



John R. Kasch Governor of Ohio | Douglas A. Garver Executive Director

57 East Main Street | Columbus OH 43215

March 11, 2016

Hannah Resig
U.S. Department of the Treasury
Office of Financial Stability, #7624
1500 Pennsylvania Avenue N.W.
Washington, D.C. 20220

Ms. Resig:

Thank you for this opportunity to submit an application for Phase II of the Fifth Round of Hardest Hit Funds.

I/we certify that the Ohio Housing Finance Agency (OHFA) and its designated eligible entity, Ohio Homeowner Assistance, LLC understand and agree to the terms set forth in these guidelines.

The OHFA designees to receive communication from Treasury concerning this application are:

James Durham
Director of Homeownership
57 East Main Street
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Holly Swisher
Save the Dream Ohio Operation Manager
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Thank you for your consideration in this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Doug Garver', written over a horizontal line.

Doug Garver
Executive Director
Ohio Housing Finance Agency

A handwritten signature in blue ink, appearing to read 'Susan K. Ziegler', written over a horizontal line.

Susan K. Ziegler
Chief Operating Officer
Ohio Homeowner Assistance, LLC
Ohio Capital Corporation, its sole member

**Ohio Housing Finance Agency
Application for Hardest Hit Fund - Fifth Round - Phase 2**

CATEGORY I: CONDITIONS OF APPLICATION ELIGIBILITY

HHF Programs Under EESA

The Ohio Housing Finance Agency (OHFA) hereby requests **\$250,000,000** to continue the housing stabilization efforts across the state. To date, funding provided through the Hardest Hit Fund enabled 24,533 families to remain in their homes.¹ Additionally, OHFA’s land bank partners eliminated nearly 2,000 vacant, blighted residential properties.² However, the extreme need for additional resources looms large as the existing funding commitment nears exhaustion.

With this new allocation, OHFA’s Neighborhood Initiative Program (NIP) will be more fully endowed, continuing to stabilize local neighborhoods severely distressed by the foreclosure crisis. A preliminary study commissioned by OHFA concludes that in, Cuyahoga County alone, demolition of a blighted structure through NIP increased homeowner equity within a 500-foot radius between 2.6 percent and 9.9 percent.³ The findings further suggest that NIP demolition reduces foreclosure instances.

This new award will also preserve Ohio homeowners’ access to the Rescue Payment Assistance (RPA) and Mortgage Payment Assistance (MPA) programs. These crisis intervention programs provide servicers with funds to reinstate defaulted homeowners while also providing ongoing monthly mortgage support to ease financial burdens while homeowners concentrate on establishing reemployment. The demonstrated success of these direct assistance programs is undeniable; over 98 percent of prior participants in the RPA and MPA programs avoided foreclosure and remain in their homes today.⁴

3/3/2016	
Total Hardest Hit Fund Allocation	\$570,395,099.00
Total Program / Administrative Remaining ⁴	-\$116,387.07

Program	Amount Disbursed	Amount in Reserves ¹	Amount Committed ²
Direct to Customer Programs			
Mortgage Payment Assistance	\$174,710,419.83	\$921,000.00	\$866,829.14
Rescue Payment Assistance	\$164,873,003.03	\$0.00	\$0.00
Lien Elimination Assistance	\$23,526,180.04	\$0.00	\$0.00
Modification Assistance	\$43,025,529.70	\$0.00	\$0.00
Transition Assistance	\$360,965.96	\$0.00	\$0.00
Homeownership Retention Assistance	\$13,348,855.76	\$0.00	\$0.00
Homeowner Stabilization Program	\$10,531,000.00	\$0.00	\$0.00
Blight Program			
Neighborhood Initiative Program	\$19,874,698.11	\$0.00	\$59,614,874.89
Total	\$450,250,652.43	\$921,000.00	\$60,481,704.03
Administrative³			
	\$51,268,334.36	\$0.00	\$7,589,795.25
Total	\$501,518,986.79	\$921,000.00	\$68,071,499.28

Performance History

OHFA committed 100 percent of the initial \$570,395,099 in Hardest Hit Funds (HHF). Of this amount, \$501 million has already been disbursed, \$921,000 is reserved for homeowner payment adjustments, and \$68 million is committed to homeowners, land banks, and administrative needs.

¹ Ohio Quarterly Performance Report, Q4 2015

² *Id.*

³ Dynamo Metrics. (2016). Ohio Housing Finance Agency Neighborhood Initiative Program: Preliminary Report on Evidence of NIP Demolition Impact on Housing Market Stabilization and Foreclosure Prevention. Unpublished work.

⁴ *Supra.*, Ohio Quarterly.

CATEGORY II: DEMONSTRATED NEED

Blight Elimination. With this funding, Ohio can address its incredible, ongoing need for foreclosure prevention resources and take advantage of an unprecedented opportunity to properly invest in the neighborhood stabilization efforts needed to restore home values devastated by the Great Recession.

There are an estimated 200,000 vacant residential, 1-4 units properties in Ohio with many so severely decayed they require immediate demolition.⁵ Of the vacant properties, 59 percent are located within Cuyahoga, Hamilton, Montgomery, Franklin, Lucas, and Summit counties.⁶ Five of these counties also have the highest negative equity share in the state; this leads to heightened foreclosure risk, property abandonment, and future blight.⁷ When negative equity combines with other factors, such as loss of income, the risk of foreclosure is high because homeowners do not have the option to sell a home they can no longer afford. These foreclosures result in distressed sales that further depress property values and continue the downward spiral, too often resulting in vacant and blighted homes. Demolition is a critical component of strategies to stabilize home values.



Vacant Property Location and Volumes	
County	Number of Properties
Cuyahoga	41,688
Hamilton	19,453
Montgomery	16,048
Franklin	15,860
Lucas	14,440
Summit	10,661

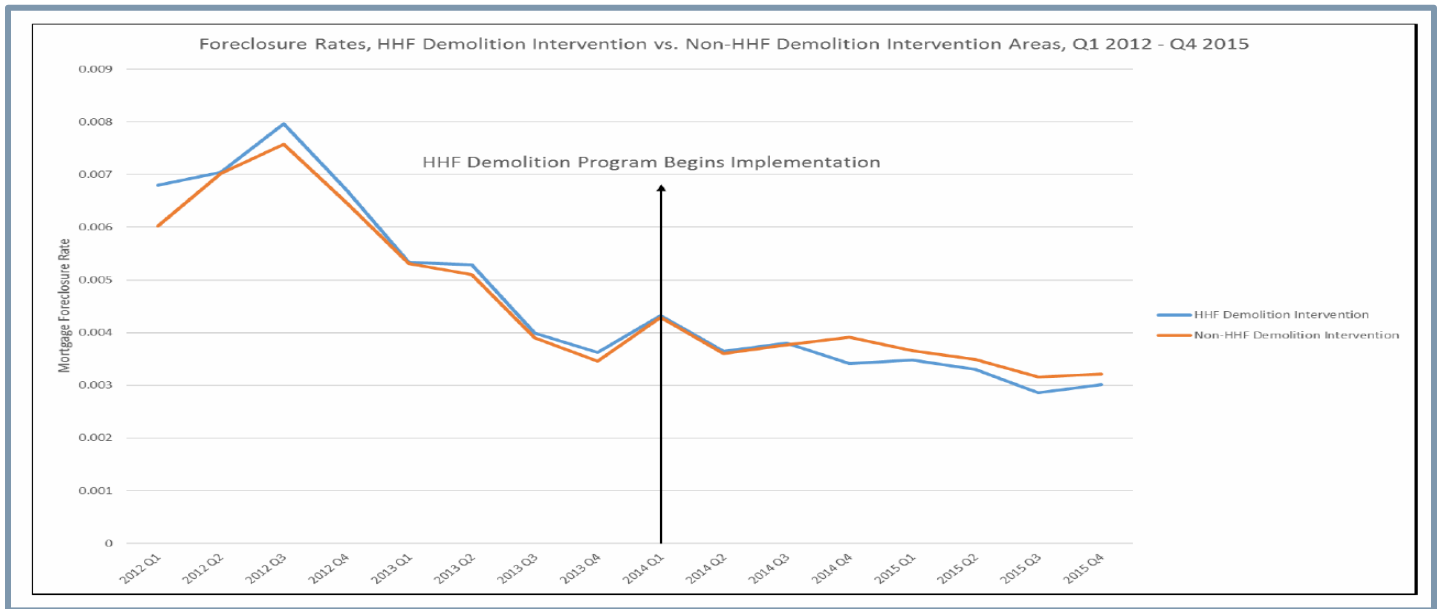
Highest Negative Equity Share	
County	% Negative Equity
Hamilton	21.4%
Cuyahoga	20.6%
Adams	18.4%
Lucas	17.7%
Summit	17.4%
Lorain	16.7%

⁵ USPS Vacancy Data Q4 2015 <https://www.huduser.gov/portal/datasets/usps/html>

⁶ CoreLogic Real Estate Analytics Suite – Market Trends Data (corelogicreas.com, subscription service)

⁷ *Id.*

NIP activity is closely associated with foreclosure reduction. Again, according to a recent Dynamo Metrics study, before NIP’s intervention, Ohio’s targeted neighborhoods had higher rates of foreclosure (blue line) than other census tracts in the county (red line).



With this program, however, the phenomenon was reversed; since teardowns began less than two year ago this trend has reversed, with the areas targeted for demolition activity now experiencing lower overall rates of foreclosure.⁸

With the \$79.4 million that OHFA already allocated to NIP, OHFA’s existing land bank partners will remove roughly 6,000 blighted units. However, additional funding is critically needed to properly vest in these existing partners and expand this successful program into the counties with newly established land banks.

Twenty-one land banks are currently participating in the program but an additional eight have been formed since the last allocation round and are currently excluded from participation due to lack of funds. OHFA is projecting an additional ten land banks will be formed and operational by the end of 2016.

Moreover, existing land bank participants project exhausting their awards long before the blight emergency is abated. NIP is ramping up aggressively, with 2015 disbursements up 294 percent year-over-year.⁹ 2016 is already on track for a similar record-shattering increase as the January/February reimbursement requests are up 396 percent from last year.¹⁰ Nine counties were already reimbursed or have pending sufficient units to draw down at least 25 percent of

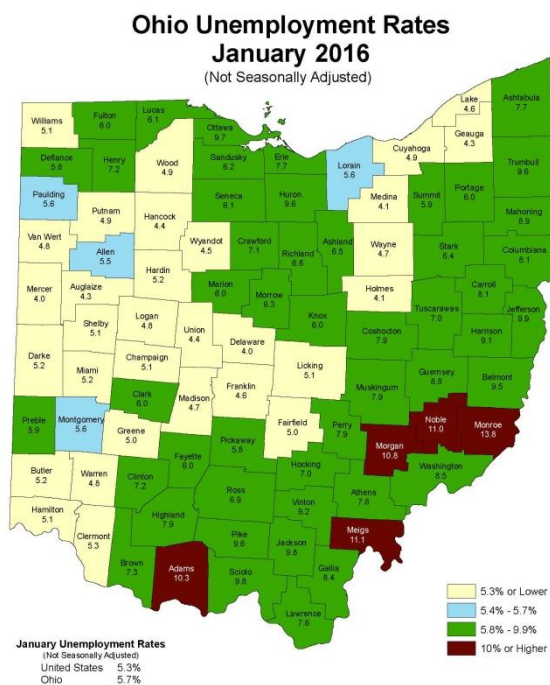
⁸ *Supra.*, Dynamo.

⁹ Funding data exported from Ohio’s Salesforce management platform March 10, 2016

¹⁰ *Id.*

their award. For example, Cuyahoga County, home to some of the most devastated communities, was reimbursed nearly \$4 million in NIP funds in the last five months alone. They expect to exhaust their current allocation, already the highest in the state, before the end of 2016. Internal estimates suggest that, with sufficient notice and support, our current partners can invoice approximately \$4.7 million in demolition costs per month, which would fully expend our current allocation by September 2017.

Homeowner Support. While Ohio’s economy as a whole is showing signs of recovery, the foreclosure crisis persists in many areas where localized unemployment prevents full stability. As such, there is an ongoing need to assist homeowners who are unemployed. Over the last five years, the unemployment rate has fallen in Ohio to 5.7 percent (January 2016, not seasonally adjusted, versus peak of 10.3 percent in 2010) which is higher than the national average of 5.3 percent. Statistics show 69 of the 88 Ohio counties have unemployment rates exceeding the national average, with the highest, Monroe, being 13.8 percent.¹¹



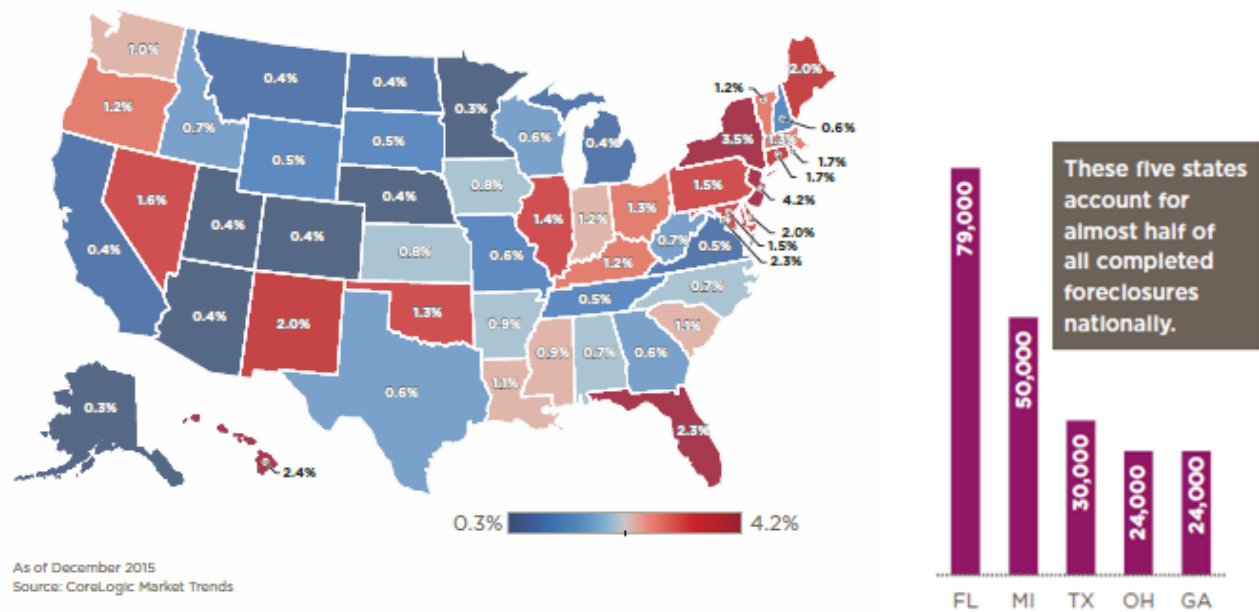
During the initial funding period for OHFA’s homeowner direct program, Save the Dream Ohio, 55.2 percent of approved applicants identified “unemployment” as a reason of for their hardship.¹² The majority of the unemployed homeowners that received funding from the RPA and MPA programs were able to successfully remain in their homes and avoid foreclosure.

Despite exhausting resources, demand for support remains high due, in part, to the following conditions:

- 36 of 88 Ohio counties have REO total sales above the state average of 7.1 percent;¹³
- Nine counties have 90-day delinquency rates above 5.0 percent.¹⁴

Additionally, Ohio ranked in the top five highest foreclosures states in 2015 and presently has a foreclosure rate of 1.3 percent.¹⁵ As a clear reflection of the demand, OHFA received over 8,100 telephone calls from homeowners seeking assistance since we stopped accepting applications.

¹¹ <http://ohiolmi.com/laus/ColorRateMap.pdf>
¹² *Supra.*, Ohio Quarterly.
¹³ *Supra.*, CoreLogic Real Estate Analytics Suite
¹⁴ *Id.*
¹⁵ CoreLogic National Foreclosure Report-December 2015



Based on these facts, it is evident that an award of \$250,000,000 is urgently needed to restore our communities to their pre-recession strength and protect our most vulnerable neighbors. A comprehensive strategy requires commitments to Mortgage Payment Assistance, Rescue Payment Assistance, and the Neighborhood Initiative Program that will provide a balanced approach for successful outcomes.

CATEGORY III: PLAN OF ACTION

Program Allocation and Program Changes

The NIP program is still active and money will be allocated to land banks immediately. The RPA and MPA programs will be reopened no later than 90 days of the new agreement. All funds, including the original and newly proposed allocation, will be spent prior to the relevant deadlines and no later than December 31, 2020.

All programmatic and administrative spending projections are derived from the need-based analysis presented above as well as OHFA’s past performance and approved spending record developed over the last several years. It is relevant to note that Ohio’s administrative expense rate, which these projections are derived from, is one of the lowest in the country. For example, Indiana’s administrative rates (26 percent) are more than double Ohio’s (12 percent). Our budgeted administrative rates for the program end will come in at less than 9 percent.¹⁶ OHFA intends to allocate funds to each program as follows:

¹⁶ <https://www.treasury.gov/initiatives/financial-stability/TARP-Programs/housing/Pages/Program-Documents.aspx>

Program/Category	Amount
Total Fifth Round – Phase 1 and Phase 2	\$347,590,720.00
Proposed – Administrative Expenses	\$9,758,668.00
Proposed – Neighborhood Initiative Program	\$312,832,052.00
Proposed – Mortgage Payment Assistance Program	\$12,500,000
Proposed – Rescue Payment Assistance Program	\$12,500,000

These programs address the needs outlined in Category II as follows.

Neighborhood Initiative Program – the allocation of funds to this program will allow OHFA to continue the focus on stabilizing target areas (neighborhoods). To date, county land bank partners demolished over 2,000 blighted and vacant residential structures, and already acquired an additional 4,000 properties, many of which are in the early stages of removal. With the newly allocated \$97.6 million and the requested \$312.8 million our partners will be able to demolish about 25,000 additional 1-4 unit structures.

Rescue Payment Assistance – by reopening this program OHFA will assist homeowners that fell delinquent as a result of unemployment, giving them a chance to stay in their homes. 28 percent of the initial allocation (\$164 million) was expended through the Rescue Payment Assistance Program with 20,256 homeowners kept in their homes at an average payment to the servicer of \$8,140. With the proposed allocation of \$12.5 million, OHFA will be able to assist approximately 1,535 more homeowners to bring their mortgages current and remain in their homes.

Mortgage Payment Assistance – by assisting unemployed homeowners struggling to make their monthly mortgage payments, mortgage holders will have the burden lifted while having more time to seek re-employment. 31 percent (\$177 million) of the initial allocation was paid out or is reserved for payments pending under this program. Overall, 14,882 households were able to retain their homes, permitting children to stay in their school districts and families to remain a part of their local community. With a proposed new allocation of \$12.5 million, OHFA will assist an additional 1,095 homeowners (not including reserves) for up to eight months, using the program average cost of \$11,420 per homeowner.

Applications for RPA and MPA will only be accepted by homeowners who have a hardship date of January 1, 2014, or later. Due to the low application volume received by OHFA after extending the first phase of the program, OHFA believes that the pre-2015 market was already saturated and that target population received sufficient opportunity to participate.

HPA Changes

Rescue Payment Assistance, Service Schedules B-1:

- Section 5 - changing the hardship period range from “on or after January 1, 2007” **to** “on or after January 1, 2014”.
- Section 5 – delete “due to involuntary loss or reduction in income or significant medical expenses” **to** “due to involuntary loss due to unemployment.”
- Section 7 – update “Homeowners whose applications were submitted to OHFA’s underwriting team prior to February 1, 2013, except for those who were declined; these previously submitted homeowners may continue to receive assistance under Amendment Five to the HPA” **to** “Homeowners whose applications were submitted to OHFA’s underwriting team prior to August 1, 2014; previously submitted homeowners may continue to receive assistance under Amendment Five to the HPA.”
- Section 11 – update estimated households assisted to reflect 23,000.

Mortgage Payment Assistance program Service Schedule B-2:

- Section 5 – delete “31 percent or more for all other eligible homeowners”
- Section 5 – delete “or reduction in income.”
- Section 7 – update “Homeowners whose applications were submitted to OHFA’s underwriting team prior to February 1, 2013, except for those who were declined; these previously submitted homeowners may continue to receive assistance under Amendment Five to the HPA” **to** “Homeowners whose applications were submitted to OHFA’s underwriting team prior to August 1, 2014; previously submitted homeowners may continue to receive assistance under Amendment Five to the HPA.”
- Section 10 – the maximum duration of assistance will change from 18 months to 12 months. Our program goal will be to offer assistance for a maximum of 8 months.
- Section 11 – update estimated households assisted to reflect 19,000.

Neighborhood Initiative Program, Service Schedule B-8:

- Section 11 – updated estimated units assisted to reflect 25,000.

Organizational Structure

Adding 12-15 project/temporary staff to OHFA’s current staff will permit the agency to effectively operate the Neighborhood Initiative Program, Rescue Payment Assistance, and Mortgage Payment Assistance programs. OHFA will offer one-on-one and classroom trainings instructed by a long-tenured associate to ensure the new hires have the necessary tools for success. Upon approval of the Service Schedule changes, OHFA will streamline the application process in partnership with the housing counseling agencies (HCA) that is less burdensome to the homeowner while still addressing all program requirements. This will address the challenge that OHFA faced in the prior round with the lengthy period between application and funding. The changes will also save administrative costs allowing OHFA to pass these savings onto the homeowners.

Vendor Solutions / Program Partners

OHFA's current contract with the customer management software vendor expires in July 2018. OHFA is exploring other solutions in an effort to lower this software expense. Conversations with new vendors began in the fall of 2014 and, as a result, the process to select a new provider will be timely if OHFA pursues this option. A requirement for each vendor is that they will produce a complete tool that will be operational for the customers and employees within 60 days of OHFA's acceptance of Fifth Round – Phase 2 funds, leaving a 30 day test and implementation period before the programs re-open.

OHFA will also continue to explore the possibility of outsourcing the underwriting portion of the homeowner programs in an effort to further reduce expenses.

There will be no changes in the relationships with OHFA's fiscal agent, Ohio Homeowner Assistance, LLC, or title agent, Associates Title.

Additionally, the Rescue Payment Assistance and Mortgage Payment Assistance programs will not be successful without utilizing the HCA's across the state. HCA's will be asked to pre-screen homeowners based on newly-created criteria prior to referring them to OHFA. Their role will be condensed, shortening the total application process for the homeowner and allowing the servicers to be paid faster. In-turn more homeowners will be funded as reinstatement expenses will be less.

Marketing

As with the initial allocation, OHFA will perform the marketing function for the homeowner programs. \$850,000 of the proposed budget will be allocated to marketing. Most importantly, OHFA will direct-market all residents that are actively receiving unemployment benefits as well as homeowners that received unemployment after January 1, 2014. OHFA will also provide print material to HCA's, libraries, and community action agencies. Local courts will be encouraged to advertise the programs on their foreclosure notices. There will be billboards and media ads targeted to the hardest hit areas across the state. OHFA will continue to partner with Thriving Communities Institute and the Greater Ohio Policy Center to engage land banks across the state.

CATEGORY IV: ESTIMATED SPENDING PROJECTIONS

To continue to operate the programs, OHFA has projected an addition to the administrative budget of \$22,803,904 will be needed for years 2018-2020. OHFA will operate these programs at a rate of only 8.8% of the total allocation as OHFA will utilize salaried positions already projected for years 2016-2017.

Permitted Administrative Expenses

	Ohio		
	Existing expenses	Proposed Expenses	Difference
<i>One-time / Start-Up Expenses:</i>			
Initial Personnel	\$4,928.20	\$4,928.20	\$0.00
Building, Equipment, Technology	\$511,005.61	\$511,005.61	\$0.00
Professional Services	\$29,504.75	\$29,504.75	\$0.00
Supplies / Miscellaneous	\$24.47	\$24.47	\$0.00
Marketing /Communications	\$24,943.07	\$24,943.07	\$0.00
Travel	\$3,819.96	\$3,819.96	\$0.00
Website development /Translation	\$0.00	\$0.00	\$0.00
Contingency	\$53,873.56	\$53,873.56	\$0.00
Subtotal	\$628,099.62	\$628,099.62	\$0.00
<i>Operating / Administrative Expenses:</i>			
Salaries	\$14,319,781.03	\$26,303,819.74	\$11,984,038.71
Professional Services (Legal, Compliance, Audit, Monitoring, Temp Agencies)	\$3,697,568.85	\$6,303,762.03	\$2,606,193.18
Travel	\$104,757.00	\$254,757.00	\$150,000.00
Buildings, Leases & Equipment	\$2,022,129.33	\$5,152,360.19	\$3,130,230.86
Information Technology & Communications	\$2,974,490.99	\$4,245,144.72	\$1,270,653.73
Office Supplies/Postage and Delivery/Subscriptions	\$175,527.00	\$226,422.32	\$50,895.32
Risk Management/ Insurance	\$766.64	\$1,566.64	\$800.00
Training	\$98,923.16	\$248,923.16	\$150,000.00
Marketing/PR	\$1,785,851.35	\$3,385,851.35	\$1,600,000.00
Miscellaneous	\$2,100.00	\$6,222.84	\$4,122.84
Subtotal	\$25,181,895.35	\$46,128,829.98	\$20,946,934.63
<i>Transaction Related Expenses:</i>			
Recording Fees	\$2,233,136.92	\$2,371,000.00	\$137,863.08
Wire Transfer Fees	\$364,217.42	\$403,323.47	\$39,106.05
Key Business Partners On-Going (Title Fees and Special Servicer)	\$3,856,858.44	\$4,536,858.44	\$680,000.00
<i>Counseling Expenses</i>			
File Intake			\$0.00
Decision Costs	\$0.00	\$0.00	\$0.00
Successful File	\$25,926,689.60	\$26,926,689.60	\$1,000,000.00
Subtotal	\$32,380,902.38	\$34,237,871.51	\$1,856,969.13
Grand Total	\$58,190,897.35	\$80,994,801.11	\$22,803,903.76
% of Total Award	10.2%	8.8%	-1.4%
Award Amount	\$570,395,099.00	\$917,985,819.00	\$917,985,819.00

OHFA appreciates the opportunity to apply for this funding so that we may keep additional Ohio families in their home and continue to address the issue of blight in our state. We have a proven track record as is evident from our results with the initial allocation and will continue to work toward improving program efficiency and effectiveness to ensure that we will continue to be good stewards of the Hardest Hit Funds.