New Federal Program
Offers Homeowners Help

The Obama Administration today announced additional support to help homeowners struggling with unemployment through two targeted foreclosure-prevention programs. Through the existing Housing Finance Agency (HFA) Innovation Fund for the Hardest Hit Housing Markets (the Hardest Hit Fund), the U.S. Department of the Treasury will make $2 billion of additional assistance available for HFA programs for homeowners struggling to make their mortgage payments due to unemployment. Additionally, the U.S. Department of Housing and Urban Development (HUD) will soon launch a complementary $1 billion Emergency Homeowners Loan Program to provide assistance – for up to 24 months – to homeowners who are at risk of foreclosure and have experienced a substantial reduction in income due to involuntary unemployment, underemployment, or a medical condition.

“We remain committed to helping struggling homeowners, and this program will provide additional assistance to states hit hardest by unemployment,” said Assistant Secretary for Financial Stability Herb Allison. “This is part of the Administration’s comprehensive housing policy that has helped to stabilize a fragile housing market and allows responsible homeowners the chance to reduce their monthly mortgage payments to affordable levels.”

“HUD’s new Emergency Homeowner Loan Program will build on Treasury’s Hardest Hit initiative by targeting assistance to struggling unemployed homeowners in other hard hit areas to help them avoid preventable foreclosures,” said Bill Apgar, HUD Senior Advisor for Mortgage Finance. “Together, these initiatives represent a combined $3 billion investment that will ultimately impact a broad group of struggling borrowers across the country and in doing so further contribute to the Administration’s efforts to stabilize housing markets and communities across the country.”

Hardest Hit Fund

President Obama first announced the Hardest Hit Fund in February 2010 to allow states hit hard by the economic downturn flexibility in determining how to design and implement programs to meet the local challenges homeowners in their state are facing.

Under the additional assistance announced today, states eligible to receive support have all experienced an unemployment rate at or above the national average over the past 12 months. Each state will use the funds for targeted unemployment programs that provide temporary assistance to eligible homeowners to help them pay their mortgage while they seek re-employment, additional employment or undertake job training.

States that have already benefited from previously announced assistance under the Hardest Hit Fund may use these additional resources to support the unemployment programs previously approved by Treasury or they may opt to implement a new unemployment program. States that do not currently have Hardest Hit Fund unemployment programs must submit proposals to Treasury by September 1, 2010 that, within established guidelines, meet the distinct needs of their state.

The states eligible to receive funds through this additional assistance, along with allocations based on their population sizes, are as follows:

Alabama	$60,672,471
California	$476,257,070
Florida	$238,864,755
Georgia	$126,650,987
Illinois	$166,352,726
Indiana	$82,762,859
Kentucky	$55,588,050
Michigan	$128,461,559
Mississippi	$38,036,950
Nevada	$34,056,581
New Jersey	$112,200,638
North Carolina	$120,874,221
Ohio	$148,728,864
Oregon	$49,294,215
Rhode Island	$13,570,770
South Carolina	$58,772,347
Tennessee	$81,128,260
Washington, DC	$7,726,678

HUD Emergency Homeowners Loan Program

This new program will complement Treasury's Hardest Hit Fund by providing assistance to homeowners in hard hit local areas that may not be included in the hardest hit target states. Those areas are still being determined.

The program will work through a variety of state and non-profit entities and will offer a declining balance, deferred payment "bridge loan" (zero percent interest, non-recourse, subordinate loan) for up to $50,000 to assist eligible borrowers with payments on their mortgage principal, interest, mortgage insurance, taxes and hazard insurance for up to 24 months.

Under the program, eligible borrowers must:

1. Be at least three months delinquent in their payments and have a reasonable likelihood of being able to resume repayment of their mortgage payments and related housing expenses within two years;
2. Have a mortgage property that is the principal residence of the borrower, and eligible borrowers may not own a second home;
3. Demonstrate a good payment record prior to the event that produced the reduction of income.

HUD will announce additional details, including the targeted communities and other program specifics when the program is officially launched in the coming weeks.