NEVADA HARDEST HIT FUND
FINAL REPORT
October 15, 2021

Nevada Affordable Housing Assistance Corporation

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* Homeownership Retention data derived through CoreLogic

I: INTRODUCTION

The Great Recession gave rise to strong words such as "Hardest Hit" – a well-founded and fitting idiom to describe the economic and housing crisis that began in and around 2007 and gripped every corner of the nation. Looking back, no state was hit harder than Nevada. In 2010, Nevada had the highest foreclosure rate in the country. In fact, with over 106,000 foreclosure filings in 2010, Nevada led the nation in this ominous statistic for the fourth year in a row. This meant that roughly one in every 11 homeowners in Nevada, or approximately nine percent, received a foreclosure filing.[1] This had a catastrophic effect on Nevada families and strained social services across the state as homeowners in record numbers lost the very roof over their head.

The Great Recession's negative impact on jobs was the primary catalyst of the foreclosure crisis. In 2010, there were 15 states reporting annual average unemployment rates of 10 percent or more. Nevada recorded the highest state unemployment rate at approximately 14 percent, followed by Michigan at approximately 13 percent, and California at just over 12 percent.[2] These staggering numbers called for quick and decisive action.

Such sobering statistics made it clear why Nevada would become one of the states selected as a beneficiary of the United States Department of the Treasury ("Treasury") funds to establish the Nevada Hardest Hit Fund ("HHF").

In early February 2010, President Barack Obama and Treasury announced the creation of the Housing Finance Agency ("HFA") Innovation Fund for the hardest-hit housing markets. The Obama administration allocated federal funds under sections 101 and 109 of the Emergency Economic Stabilization Act of 2008 ("EESA") to five states: Arizona, California, Florida, Michigan, and Nevada. The program's primary goal was to empower HFAs in HHF states to create innovative programs designed to help stabilize housing markets and prevent avoidable foreclosures caused by high levels of unemployment and steep declines in property values. In March 2010, Treasury expanded its HHF designation to include five more states, and by August 2010 there were a total of eighteen states and the District of Columbia that met the criteria of "hardest hit" as defined in the EESA.

The purpose of the Hardest Hit Fund was to aid families and states hit hard by the economic and housing market downturn. Participating states were chosen either because of high unemployment rates at or above the national average, or steep home price declines greater than 20 percent since the downturn; Nevada, unfortunately, endured both.

By the spring of 2010, soaring foreclosure rates were devastating Nevada families, neighborhoods, and property values. For too many struggling homeowners, loss of income led to mortgage payment default and, eventually, foreclosure. The ability for home sales was also undermined because mortgage balances were often far greater than the value of the home.

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[1] **https://abcnews.go.com/Business/2010-record-29-million-foreclosures/story?id=12602271**

[2] **https://fred.stlouisfed.org**

In May 2010, the Nevada Housing Division ("NHD"), a division of the State of Nevada Department of Business & Industry ("B&I"), was chosen by Treasury as Nevada's HFA. The NHD selected the Nevada Affordable Housing Assistance Corporation ("NAHAC") to be the designated administrative Eligible Entity for the Nevada HHF.

In June 2010, Nevada received an initial allocation of $102,800,000 from Treasury to help qualified Nevada homeowners as and entered into a tri-party agreement between the State of Nevada, Treasury and NAHAC. The following outlines subsequent allocation increases due to the continued need to stabilize housing markets as the crisis lingered.

- **First Amendment – September 23, 2010:** Funding increased from $102,800,000 to $136,856,581

- **Second Amendment – September 29, 2010:** Funding increased from $136,856,581 to $194,026,240

- **Seventeenth Amendment – June 28, 2016:** Funding increased from $194,026,240 to $202,911,881

Nevada developed programs to aid struggling homeowners whose homes were underwater, as well as homeowners who were past due on mortgage payments, and/or experienced a job loss, underemployment, or other financial hardships. Specifically, programs focused on reducing principal balances, reducing, or eliminating second mortgages, curing delinquent balances (including mortgage, property taxes, and homeowners' association dues balances), providing unemployment mortgage assistance, and assisting homeowners on a fixed income.

Treasury announced in February 2016 that it would extend the HHF Program through 2020 and make $2 billion in additional funds available as "Fifth Round Funding," of which Nevada was allocated an added $8 million. To maximize fund utilization, Treasury created a reallocation model with criteria measuring need. In December 2017, the state of Nevada's economy was well on the road to recovery. Nevada home values, home sales, and wages were rising, while unemployment was declining. NAHAC was unable to meet the Treasury defined 2017 utilization threshold, and Nevada's total HHF program allocation of $202,911,881 was reduced to $196,247,650 resulting in a decrease of $6,664,231 program dollars.

Providing benefits to Nevada homeowners was not without its challenges. In September 2016, the Special Inspector General for the Troubled Asset Relief Program ("SIGTARP") and Treasury released reports critical of NAHAC's operations and productivity. The SIGTARP report alleged mismanagement, fraud, waste, and abuse by NAHAC in the amount of $8.2 million. However, subsequent Treasury audits for the same period found that – per Treasury's Uniform Guidance – a significantly reduced amount of expenses in the amount of $136,000 (not $8.2 million), was determined to be unallowable. NAHAC immediately reimbursed the unallowable costs upon completion of the audit.

NEW MANAGEMENT AND NEW FOCUS

NAHAC made major changes to its organizational structure and operational guidelines which resulted in more transparency for the organization, better internal controls, and more efficient systems. These changes contributed to better production and significantly more households being served. NAHAC also received constructive input from Treasury, Nevada's Congressional delegation, and NHD, and solicited input from community partners, including U.S. Department of Housing and Urban Development (HUD) housing counseling agencies to make more targeted programs available and more effectively assist with housing retention and neighborhood stabilization. Prior to restructuring there was a sharp decline in NAHAC's production and board issues. Subsequently, Treasury issued a critical Performance Memorandum to NAHAC, prompting a reorganization of its board of directors and management. In June 2016, new leadership was obtained and NAHAC's management team set about to remedy problems identified internally and by NHD, Treasury and SIGTARP. Since then, the change in direction from previous years was significant. NAHAC followed the recommendations of Treasury, NHD and SIGTARP to correct mistakes and make programs effective and more efficient and transparent, with the focal point of helping Nevada families keep their homes. The following is an overview of the steps NAHAC took to better manage aid to struggling Nevada families.

Organizational Changes – In April 2016, NAHAC's bylaws were amended to operate under Nevada's Open Meeting Laws and to allow NHD to provide direct oversight of Nevada Hardest Hit Fund programs and operations as intended in the tri-party participation agreement between Treasury, NAHAC, and NHD. The Board of Directors was restructured to consist of two members from the NHD, one member from Nevada's Department of Business and Industry, and two independent members with experience in real estate, housing, mortgage lending, or other expertise related to mortgage assistance programs or sustainable housing.

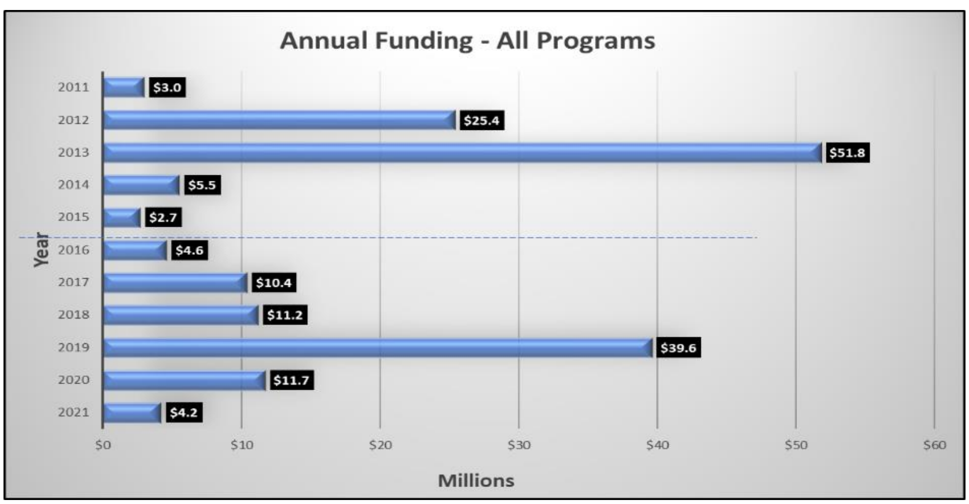
NAHAC also made a change in leadership at the top of the organization, bringing on a new Chief Executive Officer. An assessment of the organization immediately ensued, revealing that NAHAC had ample opportunity to improve its ability to carry out its mission efficiently and effectively. There were challenges in staffing, management, systems, and programs; all of which hampered the ability to readily identify qualified candidates for assistance and timely distribute funds to homeowners in need.

Staffing and Internal Controls – Under new management, NAHAC and the new Board of Directors acted decisively to realign operations and control administrative expenses. The organization scaled back its workforce to ten (10) full-time employees, one (1) part-time employee, and six (6) temporary employees, compared to 19 full-time employees and no temporary staff in June 2016. Even more importantly, NAHAC put in place qualified staff with specific experience in their respective area(s) of responsibility. In addition, staff were cross trained to enable the organization to shift human capital resources based on need and demand. This allowed for maximum cost efficiency without hiring and training additional staff as file volume fluctuated. Such cost control actions brought the administrative budget in line with Treasury's permitted administrative expenses. NAHAC also addressed the issue of oversight by hiring a local accounting firm with experience in government compliance to provide accounting and financial reporting services and assist with compliance matters, including responding to inquiries and audits from Treasury and SIGTARP. As a result of NAHAC's prior deficiencies, the organization was under constant audit by Treasury and the subject of multiple investigations by SIGTARP. NAHAC did its best to be responsive given available staff and the deadlines imposed, while at the same time focusing on its obligations to assist Nevada homeowners.

Systems – Since June 2016, NAHAC operated as a leaner, more efficient, transparent, and homeowner-focused organization without compromising service. One of the first issues management addressed was the homeowner application process and the system behind it. The original system could not adequately and accurately handle the volume of applicants necessary to achieve NAHAC's objectives. After careful research into other systems adopted by successful HHF states, NAHAC implemented a new comprehensive document and case management portal system, the Nevada Mortgage Assistance System (NMAS). This system, modeled after California's highly successful portal system, was rolled out in July 2017. One key benefit of NMAS was the system's ability to identify eligible homeowners much earlier in the application process. This saved valuable time and greatly reduced the possibility of human error. NMAS yielded immediate results and was a key component in reducing the time for a homeowner to receive a decision from a range of 60 to 90 days to a range of 30 to 45 days, once an application was submitted.

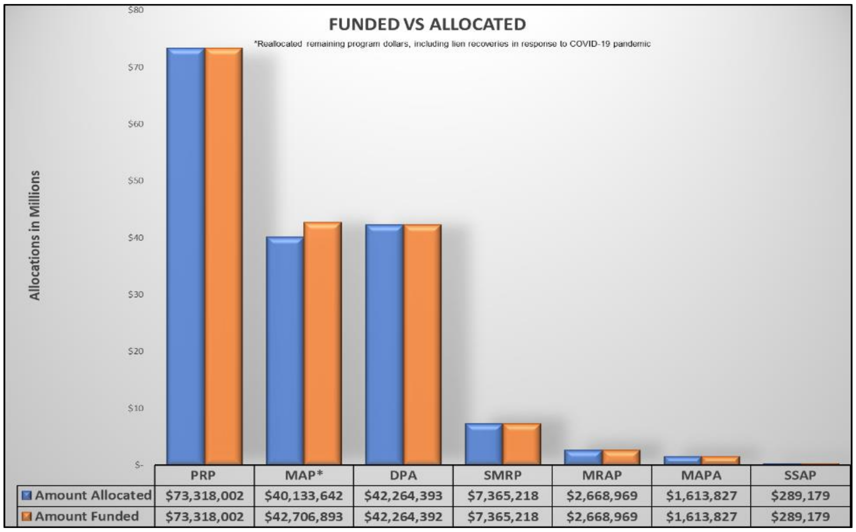
NAHAC also analyzed its front-end processes to identify cost savings and improvements in customer service and launched its in-house call center in December 2017. This resulted in an immediate reduction in front-end related expenses, while at the same time increasing efficiency by streamlining and improving the first contact, intake, and application processes, as well as, providing better customer service and direct management of these functions.

The following chart illustrates how improvements impacted production.



PROGRAM FUNDING: FUNDS UTILIZED AS PLANNED

The following chart illustrates utilization of program dollars, (funded versus allocated) by program. Nevada consistently utilized applicable funds as planned, with all programs making use of 100 percent of their respective allocation. Amounts shown in excess of allocated funds reflects lien recoveries and interest earned on HHF deposits that were utilized to further assist homeowners.



II: SUMMARY OF PROGRAMS

As previously mentioned, June 23, 2010 marked the program's inception, with an initial allocation of $102,800,000. Funds were directed at three areas where the most urgent needs of struggling homeowners were identified, with the following initial amounts allocated to each program: Principal Reduction Program (PRP) – $60 million; Second Mortgage Reduction Plan (SMRP) – $20 million; and Short-Sale Acceleration Program (SSAP) – $6 million. Approximately $17 million was allocated for one-time start-up costs, operating/administrative expenses, transaction related expenses, and counseling expenses to be allocated through the end of the program.

Following are summaries of each HHF program. Programs appear in the order of most funds allocated.

PRINCIPAL REDUCTION PROGRAM (PRP)

Program Implementation and Evolution - This program provided assistance to reduce the principal balance of primary (first priority) mortgages for borrowers with an eligible financial hardship and/or negative equity by:

(i.) principal reduction and a permanent modification or re-amortization (recast) to achieve an affordable monthly payment ("Modification or Re-amortization"); or

(ii.) principal reduction of a "non-delinquent" borrower's primary mortgage in a significant negative equity position to an amount as close to and not less than 100 percent loan-to-value ("LTV") ratio as the amount of per-household assistance will permit to reduce the risk of potential default by such borrowers ("Negative Equity Reduction").

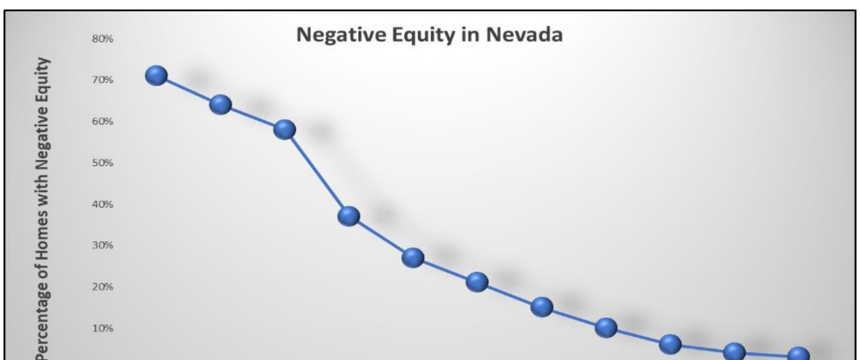
PRP was launched statewide in late 2010, offering a maximum of $25,000 in HHF assistance in the form of a one-time payment to the lender/servicer. While there was additional potential for the borrower's primary mortgage lender to make a matching reduction to the principal balance of the mortgage, participating servicers helped Nevada (and other HHF states) understand that the principal match from investors was largely unattainable due to the significant number of mortgages held in mortgage-backed securities and bonds owned by private and government sponsored enterprises, which restricted lenders' ability to provide a match of principal to a homeowner's loan.

The Sixth Amendment to the HFA Agreement, which took effect on October 28, 2011, doubled the maximum assistance for PRP from $25,000 to $50,000. This action was necessitated because few homeowners were able to achieve an affordable payment with a maximum principal reduction of $25,000. Doubling that figure would allow more homeowners to qualify for the program because they would be able to meet the affordability threshold.

Five years later, on November 1, 2016, the Nineteenth Amendment again doubled the maximum assistance – this time from $50,000 up to $100,000. The reasoning was the same: achieving an affordable payment required even more financial assistance, otherwise struggling homeowners were destined to find themselves in default, and eventual foreclosure.

PRP's original goal was to target homes with severe negative equity and ward off the defaults that were worsening a market already in crisis. Although the definition of severe negative equity changed over the life of the program in recognition of a market in transition, pre- and post-assistance LTV and affordable mortgage payment criteria was consistently maintained, which enabled identification of homeowners in need of immediate assistance to address and avoid strategic defaults.

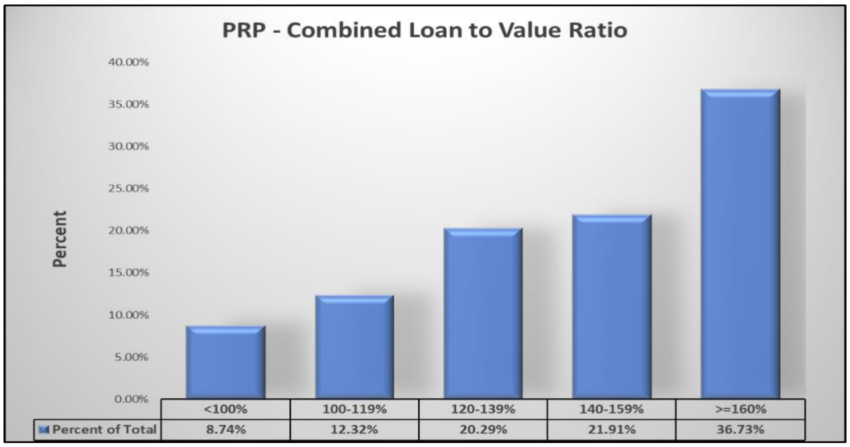
The following chart provides a snapshot of the percentage of first mortgage loans in Nevada with negative equity for the period 2010 through 2020. It illustrates the severity of the negative equity problem that existed in 2010 when PRP was launched, as well as the significant decline in the number of homes with negative equity that occurred over the life of the program.



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Percentage	71%	64%	58%	37%	27%	21%	15%	10%	6%	4%	3%

To bolster the effectiveness of this program, PRP was sometimes utilized in conjunction with aspects of the Making Home Affordable ("MHA") program to help eligible borrowers achieve desired housing debt-to-income ratios and permanent affordability by establishing an appropriate level of mortgage debt.

The chart that follows illustrates just how overwhelming the LTV burden had become for Nevada homeowners seeking assistance through the program, with nearly 60 percent having a combined LTV of 140 percent or greater.



Results - Affordability was the cornerstone of PRP, with over 86 percent of those receiving assistance having household incomes of $69,000 or less. Simply put, many homeowners were struggling to keep their homes due to loss of income and could no longer afford to make their mortgage payments. The alternatives were to either sell the home they were in and relocate to a lower-priced one – a costly and complex endeavor – or abandon home ownership altogether and become a renter.

PRP addressed the affordability issue head on with tangible results. As the following table shows, the average monthly mortgage payment for homeowners assisted by the program dropped from $1,266 to $975. This was nearly a 23 percent decrease and made homeowners much more likely to stay solvent and avoid foreclosure.

Principal Reduction Program		Average Monthly Payment			Average Unpaid Principal Balance ("UPB")		
Program Type	# of Homeowners Assisted	Pre-Assistance	Post-Assistance	Payment Change	Pre-Assistance	Post-Assistance	UPB Change
PRP Recast	1,560	$ 1,266	$ 975	$ (291)	$ 200,727	$ 160,053	$ (40,674)

The next table demonstrates the evolution of PRP with demand for the program peaking in 2013, subsiding in 2014-2015, then building once again from 2016 through 2018, until finally falling off considerably in 2019-2020 as the economy and the housing market rebounded strongly prior to the onset of the COVID-19 pandemic.

PRP Approved Transactions		
Year	**Homeowners Assisted**	**Amount Funded**
2011	19	$ 29,000
2012	405	$ 13,969,547
2013	781	$ 35,940,903
2014	3	$ 160,945
2015	15	$ 598,365
2016	78	$ 3,338,603
2017	122	$ 8,548,944
2018	91	$ 6,981,813
2019	37	$ 2,974,497
2020	9	$ 775,386
Total	**1,560**	**$ 73,318,002**

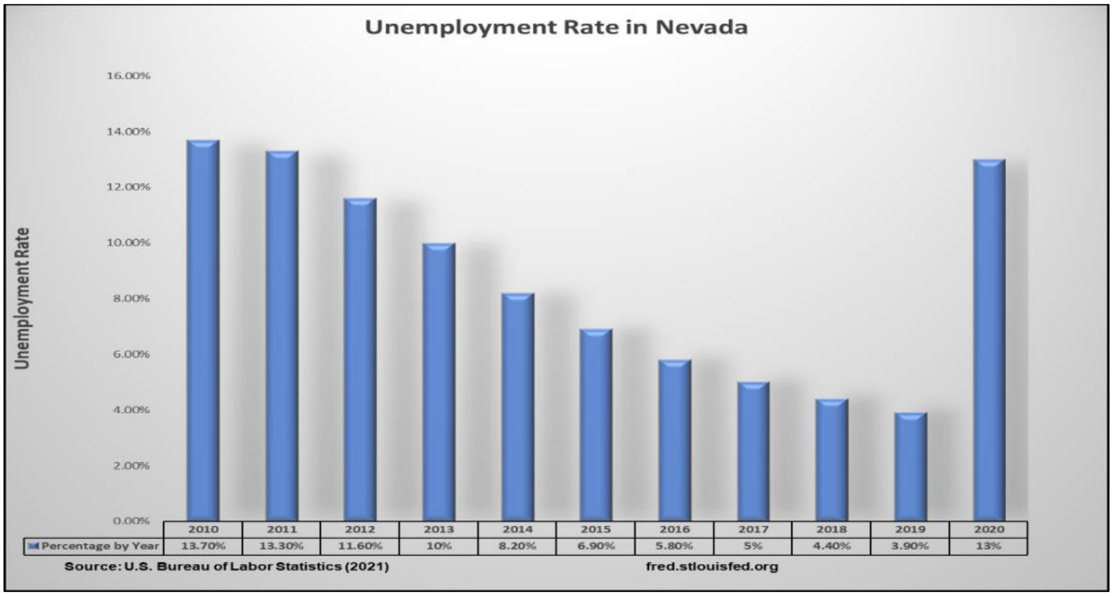
Lessons Learned - One of the biggest obstacles that prevented homeowners from qualifying for PRP was the requirement for mortgages to be reaffirmed after a bankruptcy, which resulted in many denials. This program was revamped to eliminate the requirement of reaffirmation after bankruptcy with the Eighteenth Amendment to program term sheets and took effect on October 4, 2016.

Another lesson learned was that the assistance level of programs should coincide with the ever-changing housing market and needs of distressed homeowners. Property values plummeted so quickly and drastically that the initial maximum level of assistance ($25,000) was not effective enough to address the affordability issue. Moving the maximum to $50,000 helped a bit, but ultimately increasing assistance to a maximum of $100,000 was what the market needed. However, the $100,000 maximum benefit was not implemented until November 2016.

MORTGAGE ASSISTANCE PROGRAM (MAP) – also known as UNEMPLOYMENT MORTGAGE ASSISTANCE PROGRAM (UMAP)

Program Implementation and Evolution - MAP, or UMAP, was unquestionably the largest and most impactful program affecting the greatest number of Nevadans because it addressed by far the number one core issue impacting most homeowners in default, which was the loss of employment. UMAP was established to help keep first mortgages current for homeowner households that had an unemployed wage earner. The program's goal was to provide "breathing room" to homeowners by temporarily subsidizing the largest household expense, the mortgage.

As stated in Section I, Nevada was no stranger to soaring unemployment. The chart below illustrates the volatility that saw unemployment rates hovering at 15 percent in 2010, then dropping steadily as Nevada's economic recovery took shape, only to spike again with the onset of the COVID-19 pandemic.



The First Amendment to the HFA Agreement, dated September 23, 2010, signaled the addition of MAP to the initial three programs (PRP, SMRP, and SSAP). Funding for MAP was established at $34 million, to be utilized to assist qualified families by making up to the lesser of one-third of the principal and interest portion or a $500 payment supplement to the monthly principal and interest portion of the first mortgage payment only. Property taxes and insurance remained fully the borrower's responsibility and were not part of the assistance. Payments could be extended for qualified families for up to six months. Payments were aimed at providing a financial bridge to allow borrowers time to focus on the search for re-employment and upgrade their work skills and marketability to prospective employers. The immediate objective was to decrease the number and probability of foreclosures, with the further goal of sustaining homeownership in the long term.

The bleak economic landscape that took shape in 2009 and raged on in 2010 quickly made it apparent that more help was needed. On December 16, 2010, the Third Amendment reallocated funds from the other programs to MAP, increasing its portion from the initial $34 million to nearly $51 million in response to continued strong demand for this form of assistance. The additional funds served to expand the program in light of persistently high unemployment and underemployment in Nevada.

The Sixth Amendment, approved on October 28, 2011, included some substantial changes to MAP. Maximum monthly assistance had been $500 and was restricted to contributing toward the borrower's principal and interest payments only. This amendment increased the assistance to up to $1,000, and the funding could now be allocated toward principal, interest, property taxes, and homeowners' insurance. Additionally, borrowers would be required to contribute a minimum of $75 toward their combined payment – more if their payment was higher than $1,000. The assistance, which had been for a maximum of six months, was extended to up to nine months and could be extended even further to 12 months if the borrower was still receiving Unemployment Insurance benefits (UIB). These changes were in response to the continued, persistently high unemployment rate in Nevada, the longer duration of time it was taking to find re-employment, and the realities of mortgage payments that, when combined with property taxes and homeowners' insurance, were well above the $500 maximum support originally available. The borrower contribution, or "copayment" component, was designed to place some responsibility on the homeowner as they worked toward finding employment and getting back on their feet.

On February 28, 2012, the Eighth Amendment took MAP to another level, addressing the glaring problem of homeowners not only being unable to make their current month's mortgage payment, but also facing the daunting challenge of digging out from under several months of past due payments. The amendment added a reinstatement component to MAP. It provided up to $12,500 per qualified MAP recipient who subsequently become re-employed and now had adequate income to sustain their mortgage going forward but didn't have sufficient savings to cure any past due amount that may have accumulated when they lost their employment. This stopgap measure helped protect homeowners from the immediate risk of foreclosure due to being unable to bring the mortgage current, even after reemployment.

A little over three and a half years later, on October 28, 2015, the Fifteenth Amendment tackled the challenge faced by homeowners to qualify for MAP by meeting the "Affordable Payment" criteria. This required that a borrower's total monthly primary mortgage payment PITI (principal, interest, taxes, and insurance), including any escrowed or non-escrowed homeowners' association dues or assessments, must be no greater than 33 percent of gross household income, excluding temporary income (e.g., UIB or short-term disability benefits). The Fifteenth Amendment changed this key percentage from 33 percent to 38 percent, allowing more homeowners to meet the definition of an affordable payment.

The program went on to add several more enhancements over the years, extending assistance to equal the lesser of $3,000 per month or 100 percent of PITI and any escrowed or non-escrowed homeowners' association dues or assessments, for up to eighteen months, with the purpose of preventing avoidable foreclosures.

As Nevada continually reviewed program eligibility criteria and analyzed the key reasons homeowners did not qualify for its programs, an important change to the UIB status requirement came about that opened MAP to more homeowners in need. On May 31, 2017, the Twentieth Amendment approved one significant revision that helped those applying for MAP whose UIB had lapsed or expired at the time of HHF application. This amendment allowed for homeowners to proceed with their application so long as their UIB ended no more than 90 days prior. The previous lapsed window of time was 30 days. Many homeowners, presumably with the best of intentions, did not seek assistance until after their UIB and any small savings they had were both exhausted. When they reached that point, many were already more than 30 days out from the expiration of their UIB.

Another key feature of the program was to reinstate a delinquent first mortgage loan before making monthly payments, in order to prevent foreclosure at the onset. Further, the program was designed to complement other loss mitigation programs, including increasing a borrower's eligibility for an extended written forbearance plan and/or loan modification.

Results - The table that follows shows that 2012 – 2013 saw the highest demand for MAP, and while that peak never re-emerged, this program was by far the most consistent over the years in terms of homeowners assisted and funds disbursed. It symbolized the 'temporary' aspect of the overall HHF in that recipients were otherwise in stable shape with respect to their mortgage and just needed a 'bridge' until adequate re-employment was obtained.

MAP Approved Transactions		
Year	**Homeowners Assisted**	**Amount Funded**
2011	539	$ 1,260,100
2012	1,391	$ 9,279,331
2013	1,138	$ 13,263,529
2014	521	$ 5,274,192
2015	110	$ 1,686,191
2016	17	$ 221,306
2017	84	$ 558,936
2018	152	$ 2,605,082
2019	121	$ 2,667,858
2020	331	$ 1,843,187
2021	615	$ 4,047,181
Total	**5,019**	**$ 42,706,893**

Lessons Learned - From an administrative and efficiency standpoint, the requirement that MAP recipients contribute a minimum of $75 toward their mortgage payment, a move implemented to place some responsibility on homeowners as they searched for re-employment, was ineffective. In hindsight, the copayment only served to bog down the administrative and compliance process. The copayment requirement was eliminated by way of the Fourteenth Amendment.

DOWN PAYMENT ASSISTANCE (DPA) PROGRAM

Program Implementation and Evolution - The steady strengthening of the economy took tangible form in 2017 and into 2018, with unemployment rates dropping below 5 percent. Nevada saw fewer and fewer homeowners in distress and able to meet hardship qualifications of the HHF programs. Conversely, with more Nevadans working, the dream of home ownership drove scores of renters into the home-buying market. But there was a catch: many of these mostly first-time homebuyers had little or no savings to provide the down payment necessary to become a homeowner. Enter the DPA Program, which was specifically designed to incentivize homebuyers to purchase a primary residence in targeted areas. It provided an incentive to qualified homebuyers to realize the dream of home ownership, and at the same time stabilize areas that were hardest hit by delinquency, negative equity, distressed sales, and foreclosure. The DPA Program was rolled out in two waves. The first launch was May 1, 2018 with a focus on twenty-eight (28) ZIP Codes. The selected areas exceeded the statewide rate in at least four (4) out of the five (5) distressed housing market indicators – delinquency rate; Real Estate Owned (REO) properties, sales rate; Short Sales rate; Negative Equity; and Foreclosure rate. A second iteration of the program, launched on August 2018, utilizing the same criteria, however, the number of ZIP Codes that met the distressed market criteria dropped slightly to 26 ZIPs.

Results - Both phases of the DPA Program met with immediate and strong interest, as the table that follows illustrates. Funds for both phases of the DPA program were reserved in a matter of weeks.

DPA Approved Transactions		
Phase	**Homeowners Assisted**	**Funded**
1	1,763	$ 33,376,585
2	465	$ 8,887,808
Total	**2,228**	**$ 42,264,393**

Lessons Learned - The DPA Program was extremely successful and timely. It enabled Nevada families to realize the dream of home ownership during a time when the economy was experiencing a strong economic rebirth. The only drawback was not having enough funds to assist more homeowners with a down payment. Unfortunately, once the COVID-19 pandemic hit in March 2020, the economy and the nation turned its focus to more critical matters, and the quest to become a homeowner took a back seat to simply staying healthy and safe through the pandemic and dealing with unexpected job loss.

SECOND MORTGAGE REDUCTION PLAN (SMRP)

Program Implementation and Evolution - SMRP was uniquely created for homeowners with a second mortgage who suffered an eligible financial hardship and who (a) could achieve affordable monthly mortgage payments and an appropriate level of debt if their second mortgage (second lien) was eliminated; or (b) could achieve affordable monthly mortgage payments and an appropriate level of debt with a principal reduction and reamortization (recast) or modification of their second mortgage.

SMRP was one of the three initial HHF programs rolled out in late 2010. It provided a one-time payment to lenders/servicers up to a maximum of $16,500 per household. Further, the program could interact with the Principal Reduction Program and other HHF programs pre- and post-assistance, provided the total combined assistance did not exceed $100,000. The expected outcome was to assist homeowner families by removing the impediment of a second lien on their property such that either a refinance or first mortgage modification could be carried out and thus prevent a foreclosure.

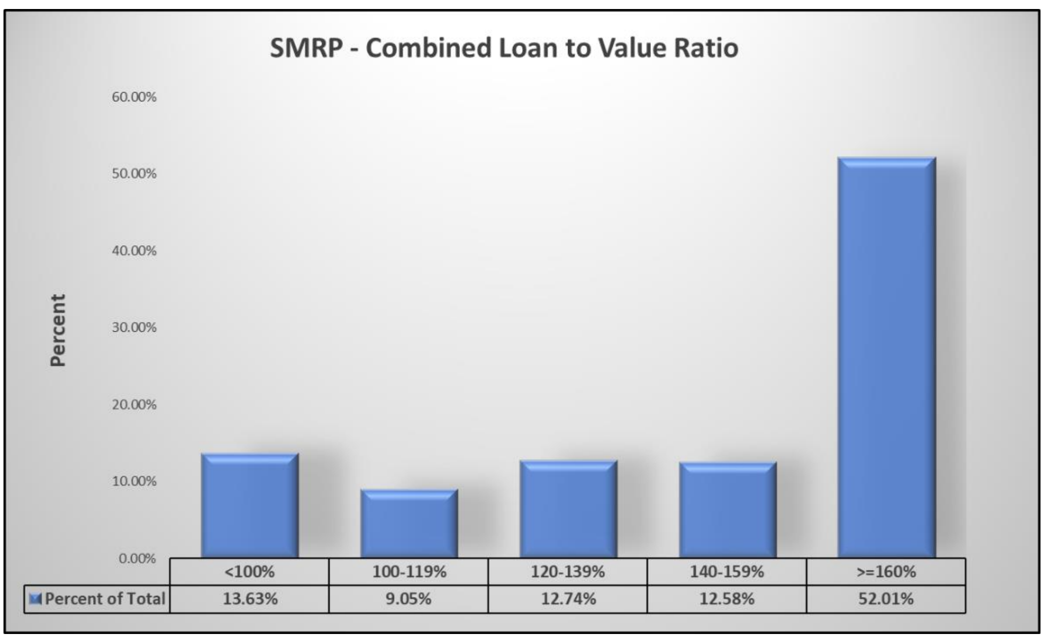
Eligible financial hardships included (a) borrowers with reduced income due to underemployment, medical condition, divorce, or death (as set forth in the program guidelines) with a negative equity position in which the borrower's combined loan-to-value ratio ("CLTV") was 100 percent or more; or (b) a negative equity position in which the borrower's CLTV was 115 percent or more.

Additionally, borrowers must have had pre-assistance, total monthly mortgage payments for their primary and second mortgages PITI, including any escrowed or non-escrowed homeowners' association dues or assessments, greater than 38 percent of the gross household income excluding temporary income (e.g., UIB or short-term disability benefits). Borrowers also could not have had liquid assets, other than exempt retirement assets, in excess of either the amount of assistance being provided, or $30,000, whichever was less.

In order for assistance to be effective and lasting, the borrower's post-assistance housing expenses must have met the definition of an "Affordable Payment." For purposes of SMRP, "Affordable Payment" was defined as a borrower's post-assistance, total monthly mortgage payments for primary and second mortgage PITI, including any escrowed or non-escrowed homeowners' association dues or assessments, being between 25 percent and 38 percent of gross household income, excluding temporary income (e.g., UIB or short-term disability benefits).

The maximum assistance amount of $16,500 eventually became an issue preventing homeowners from qualifying for the program because it simply was not enough to either fully eliminate the second mortgage or reduce it to a point where an affordable payment could be achieved. On June 25, 2015, the Fourteenth Amendment to program term sheets addressed this concern by raising the maximum assistance amount to $50,000.

Statistically, recipients of SMRP mirrored the demographics of PRP recipients, with nearly 65 percent having a CLTV of 140 percent or greater, as revealed on the following chart. Also, not surprising was the fact that over 85 percent had household incomes of $69,000 or less.



Results - The early years of the Nevada Hardest Hit Fund were by far the strongest for SMRP. The popularity of second mortgages during early 2000's put overextended homeowners in an untenable position when the Great Recession hit.

The following table shows total program utilization over the life of SMRP.

SMRP Approved Transactions	
Homeowners Assisted	Funded
482	$ 7,365,218

Lessons Learned - SMRP struggled to be an effective remedy for homeowners due to the initial low maximum assistance level of $16,500. As with other lessons learned, this issue was later addressed by raising the maximum assistance to $50,000.

MORTGAGE REINSTATEMENT ASSISTANCE PROGRAM (MRAP)

Program Implementation and Evolution - As chronic long-term unemployment continued to wreak havoc with the Nevada housing market, MAP alone was not enough for many distressed homeowners. When homeowners finally became re-employed, the amount needed to bring their past-due mortgage current seemed an insurmountable obstacle to getting back to housing stability. The Nineteenth Amendment, enacted on November 1, 2016, addressed this issue in two ways. First, it reallocated funds from PRP and SMRP to MAP. Secondly, it established the Mortgage Reinstatement Assistance Program (MRAP) that specifically addressed bringing homeowners current. MRAP provided funds to help income-qualified borrowers cure their delinquent first mortgage loan arrearages, which could also include payments needed to reinstate their loan from foreclosure. Qualified homeowners could receive up to $54,000 per household in total for PITI and any escrowed homeowners' association dues, assessments, or arrearages. All programs combined was subject to the HHF program maximum lifetime benefit cap of $100,000. Assistance with curing delinquent, non-escrowed property taxes and homeowners' association dues was only available in conjunction with other assistance on the homeowner's mortgage loan.

The program sought to prevent avoidable foreclosures by helping borrowers reinstate their past due first mortgage loans. By doing so, MRAP aimed to mitigate the need for large reinstatement dollars to be capitalized with a remaining loan balance, and thus, broaden the population of borrowers who qualify for modification.

Initial funding of MRAP was $17.1 million. While the Twenty-first Amendment reduced this amount to $14.1 million, MRAP continued to be offered through the sunset of HHF.

Results - MRAP saw its biggest year in 2018, with nearly 60 homeowner families assisted, providing a total of over $1.1 million to those families. When combined with MAP, the program provided crucial additional assistance to homeowners who became unemployed and fell behind on their mortgage. Many homeowners only achieved temporary relief through MAP, and when that support ended, it was financially impossible to bring themselves current, triggering immediate vulnerability to foreclosure once again. MRAP support allowed for a "clean slate" once homeowners became re-employed.

The table below shows the total households assisted and funds utilized via MRAP.

MRAP Approved Transactions	
Homeowners Assisted	**Funded**
165	$ 2,668,541

Lessons Learned - One of the biggest challenges faced in facilitating *all* programs was obtaining the necessary documentation to enable a thorough review of each homeowner's circumstances and render a fair and timely decision. Lack of documentation to validate a qualifying hardship was by far the greatest obstacle to approval of assistance.

MORTGAGE ASSISTANCE PROGRAM ALTERNATIVE (MAPA)

Program Implementation and Evolution - Launched in February 2012 and designed as a supplement to MAP, MAPA was created to address a key demographic group that was fell outside of MAP requirements. MAPA addressed non-working homeowners who were on a fixed income such as a pension, disability, and/or Social Security, and who suffered a financial hardship. It provided mortgage payment assistance for up to 12 months.

Results - As the following table illustrates, MAPA was not a large part of the overall HHF Program. However, it meant a great deal to 200 plus Nevada families, mostly seniors on a fixed income, who were able to keep their homes.

MAPA Approved Transactions	
Homeowners Assisted	**Funded**
226	$ 1,613,827

Lessons Learned - Keeping in mind that MAPA was meant to provide homeowners on a fixed income with temporary mortgage payment assistance while working out a loan modification with their servicer, demand for this program was not very high. Still, more effective outreach specifically targeting older homeowners may have steered more of them to this financial lifeline.

Additionally, MAPA likewise required recipients to contribute a minimum of $75 toward their mortgage payment, which, as mentioned previously, was not effective.

SHORT-SALE ACCELERATION PROGRAM (SSAP)

Program Implementation and Evolution - SSAP was one of the first three programs launched in June 2010. This initiative was aimed at providing funds to homeowners who began or needed to start the short-sale process, deed in lieu of foreclosure, or a similar foreclosure mitigation measure. The goal was to relieve homeowners of unsustainable mortgages and assist with a graceful exit. The program provided a maximum benefit of $8,025 per household. The assistance could be used to cover up to three (3) months of rent (not to exceed $4,500), fees incurred for storage of belongings (not to exceed $1,000), and/or certain fees which may have been interfering with the short-sale closing – specifically HOA and utility liens. It was expected to provide approximately 100 families with an average of $5,000 in assistance to avoid imminent foreclosure due to unemployment by having the burden of their home mortgage eliminated.

By late 2012, interest in the Short-Sale Acceleration Program was waning. Finally, due to a lack of applications from homeowners, SSAP was officially terminated on December 31, 2012.

Results - SSAP was never meant to be a cornerstone program of the Nevada Hardest Hit Fund; however, it played an important role of assisting Nevada families whose only sensible option was to move on from home ownership by providing much-needed funds to smooth the transition. The table that follows shows total program utilization for the 2 plus years that the program was in place.

SSAP Approved Transactions	
Homeowners Assisted	**Amount Funded**
104	$ 289,179

Lessons Learned - While this program was meant to provide homeowners with critical transition assistance in short-sale or deed-in-lieu situations, it was subsequently determined that in many cases homeowners were already receiving transition assistance from lenders. Nevertheless, the program assisted over 100 homeowners in moving forward.

OTHER SIGNIFICANT AMENDMENTS AND PROGRAM CHANGES

Amendments to the HFA Agreement were submitted and subsequently approved by Treasury as part of the evolution of the HHF. The goal of the amendments was to anticipate and react to a rapidly changing economy by providing the right programs at the right time. Significant changes that specifically impacted a particular program are referenced in the following summaries for each program; however, some amendment changes were more global, affecting multiple programs. Below are the key changes that impacted several programs.

- **Fourth Amendment – April 5, 2011:** Two important eligibility criteria updates were made: loans had to have originated on January 1, 2009 or earlier, and the property must be owner occupied. The two restrictions were implemented to funnel assistance to homeowners who purchased their principal residence prior to the start of the Great

Recession and the subsequent housing crisis, and who continued to own and occupy the property as their primary residence but were at risk of losing the home to foreclosure.

- **Fourteenth Amendment – June 25, 2015:** This amendment brought changes to lien periods for most programs. Lien requirements for PRP, SMRP, and the Mortgage Assistance Program (MAP) were extended to five years with no proration of the lien forgiveness (previously these programs were structured with a three-year lien forgiven at a rate of 33 percent per year, with full forgiveness at the end of year three). The Mortgage Assistance Program Alternative (MAPA) retained the three-year prorated lien structure.

- **Twenty-first Amendment – January 31, 2018:** Nevada's allocation was reduced by $6.66 million in Fifth Round Funding dollars (allocated in early 2016) due to failure to meet Treasury's 2017 utilization threshold. This translated into the following reductions by program: PRP from $96.4 million to $95.4 million; MAP from $47.7 million to $43 million; and MRAP from $15.1 million to $14.1 million.

- **Twenty-third Amendment – April 23, 2018:** The Down Payment Assistance program was birthed. This amendment reallocated a total of $36 million in funds from PRP, SMRP, and MAP.

III: HOMEOWNERSHIP RETENTION

To determine the true measure of success for the Hardest Hit Fund, one need only go back to the program's primary goals as stated at the beginning of this report: to help stabilize housing markets and prevent avoidable foreclosures caused by sustained high levels of unemployment and steep declines in property values.

This section serves to provide a visual scorecard of outcomes for each program and overall. It does so by looking at homeownership retention by HHF borrowers within two years of receiving their assistance. The following charts break down homeownership status into five distinct outcomes:

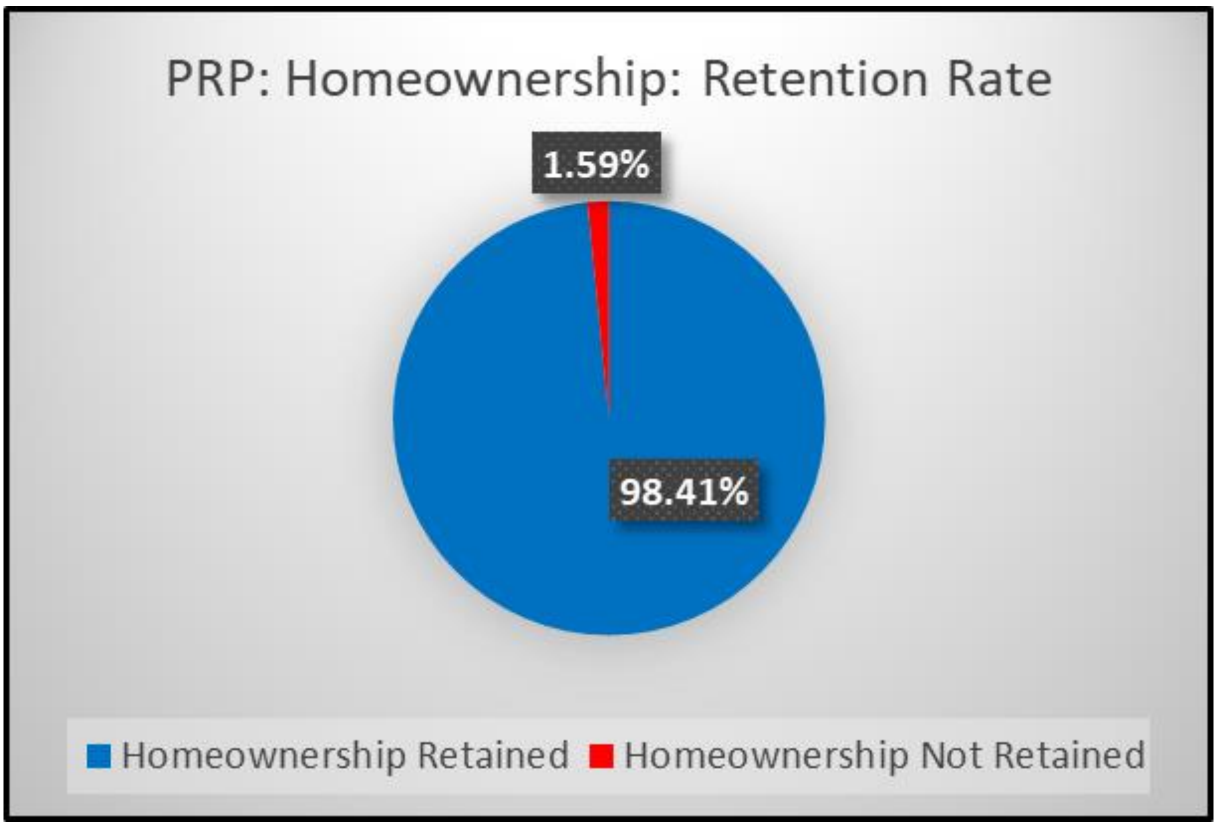
1. **Foreclosure Sale**
2. **Deed in Lieu**
3. **Short Sale**
4. **Traditional Sale**
5. **Borrower Still Owns Home**

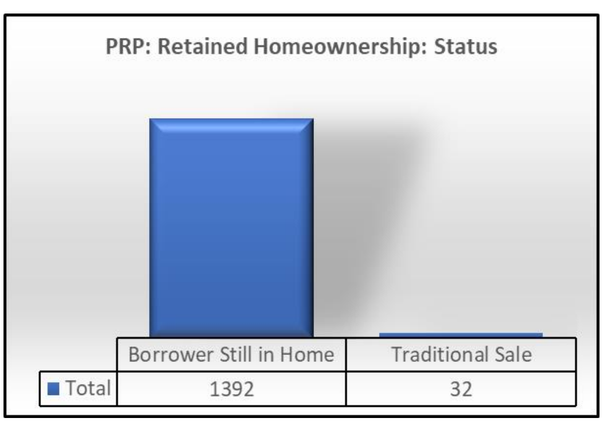
The first outcome, **Foreclosure Sale**, is defined as borrowers who lost the home due to foreclosure within two years after receiving final payment in a respective HHF program. This same criterion applies for **Deed in Lieu** and **Short Sale**.

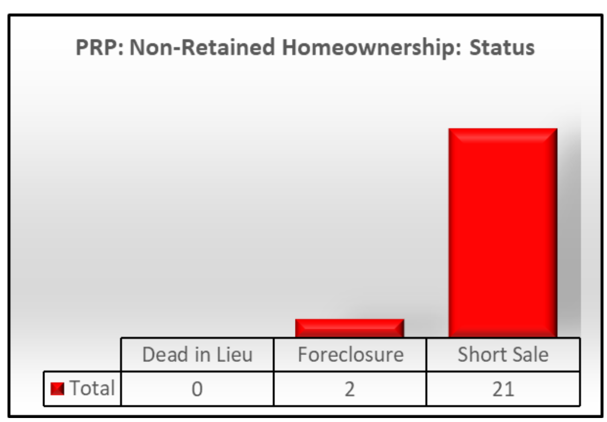
For the fifth outcome, **Borrower Still Owns Home**, the counts represent borrowers who retained ownership of the home two years after receiving final payment in a respective HHF program. This excludes borrowers who retained the home at end of term but exited the HHF program less than two years prior to end of term.

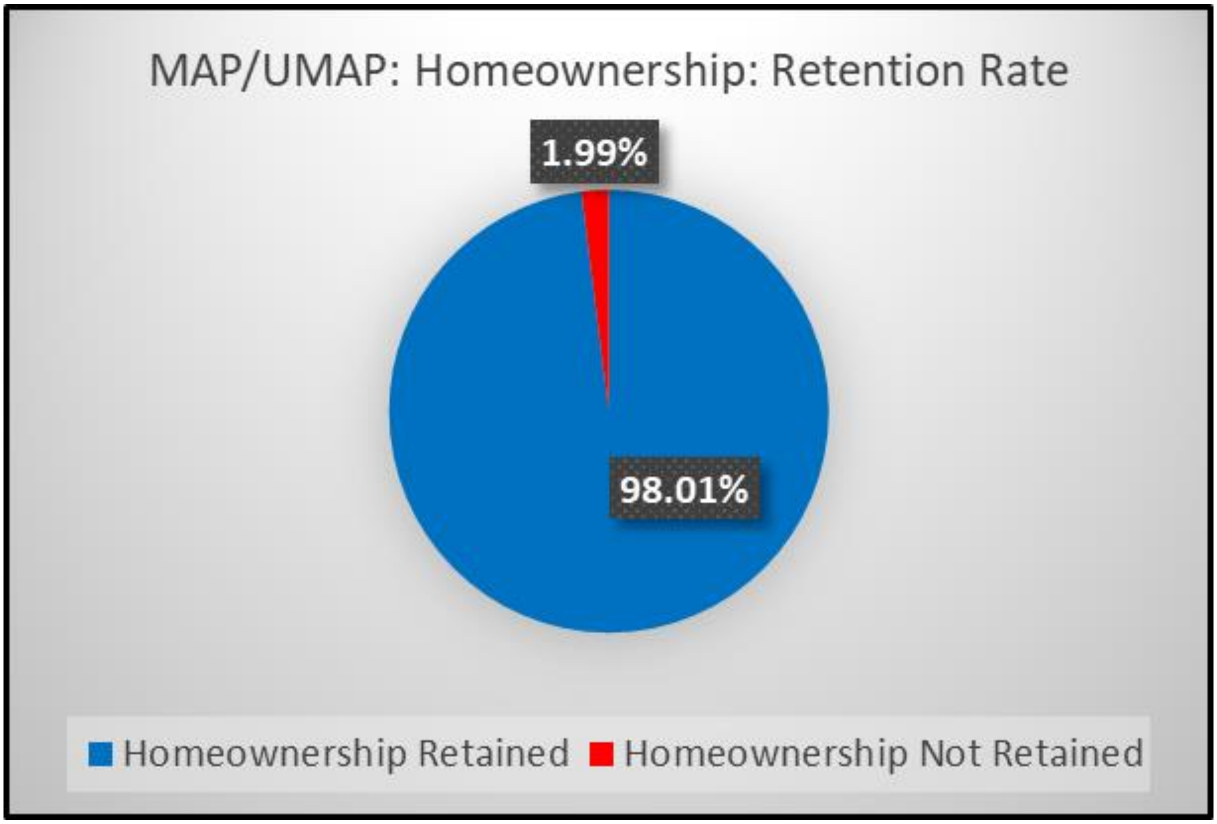
Homeownership Retention is the sum of the **Traditional Sale** and **Borrower Still Owns Home** categories. Traditional Sale is counted in the Homeownership Retention category despite the borrower not retaining their home for the full two years. This is due to the fact that a borrower who sold their home in a traditional sale is considered to have achieved a positive outcome by selling their home under "non-distressed" circumstances.

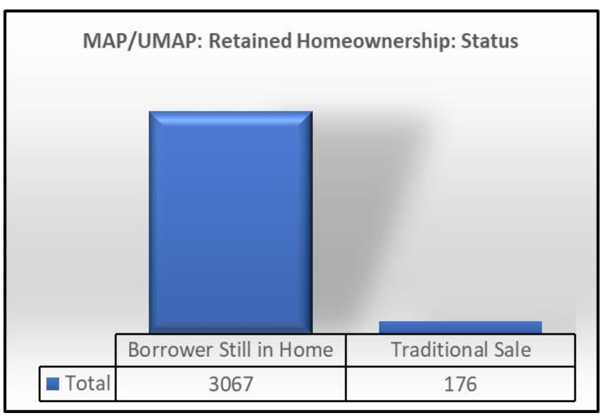
It is plain to see from the ensuing charts that no matter the program, with Homeownership Retention rates ranging from 89.6 percent to 100 percent, the Hardest Hit Fund served distressed homeowners in Nevada extremely well and successfully met its dual goals of housing market stabilization and foreclosure prevention.

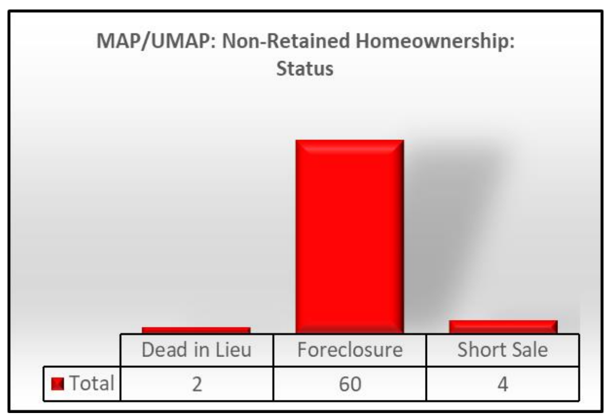


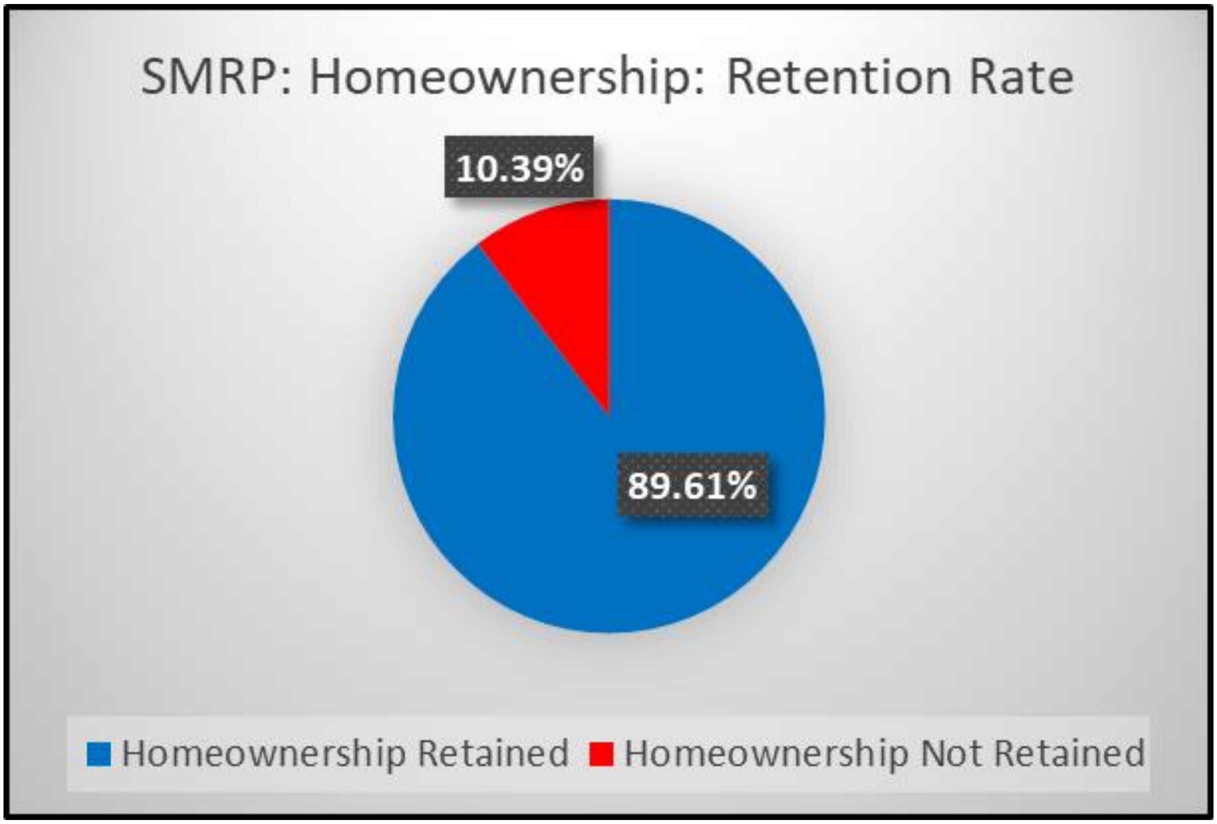


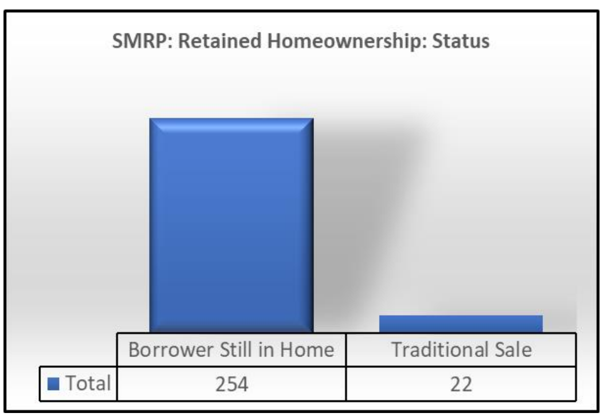


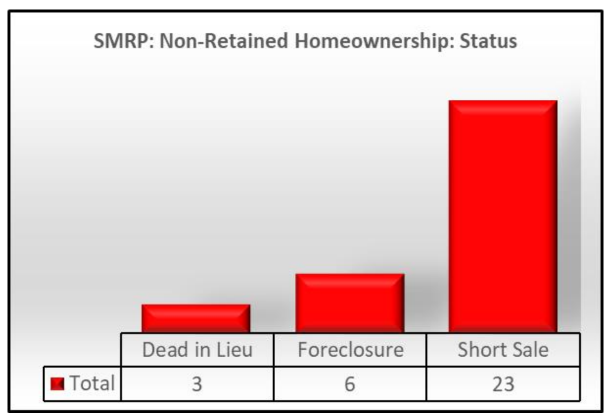

MAP/UMAP: Homeownership: Retention Rate
1.99%
98.01%
Homeownership Retained
Homeownership Not Retained

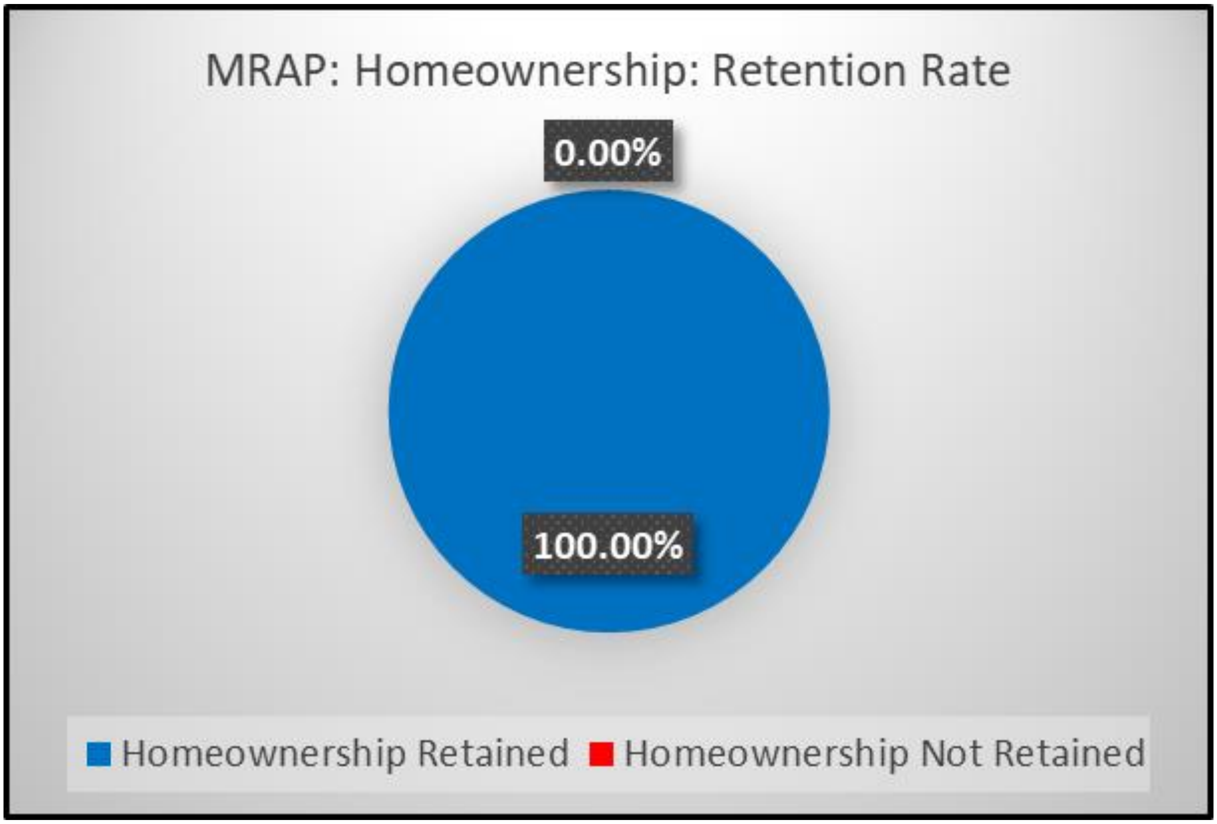

MAP/UMAP: Retained Homeownership: Status
Borrower Still in Home
Traditional Sale
Total
3067
176

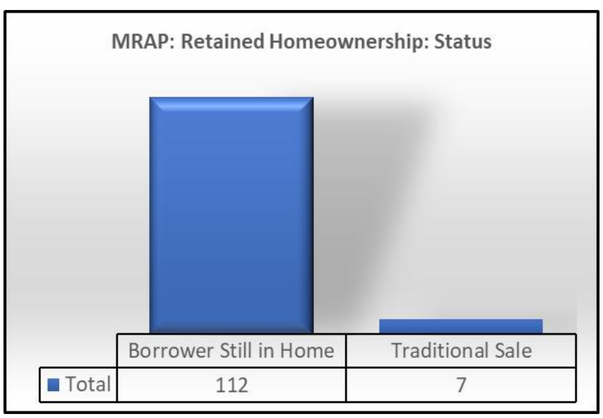

MAP/UMAP: Non-Retained Homeownership: Status
Dead in Lieu
Foreclosure
Short Sale
Total
2
60
4

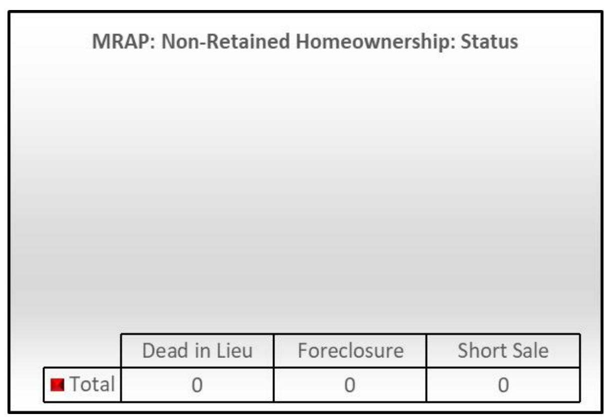

SMRP: Homeownership: Retention Rate
10.39%
89.61%
Homeownership Retained
Homeownership Not Retained

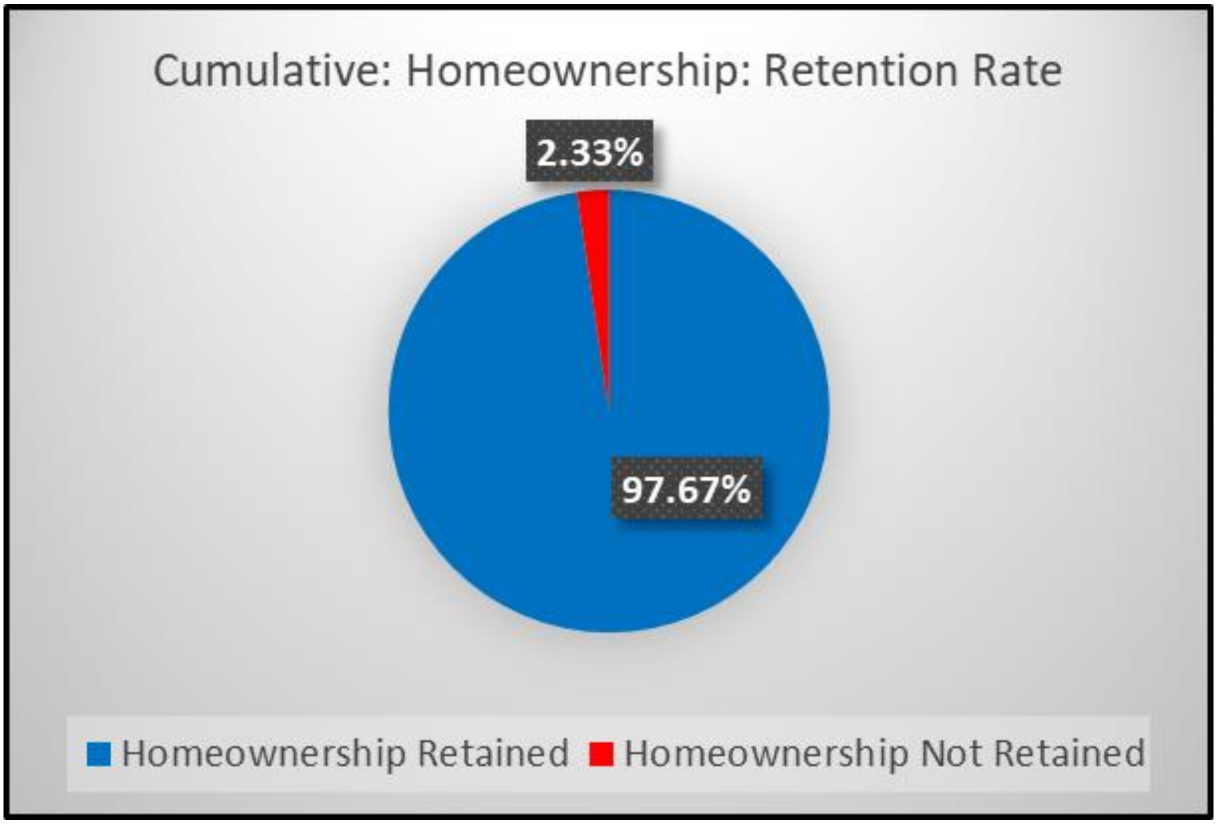

SMRP: Retained Homeownership: Status
Borrower Still in Home
Traditional Sale
Total
254
22

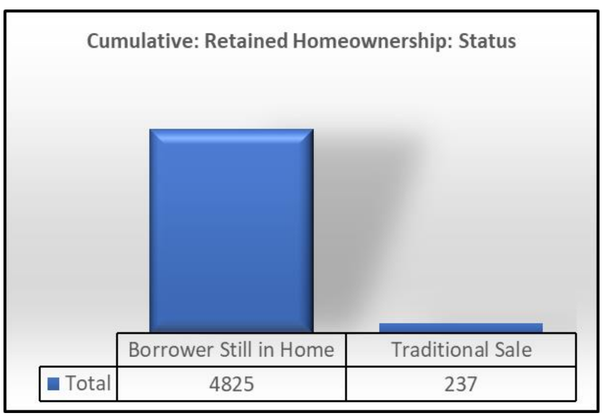

SMRP: Non-Retained Homeownership: Status
Dead in Lieu
Foreclosure
Short Sale
Total
3
6
23

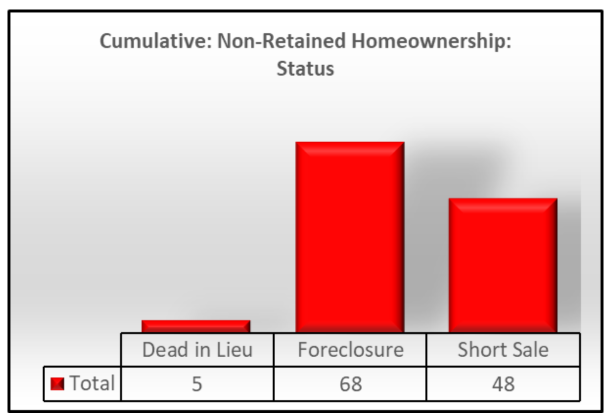

MRAP: Homeownership: Retention Rate
0.00%
100.00%
Homeownership Retained
Homeownership Not Retained


MRAP: Retained Homeownership: Status
Borrower Still in Home
Traditional Sale
Total
112
7


MRAP: Non-Retained Homeownership: Status
Dead in Lieu
Foreclosure
Short Sale
Total
0
0
0


Cumulative: Homeownership: Retention Rate
2.33%
97.67%
Homeownership Retained
Homeownership Not Retained


Cumulative: Retained Homeownership: Status
Borrower Still in Home
Traditional Sale
Total
4825
237


Cumulative: Non-Retained Homeownership: Status
Dead in Lieu
Foreclosure
Short Sale
Total
5
68
48

IV: CONCLUSION

Throughout the HHF program, reaching qualified homeowners and imploring them to take advantage of the programs offered remained a struggle. In part due to general distrust of federally backed programs, political beliefs, a lack of public trust and negative publicity. Additionally, the amount of documentation required for qualification often discouraged homeowners from completing the application process.

There were also macro issues from a technology standpoint. Homeowners completed the initial portion of the application by filling out an online questionnaire. This was inefficient and problematic, as homeowners had difficulty interpreting the questions on the online form, even as questions were plainly written with prompts, which resulted in inaccurate data being captured and a backlog of applications.

The second system utilized, referred to as DMS (Document Management System), was an improvement over the initial method of obtaining homeowner applicant data. Applications were completed by NAHAC representatives, and the system provided improvements in front-end processing and document management, but key components of the process were missing, and reporting was also a problem.

The third system, NMAS (Nevada Mortgage Assistance System), was created by Speridian Technologies, the company responsible for the development and maintenance of California's system of record. Nevada entered into an agreement with the State of California to utilize the technology for the California HHF system of record. The California system was modified to meet the specifications of Nevada's HHF programs, and allowed for end-to-end components including Triage, Counseling, Processing, Eligibility, Document Management and Reporting. NMAS yielded tremendously more efficiency and improvements in data accuracy, processing, tracking and reporting.

Although there were issues with program and system implementation, and challenges in rapidly manifesting programs that would adequately address homeowner needs associated in a changing economy and housing market, there is no doubt the Nevada HHF successfully served distressed homeowners extremely well and met its dual goals of housing market stabilization and foreclosure prevention. The home retention metrics captured within this report clearly demonstrate that nearly 98 percent of program participants maintained homeownership of their primary residence at least two years after receiving HHF assistance. Overall, the Hardest Hit Fund assisted 9,200 unique households. Of this total, 7,000 benefitted from HHF homeownership retention programs and 2,200 were assisted in purchasing a home through the Down Payment Assistance Program.[3]

[3] The difference between cumulative number of homeowners in the chart on page 22 (5,183) and total number of unique households assisted (7,000) is due to the following: (i) Unique households assisted include *all* retention program assistance provided through the end of the NVHHF program. Cumulative count in the chart on page 22 only includes homeowners who were funded at least two years prior to the end of the program; (ii) Homeowners funded under MAPA (184) were also funded under either PRP, UMAP, or SMRP, and therefore already included in the respective Homeownership Retention numbers as applicable. Per Final Report Guidelines provided by Treasury, Data for SSAP, a transition assistance program, is not captured in this report.

Invaluable lessons were learned throughout the administration of the Nevada HHF. The obvious key lesson is federal programs of this magnitude work best with input and cooperation from Treasury, SIGTARP, states, housing counseling agencies, servicers and lenders, legislators, and homeowners. Partnerships that include these key stakeholders from the onset will timely yield innovative and coordinated concepts for suitable home retention programs and produce positive and targeted outcomes on a large scale.

V: APPENDIX

GLOSSARY

1. **B&I** – State of Nevada Department of Business & Industry
2. **CLTV** – Combined loan-to-value ratio
3. **DMS** – Document Management System
4. **DPA** – Down Payment Assistance (Program)
5. **EESA** – Emergency Economic Stabilization Act of 2008
6. **HFA** – Housing Finance Agency
7. **HHF** – Hardest Hit Fund
8. **HUD** – U.S. Department of Housing and Urban Development
9. **NHD** – Nevada NHD
10. **LTV** – Loan-to value ratio
11. **MHA** – Making Home Affordable
12. **MAP** – Mortgage Assistance Program
13. **MAPA** – Mortgage Assistance Program Alternative
14. **MRAP** – Mortgage Reinstatement Assistance Program
15. **NAHAC** – Nevada Affordable Housing Assistance Corporation
16. **NMAS** – Nevada Mortgage Assistance System
17. **NVHHF** – Nevada Hardest Hit Fund
18. **PITI** – Principal, interest, property taxes, and homeowners insurance
19. **PRP** – Principal Reduction Program
20. **REO** – Real Estate Owned
21. **SIGTARP** – Special Inspector General for the Troubled Asset Relief Program
22. **SMRP** – Second Mortgage Reduction Plan
23. **SSAP** – Short-Sale Acceleration Program
24. **Treasury** – United States Department of the Treasury
25. **UIB** – Unemployment Insurance benefits
26. **UMAP** – Unemployment Mortgage Assistance Program