

Request for HHF Participation Agreement Amendment

Proposed Changes to Existing NVHHF Program Roster

October 20, 2016 - Revised

Introduction

NAHAC requests the U.S. Department of the Treasury (“Treasury”) amend the current HHF Participation Agreement in order to reflect the following:

- Mortgage Assistance Program (MAP)
- Principal Reduction Program (PRP)

And

Suspension of:

- Second Mortgage Reduction Program (SMRP)

Adoption of:

- Mortgage Reinstatement Assistance Program (MRAP)

Program Changes

NAHAC is making material changes to two of its HHF Programs (UMA and MRAP) to facilitate the successful engagement and funding for a broader segment of eligible borrowers; those currently ineligible for assistance with the current programs. It is also making changes to PRP to expand the number of homeowners who are eligible for assistance. These proposed changes to the HHF program lineup are required to ensure homeowners immediately get the help they need to avoid foreclosure and to help NAHAC meet its objective of stabilizing Nevada communities.

The following table summarizes denial and approval comparison data for 2015 and year-to-date 2016. This information makes it clear that NAHAC’s current/recent performance is below standard. It is not in the best interest of distressed homeowners, NAHAC or the State of Nevada.

<i>Timeframe</i>	<i>Denied</i>	<i>Approved</i>
1/1/2015 – 12/31/2015	400	117
1/1/2016 – 9/30/2016	402	71

The figures provided above, illustrate the number of “unique borrowers” who have and have not received HHF program assistance. As of September 2016, the number of denied applications has exceeded the aggregate amount for the 2015 calendar year. NAHAC believes this information is the

most compelling reason for Treasury to approve the proposed changes to the current NAHAC program lineup.

While performing the HHF program re-evaluation, NAHAC identified an opportunity to fortify its roster of programs, with the intent of aligning program criteria and guidelines in support of Nevada homeowners who are struggling to save their home from foreclosure.

Unemployment Mortgage Assistance (UMA)

NAHAC intends to convert its current Mortgage Assistance Program (MAP) into the Unemployment Mortgage Assistance (UMA). Nevada is tied with Louisiana for the third highest unemployment rate in the nation at 6.3%. This equates to approximately, 90,117 unemployed individuals. It is worth noting that the trends indicate a recent trough of 83,209 unemployed in March 2016, which has subsequently grown by 6,908 unemployed individuals. There are dire need to assist as many unemployed households as possible – including those which are not eligible for the current NVHHF mortgage assistance program.

Unemployment Rate	As of August 2016
National	4.9%
Nevada	6.3%

UMA’s objective is to help homeowners remain in their homes and prevent avoidable foreclosures despite loss of income due to unemployment or underemployment. Additionally, UMA will minimize past due payments, and provide a homeowner with additional time to find alternate employment and replace income needed to make their mortgage payment.

Mortgage Reinstatement Assistance Program (MRAP)

NAHAC intends to adopt the Mortgage Reinstatement Assistance Program (MRAP). Essentially, the program has the same intent and executes similar measures to reinstate delinquent mortgages and assist households with maximum assistance of \$ 54,000, versus the already enacted/current “MAP” maximum assistance figure of \$35,000. Additionally, an added component of the proposed “MRAP” program includes expansion of income stipulations:

- Homeowner qualifies as low-to-moderate income based on per-household income thresholds set forth in the county in which the homeowner resides as determined by the Area Median Income (AMI).

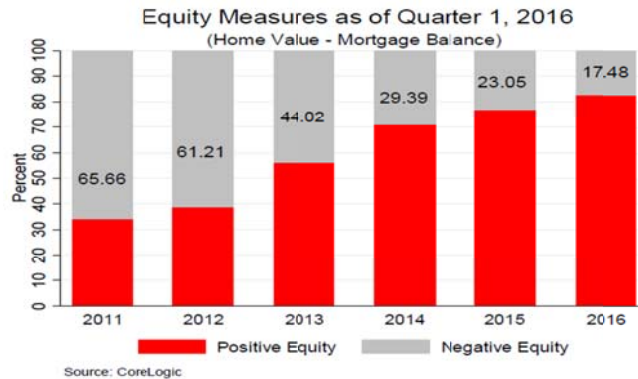
NAHAC acknowledges Nevada’s 17,209 delinquencies of ninety (90) days plus (identified as of June 2016), indicative of the remaining need for reinstatement assistance. Furthermore, Nevada ranks in the top 10 states in foreclosure inventory, with 2.26 % of all loans in the foreclosure queue.

- These figures rank Nevada nationally on the basis of data provided by The Mortgage Bankers Association’s National Delinquency Survey.
 - The “Top 20 States in Foreclosure Inventory” uses the proportion of outstanding loans that are in the foreclosure inventory (the number of home loans reported to be in some stage of foreclosure divided by the total number of home loans serviced).

Principal Reduction Program (PRP)

The PRP is designed to reduce the principal balance of first mortgages in cooperation with participating servicers in connection with a loan recast, modification, or a stand-alone curtailment, to help qualifying homeowners stay in their homes.

As shown in the accompanying graph, there have been some incremental improvements, since 2011, with respect to negative equity households in the entire State of Nevada. However, in assessing negative equity situations from the national scale, Nevada (17.5%) is still a perennial leader and occasional runner-up, in terms of measuring highest negative equity percentages amongst all other states. As of June 2016, there were approximately 83,639 negative equity loans being serviced in the Nevada housing market.



It should also be noted that the metropolitan area of Las Vegas-Henderson-Paradise, currently has the highest negative equity rates as compared to various other metropolitan areas across the United States, at 19.9%.

This information makes clear the demand for more widespread negative equity relief is warranted. Because of this, NAHAC is set on continuing with the current Principal Reduction Program, to further fortify its efforts to accommodate trends aligning with the most prevalent of borrower needs. With respect to NAHAC’s currently operational Principal Reduction Program policies, minor changes to the terms/guidelines are proposed below:

Targeted Guideline – Under 18 th Amendment	Proposed Change(s)
Pre-Assistance LTV for <u>delinquent borrowers</u>	<ul style="list-style-type: none"> • Enacting pre-assistance LTV to be greater than 100% but less than 110% (please note, the 5 % decrease from NAHAC’s current ratio of 115 %)

<p>Maximum Assistance - Per Household</p> <p>Loan-to-Value ratio as a stand-alone hardship – Severe Negative Equity</p>	<ul style="list-style-type: none"> • Increasing maximum program assistance from \$50,000 to \$100,000; in conjunction with the proposed discontinuation of Second Mortgage Reduction Program (SMRP) • LTV ratio of 110 % considered as an eligible financial hardship; 5% decrease from NAHAC’s current LTV hardship ratio stipulation of 115%
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Second Mortgage Reduction Program (SMRP)

NAHAC is proposing the suspension of the Second Mortgage Reduction Program – with an expanded maximum assistance for Principal Reduction Program to also come as result of the stoppage of SMRP applications.

Summary of Proposal

The following summarizes the proposed changes to all NVHFF Programs

- Amendment of: Mortgage Assistance Program (MAP) and Principal Reduction Program (PRP)
- Suspension of : Second Mortgage Reduction Program (SMRP)
- Adoption of Mortgage Reinstatement Assistance Program (MRAP)

NAHAC Innovation Fund Program Allocation

NAHAC is proposing the following changes:

- \$17,081,271 allocation for the Mortgage Reinstatement Assistance Program (MRAP)
- \$52,275,976 allocation for the Mortgage Assistance Program (MAP)
- \$99,935,128 allocation for the Principal Reduction Program (PRP)

No allocation to Second Mortgage Reduction Program (SMRP) as NAHAC’s proposal indicates suspension of the program

NAHAC Administrative Expense Budget

NAHAC is proposing a change to the current administrative expense budget. The change would reflect a 4% increase from NAHAC's current 8% administrative budget, to 12% in total.

NAHAC Term Sheets

See the proposed Amendment 19 term sheets to supersede the Treasury-approved Amendment 18 term sheets.