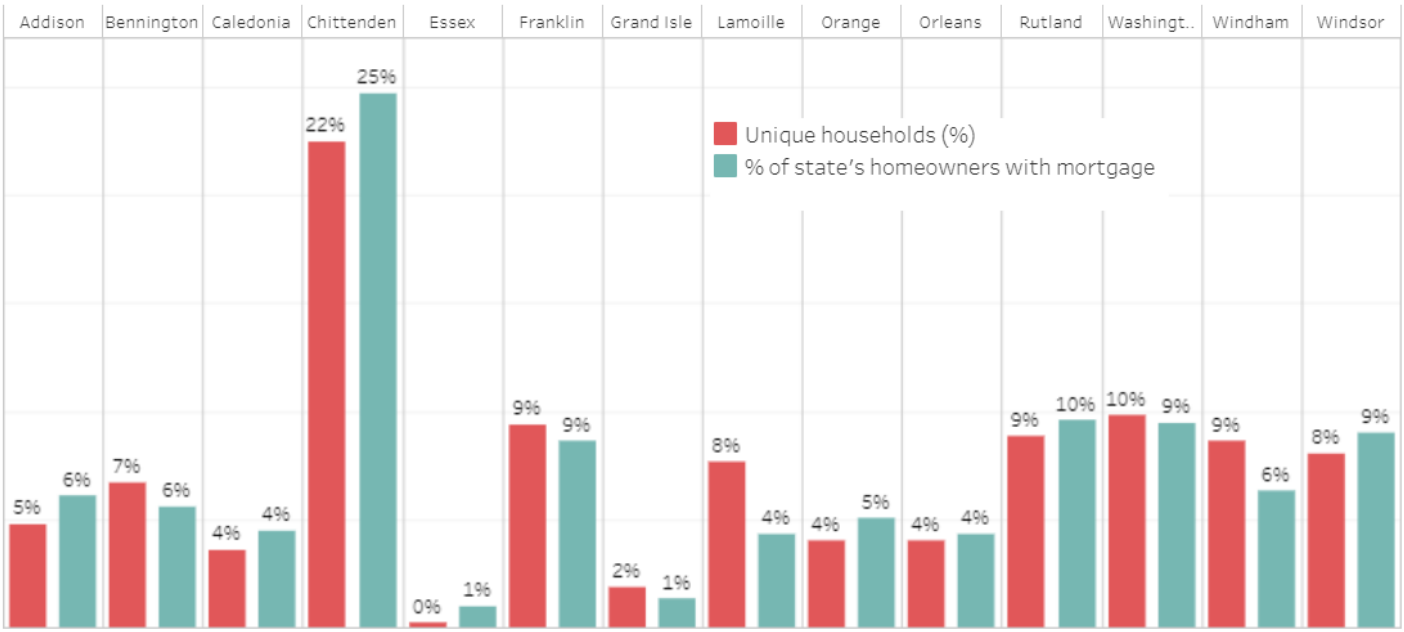
- The high number of manufactured home communities (aka mobile home parks), where many homeowners pay higher mortgage interest rates due to limited lending opportunities;
- Higher than average home utility costs due to Vermont's cold climate and small number of publicly regulated home heating options (Vermonters spend $3,454 on home energy costs on average —3rd highest among all states in the U.S.);
- Poorer quality of residences because of the age of Vermont's homes (9th oldest in the nation), which leads to high home repair and utility costs; and
- Higher costs due to the state's rural nature, low population density and scarcity of local opportunities to receive goods and services. Vermont has the 8th highest per capita consumer expenditure rate in the nation, according to the Bureau of Economic Analysis, 2019.

## Need for emergency mortgage assistance

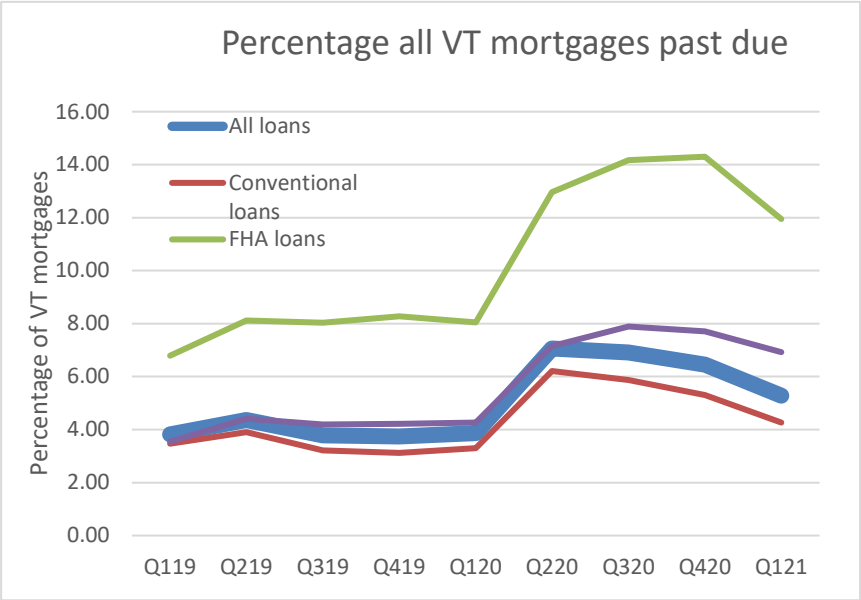
Among Vermont homeowners, approximately 63% have a mortgage on their homes. In July through November 2020 and again in May through June 2021, VHFA administered a CARES Act funded emergency Mortgage Assistance Program which demonstrated the urgent needs among Vermont homeowners harmed by the pandemic. Grants for over 900 households with a median income of $37,000 were made directly to servicers and towns for overdue mortgage payments and property taxes, quickly consuming the $10 million funds dedicated to the program. About two-thirds of these homeowners had mortgages in forbearance when they applied for mortgage assistance.

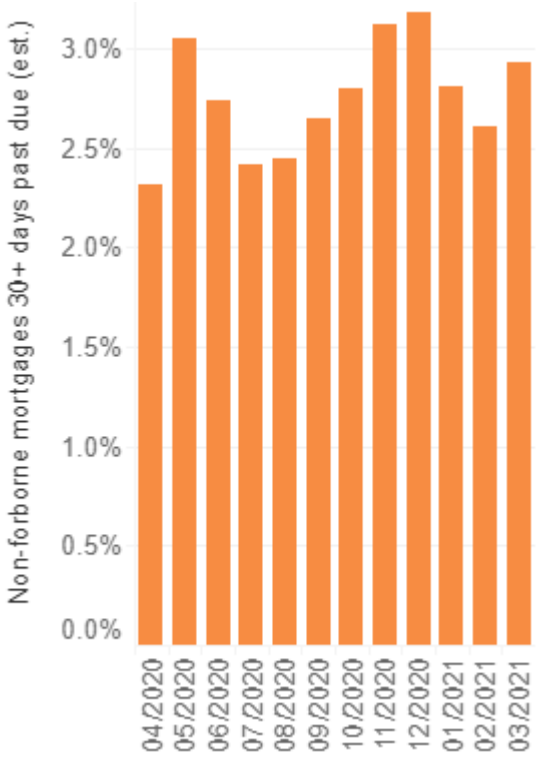
Homeowners who needed emergency mortgage assistance in 2020-2021 were geographically distributed similarly to the state's population of all mortgaged homeowners. While there appears to be a cluster in Lamoille County, this could be an anomaly due to the county's small population.

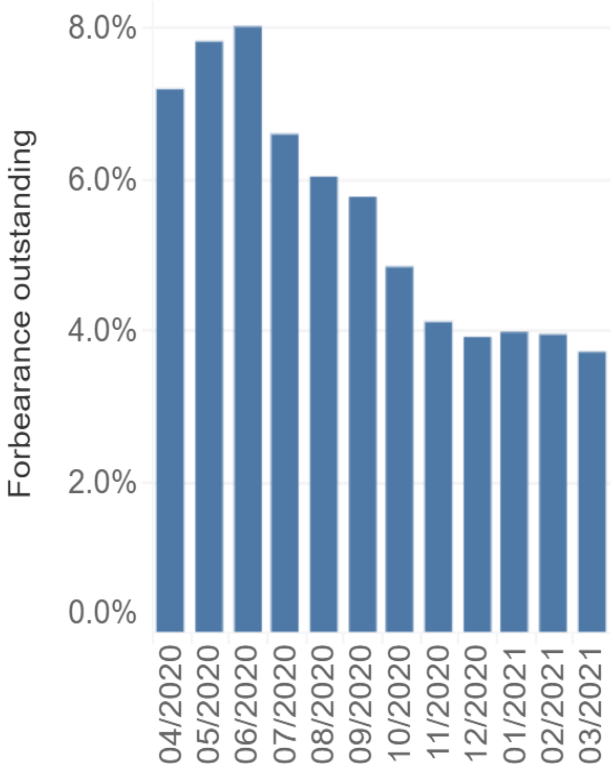
**Distribution of homeowners served by Vermont Emergency Mortgage Assistance Program across counties, 2020-2021**



Despite gradual improvement in rates since the pandemic highs of 2020, Vermonters' delinquencies remain well above pre-pandemic levels. FHA loans and VA loans continue to have delinquency rates above 6%, according to the most recent data available from the Mortgage Bankers Association and the Federal Reserve Bank of Atlanta.



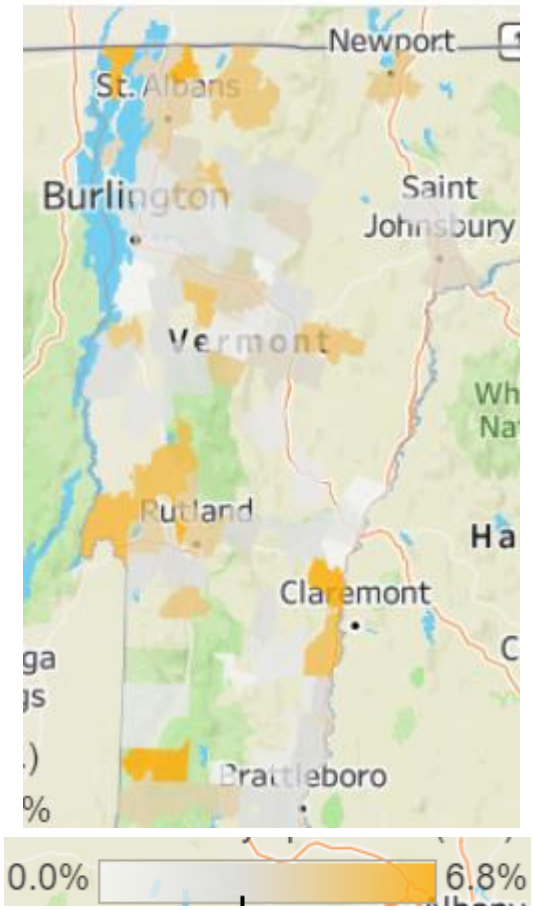




The rate of forbearance among Vermont homeowners has been declining, but remains elevated at 3.7% as of March 2021, according to Federal Reserve Bank of Atlanta's dashboards on mortgage performance.

Geographically, delinquency and forbearance rates and are highest in Vermont's lower income cities, including Bellows Falls, Springfield and Newport as well as in several extremely small towns where

estimates must be interpreted with caution, such as Alburgh in the state's northwestern-most corner on Lake Champlain.

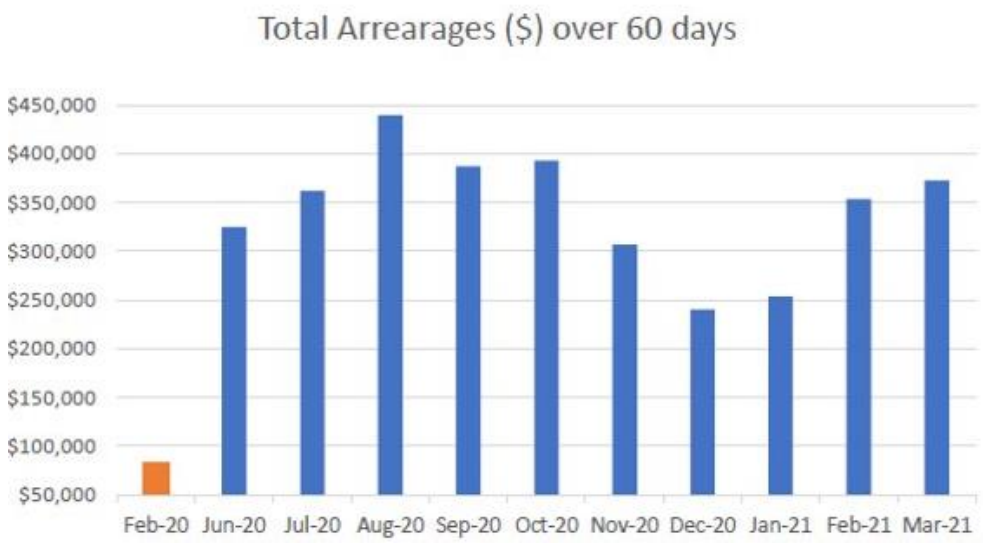
**Mortgage loans 30+ days past due (est.)**




**Mortgage forebearance outstanding (est.)**


## Need for emergency utility assistance

Many lower income Vermont homeowners have urgent needs for help paying their utility expenses. During the August through December 2020 CARES Act funded program administered by the Vermont Department of Public Service, 5,590 lower income Vermont homeowners needed help due to pandemic hardship paying utility arrearages. This included arrearages for electricity, community water/sewer, natural gas, and land line telecommunication. Although arrearages peaked in August 2020, levels in March 2021 remained significantly higher than pre-pandemic levels, according to information provided by the Vermont Public Utilities Commission.




**Need for emergency property tax assistance**

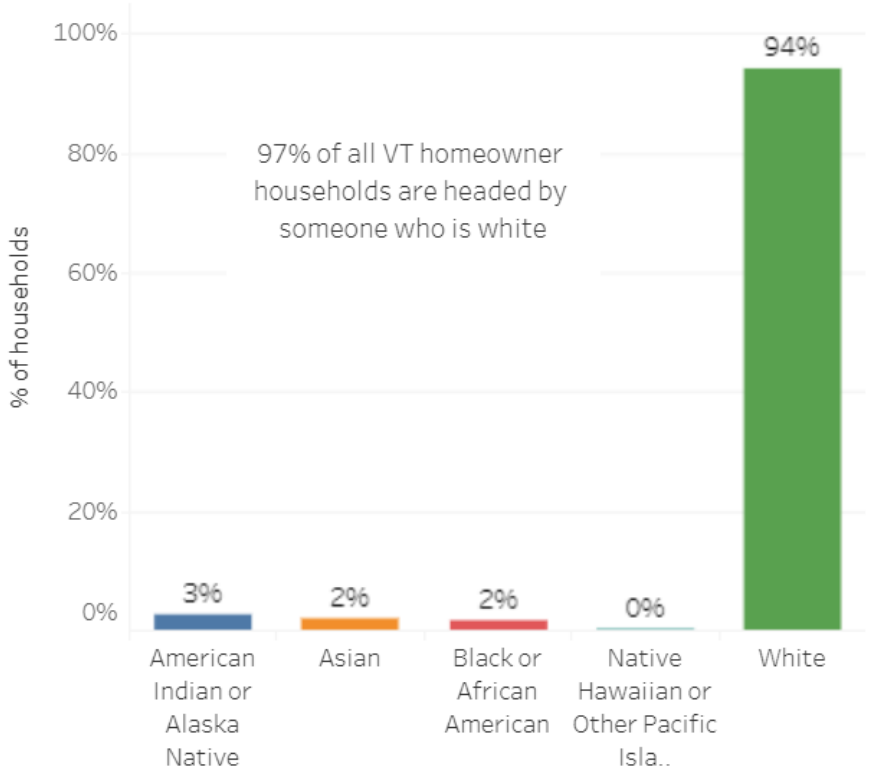
Approximately 55,000 Vermont lower income owner households do not escrow their property taxes or homeowners association fees. Based on VHFA's July 2021 survey of Vermont town clerks, approximately 2.5% of these households have overdue property taxes. With little emergency funding available yet for this expense, we expect the demand for this type of assistance will continue for the next year and then abate slightly as the recovery continues.

## Socially disadvantaged homeowners

The COVID-19 pandemic exacerbated racial disparities in outcomes among Vermont homeowners, as it did nationwide. The Federal Reserve Bank of Boston found recently that Black, Hispanic, and Asian borrowers were significantly more likely than white borrowers to miss payments due to financial distress, and significantly less likely to refinance to take advantage of the large decline in interest rates. Furthermore, Black and Hispanic borrowers were significantly less likely to exit forbearance and resume making payments relative to their Asian and white counterparts. Persistent differences in the ability to catch up on missed payments could worsen the already large disparity in home ownership rates across racial and ethnic groups. With even wider disparities in Vermont homeownership rates by race than the nation as a whole, emergency assistance for Vermont BIPOC homeowners is critical.

Vermont is among the least racially diverse states in the nation, with 97% of its owner households headed by someone who is white alone. Despite the low number of households of color who own homes in Vermont, they have a disproportionately high likelihood of needing mortgage and other types of assistance. During the Vermont Mortgage Assistance Program in 2020-2021, people of color comprised 7% of the households assisted, compared to only 3% of homeowners statewide.

VT Emergency Mortgage Assistance Program participants by race, 2020-2021




### Homeowners in manufactured home communities

Due largely to the lower cost of buying or renting a manufactured home, this home type houses a sizeable portion of Vermont's lower income households. Manufactured homes present an affordable housing option for many Vermont residents and make up 7.2% of residential housing units in Vermont. Vermont's 2019 Mobile Home Park registry lists the median manufactured home lot rent at $347 as compared to $945 for the median priced rental apartment.

For one-third of the Vermont households who live year-round in a manufactured home they own, most are lower income and most of the homes were built prior to 1979. In addition to their advanced age, units built in this earlier time period are typically of poorer quality because most were built prior to the enactment of national basic safety and quality standards for manufactured housing.

Many of these lower income manufactured homeowners are juggling the higher payments associated with chattel loans, the stress of home repair needs, and sudden economic hardship from the pandemic. In addition to higher interest rates, chattel loans are disproportionately used by BIPOC home buyers and lower income home buyers and are much less likely than traditional mortgages to be refinanced, according to the Consumer Financial Protection Bureau.

## B. Community Engagement and Public Participation

Vermont Housing Finance Agency has sought feedback to develop the HAF plan from a wide network of organizations. To date, VHFA has held three virtual public meetings, which were publicized on its blog and social media pages. In addition, VHFA directly invited over 60 key stakeholders from across the state, encouraging them to participate in the meetings and/or provide written comment. These

include: every HUD-approved homeownership center; the state's network of housing nonprofits, including all five Neighborworks of America partner organizations; state and federal housing agencies; each legal aid group; every town's manager and clerk; banks and credit unions; utility companies; the local United Way organizations; homebuilding associations; agencies serving seniors and people with disabilities, including our state Center for Independent Living; and organizations representing BIPOC Vermonters, including refugee resettlement groups and local NAACP chapters.

Feedback from these stakeholders was varied, though they largely supported the recommendations in the initial HAF Model Plan. Recommendations included requiring minimal documentation to the greatest extent possible to ease the burden on applicants and ensure efficient distribution of funding; making payments directly to third parties such as loan servicers, towns, and utilities; providing applicants additional assistance and non-online options for completing the application when necessary, as a lesson learned from the Emergency Rental Assistance Program; and providing housing counseling. Vermont's aging housing stock and the need to provide funding for necessary repairs was also cited as a major concern. VHFA has incorporated this feedback into this Draft HAF Plan.

In addition to the above feedback, VHFA has been able to draw on its experience with its Mortgage Assistance Fund program, which it administered between July 2020 and June 2021 with federal CARES Act funding. VHFA developed a network to publicize the program among their clients and members and to assist households who had difficulty with the online application process. These organizations were included in its HAF outreach. VHFA anticipates relying on this same network to help deploy HAF funds.

# II. PROGRAM DESIGN

## A. Program Description

1. Program Overview -- The Vermont Homeowner Assistance Fund (HAF) program offers grant assistance for (i) partial or full reinstatement of a delinquent first mortgage (including a forborne amount), principal reduction of a delinquent first mortgage in connection with a modification, or other mortgage related expenses (including tax and insurance escrows and late fees), (ii) delinquent property taxes, (iii) past due homeowner association fees or liens, condominium association fees, and other common charges that are or could become a lien on the property, and (iv) past due utility charges, including electric, gas, home energy, water, and sewer.

2. Program Goal -- To help Vermont homeowners avoid foreclosure or displacement by mitigating financial hardships related to the Covid-19 pandemic.

3. Target Population -- Vermont homeowners having incomes equal to or less than 150% of the area median income, as published by VHFA based on household size. Priority will be given to homeowners with incomes less than or equal to 100% of the area median income, as published by VHFA based on household size, and to homeowners in Historically Underserved Populations. Marketing and outreach efforts also will be created to specifically engage Historically Underserved Populations to ensure they have an opportunity to take part in the program. In addition, at least 60% of HAF grants must be given to households with incomes less than or equal to the area median income.

4. General Eligibility Criteria -- To be eligible, Vermont homeowners must:
• Have experienced a financial hardship after January 21, 2020 associated with the Covid-19 pandemic;
• Have income equal to or less than 150% area median income, as published by VHFA based on household size (assistance will be prioritized for those with income equal to or less than 100% of area median income, as published by VHFA based on household size and for Historically Underserved Populations, and income limits may be reduced to meet the requirement that 60% of all HAF grants be made to household with incomes less than or equal to the area median income, as published by VHFA based on household size);
• Own and occupy as a primary residence the property for which assistance is sought; and
• Submit a hardship affidavit as explanation of a material reduction of household income or material increase in household expenses.

5. Property Eligibility Criteria -- One- to four-family Vermont properties and condominiums in Vermont, including manufactured homes. Property must be the applicant's primary residence.

6. Structure of Assistance -- The Vermont HAF program provides one-time lump sum assistance grants for the benefit of eligible Vermont homeowners. Loans in forbearance are eligible. Funds are paid directly to the existing mortgage servicer, tax authority, lien holder, or applicable utility company(ies).

Assistance can be used to pay, but may not be limited to:

- Delinquent principal, interest and mortgage escrow payments (including tax and insurance escrows), including past due fees and charges, including attorney's fees related to foreclosure/forbearance or similar services
- Delinquent tax and insurance payment advances by Reverse Mortgage holders
- Delinquent property taxes
- Delinquent Homeowner Association fees and other common charges that are or could become liens related to the property
- Past due utility charges, including electric, gas, home energy, water, and sewer
- Delinquencies can include periods prior to January 21, 2020.

7. Per Household Assistance – Up to $20,000 of HAF assistance is available per household across all HAF program grants. This cap is subject to adjustment based on program usage and applicant needs. This limit is based on expected demand for assistance from 1,975 Vermont homeowners over the course of the program for grants totaling $19,408 (for combined mortgage, utility, property tax and association fee assistance) per homeowner.

Utility Assistance will become available after the existing CARES Act funded utility assistance program for homeowners managed by the Vermont Department of Public Service stops accepting applications. In addition, utility assistance requests will be subject to review by the Department of Public Service to prevent duplication of benefits.

Assistance to any particular household will be prioritized in the following order: mortgage assistance, property tax assistance, assistance with homeowner association fees and other common charges, utility assistance.

8. Program Inception/Duration – Commencing within 45 days after HAF Plan approval by US Treasury and running until September 30, 2025 or until program funds are exhausted.

9. Historically Underserved Populations include Socially Disadvantaged Individuals as defined in HAF Guidance provided by the US Treasury and owners of mobile homes in mobile home parks.

10. Counseling and Legal Services Grants – In addition to assistance to homeowners outlined above, up to 5% of the program funds received may be granted to HUD-approved non-profit housing counseling agencies and non-profit legal services providers for efforts targeting households meeting the Eligibility Criteria set forth above related to prevention of foreclosure or displacement. Organizations will be required to apply for funding, and their applications must include:
• a strategic outreach plan;
• a detailed description of how they will assist targeted homeowners under the VT HAF program with application submission; and
• a description of how they will assist borrowers in negotiations with lien holders, mortgage servicers, tax collecting authorities, insurance providers, and investor groups.

## B. Application Process

Homeowners must attest that they experienced financial hardship after January 21, 2020. The attestation must describe the nature of the financial hardship (for example, job loss, reduction in income, or increased costs due to healthcare or the need to care for a family member).

For the purposes of determining income eligibility, the VT HAF program will use HUD's definition of "annual income" in 24 CFR 5.609 or use adjusted gross income as defined for purposes of reporting on Internal Revenue Service (IRS) Form 1040 series for individual federal annual income tax purposes.

Income Verification Requirements.

To confirm income for eligibility and targeting, the homeowner must provide the following:

- A written attestation as to household income, and documentation of income such as paystubs, W-2s or other wage statements, IRS Form 1099s, tax filings, depository institution statements demonstrating regular income, or an attestation from an employer
- The Agency may also provide waivers or exceptions to these documentation requirements, as reasonably necessary, to accommodate extenuating circumstances, such as disabilities, practical challenges related to the pandemic or a lack of technological access by homeowners when alternative documentation or income verification is available. In such instances VHFA may rely on fact-based proxies such as whether the homeowner can provide proof of current receipt of benefits under a federal means-tested program which requires income to be at or below that required income for an eligible homeowner under HAF (such as Supplemental Nutritional Assistance Program/SNAP (3SquaresVT) or Medicaid) or the location of the residence in a census tract with one of the following designations:
    a. FHFA Duty to Serve designations of Areas of Concentrated Poverty
    b. HUD designations of Racial and/or Ethnic Areas of Concentrated Poverty

c. FFIEC designations of distressed, underserved, poverty, remote rural and/or unemployment
d. HUD designations of Qualified Census Tracts for use in the Low-Income Housing Tax Credit program
e. Other fact-based proxy eligibilities may be developed as data becomes available.

For homeowners requesting assistance reinstating a mortgage or other property-secured loan (including a forward mortgage or reverse mortgage, a chattel loan on manufactured homes, a land contract or other installment loan), the homeowner will be required to provide information regarding the loan and the loan servicer, including a copy of their most recent statement. Servicers will be required to confirm the delinquent balance and provide information confirming that the original loan balance did not exceed then-applicable conforming loan limits

Homeowners requesting assistance with respect to property taxes, homeowner association fees, utilities, and other homeowner costs will be required to provide information regarding past due amounts and a copy of the most recent related statement. The relevant taxing authority, homeowner association, utility, etc. will be required to confirm the delinquent balance.

### C. Methods for Targeting HAF Funding

In connection with its management of its Mortgage Assistance Program, VHFA developed a network of non-profit partners to publicize the program among their clients and members and to assist households who had difficulty with the online application process. These organizations were included in all HAF Plan outreach so far. VHFA anticipates relying on this same network to help deploy HAF funds. Applicants with household incomes less than 100% of area median or who are members of Historically Underserved Populations will be given priority in the application review and approval process. See Section IB. above for additional information on Community Engagement and Public Participation.

### D. Best Practices and Coordination with Other HAF participants

VHFA will draw on its experience managing its Mortgage Assistance Program in developing processes and procedures for HAF. In addition, through its affiliation with the National Council of State Housing Authorities ("NSCHA"), VHFA has been communicating with peer housing agencies on a regular basis since it was selected to administer the HAF program. The weekly meetings between staff of state housing finance agencies have provided a platform for sharing best practices and innovative ideas. VHFA has relied on the availability of a common template library, through which states can share draft templates of programs, applications, requests for proposals ("RFPs") and other documents. These resources have aided VHFA in developing its draft program. VHFA has also been engaged in the NCSHA joint meetings with mortgage servicers in developing a common data platform for exchanging information regarding delinquent mortgages.

## III. Budget estimates

The demand for assistance from Vermont homeowners is expected to exceed Vermont's $50,000,000 HAF allocation. The following estimates were developed by VHFA's research department based on input from utility providers, town clerks, community and state home repair programs and housing counseling and legal service providers. Additional sources for these estimates include experiences

during the 2020 Vermont Mortgage Assistance Program and Vermont Utility Arrearage Assistance Program and actual and projected mortgage delinquency rates.

| Projected expenditures ($) | Sep-Dec21 | 2022 | 2023 | 2024 |
|---|---|---|---|---|
| Mortgage reinstatement + | 5,675,865 | 10,036,628 | 9,641,144 | 8,098,561 |
| Utilities | 453,606 | 2,406,335 | 2,311,516 | 1,941,673 |
| Internet service | 651,466 | 1,302,932 | 896,306 | 489,681 |
| Insurance | 727,306 | 1,261,087 | 1,211,555 | 2,657,572 |
| Association fees | 1,368,367 | 2,419,683 | 2,324,337 | 1,952,443 |
| Property taxes | 2,161,069 | 3,821,417 | 3,670,838 | 3,083,504 |
| Home repairs or accessibility improvements | 585,606 | 1,756,818 | 1,756,818 | 1,756,818 |
| Counseling/legal | 227,667 | 683,000 | 698,000 | 433,000 |
| *Program grants (total)* | *11,850,953* | *23,687,899* | *22,510,515* | *20,413,253* |
| **Administrative expenses** | 5,079,885 | 2,267,304 | 50,937 | 50,937 |
| **Annual total** | $16,930,838 | $25,955,203 | $22,561,452 | $20,464,190 |
| **Cumulative total** | $16,930,838 | $42,886,041 | $65,447,494 | $68,980,845 |

Due to the limited funds available through the HAF, VHFA proposes prioritizing funding for expenses which put vulnerable Vermont homeowners most at risk of foreclosure and/or housing displacement and for counseling and legal services to ensure that program access and support extends fully to socially disadvantaged individuals and residents of manufactured home parks. Due to the direct lien consequences that occur when delinquencies occur with regard to mortgages, utilities, association fees and property taxes, VHFA plans to dedicate funds for these programs first. Utility assistance through HAF will begin after the current CARES-Act funded Vermont Department of Public Service program ends. As shown below, focusing on the top priority programs is expected to consume Vermont's total HAF allotment of $50 million in 2023.

| Projected expenditures for priority program areas ($) | Sep-Dec21 | 2022 | 2023 |
|---|---|---|---|
| Mortgage reinstatement + | 5,675,865 | 10,036,628 | 9,641,144 |
| Utilities | | 2,406,335 | 2,311,516 |
| Association fees | 1,368,367 | 2,419,683 | 2,324,337 |
| Property taxes | 2,161,069 | 3,821,417 | 3,670,838 |
| Counseling/legal | 227,667 | 683,000 | 698,000 |
| *Program grants (total)* | 9,432,968 | 19,367,062 | 18,645,835 |
| **Administrative expenses** | 5,079,885 | 2,267,304 | 50,937 |
| **Annual total** | $14,512,853 | $21,634,366 | $18,696,772 |
| **Cumulative total** | $14,512,853 | $36,147,219 | $54,843,992 |