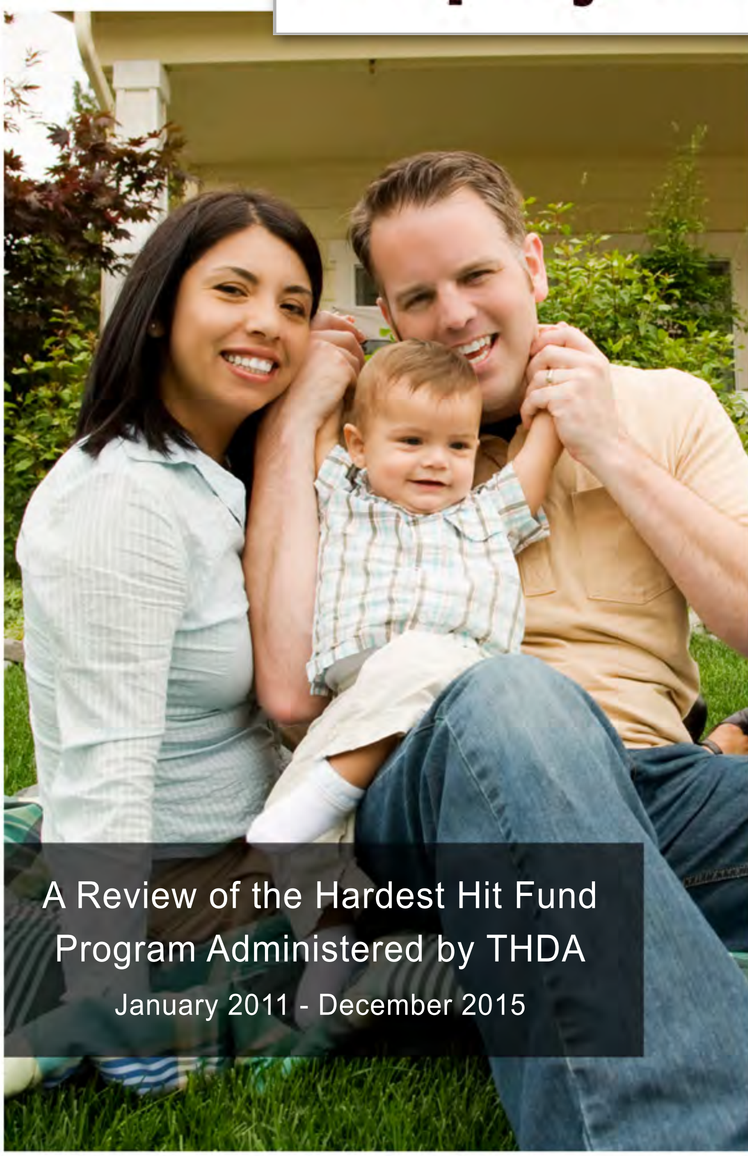
Keep My Tennessee Home



A Review of the Hardest Hit Fund Program Administered by THDA

January 2011 - December 2015

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Introduction

This report looks at the Housing Finance Agency (HFA) Hardest Hit Fund (HHF) Program administered by the Tennessee Housing Development Agency (THDA) between January 2011 and December 2015. The Hardest Hit Fund Program was established to restore stability in the housing market as one of the programs under the Troubled Assets Relief Program (TARP). This was one of the programs intended to provide direct assistance to homeowners. Tennessee was one of 18 states and the District of Columbia deemed eligible for these funds. State Housing Finance Agencies have until the end of 2017 to fully utilize the funds provided with the Hardest Hit Fund. While a host of economic distress indicators were used for the different rounds of funding eligibility, Tennessee's eligibility was triggered by the unemployment rate exceeding the national average rate.

HHF states were able to craft an HHF program that met the needs of each state, within certain parameters and with terms agreed to by the U.S. Department of Treasury. Tennessee focused on providing mortgage loan payment assistance and assistance with loans in arrears.

During the four-year span during which applications were accepted, more than 38,000 Tennesseans were pre-screened for program eligibility. A total of 7,355 were assisted with the Treasury's HHF Program, and as of December 31, 2015, a total of $169.9 million[1] of assistance was provided. In addition to nearly $170 million of program expenses, THDA allocated approximately $20 million for administrative expenses including personnel, building, equipment, technology and marketing/advertising.

Out of the 7,355 homeowners who received assistance through the HHF Program, a total of 5,494 borrowers, or 75 percent of all HHF borrowers, were no longer in the program at the end of 2015. A majority of those borrowers who were no longer receiving assistance were the borrowers who exhausted the maximum available assistance for them. The second largest group of borrowers who were no longer receiving assistance were the borrowers who gained employment. At the end of 2015, THDA was still making assistance payments for 1,861 borrowers.

For the 5,494 borrowers who were helped and were no longer receiving assistance, as of the end of 2015, 91 percent were able to keep their homes after their assistance ended. Five percent of borrowers who were no longer receiving assistance had a foreclosure while four percent sold their homes or accepted a short sale.

In the following sections Tennessee's Hardest Hit Fund Program is explained in more detail.

1 This is the total actual dollar amount of payments that were made on behalf of the recipients, not the committed assistance amount.

I. Program Overview

The Housing Finance Agency (HFA) Hardest Hit Fund (HHF) program was one of the tools utilized by the Troubled Asset Relief Program (TARP) federal funds to help the nation's housing market recover and was one of the few programs directed to assist struggling homeowners. There were five rounds of HHF funding. The first round of HHF program funding in the amount of $1.5 billion was announced in February 2010 and targeted five states[2] that experienced more than a 20 percent decline in home prices during the financial crisis. The second round of $600 million funding was announced in March 2010 and added five states[3] that had high concentrations of people living in economically distressed areas.[4] In September 2010, the third round of HHF funding was announced in the amount of $2 billion to include 17 states[5] and the District of Columbia with unemployment rates at or above the national average. The fourth round of HHF funding was released in September 2010 and provided an additional $3.5 billion funding to all Housing Finance Agencies (HFAs) with previous HHF awards to spend on any program to help struggling homeowners.[6] In February 2016, the U.S. Treasury announced fifth round of funding that will provide $2 billion in additional assistance to struggling homeowners and communities.

The HFAs in the 18 states and District of Columbia with HHF awards designed and administered programs that fit the specific needs and problems of struggling homeowners in their own region. Examples of HHF programs administered by various HFAs include mortgage payment assistance for unemployed or underemployed homeowners, principal reduction to help homeowners get into more affordable mortgages, assistance to eliminate second mortgage loans, and help for homeowners who are transitioning out of their homes and into more affordable places of residence.

THDA received a total of $217 million in funding, $81 million from the third HHF round and $136 million in the fourth HHF round. THDA's Hardest Hit Fund Program started in January 2011 as a pilot program targeting particularly hard hit counties and became a statewide program in March 2011.

THDA's Hardest Hit Fund program (Keep My Tennessee Home (KMTH)) included forgivable loans to unemployed and underemployed homeowners to pay monthly mortgage and mortgage-related expenses such as property taxes, homeowner insurance, homeowner association dues, and/or past-due mortgage payments that accumulated during a period of unemployment while the homeowner sought or trained for a new job. Subsequent program changes expanded eligibility to include divorce and death of a spouse as events causing mortgage payment difficulties. These funds were paid directly to the loan servicer/lender for past due mortgage payments to bring the mortgage current and/or to make monthly mortgage payments.

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2 Arizona, California, Florida, Michigan and Nevada

3 The states received HHF funding in the second round were North Carolina, Ohio, Oregon, Rhode Island and South Carolina, and states from the first round were not eligible to apply for this second round of funding.

4 Economically distressed areas are defined as counties in which the unemployment rate exceeded 12 percent in 2009.

5 Alabama, California, Florida, Georgia, Illinois, Indiana, Kentucky, Michigan, Mississippi, Nevada, New Jersey, North Carolina, Ohio, Oregon, Rhode Island, South Carolina, Tennessee. Arizona did not receive funding in the third round.

6 See HFA Hardest-Hit Fund Program Summary, presented by Mark McArdle, Program Director, HHF, found at: http://www.ncsha.org advocacy-issues/hardest-hit-foreclosure-initiative

An HHF Program loan is not a grant but a five year subordinate loan, with zero percent interest, deferred-payment, and fully forgivable after the five years. The loan amount is reduced (forgiven) by 20 percent a year for every year borrower stays in the home. At the end of the five years, the note is considered satisfied and THDA releases the lien securing the note.

As with the categories of eligibility that evolved with the program, the structure of assistance also evolved. In the beginning of the KMTH Program, struggling homeowners were eligible to receive assistance of up to $15,000 ($18,000 if their home was located in a targeted county[7]) for up to a maximum of 12 months (18 months in a targeted county). In an effort to ensure that the assistance provided in the KMTH Program was enough to aid in sustainable homeownership rather than short-term fixes, THDA increased the amount of assistance that could be provided. In November 2012, the maximum amount of assistance increased to $40,000 for up to 36 months statewide. Additionally, THDA provided an "assistance extension" to HHF borrowers who were approved prior to the maximum benefit increase if they still qualified. This expansion of assistance also ensured that Tennessee was getting this federal assistance out to homeowners quickly, for maximum impact.

Tennessee administered only reinstatement and mortgage payment assistance programs, which were administered by all Housing Finance Agencies (HFA) that received the Hardest Hit Fund. The District of Columbia, Illinois,

7 Targeted counties included Bedford, Bledsoe, Carroll, Cocke, Crockett, Fentress, Gibson, Greene, Hamblen, Hardeman, Haywood, Hickman, Houston, Jefferson, Lauderdale, Lewis, Macon, Madison, Marshall, Maury, McMinn, McNairy, Monroe, Rhea, Sevier, Shelby, Smith, Trousdale and Warren Counties.

Brad

Brad was in a dangerous position financially when he lost his job as an inspector for a utility company in 2010. The eldest of his three children was about to graduate from high school, he had an adjustable rate mortgage on his Mt. Juliet home, and the two metal rods implanted in his back during a spinal surgery three years earlier made it nearly impossible to find work.

He managed to stay afloat until 2013, when he fell behind on his mortgage and was about to lose the home where he'd been raising his children for their entire lives. Searching the internet for options, Brad discovered the Keep My Tennessee Home program from THDA. "Y'all have been just awesome," he said. "Your people were on the ball from the start. I am so thankful. It was a nice experience working with some very nice people."

THDA provided subsidies to keep Brad current on his mortgage until he was able to resume making full payments on his home in November 2015. As an Air Force veteran who served as a jet mechanic during Desert Storm, Brad is currently in the process of refinancing his mortgage to a 30-year, fixed rate loan through the Veterans Administration. "You saved me. Thanks to you, I've still got my home," he said.

New Jersey, Ohio, Oregon and Rhode Island were the other states that administered only these two types of assistance programs. The principal reduction program was another program that was commonly administered by a majority of HFAs. Along with Tennessee, the District of Columbia, Illinois, New Jersey, Ohio, Oregon and Rhode Island stopped accepting applications in all or select programs as of September 30, 2014.

In September 2015, THDA announced the Hardest Hit Fund Blight Elimination Program, which started in November 2015 and will provide loans to the qualified approved nonprofits (Program Participants) to strategically target blighted residential single-family properties for demolition and acceptable reuse. The program is designed based on the U.S. Treasury's request that THDA consider alternative uses for the recaptured[8] HHF funds so that the funds are fully utilized prior to the federal Hardest Hit Fund Program end date of December 31, 2020[9].

The purpose of the Blight Elimination Program is to reduce foreclosures, promote neighborhood stabilization, and maintain or improve property values. The Blight Elimination Program will focus on targeted counties in Tennessee with the highest number of vacancies and foreclosures, which include Shelby, Montgomery, Davidson, Rutherford, Hamilton and Knox Counties. Existing vacant single-family (one to four unit) homes located in one of targeted counties may be eligible.

8 HHF Program funds can be recaptured when borrowers go through short sale, payoff or refinancing while they are still receiving assistance or within a five-year time frame after their assistance ended. Some borrowers gain employment while they are still in the program, or they may request their assistance to be ended. Therefore the funds allocated to those borrowers are de-obligated. These de-obligated funds are added to the pool of funds to be used for the Blight Elimination Program.

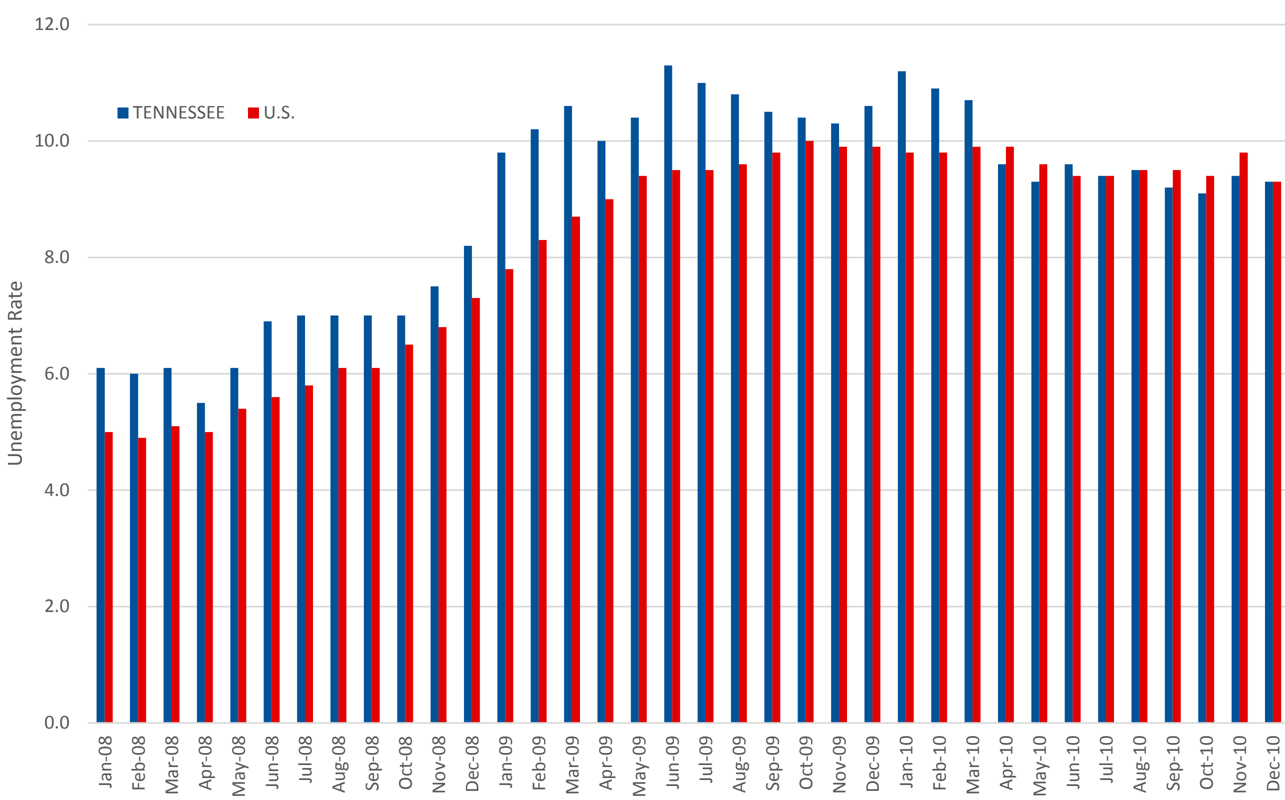
9 The states that received the fifth round of Hardest Hit Fund allocations have until December 31, 2020 to fully utilize the additional funds allocated.

II. Tennessee's Economic Climate at the Onset of the Hardest Hit Fund Program

There are many academic studies searching, empirically, for the determinants of mortgage defaults and subsequent foreclosures[10]. Negative equity, unemployment, and declining net wealth and liquidity are some of the factors that are found to be major determinants of mortgage default in these studies (Gerardi et. al, 2013). Long-term, prolonged unemployment resulting from worsening local economic conditions erodes any personal savings and liquid assets homeowners might have to continue making their monthly mortgage payments.

Tennessee was included among the states that received the federal HHF funds because of unemployment rates above the national average. In 2008, the unemployment rate was increasing both in Tennessee and the nation, and Tennessee unemployment rates were higher than the national average. In 2009, the unemployment rate continued to increase both in the nation and in Tennessee. However, the rate of increase in Tennessee was much higher than the national average. For example, the nationwide average unemployment rate increased from 7.3 percent in December 2008 to 7.8 percent in January 2009, while in Tennessee the unemployment rate increased from 8.2 percent to 9.8 percent. Monthly unemployment rates in 2009 surpassed national averages. The following figure shows the trend in the state and nationwide unemployment rates between 2008 and 2010.

Figure 1. Monthly Unemployment Rate, Tennessee and the U.S., 2008 through 2010



10 See, for example, Peter J. Elmer and Steven A. Seelig (1998), Andrew Haughwout, Richard Peach, and Joseph Tracy (2008), Christopher L. Foote, Kristopher Gerardi, and Paul S. Willen (2008), Ronel Elul, Nicholas S. Souleles, Souphala Chomsisengphet, Dennis Glennon, and Robert Hunt (2010),Schelkle (2012),

In 2009, not only did the unemployment situation worsen in the state as a whole, but some Tennessee counties, especially rural ones, faced even greater hardships. The statewide average unemployment rate masks the depth of the crisis for some Tennessee counties. For example, in June 2009 when the Tennessee unemployment rate peaked at 11.3 percent and the national average unemployment rate was at 9.5 percent, Perry County's unemployment rate reached 24.5 percent. In 2009, 60 counties had unemployment rates higher than 11.5 percent, one percentage point above the state average unemployment rate, and 31 counties had rates higher than 13.5 percent, three percentage points higher than the state average. Many of these high-unemployment counties were the same counties where manufacturing was most heavily concentrated, so workers faced a double burden—the loss of their jobs, coupled with the knowledge that few, if any, of these jobs will return. Because the job loss was concentrated, there was a high risk that whole communities in those counties would be destabilized.

According to data from Freddie Mac, for a sample of Freddie Mac loans that became delinquent between 2001 and 2006, 39.4 percent of delinquencies were triggered by unemployment or a curtailment of income (Cuts, A. C. and William A. Merrill, 2008). Not surprisingly, many Tennessee counties with the highest unemployment rates have experienced a large number of serious mortgage delinquencies or foreclosures. In December 2009, Haywood County had an unemployment rate of 16.9 percent, and 12.4 percent of the loans in the county were 90 or more days delinquent.[11] During the same time period, 8.6 percent of mortgages were 90 or more days past due in Shelby County, which had a 10.9 percent unemployment rate. In the state, 5.5 percent of mortgages were 90 or more days delinquent, while the nationwide average was five percent.

Many Tennessee homeowners with a mortgage across the state were facing difficulties in making their mortgage payments on time because of unemployment rates higher than the national average for an extended period of time. Foreclosure filings increased in the months preceding the HHF funding by Treasury in September 2010, and some counties were disproportionally impacted by widespread foreclosures. In June 2009 when the unemployment rate in the state peaked, Tennessee reported 4,675 properties with foreclosure filings, which was 54 percent higher than the previous year (June 2008). Shelby County ranked as number one among all counties in Tennessee both in terms of the ratio of foreclosure filings to households and also in terms of the total number of properties with foreclosure filings. According to Market Trend data from CoreLogic, in December 2010, approximately 15 percent of all completed foreclosures in the state were located in Shelby County.

Meanwhile, according to the negative equity report from CoreLogic, as of September 2009, 13 percent of Tennessee homeowners with a mortgage were underwater[12] and an additional seven percent of borrowers were near underwater[13]. The proportion of mortgages in negative equity in Tennessee was substantially lower than the 23 percent of borrowers underwater in the nation during the same period.[14] Although negative

11 Data is from the Federal Reserve Bank of New York: Community Credit Profiles: Mortgage Markets at http://www.newyorkfed.org/outreach-and-education/).

12 Borrowers owed more on their mortgage than their homes are worth.

13 Borrowers had less than five percent equity.

14 An additional five percent of borrowers nationwide were near underwater in September 2009.

equity was not as serious a problem as it was in some other states, Tennessee was still adversely impacted by slowing economic activity in the region that reduced the home sales and depressed the home prices making it difficult for homeowners to sell their homes when their job situation changed (Cuts, A. C. and William A. Merrill, 2008). Homeowners in some Tennessee counties had more severe negative equity problems compared to the whole state. In December 2010, for example, according to data from CoreLogic, the share of loans with negative equity among all properties with a mortgage in Shelby County was approximately 15 percentage points higher than the state average. Shelby, Maury, Fayette, Lauderdale, Tipton, Rutherford, Sevier, DeKalb, Jefferson and Lake Counties had the highest negative equity shares in the state in December 2010. When the number of borrowers with negative equity in the county is compared to the total number of borrowers with negative equity in the state, Shelby County was number one in the state. Almost 35 percent of borrowers with negative equity in the state were residing in Shelby County. Davidson County, with 15 percent of the state's underwater borrowers, followed as the second highest.[15]

Persistent unemployment rates and continued foreclosure filings in the state showed a high need for the Hardest Hit Fund Program to assist struggling homeowners. The targeted population of those with a mortgage who lost their jobs because of the economic downturn and were unable to make mortgage payments on time helped to ensure that those most negatively impacted by the economic crisis would be eligible for this assistance.

15 Data is from CoreLogic Market Trends.

III. Applicants[16]

Struggling homeowners seeking assistance were required to complete applications on the Keep My Tennessee Home website by answering prescreening questions about their employment and residency status. Depending on the applicants' answers to these prescreening questions, their potential eligibility was determined. In addition to needing to have an eligible hardship, the applicants were required to meet the following eligibility criteria:

- Have a mortgage for a single-family home or condominium (attached or detached) in Tennessee that they occupy as their primary residence,
- The combined amount of mortgage principal, interest, taxes and insurance (PITI) must be greater than 31 percent of the household income after the job loss and/or reduction of income,
- Not have more than six months' reserves of liquid assets,
- Have a household income less than $92,680, and
- Have a total unpaid principal balance on the first mortgage no higher than $275,000.

The first applications were submitted in early January 2011, and the first borrower was approved to receive assistance on March 4, 2011. From January 2011, when the Hardest Hit Fund Program started accepting applications until August 22, 2014, when the program was closed to new applications, THDA received approximately 43,000 applications through the website. Tennesseans were allowed to apply multiple times on the website. Therefore, the number of applications is greater than the unduplicated number of applicants. After removing duplicate applications[17], we find that approximately 37,000 applicants applied for the KMTH Program on the website.

From the prescreening application on the website, applicants were assigned to counseling agencies based on the location of their home. At the beginning of the program, applicants were assigned to a counseling agency even if their answers to the prescreening questions showed that they were not eligible for the program. However, this changed early in the program because the counseling agencies received such a high volume of applicants that made it difficult for them to review all applications. Later, the ineligible applicants (based on their answers to the prescreening questions on KMTH website) were not directly assigned to a counseling agency, but were given a link to available counseling agencies to choose, if they needed additional help.

16 In 2012, THDA also received funds from the Tennessee Attorney General (AG) that were allocated through the National Mortgage Servicer Settlement. Attorney General National Mortgage Servicer Settlement, Keep My Tennessee Home Long-Term Medical Disability Hardship Program (AG's Long-term Medical Hardship Program) was designed to provide mortgage payment assistance to eligible Tennessee homeowners suffering from a long-term medical disability, a hardship that was not covered under the Hardest Hit Fund from the Department of Treasury. The homeowners with long-term medical disability also filled in their first application on the Keep My Tennessee Home Program website

17 We identified the duplicate cases if the applicants had the same first, middle and last name and reported the same county as their residence. These are the multiple applications to our best knowledge.

THDA decided to utilize its existing, network of foreclosure counseling agencies to implement the counseling component of KMTH Program. Those counseling agencies also worked on the administration of THDA's National Foreclosure Mitigation Counseling (NFMC) Program. The following is the list of the counseling agencies, their base city and regions they served.

Table 1. Counseling Agencies and the Area Served

Counseling Agency	City	Region
Affordable Housing Resources	Nashville	Middle
Binghampton Development Corporation	Memphis	West
Chattanooga Neighborhood Enterprise	Chattanooga	East
Citizens for Affordable Housing	Nashville	Middle
Clinch Powell RC&D	Rutledge	East
Dominion Financial Management	Smyrna	Middle
Eastern Eight CDC	Johnson City	East
Financial Counselors of America	Memphis	West
Frayser CDC	Memphis	West
GAP Community Development Resources	Franklin	Middle
Knox Housing Partnership	Knoxville	East
Knoxville Area Urban League	Knoxville	East
Life of Victory International Christian Ministries	La Vergne	Middle
Memphis Area Legal Services	Memphis	West
Residential Resources	Nashville	Middle
Southeast Memphis CDC	Memphis	West
THDA[18]		***Statewide***
The Housing Fund, Inc.	Clarksville	Middle
United Housing, Inc.	Memphis	West
Woodbine Community Organization	Nashville	Middle

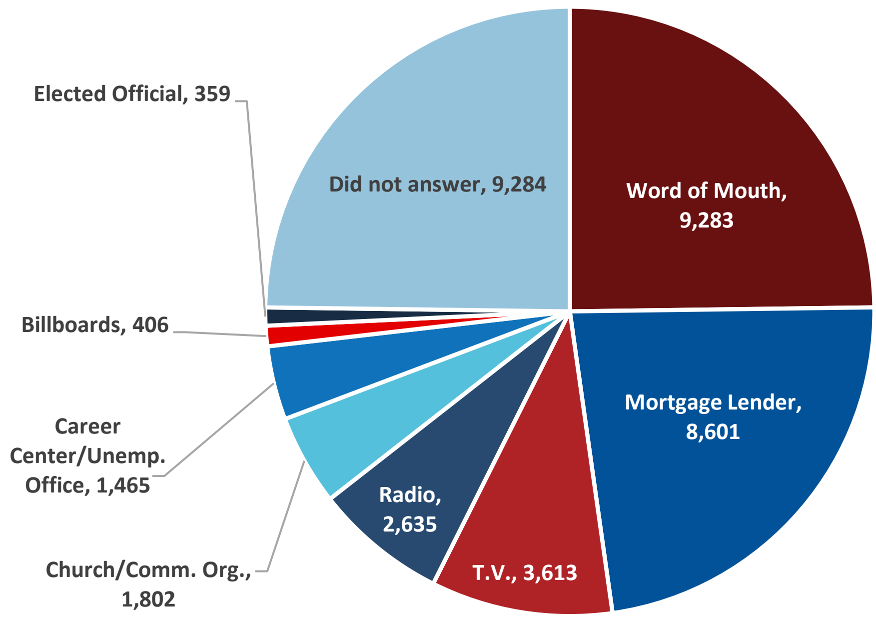
When applicants applied on the website for prescreening, they were also asked how they heard about the program. This question was not available from the beginning of the program and some applicants chose not to answer. However, for the prescreened applicants[19] who answered this question[20], 33.3 percent learned about the Keep My Tennessee Home Program through word of mouth. Mortgage lenders were the second most common source of the information about the program among the prescreened applicants. The following figure shows the prescreened applicants and their source of information about the program.

18 In addition to utilizing the counseling agencies in the NFMC network, THDA had inside counselors to assist HHF applicants because these counseling agencies were having a hard time keeping up with the high volume of applications received. Furthermore, THDA had lost a few counseling agencies at one point, and THDA counselors were needed to finish up some of those clients that were in those pipelines as well as assist with the high volume.

19 Prescreened applicant means individuals who answered the eligibility determination questions on the website. If they were determined to be eligible they were assigned to counseling agencies. They may not be sent to THDA by counseling agencies.

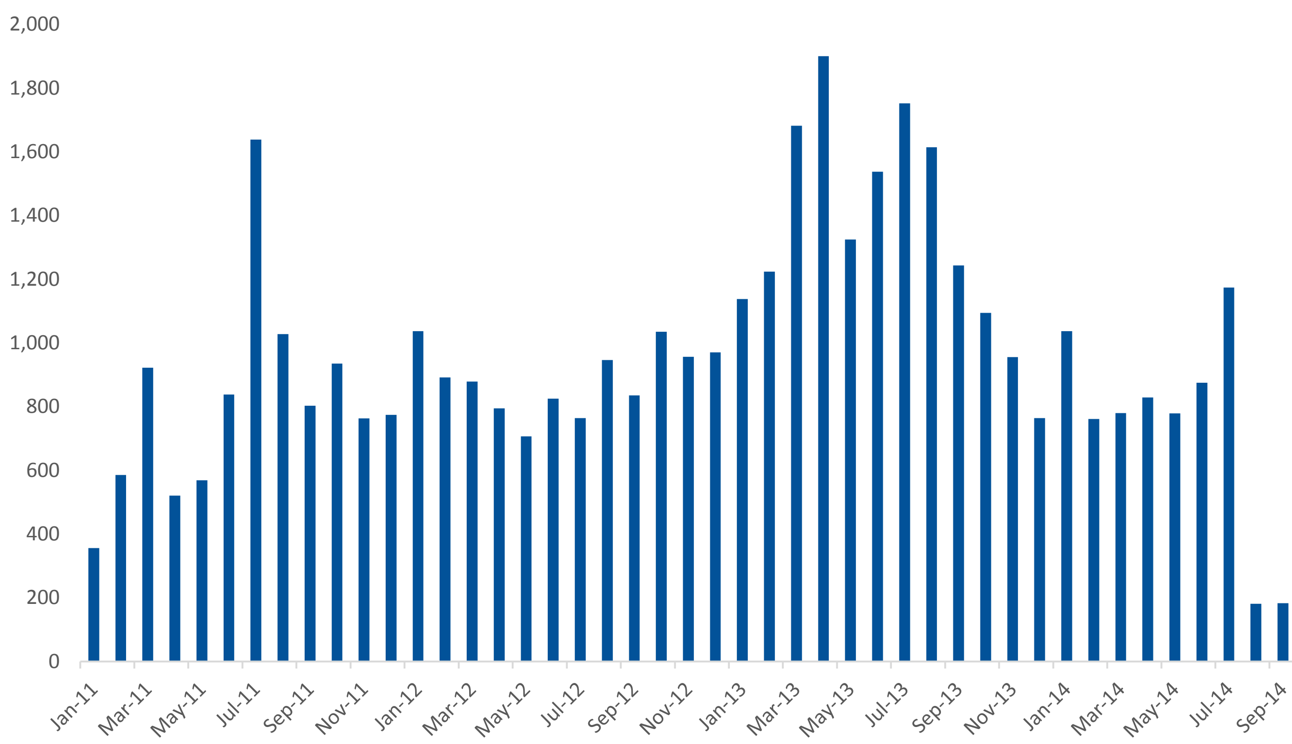
20 Seventy-five (75) percent of the total applicants answered this question.

Figure 2. How Did Prescreened Applicants Hear about the Program?



The number of applications fluctuated monthly. Figure 3 displays this information from the date THDA started accepting applications in January 2011 until the date THDA stopped accepting applications in the Keep My Tennessee Home Program.

Figure 3. Monthly Number of Applications on the Website, January 2011 through September 2014



The largest jump in the applications happened in July 2011 when the number of applications on the website increased by 95 percent compared to the previous month. The increase was related to a news release about the program's availability. The program received the highest number of applications (1,900) in April 2013 corresponding with program guideline changes that allowed for more expansive eligibility and greater assistance amounts and with a major marketing campaign. For example, in October 2012, THDA brought more servicers on board to participate in the program (if the servicer did not participate in the program, even if the borrowers were eligible, they could not take advantage of the assistance) and the amount of available assistance per borrower increased to $40,000. All these factors led to more applications in the following months.

Between March 2013 and March 2014, THDA focused more on marketing campaigns. THDA hired a Memphis-based public relations and marketing firm, Walker and Associates, to help execute a nine-month awareness campaign kicking off in the first quarter of 2013. THDA also produced informational brochures in English, Kurdish and Spanish, which were distributed through THDA's network of foreclosure prevention counselors, employment offices and the other state Departments of Human Services and Labor and Workforce Development sites. These advertisement efforts created a higher awareness about the program and increased the applications for assistance.

Website applications increased again by 34 percent from June 2014 to July 2014 when the deadline for new applications for Treasury's HHF Program was announced as potentially eligible homeowners wanted to submit applications to be considered for the assistance before the program ended.

After the duplicate applications were removed and applicants with multiple loan numbers were added[21], there were 37,448 prescreened applicants[22]. The following table shows the number of prescreened applicants assigned[23] to each counseling agency and the number and percent of prescreened applicants who were reviewed and sent to THDA for further consideration by the counseling agencies. Of the 37,448 prescreened applicants, almost 12 percent were assigned to Affordable Housing Resources in Nashville. The next highest volume counseling agency was Financial Counselors of America in West Tennessee. In East Tennessee, Knox Housing Partnership received a large volume of prescreened applicants. Approximately 17 percent of prescreening applicants were not assigned to any counseling agency because their answers to the prescreening questions indicated that they did not meet the eligibility criteria.

21 Multiple loan numbers for the same applicant can occur if a homeowner applies more than once and the status differs due to changes in program eligibility or applicant circumstances.

22 THDA had one website for the struggling homeowners to apply for both KMTH Programs (Treasury's HHF Program and AG's Long-term Medical Hardship Program). Only after they applied on the website, based on their answers to the prescreening questions they were considered for the AG's long-term medical hardship program or the Treasury's HHF Program. For this report's purpose, we excluded the website applicants who applied after the announcement that THDA was no longer accepting applications for the HHF Program and the website applicants who received assistance through AG's long-term medical hardship program.

23 The applicants were assigned to counseling agencies based on the location of their homes.

Table 2. The Number of Prescreened Applicants Assigned and Sent to THDA by Counseling Agency

Counseling Agency	# of Applicants Assigned	% of Applicants Assigned	# of Applicants Sent to THDA	% of Assigned Applicants Sent to THDA
Affordable Housing Resources	4,378	11.7%	1,613	36.8%
Binghampton Development Corporation	979	2.6%	282	28.8%
Chattanooga Neighborhood Enterprise	2,216	5.9%	884	39.9%
Citizens for Affordable Housing	260	0.7%	53	20.4%
Clinch Powell RC&D	1,259	3.4%	294	23.4%
Dominion Financial Management	1,798	4.8%	632	35.2%
Eastern Eight CDC	1,393	3.7%	378	27.1%
Financial Counselors of America	3,548	9.5%	925	26.1%
Frayser CDC	798	2.1%	235	29.4%
GAP Community Development Resources	571	1.5%	123	21.5%
Knox Housing Partnership	3,252	8.7%	763	23.5%
Knoxville Area Urban League	895	2.4%	247	27.6%
Life of Victory International Christian Ministries	1,283	3.4%	472	36.8%
Memphis Area Legal Services	2,244	6.0%	722	32.2%
Residential Resources	721	1.9%	280	38.8%
Southeast Memphis CDC	123	0.3%	57	46.3%
THDA	39	0.1%	2	5.1%
The Housing Fund, Inc.	656	1.8%	138	21.0%
United Housing, Inc.	2,988	8.0%	911	30.5%
Woodbine Community Organization	1,721	4.6%	341	19.8%
No Counselor Assigned	6,326	16.9%		NA
All Applicants	***37,448***	***100%***	***9,352***	***25.0%***

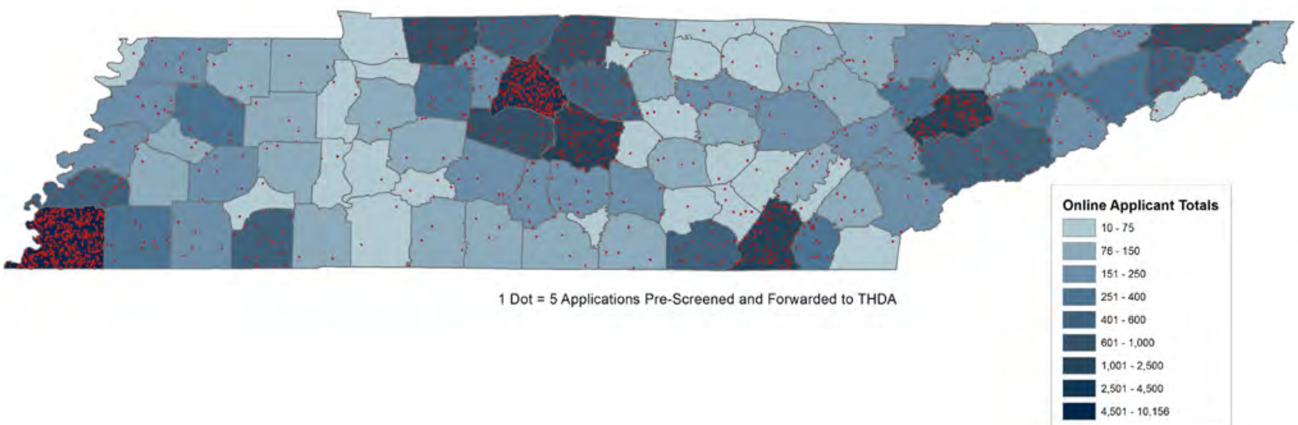
According to the table, 9,352 applicants were sent to THDA for further consideration in the Treasury's HHF Program. While the table shows that Southeast Memphis CDC had the highest percentage of assigned applicants sent to THDA, the number of prescreened applicants assigned to the agency was very low compared to the other agencies. Because the counseling agency had less capacity to handle the high volume of HHF applicants, THDA removed Southeast Memphis CDC from the HHF program.

In contrast, Chattanooga Neighborhood Enterprise received approximately six percent of prescreened applicants and more than 40 percent of those applicants were sent to THDA for further review. Affordable Housing Resources, with the highest number of prescreened applicants, sent almost 37 percent of those to THDA for further review.

Applicants were asked to report their race, gender and ethnicity when they created their applications on the website. Ten percent of the applicants chose not to identify their race. Approximately 55 percent of all prescreened applicants were white and 34 percent were black or African American. Less than two percent of prescreened applicants identified themselves as Hispanic or Latino while 12 percent did not disclose their ethnicity at application. Thirty-seven percent of all prescreened applicants were male while 54 percent were female. The gender information was not available for nine percent of the prescreened applicants.

The greatest percentage of applicants, 36.4 percent, were from West Tennessee with approximately 27 percent of all prescreened applicants coming from Shelby County. Middle Tennessee had the next highest with 35 percent, with 11 percent of the state's applicants coming from Davidson County. Twenty-nine percent of prescreened applicants were from East Tennessee, with six percent of the state's applicant from Knox County and the remaining from the balance of the Grand Division.

Map 1. Online HHF Program Applicants by County



Ineligible Applicants Based on Answers to the Internet Application Questions

Of all the prescreened applicants, 6,892 were deemed ineligible to receive assistance based on their answers to the prescreening questions. A prescreened applicant may be ineligible for more than one reason. For example, someone who lost his job because of the economic downturn and would be otherwise eligible to receive assistance may have annual income more than the allowable maximum limit and liquid assets equal to six months of his principal, interest, tax and insurance (PITI) payments. Here are some of the criteria used to determine eligibility for assistance and the percent of ineligible prescreened applicants related to each:

- **Primary resident:** A borrower needs to be a legal Tennessee resident to be eligible for the assistance. Less than two percent of the ineligible prescreened applicants were not primary residents.
- **Owner occupied:** To be eligible for the assistance, the property needs to be owner occupied. Assistance is not provided for second homes such as rental property or vacation homes. Approximately seven percent of ineligible prescreened applicants applied for "not owner-occupied homes."
- **Own home:** For someone to be eligible for the assistance, they had to own the property for which they were applying for assistance. For example, someone whose name was not on the deed would not be eligible for the assistance.
- **Own real estate other than primary residence:** Even if someone applied for a property where he/she was the primary owner, the borrower may still have been ineligible if he/she owned another property such as a vacation home or a rental property.
- **Household income:** To be eligible for assistance, the applicants' income had to be less than the maximum allowable limit. This limit changed from the beginning of the program (it was tied to the THDA's income limit in the Nashville MSA for a family of three or more persons). At first, applicants with household incomes more than $74,980 were not eligible and later the allowable maximum income was increased to $92,680.
- **Loan balance:** To be eligible for assistance, the remaining balance on the mortgage loan had to be less than the maximum allowable limit. The maximum loan amount was tied to the purchase price limit of THDA's single family loan program. Over the course of the program, the allowable loan amount increased from $226,100 to $275,000.
- **Assets more than six months of PITI:** Even if an applicant experienced job loss and related income decline, if he/she had liquid assets that would cover six months of housing payments (PITI), the applicant was not eligible.
- **Employment terminated:** The assistance was only for homeowners who were unemployed or underemployed, through no fault of their own. If their unemployment was for any reason other than the economic downturn, they were not eligible to receive assistance.
- **Bankruptcy:** Applicants who previously filed for bankruptcy were not eligible to receive assistance unless they provide a proof that bankruptcy was discharged.

IV. Recipients

1. Recipients Overview

A total of 7,355 Tennessee homeowners received assistance through Treasury's HHF Program. Compared to other states with the HHF Program, according to a report by the Special Inspector General for the Troubled Asset Relief Program (SIGTARP)[24], the 79 percent admission rate of Tennessee was the second highest after the District of Columbia. The median length of time a Tennessee homeowner had to wait before starting to receive assistance was 121 days from the first application on the website. This meant that, compared to homeowners in other states with the HHF Program, Tennessee homeowners did not experience long delays in receiving assistance.

An applicant[25] could be approved or rejected by THDA, or an applicant might withdraw his/her application before a decision was made. A total of 1,300 prescreened applicants were denied[26] because they were not able to provide appropriate documentation that they met the eligibility criteria. Approximately 700 applicants withdrew their applications before a decision about their approval was made at THDA. Table 3 gives the distribution of the applicants among the counseling agencies by loan status.

24 Homeowners Have Struggled with Low Admission Rates and Lengthy Delays in Getting Help from TARP's Second Largest Housing Program, SIGTARP Quarterly Report to Congress, October, 28, 2015.

25 An applicant is someone who applied on the website by answering the prescreened questions, was assigned to a counseling agency after being determined to be eligible and was sent to THDA for further consideration. We will call them "applicants," to distinguish them from "prescreening applicants."

26 An applicant who was determined to be eligible for the assistance and assigned to a counseling agency still needs to provide necessary documents to prove that he/she meets all eligibility requirements. The most common reason for denial in the Treasury's HHF Program was not meeting the eligibility guidelines, including maximum income limits, maximum unpaid loan balance and no eligible hardship reason. The second most frequent denial reason was non-participating loan servicer. "Applicant owns another property" and "property, which applicant asks for assistance, is already foreclosed" were other often reported reasons for denials.

Table 3. Number of Applicants by Counseling Agency

Counseling Agency	Closed Loans	Denied	Withdrawn
Affordable Housing Resources	1,354	210	49
Binghampton Development Corporation	223	42	17
Chattanooga Neighborhood Enterprise	756	86	42
Citizens for Affordable Housing	36	9	8
Clinch Powell RC&D	251	30	13
Dominion Financial Management	479	83	70
Eastern Eight	320	40	18
Financial Counselors of America	666	180	79
Frayser CDC	189	35	11
GAP Community Development Resources	75	21	27
Knox Housing Partnership	568	101	94
Knoxville Area Urban League	221	16	10
Life of Victory International Christian Ministries	355	83	34
Memphis Area Legal Services	525	112	85
Residential Resources	165	81	34
Southeast Memphis CDC	21	23	13
THDA	2	0	0
The Housing Fund, Inc.	127	4	7
United Housing, Inc.	711	123	77
Woodbine Community Organization	311	21	9
All Prescreened Applicants Sent to THDA	***7,355***	***1,300***	***697***

Affordable Housing Resources sent the highest number of applicants who eventually were approved by THDA to receive assistance. Eighteen percent of the homeowners who received assistance in the HHF Program were sent to THDA by Affordable Housing Resources. Approximately 31 percent of the 4,378 applicants assigned to Affordable Housing Resources received assistance. Another counseling agency with a large number of homeowners approved to receive assistance was the Chattanooga Neighborhood Enterprise with 756 homeowners who received assistance in the HHF Program, which means more than 34 percent of 2,216 prescreened applicants assigned to the agency received assistance.

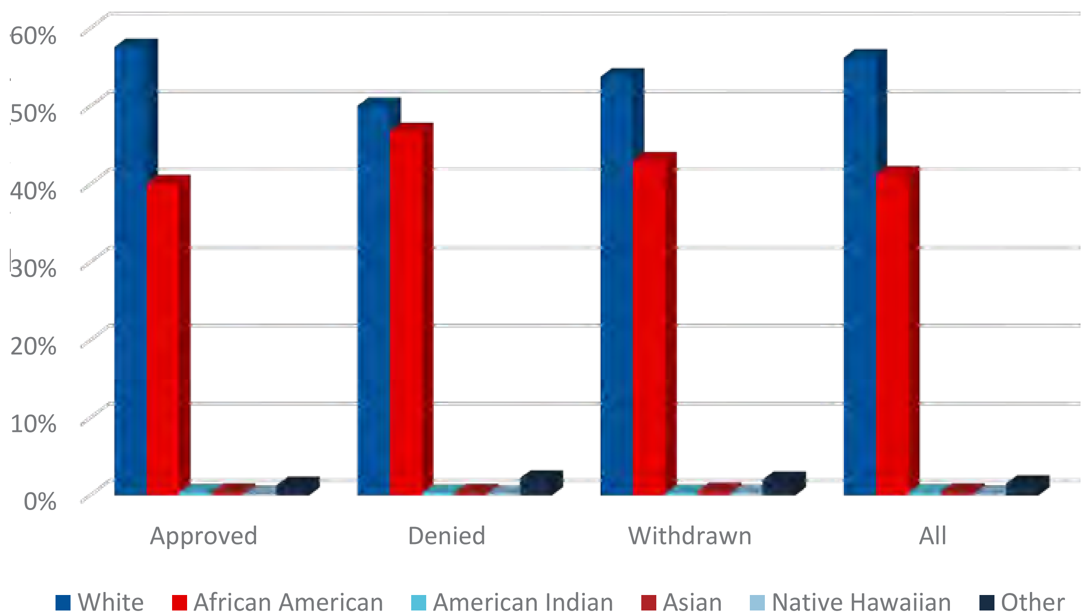
2. Borrowers with THDA Funded Loans in the Hardest Hit Fund Program

The Hardest Hit Fund Program was open to all eligible homeowners in Tennessee with mortgage payment difficulties, including homeowners who had THDA funded loans. When they applied on the website, applicants were asked if their original mortgage loan was a THDA funded loan. Approximately 5,200 prescreened applicants answered that their loan was a THDA funded loan[27]. When only the prescreened applicants who were sent to THDA are considered, a total of 799 prescreened applicants had THDA funded loans. In all, 689 applicants with THDA funded loans were approved and received assistance through the HHF Program.

3. Borrower Demographics and Loan Characteristics

Fifty-eight percent of all applicants who were approved and received assistance in the HHF Program were white and 40 percent were African American. A higher percentage of applicants whose applications were denied were African American compared to applicants who were approved and who withdrew their applications. Fifty percent of applicants who were denied were white and 47 percent were African American. Only two percent of the borrowers in the HHF Program were of Hispanic origin.

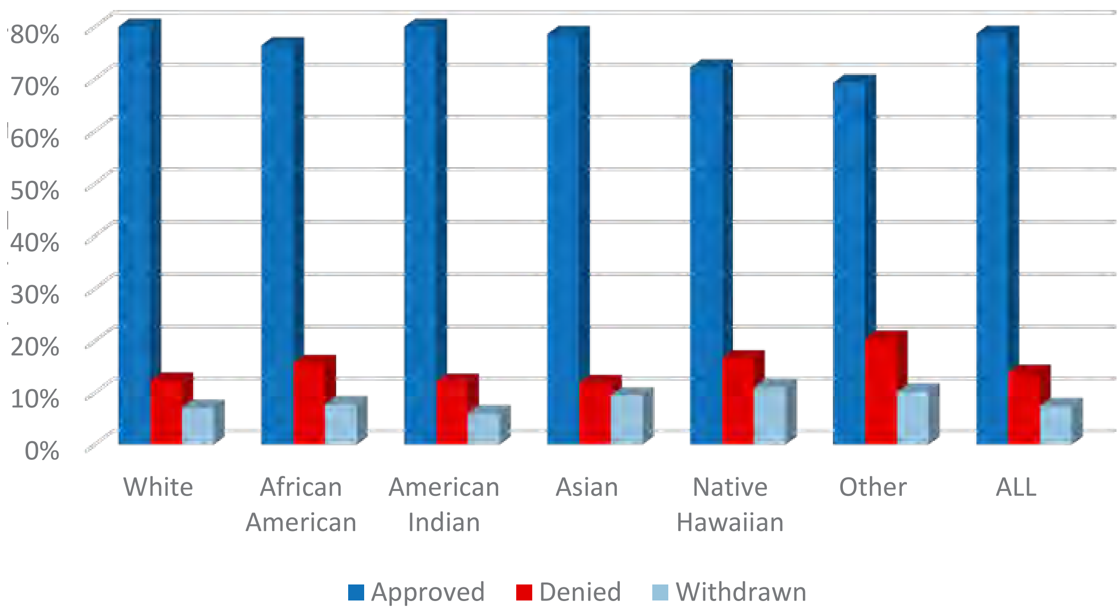
Figure 4. Race and Application Status



27 Unless their applications are received at THDA, it is not possible to verify whether or not they really had THDA loans. Therefore, 5,200 prescreened applicants with THDA loans may not be accurate.

Figure 4 shows the racial distribution of all applicants who were considered for assistance at THDA including those who were approved for receiving assistance, applicants who were denied and applicants who withdrew their applications. According to the figure, 80 percent of the white applicants were approved to receive assistance while 76 percent of African American applicants started receiving assistance. Twelve percent of white applicants were denied for assistance while 16 percent of African American applicants who applied for assistance were denied.

Figure 5. Racial Distribution, HHF Program Applicants



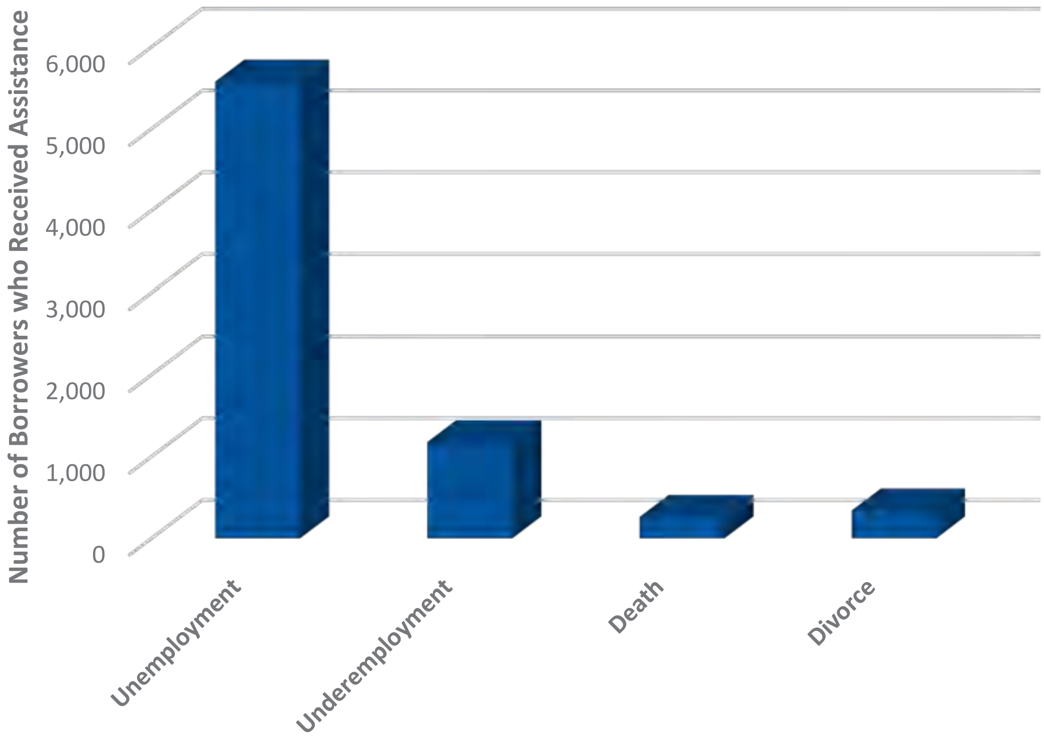
Fifty-seven percent of all the applicants who were approved for receiving assistance were female, 42 percent were male, and gender information was missing for one percent. Approximately 1,700 applicants reported co-borrowers when completing their applications. An average borrower reported having two people in the household. Twenty-two percent of borrowers had four or more people in their household.

The annual median income of the applicants who received assistance in the Treasury's HHF Program was less than $13,000. Some borrowers did not have any reported income and the highest annual income was $92,677[28]. Ninety-three percent of the Tennessee homeowners who received HHF assistance had income less than 80 percent of area median income (AMI).

Unemployment was the most common hardship reason borrowers reported followed by underemployment. This is not unusual, given that these eligibility categories were the only eligible hardship reasons included from the beginning of the program. Hardship resulting from the death of a spouse and divorce were allowed later in the program. Of all the borrowers who were approved and received assistance, 76 percent were unable to make their housing payments because they were unemployed, and 16 percent were underemployed.

28 To be eligible to receive assistance, the maximum income any household could have was $92,680.

Figure 6. Hardship Reason, All Borrowers who Received Assistance



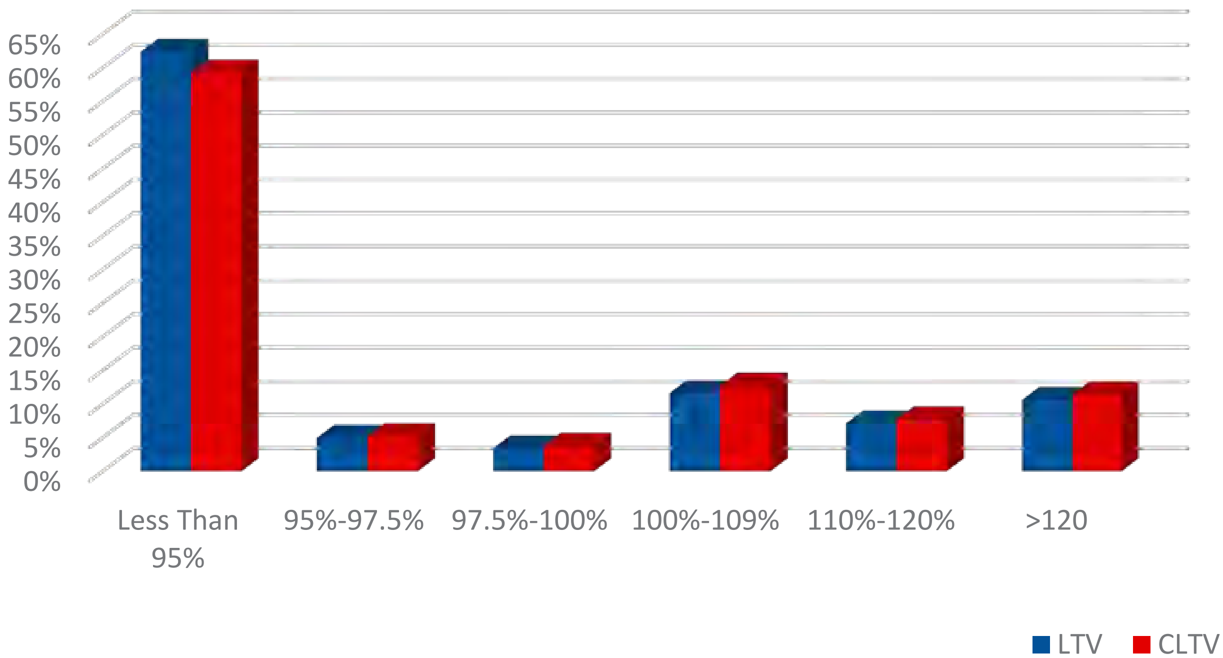
The average home value for an HHF Program borrower was $118,724 and the average borrower had an unpaid balance of $99,224 on the first mortgage loan (borrowers were allowed to have an unpaid first mortgage loan balance up to $275,000). Fewer than 900 borrowers had second mortgages, and the average second mortgage loan balance of the borrowers who received assistance was approximately $52,000.

The Hardest Hit Fund Program paid approved borrowers' monthly first and second mortgage payment amounts, including escrowed monthly property tax and insurance and homeowner association (HOA) fees. An average borrower in Treasury's HHF Program had monthly principal, interest, property tax and insurance (PITI) payment of $871 for the first mortgage loan. The range of monthly PITI payments was wide, from $141 to $3,361.

The median loan-to-value (LTV) ratio of the borrowers who received assistance through the HHF Program was 86.8 percent, and 71 percent of the borrowers had LTV ratios of less than 100 percent. In fact, 62 percent of borrowers had LTV ratios of less than 95 percent. Twelve percent of the borrowers had LTV ratios between 100 and 109 percent. Another 11 percent of the borrowers had LTV ratios greater than 120 percent. This shows that the majority of the borrowers in the HHF Program had unpaid principal loan balances that were relatively less than the assessed value of their homes, i.e. they had accumulated equity in their homes. A majority of homeowners who were assisted through the HHF Program were not underwater in their mortgages when they applied for assistance. Even when the second mortgage amounts were added, 68 percent of the borrowers had combined loan-to-value (CLTV) ratio that were less than 100 percent.

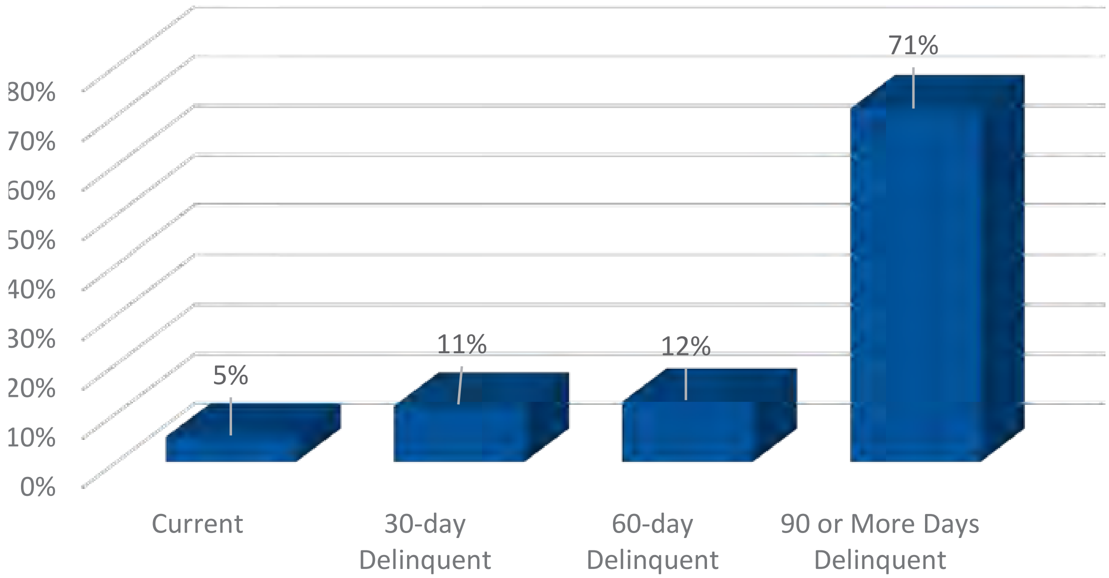
The following figure shows the borrowers in the HHF Program and the loan-to-value ratios and combined loan-to-value ratios at the time they were approved to receive assistance.

Figure 7. Loan-to-value (LTV) Ratios, Borrowers Received Assistance with HHF Program



Being current on the monthly mortgage payments at the time of application was not a requirement to be eligible to receive assistance in the HHF Program. The program recipient data illustrate that the HHF Program served mostly Tennessee homeowners with serious payment difficulties. The following figure displays the borrowers and their mortgage payment status at the time they started receiving assistance. Seventy-one percent of the borrowers were 90 or more days behind on their mortgage payments. Only five percent of the borrowers were current on their payments.

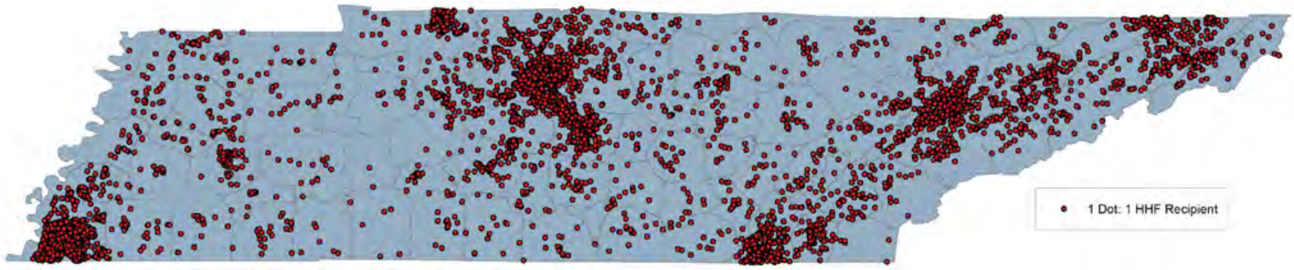
Figure 8. Borrowers in the HHF Program and Payment Status



Borrowers were eligible to receive assistance up to $40,000 for up to 36 months, whichever comes first. However, the amount of assistance received could be less, depending on the size of the monthly payments and the amount of arrears THDA could cover. THDA calculates the funded amount for each borrower who starts to receive assistance based on the unpaid arrears and the monthly mortgage payment amounts assuming the borrower will receive assistance up to 36 months. However, some borrowers might experience changes later that require adjustments to this funded assistance amount. For example, a borrower might find employment while he/she has remaining assistance available to receive or decide to sell the home instead of receiving assistance for the full 36 months. In those circumstances, the borrower will not receive the reserved amount. If the borrower sells the home or refinances the mortgage within five years from receiving assistance, the HHF loan has to be repaid if the property's equity increased and homeowner saw a profit.

There were HHF Program borrowers in every county except Moore. Twenty-six percent of borrowers who received assistance in the HHF Program were from Shelby County, followed by Davidson County with 16 percent and Hamilton County with 6.5 percent. In Shelby County, 1,885 homeowners received assistance through HHF Program. In Davidson County 1,152 homeowners were served with the Treasury's HHF Program.

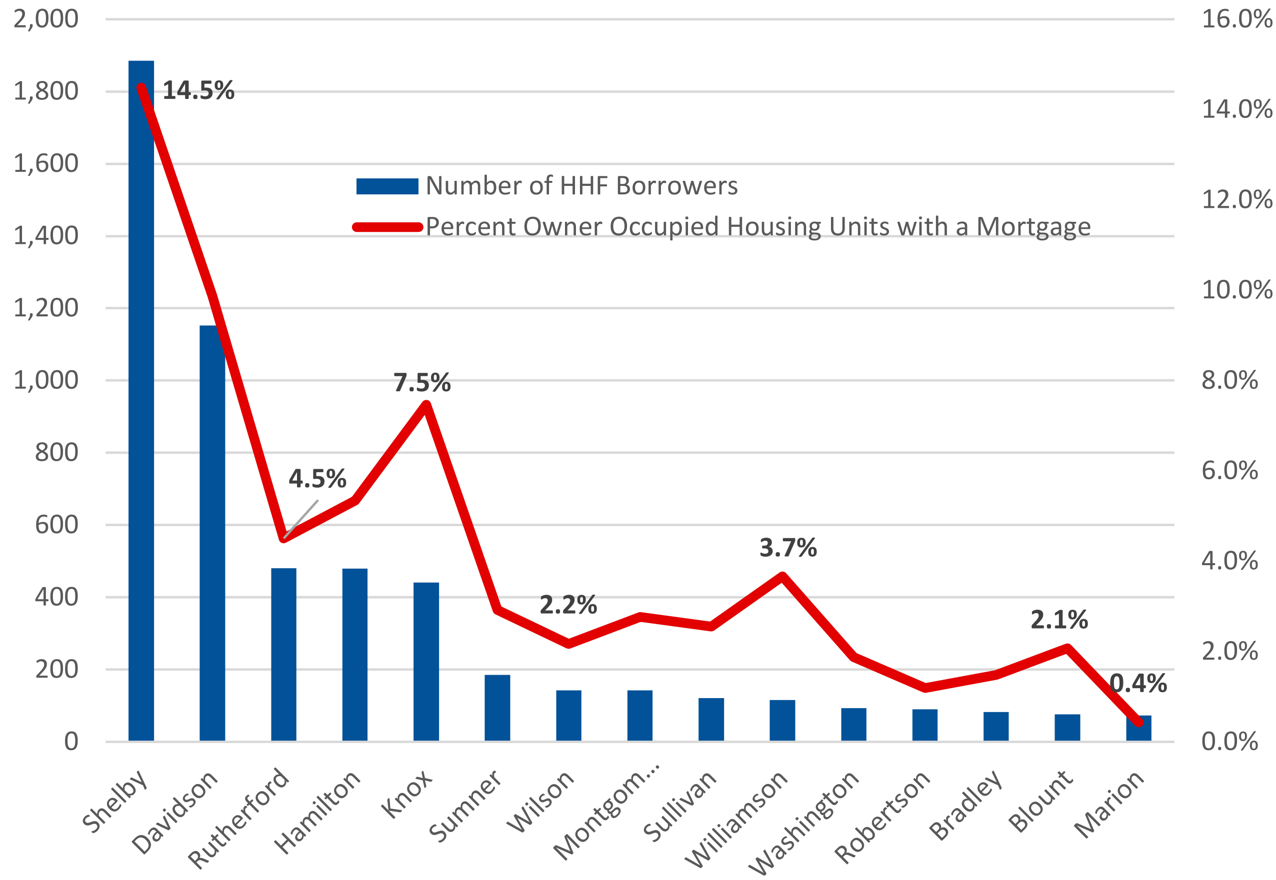
Map 2. HHF Program Recipients by County



The number of borrowers assisted were comparable to the number of owner occupied housing units with a mortgage in the county[29]. For example, Shelby County, where 26 percent of the Keep My Tennessee Home Program borrowers resided, contained 15 percent of all State of Tennessee's owner-occupied housing units with a mortgage. Similarly, 10 percent of the state's owner-occupied housing units with a mortgage were located in Davidson County, and Davidson County was the county with the second highest number of homeowners assisted with the HHF Program, 16 percent. Counties such as Morgan, Perry, Pickett, Lake and Moore, which had five or fewer homeowners assisted with the HHF Program have relatively few homeowners with a mortgage. The following figure displays 15 counties with the highest number of borrowers assisted with the HHF Program and the percentage of the state's owner-occupied housing units with a mortgage in those counties.

29 Data is from the Census Bureau, American Community Survey (ACS), 5-year estimates, 2006-2010.

Figure 9. Number of Borrowers in HHF Program and Owner Occupied Housing Units with a Mortgage as Percent of State Total

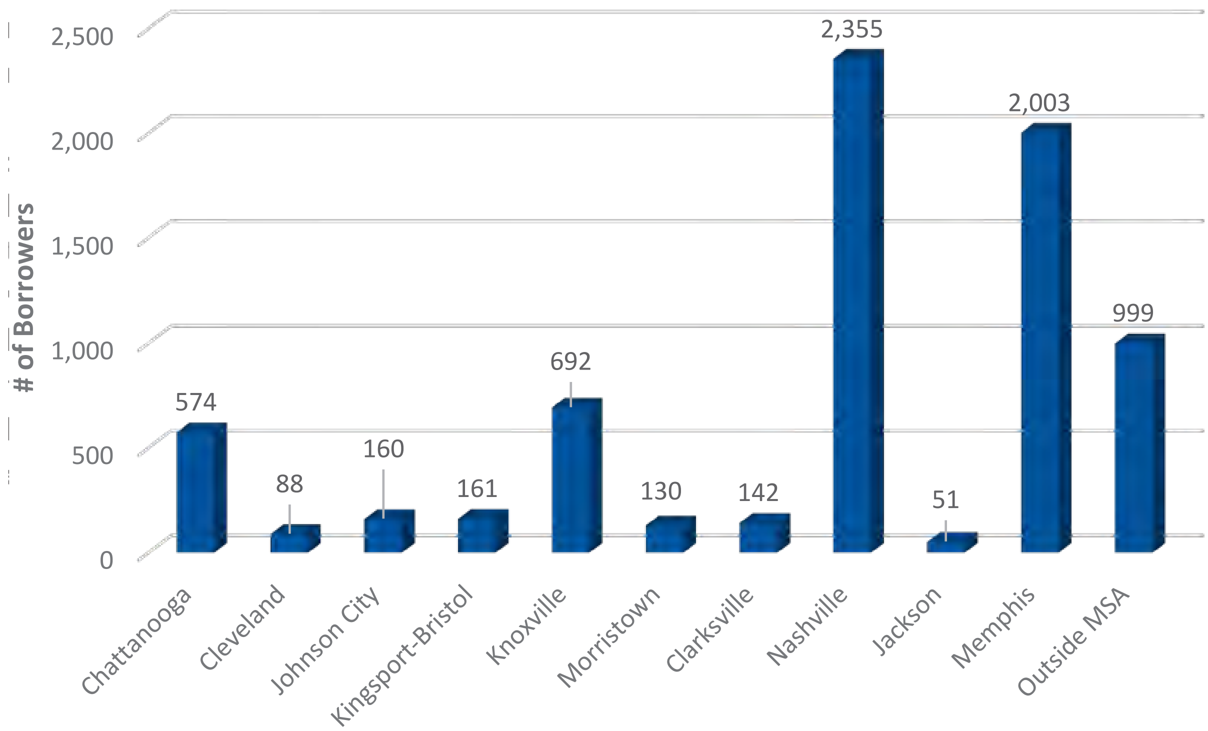


Source: Census Bureau, American Community Survey, 5-year Estimate, 2006-2010

The counties that had a relatively higher share of the state's unemployed people before the start of HHF assistance had higher share of HHF recipients in the state. In 2009, 14 percent of more than 300,000 unemployed people in the State of Tennessee resided in Shelby County, followed by Davidson County with nine percent of total unemployed in the state. Job loss is one of the important factors that cause the mortgage payment difficulties.

Thirty-nine percent of the HHF recipients were in Middle Tennessee and 32 percent were in West Tennessee. The Nashville MSA had 32 percent of the borrowers and more than 27 percent were from the Memphis MSA. The following figure displays the borrowers who received assistance from the HHF Program by the MSA in which their home is located. Considering that the counties in the Nashville and Memphis MSAs, especially Davidson and Shelby Counties, had the highest numbers of foreclosure filings in the state, this overwhelming participation in the program was not surprising.

Figure 10. Borrowers in the Keep My Tennessee Home Programs and The MSA Their Home is Located



4. Borrowers Who Applied and Received Extensions

In 2011 when the HHF Program started, the maximum amount of assistance available was $18,000 up to 18 months in 29 targeted counties or $15,000 for 12 months in the rest of the state. Over the life of the program, the maximum available assistance amount was increased twice. In October 2012, the distinction between targeted and standard counties was removed and the assistance was increased to $40,000 for all counties, up to 36 months. After this increase, the THDA Board of Directors approved an extension of assistance up to the new maximum of dollars and months for eligible borrowers who previously received assistance and were still unable to make their payments. With outreach to all affected borrowers, more than 1,400 borrowers[30] applied to take advantage of the additional assistance between June 2013 and July 2014. Approximately 83 percent of those borrowers who previously received assistance and applied for the extension were approved to receive additional assistance. Of the 247 applicants whose extension application was denied, 40 percent were denied an extension because they did not complete the required documentations on time, and 18 percent had a monthly housing cost of less than 31 percent of their income (they were not considered "cost burdened") at the time the extension request was made.

30 There were approximately 1,600 borrowers who received assistance when the assistance amount was less than $40,000 and would be able to apply for the extension. THDA reached out to them; however, only 1,427 borrowers chose to apply for assistance extension.

Anissa

The Great Recession hit cosmetologist Anissa hard. Her customers had to cut back on luxuries, including her services, and as a result she was about to lose the North Nashville home where she was raising her two high school-aged sons. Unsure what to do, Anissa returned to Residential Resources, the nonprofit that helped her achieve her dream of homeownership back in 2000, and they recommended she apply for the Hardest Hit Fund through THDA.

"I always wanted to be a homeowner," Swanson told The Tennessean when they interviewed her in 2012, soon after she reached out to THDA. "For the single mother, a house means more than a place to sleep. I thought it was important for [my children] to have stability, somewhere that they could call home."

Today, Anissa is current on her mortgage and she's attending TSU to earn her bachelor's degree in psychology. Her sons have graduated high school, and she enjoys long visits from her first grandson, who loves to spread his toys throughout Grandma's home.

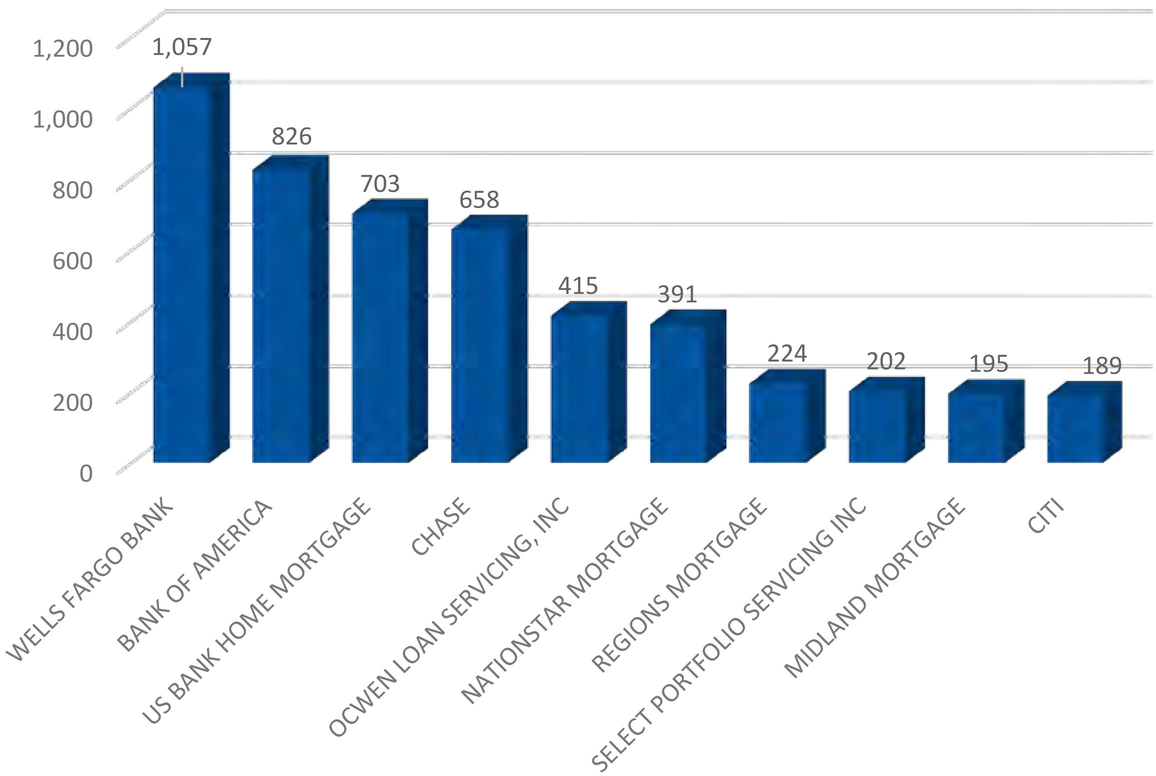
5. Servicers Participated in the Program

Servicer participation was very important for the success of the program. Even if an applicant met the eligibility criteria, their ability to receive assistance was contingent on the agreement by their original mortgage servicing company to accept payments from THDA on behalf of the borrower. If an applicant's loan was serviced by a non-participating servicer, THDA staff contacted the servicer to see if they would like to participate in the Keep My Tennessee Home Program because they had a borrower applying for assistance. In most cases, the servicers agreed. If they did not agree, THDA informed the U.S. Department of Treasury about those servicers.

The process to get new servicers to participate in the program was challenging at first because the Keep My Tennessee Home Program was not well known throughout the financial institutions, banks and servicers. Once the program started processing payments, the success of the program was being shared through counseling agencies. THDA created flyers and distributed them throughout the state with the help of non-profit agencies and other borrowers participating in the program, which encouraged the servicers to contact THDA regarding borrowers who were falling behind on their payments and needed assistance.

By November 2014, more than 300 servicing companies participated in the HHF Program. Wells Fargo was the servicer with the highest number of recipients in the HHF Program, followed by Bank of America. Five servicing companies serviced 50 percent of the borrowers in the HHF Program. The following figure displays 10 servicing companies that serviced the highest number of borrowers' mortgage loans.

Figure 11. Ten Lenders/Servicing Companies Participated in the Program with the Highest Number of Borrowers



V. Loan Performance Indicators and Recipient Outcomes

1. Outcomes Overview

THDA approved the last borrower for the Treasury's HHF Program in November 2014. A total of 7,355 homeowners were assisted with the program. The assistance in the program consisted of either or both of the following: a reinstatement payment to make the mortgage current and monthly mortgage payments on behalf of the borrower. For 1,861 HHF borrowers, HHF assistance is still active for the balance of their 36-month period, therefore final outcomes of these borrowers are not available. Data on outcomes contained in this section are as of December 31, 2015.

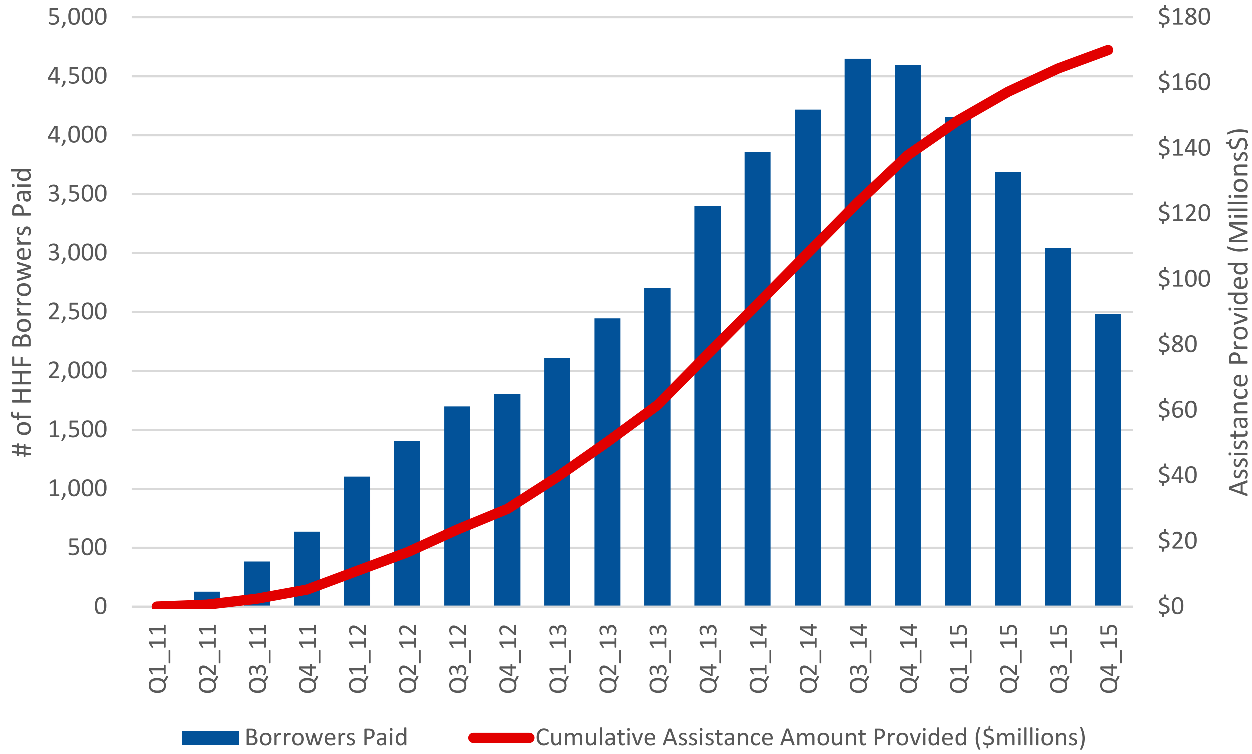
Nearly 13 percent of borrowers in the HHF Program received assistance only for reinstatement payments at first, but some of them received additional assistance that paid their monthly mortgage payments when extensions were offered after assistance increased to up to $40,000 for up to 36 months.[31]

THDA provided a total of $169.98 million in assistance across the state to the 7,355 eligible homeowners to help them maintain ownership of their homes. The total assistance payments included reinstatement payments, monthly mortgage payments and property tax, insurance and Homeowner Association (HOA) payments. In addition to assistance payments on behalf of the borrowers, THDA spent a total of $19.9 million for administrative expenses. The administrative expenses include one-time spending categories such as initial personnel, building, equipment, technology and marketing/advertising; ongoing expenses such as salaries, expenditures for professional services (legal, compliance, audit and monitoring), office supplies, etc.; transaction related expenses including recording and wire transfer fees; and counseling expenses.

The following figure shows the number of HHF Program borrowers who were paid and the cumulative amount of assistance paid, by quarter. The number of borrowers paid in each quarter changes because borrowers enter and leave the program at different junctures. As the number of people receiving assistance payments in a given quarter declines with borrowers leaving the program, the assistance paid in the quarter increases at a slower pace. The number of people paid in a given quarter declines as borrowers complete the program by receiving their funded assistance amount up to 36 months, or by transitioning out of the HHF Program into some alternative outcomes such as finding a job, accepting deed-in-lieu, short sale or refinancing their mortgages.

31 For one of two reasons, a person can receive reinstatement-only assistance: 1) Borrower had so much unpaid arrears, the maximum available assistance was enough only to pay the unpaid balance to bring the loan current for the borrower, or 2) Borrower had hardship that cause him/her miss monthly mortgage payments (such as unemployment, underemployment, divorce or others), but his/her current debt to income ratio is less than 31 percent (he is not currently housing cost burdened). Therefore once his/her arrears are paid he/she can continue to make monthly mortgage payments. So the borrower receives only reinstatement assistance. Approximately 150 borrowers who initially were approved for receiving "reinstatement only" assistance, received additional assistance later when the extensions were allowed.

Figure 12. Number of HHF Borrowers Paid and Quarterly Cumulative Assistance Payments, 2011-2015



When all the borrowers who received assistance from the beginning of the program are considered, an average borrower in THDA's HHF Program received assistance for 18 months. This also includes the borrowers who received assistance when the maximum assistance amount was only $15,000 up to 12 months[32] and later received assistance extensions after the assistance amount was raised to a maximum of $40,000 or up to 36 months. On average, an HHF borrower received $23,371 for 18 months as of the end of 2015.

Out of the 7,355 homeowners who received assistance through the HHF Program, a total of 5,494 borrowers, or 75 percent of all HHF borrowers, were no longer in the program at the end of 2015. The following table provides details about borrower outcomes and assistance characteristics. The most frequent reason for leaving the program, representing 47 percent of all borrowers, was a completion of the program by receiving either the maximum amount of time or dollars in assistance for which they were approved. The next frequent reason for leaving the program, with 16 percent of all borrowers, was due to finding employment opportunities that left them no longer eligible due to their increased income.[33]

32 In targeted counties, the maximum assistance amount was $18,000 up to 18 months.

33 THDA recertifies the borrowers in the Treasury's HHF Program every three months. If they gained employment, their income increased more than the maximum allowable income limit, their housing cost to income ratio is not more than 31 percent any more, or they gained more assets and they have assets at least to pay their PITI for 12 months, they are no longer eligible to continue receiving assistance. Other reasons for eligibility to end are abandonment, no response and death of the borrower.

Table 4. Borrower Outcomes, Dec. 31, 2015

Recipient Outcome	Number of HHF Recipients	Percent of Total HHF Borrowers	Average # of Months Receiving Assistance	Average Assistance Paid
Borrowers who Received Assistance	7,355	--	18	$23,371
Still Receiving Assistance	1,861	25%	24	$25,710
Borrowers No Longer In the Program	5,494	75%	16	$22,578
Completed the Program	3,477	47%	15	$24,024
Gained Employment	1,173	16%	18	$19,586
Cancellation	840	11%	17	$20,830
Deed-in-lieu	1	0%	21	$7,695
Short Sale	3	0%	8	$11,556

On average, those borrowers who were no longer in the program at the end of 2015 received HHF assistance up to 16 months, though there is some variation, depending on the reason the assistance ended. The borrowers whose loans were canceled for various reasons received assistance, on average, for 17 months, and the borrowers who gained employment received assistance for up to 18 months, on average. Even if a borrower was approved to receive the maximum assistance amount allowed, the number of months would depend on the monthly mortgage payments and unpaid arrears THDA had to pay to bring the borrower current on his/her mortgage loan. If the monthly PITI amount and/or the arrears were large, then the maximum assistance amount would be available only for a short period of time. On average, a borrower who is no longer in the program at the end of 2015 received $22,578. The borrowers who completed the program by either receiving the maximum amount of assistance or for the maximum amount of time, on average, received more payment than borrowers who were no longer in the program for other reasons.

The following table compares the borrowers who received HHF assistance and their loan status at the end of 2015 (whether they completed the program, they found employment or their assistance was canceled) in terms of average loan balances, annual income, appraised home value, monthly first mortgage payments and loan-to-value ratios at the time of HHF loan approval.

Table 5. Loan, Home and Assistance Characteristics, Averages, Dec. 31, 2015

	Initial Loan Balance	Annual Income	Appraisal Amount	First Mortgage PITI	LTV
Borrowers who Received Assistance	$99,224	$16,615	$118,724	$871	87%
Still Receiving Assistance	$85,164	$10,262	$104,781	$766	86%
Borrowers No Longer In the Program	$103,986	$18,766	$123,447	$907	88%
Completed the Program	$110,251	$22,046	$130,281	$961	88%
Gained Employment	$92,648	$14,260	$109,707	$807	88%
Cancellation	$93,938	$11,575	$114,180	$819	87%
Deed-in-lieu	$56,281	$0	$45,011	$294	125%
Short Sale	$105,489	$0	$196,733	$1,545	63%

Borrowers who completed the program by receiving the full amount of time or dollar approved, on average, had higher initial loan balances, annual incomes and appraised home values compared to the other borrowers who were no longer in the program at the end of 2015.

The following table shows various borrower outcomes in the ten counties with the highest number of borrowers who received assistance through the HHF Program.

Table 6. Borrower Outcomes, by Top Ten Counties, Dec. 31, 2015

	Number of Borrowers				
	Received Assistance	Completed	Gained Employment	Canceled, Short Sale or Deed-in-lieu	Still Receiving
Shelby	1,887	851	326	189	521
Davidson	1,154	578	194	117	265
Rutherford	483	264	73	38	108
Hamilton	474	233	66	63	112
Knox	442	184	70	51	137
Sumner	184	101	22	25	36
Montgomery	142	56	28	21	37
Wilson	142	73	19	14	36
Sullivan	123	42	27	16	38
Williamson	120	68	16	15	21
Tennessee	***7,355***	***3,477***	***1,173***	***844***	***1,861***

As Table 7 shows, at the end of 2015, 91 percent of all borrowers who were no longer in the program were still in their homes. Across all possible borrower outcomes, those exhausting available assistance (borrowers who completed the program), those regaining their footing in the labor market (borrowers who gained employment) and those who left for other reasons (borrowers whose assistance was canceled), over 90 percent of borrowers remain in their homes. These were the borrowers who were, by definition, at risk to lose their homes and HHF assistance they received helped them save their homes. The ratio of borrowers who are still keeping their homes is even higher among the borrowers who left the program after finding employment opportunities.

Table 7. Borrowers who No Longer in the Program and Homeownership Status, Dec. 31, 2015

	Borrowers No Longer in the Program	Still Owns Home	% Still Owns in Total No Longer in the Program
Completed the Program	3,477	3,085	89%
Gained Employment	1,173	1,142	97%
Cancellation	840	770	92%
Short Sale	3	0	0%
Deed-in-lieu	1	0	0%
All Borrowers No Longer in the Program	***5,494***	***4,997***	***91%***

Some of the borrowers who are no longer in the HHF Program did not keep their homes, but this is not always a bad outcome. If the HHF assistance helps the homeowner avoid an imminent foreclosure and later on transition to another alternative such as refinancing the mortgage, selling the home or accepting a deed-in-lieu, it is still beneficial for the borrower. In the process, the borrower's credit score will not be impacted negatively, and the borrower might even capture some of the equity in the house.

The following table represents the homeownership status of the borrowers who are no longer receiving HHF assistance as of December 31, 2015.

Table 8. Homeownership Status, Borrowers who No Longer Own Home, Dec. 31, 2015

Homeownership Status	Completed	Gained Employment	Canceled	Deed-in-lieu	Short Sale	ALL
Foreclosure	220	15	45	0	0	280
Sold	108	15	14	0	0	137
Short sale	28	0	4	0	3	35
Refinanced	22	1	2	0	0	25
Deed-in-lieu	8	0	1	1	0	10
Borrower is deceased	2	0	2	0	0	4
Borrower paid off	3	0	1	0	0	4
Home destroyed - insurance paid off	1	0	0	0	0	1
Home was destroyed by fire	0	0	1	0	0	1
All borrowers who no longer own their homes	***392***	***31***	***70***	***1***	***3***	***497***

There were 497 borrowers, or nine percent of all borrowers, who were no longer receiving assistance and were no longer in their homes. Of these, 280 borrowers experienced foreclosure, and a majority of these foreclosures were also among those borrowers who completed the program by receiving the full assistance amount for which they were approved. The borrowers who found employment opportunities did not go through foreclosure as often as borrowers who were no longer receiving assistance for other reasons. The borrowers who refinanced their mortgage, may remain in their homes, but THDA will no longer have the lien to track the homeownership status. A total of 137 borrowers sold their homes, and a majority of these borrowers completed the program by receiving the full assistance amount available for them.

In the following sections, these borrowers who were no longer receiving HHF assistance are explained in more detail.

2. Borrowers Who Completed the Program

HHF assistance is provided for up to 36 months or up to $40,000, whichever comes first, which depends on the arrears and monthly mortgage amount. A borrower who had a large sum of arrears and/or a large monthly mortgage payment (PITI) might have exhausted all the available assistance in a short amount of time, while another borrower with no arrears and/or small monthly PITI might have received assistance for 36 months. A total of 3,477 HHF Program borrowers, which was 47 percent of all borrowers in the HHF Program, completed the program by receiving the full assistance amount for which they were approved or up to the maximum number of months (THDA brought their mortgage payments current at the time their assistance ended). They did not experience any event causing for the early termination of their assistance such as finding employment opportunities, or requesting, voluntarily, early termination of their assistance because of a short sale, refinancing or deed-in-lieu while they were still receiving assistance.

The following table shows the loan status, employment and assistance timing of the borrowers who completed the program.

Table 9. Borrowers Who Completed the Program, Dec. 31, 2015

	Number of Borrowers	Percent of Total
Total Number of Borrowers Who Completed the Program	3,477	
Hardship Type At the Time of Assistance Approval		
Unemployment	2,664	77%
Underemployment	610	18%
Divorce	143	4%
Death	60	2%
Delinquency Status At the Time of Assistance Approval		
30+ day delinquent	320	9%
60+ day delinquent	340	10%
90+ day delinquent	2,571	74%
Current	246	7%
Year Borrower Started Receiving Assistance		
2011	652	19%
2012	1,380	40%
2013	984	28%
2014	461	13%
Year Borrower Completed the Program		
2011	59	2%
2012	586	17%
2013	834	24%
2014	912	26%
2015	1,086	31%

Of these borrowers who completed the program, 77 percent were unemployed and 18 percent were underemployed at the time they were approved for receiving assistance. Only four percent of borrowers who completed the program were having payment difficulties because the spouse passed away. In total, more than $83 million of total assistance payments were disbursed for borrowers who completed the program by receiving the maximum assistance approved.

Fifty-eight percent of all borrowers completed the program were white and 39 percent were African American. Seventy-four percent of the borrowers who completed the program were 90 days or more behind in their mortgage payments when they were approved for assistance. Forty percent of borrowers who completed the program started receiving assistance in 2012 and 31 percent of them exhausted their available assistance and left the program in 2015.

On average, a borrower who completed the program without any other alternative outcome received $24,000 assistance over 15 months. An average HHF borrower who completed the program had an unpaid loan balance of $110,251 and paid $961 monthly for principal, interest, property tax and insurance (PITI) for a home appraised at $130,281. Borrowers who completed the program, on average, had a loan-to-value (LTV) ratio of 88 percent. The following table shows the average and median unpaid loan balance, appraised home value, borrower (annual) income, monthly principal, interest, property tax and insurance (PITI) for the first mortgage, loan-to-value (LTV) ratio, number of months and dollar amount of assistance received for the borrowers who completed the program.

Table 10. Loan Home and Assistance Characteristics, Borrowers who completed the Program, Dec. 31, 2015

	Average	Median
Initial Principal Loan Balance	$110,251	$105,145
Appraised Value	$130,281	$119,500
Borrower Income (Annual)	$22,046	$18,731
First Mortgage PITI Amount	$961	$904
Loan-To-Value (LTV)	88%	88%
Number of Months Assistance Received	15	13
Dollar Amount of Assistance Received	$24,024	$21,647

Twenty-six percent of all HHF Program borrowers were from Shelby County, and at the end of 2015, 45 percent of the HHF borrowers in Shelby County left the program by receiving all available funding they were allocated, without any other alternative outcome. Fifty percent of borrowers who were located in Davidson County completed the program. Counties with small numbers of HHF borrowers had relatively higher ratios of borrowers who completed the program. The highest ratio of total borrowers who completed the program among the counties with more than 100 borrowers who received HHF assistance was Williamson County where 57 percent of all borrowers receiving assistance completed the program at the end of 2015 (see Table X).

The vast majority of borrowers who finished the program by receiving all the assistance for which they were approved, 89 percent, remain in the same homes for which they received assistance. Less than 10 percent of the 3,477 borrowers who completed the program by receiving all the assistance for which they were approved no longer have their homes. Six percent (220 borrowers) did ultimately have their home foreclosed on after their assistance ended. Another three percent (108 borrowers) sold their homes after completing the program.

Table 11. Homeownership Status of Borrowers who completed the Program by Receiving the Full Amount of Assistance Approved

Homeownership Status	Number of Borrowers	Percent in All Completed
Still in the home	3,085	89%
Foreclosure	220	6%
Sold	108	3%
Short sale	28	1%
Refinanced	22	1%
Deed-in-lieu	8	0%
Borrower paid off	3	0%
Borrower is deceased	2	0%
Home destroyed - Insurance paid off	1	0%
All borrowers who completed	3,477	100%

Some of the borrowers who completed the program and who remain in their homes just finished the program at the end of 2015, while others finished as early as 2011 and since then, still own their homes. On average, a borrower who completed the HHF assistance kept his/her home for 20 months after the assistance ended until the end of 2015. The table below shows that 99 percent of borrowers who exhausted their available assistance in the last six months still own their homes.

Table 12. Number of Months from the Assistance End to the End of 2015, Borrowers who completed the Program and Still Owns Their Homes

# of Months From the End of Assistance to the End of 2015	Total # of Borrowers Who Completed	# of Borrowers who Completed and Still in their Homes	% in All Completed
6 Months	2,884	2,500	87%
7 to 12 Months	2,795	2,412	86%
13 to 18 Months	2,328	1,969	85%
19 to 24 Months	1,845	1,527	83%
25 to 36 Months	1,410	1,148	81%
37 to 48 Months	582	451	77%
48 to 60 Months*	48	34	71%
Total	3,477	3,085	89%

*At the end of 2015, the highest possible number of months was 55 months.

3. Borrowers Who Gained Employment

Intended to be a program that serves as temporary assistance for those experiencing job loss or are under-employed, examining program outcomes for those borrowers who successfully weathered the labor market storms is critical to seeing if the program design benefited these borrowers. Of all the borrowers who received assistance, 1,173 HHF Program borrowers, or 16 percent, gained employment or increased their employment earnings such that they were no longer qualified for HHF assistance. Often, this resulted in assistance totals less than the maximum dollar amount for which they were eligible. Not all increases in earned income resulted in the end of assistance. If a borrower found a job, yet the housing cost to income ratio was still more than 31 percent, the borrower continued receiving assistance.

Of the borrowers whose earnings and employment increased to the point where they were no longer HHF eligible, 85 percent were unemployed at the time they were approved to receive assistance, 11 percent were underemployed and three percent had divorced. Sixty-seven percent of the borrowers who gained employment were 90 days or more behind on their monthly mortgage payments at the time they were approved to receive assistance. The following table shows the borrowers who gained employment and distribution by various characteristics.

Melissa

Melissa is a single mother of three living in Clarksville who was downsized out of a job in February 2012. Unable to pay her mortgage, she tried unsuccessfully to modify her loan and was left feeling alone and fearful.

One day she saw a billboard for the Keep My Tennessee Home program and visited the website to complete an assessment. Soon she was contacted by Angela Belcher at The Housing Fund, who walked her through the application process. "The process was so easy," Melissa said. "It was a tremendous relief."

With the security of knowing her family would not be forced out of their home, Melissa was empowered to pursue a better career by returning to college. "I was actually able to get my Master's degree in Health Administration from Austin Peay, and then I accepted a position at the local hospital."

Melissa no longer needs mortgage payment assistance to keep a roof over her head. She received a hand-up, rather than a handout, and used the opportunity to better herself, advance her career, and provide for her family.

Table 13. Borrowers Who Gained Employment, Dec. 31, 2015

	Number of Borrowers	Percent of Total
Total Number of Borrowers Who Gained Employment	1,173	
Hardship Type At the Time of Assistance Approval		
Unemployment	998	85%
Underemployment	134	11%
Divorce	31	3%
Death	10	1%
Delinquency Status At the Time of Assistance Approval		
30+ day delinquent	156	13%
60+ day delinquent	182	16%
90+ day delinquent	783	67%
Current	52	4%
Year Borrower Started Receiving Assistance		
2011	54	5%
2012	249	21%
2013	514	44%
2014	356	30%
Year Borrower Gained Employment		
2011	1	0%
2012	39	3%
2013	138	12%
2014	352	30%
2015	643	55%

On average, a borrower who gained employment and left the program early without receiving all the assistance he (she) was approved for had an initial unpaid loan balance of $92,648. On average, this same borrower was making a monthly PITI payment of $807 for a house appraised at almost $110,000. An average borrower who left the HHF Program after gaining employment received assistance payments of $19,586 for 18 months. A total of $23 million in HHF money was disbursed to the borrowers who gained employment such that they no longer required HHF assistance. The following table shows basic loan, home and assistance characteristics for these borrowers.

Table 14. Loan, Home and Assistance Characteristics, Borrowers who gained employment, Dec. 31, 2015

	Average	Median
Principal Loan Balance	$92,648	$87,372
Appraised Value	$109,707	$102,069
Borrower Income (Annual)	$14,260	$11,178
First PITI	$807	$772
LTV	88%	87%
Number of Months Assistance Received	18	16
Dollar Amount of Assistance Received	$19,586	$18,439

Of these 1,173 borrowers whose employment gains made them ineligible for ongoing HHF assistance, 15 borrowers had a foreclosure and 15 borrowers sold their homes. Ninety-seven percent of all HHF borrowers who gained employment were still in their homes at the end of 2015. HHF assistance was successful in helping these borrowers maintain their homes while going through hard times. After they left the program, they were still able to keep their homes.

Table 15. Borrowers who Gained Employment and Homeownership Status

Homeownership Status	Number of Borrowers	Percent in All Gained Employment
Still in the Home	1,142	97%
Foreclosure	15	1%
Sold	15	1%
Refinanced	1	0%
All Borrowers Who Gained Employment	1,173	

Seventy-two percent of the borrowers who found employment stopped receiving HHF assistance six months prior to the end of 2015 and 97 percent of those still remain in their homes. The following table shows the number of borrowers who found employment opportunities and left the HHF program and those who were still in their homes.

Table 16. Number of Months from the Assistance End to the End of 2015, Borrowers who gained employment and Still Owns Their Homes

# of Months From the End of Assistance to the End of 2015	Total #of Borrowers who Gained Employment	# of Borrowers who Gained Employment and Still in their Homes	% in All Employed
6 Months	847	819	97%
7 to 12 Months	771	743	96%
13 to 18 Months	370	350	95%
19 to 24 Months	240	223	93%
25 to 36 months	116	105	91%
37 to 48 Months	16	14	88%
Total	**1,173**	**1,142**	**97%**

*At the end of 2015, the highest possible number of months was 37 months.

4. Borrowers whose Assistance was Canceled

There were 840 borrowers whose assistance was canceled before receiving the full amount that was allocated for them. Cancellations happened for several different reasons. Some borrowers voluntarily withdrew from the program (requested the cancellation of their assistance) after they started receiving assistance; several borrowers passed away while they were receiving assistance; and, for some borrowers during the regular recertification process, THDA staff determined that they had undisclosed income or assets and their assistance was ended.

Table 17. Reason for HHF Assistance Cancellation, Dec. 31, 2015

Cancellation Reason	Number of Borrowers whose Assistance was Canceled
Borrower did not respond to recertification calls	500
The ratio of housing cost to income is less than 31%	144
House was abandoned	52
Borrower had undisclosed income/assets	45
Borrower voluntarily withdrew	40
Borrower has assets equal to or more than 12 months of PITI	28
Borrower died	19
Household income Increased above maximum limit	12
Total Canceled	**840**

According to Table X, 500 borrowers did not respond to the inquiries when THDA initiated regular recertification. Therefore, THDA stopped making their mortgage payments even if they still had allocated funds left. A total of 144 borrowers had a housing cost ratio less than 31 percent of the income during regular recertification, which means they were no longer considered cost burdened.

The following table shows assistance eligibility and length and initial loan status among those who subsequently have their assistance cancelled. According to the table, 73 percent of borrowers whose assistance was canceled for various reasons were unemployed at the time they were approved for receiving assistance and 16 percent were underemployed. A majority of them were 90 days or more behind in their monthly mortgage payments and over 80 percent started receiving assistance in 2013 and later. Over 50 percent of these cancellations occurred in 2015.

Table 18. Borrowers Whose Assistance was Canceled, Dec. 31, 2015

	Number of Borrowers	Percent of Total
Total Number of Borrowers Who Gained Employment	840	
Hardship Type At the Time of Assistance Approval		
Unemployment	617	73%
Underemployment	138	16%
Divorce	40	5%
Death	45	5%
Delinquency Status At the Time of Assistance Approval		
30+ day delinquent	79	9%
60+ day delinquent	96	11%
90+ day delinquent	641	76%
Current	24	3%
Year Borrower Started Receiving Assistance		
2011	24	3%
2012	131	16%
2013	445	53%
2014	240	29%
Year Borrower's Assistance was Canceled		
2011	0	0%
2012	7	1%
2013	53	6%
2014	331	39%
2015	449	53%

The following table shows basic loan, home and assistance characteristics for the borrowers whose assistance was canceled.

Table 19. Loan Home and Assistance Characteristics, Borrowers Whose Assistance was Canceled, Dec. 31, 2015

	Average	Median
Principal Loan Balance	$93,938	$89,779
Appraised Value	$114,180	$107,150
Borrower Income (Annual)	$11,575	$7,818
First PITI	$819	$793
LTV	87%	85%
Number of Months Assistance Received	17	15
Dollar Amount of Assistance Received	$20,830	$19,992

Of the 840 borrowers whose assistance was canceled for various reasons, 45 borrowers, five percent of all cancellations, had foreclosures after they left the program. Two percent of all canceled borrowers, a total of 14 borrowers, sold their homes and received their lien release. Ninety-two percent of the borrowers whose assistance was canceled early were still in their homes by the end of 2015.

Table 20. Borrowers Whose Assistance was Canceled and Homeownership Status

Homeownership Status	Number of Borrowers	Percent in All Canceled
Still in the Home	770	92%
Foreclosure	45	5%
Sold	14	2%
Short Sale	4	0%
Borrower died	2	0%
Refinanced	2	0%
Borrower paid off	1	0%
Deed-in-lieu	1	0%
Home was destroyed by fire	1	0%
All Borrowers Whose Assistance was Canceled	840	

Maggie

Maggie fell in love with her historic 1922 home in North Knoxville the moment she first walked in the door. "I knew it in a heartbeat. I wanted this to be my forever home," she said.

Five years later, Maggie lost her job as a pastry chef. She could only find work as a baker at a bakery at half her original salary. When she fell behind on her mortgage, she thought there was no way she could escape being forced to move to Virginia to live with her mother. Then, after months of her mortgage company being "nothing but rude and unhelpful," she finally talked to a representative who suggested the Keep My Tennessee Home program.

After talking with a counselor at the Knox County Partnership for Economic Development, Maggie successfully applied for assistance in early 2014. Eighteen months later, she found a second job as a baking instructor at a community college and was able to resume full responsibility for her mortgage again.

"I just feel really lucky," she said. "I would have lost my home."

5. Borrowers who had Short Sale or Deed-in-lieu[34]

Three borrowers left the program without receiving all of the assistance allocated for them by accepting a short sale, and one borrower accepted a deed-in-lieu. These borrowers transitioned out of the HHF program before their assistance ended. Often, these are still favorable outcomes considering that the borrower's credit score did not suffer from a foreclosure, and even with a short sale, it is possible that borrower can receive a share of the equity accumulated in the house. One of the problems during the housing crisis was declining home values and accumulated arrears, which created difficulties for homeowners selling their home. The HHF Program helped homeowners bring their mortgage payments current, and created opportunities for them to sell their homes and move to relatively less cost-burdened conditions.

34 These are the HHF borrowers who transitioned out of the program by accepting short sale or deed- in- lieu while they still have available HHF assistance to receive. They should not be confused with the borrowers who accepted short sale or deed- in- lieu after completing the program, which can be found in the section discussing the homeownership retention status of the HHF borrowers during five-year compliance period.

VI. Long-Term Outcomes and Homeownership Status

1. Homeownership Status Overview

An HHF Program loan is not a grant but a five-year subordinate loan, with zero percent interest, deferred-payment, and fully forgivable after five years. The loan amount is reduced (forgiven) by 20 percent a year for every year the borrower stays in the home. At the end of the five years, the note is considered satisfied and THDA releases the lien securing the note. During that five-year period, THDA continues to track the homeownership status of HHF Program borrowers to determine if they remain in their homes for the five year loan period. If a borrower sells the property, refinances the original mortgage loan, or no longer occupies the property, the remaining HHF loan amount is due and payable. If the property is sold or refinanced, but has not increased in value to the degree necessary to repay the HHF note, all or a portion of the note may be forgiven.

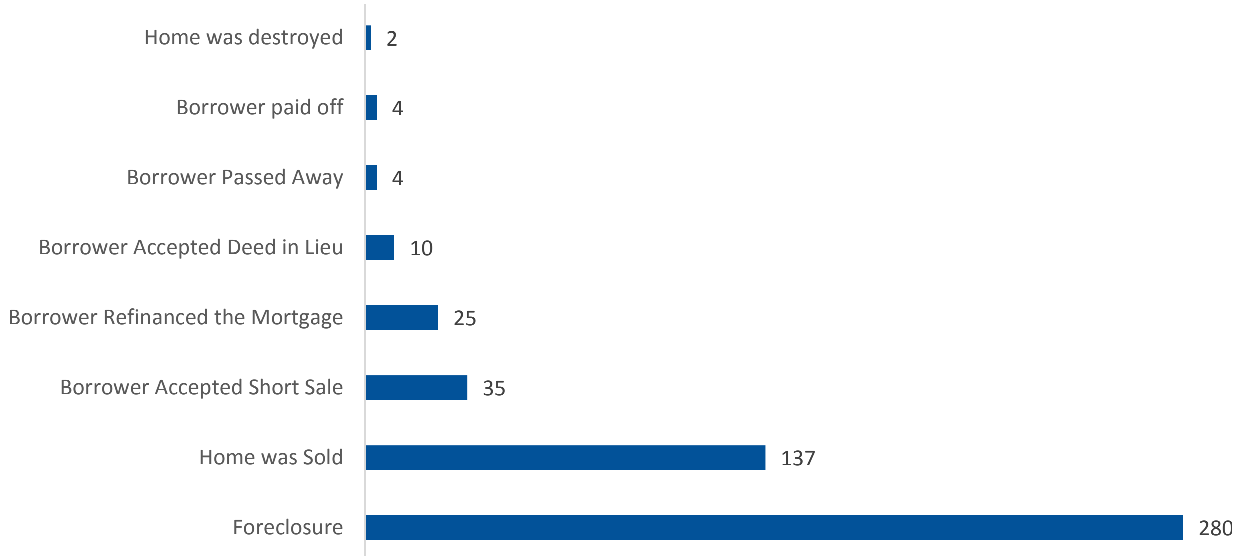
The Hardest Hit Fund Program helped homeowners when they were not able to keep up with their mortgage payments. For the 5,494 borrowers who were helped and are no longer receiving assistance, 91 percent were able to keep their homes after their assistance ended.

However, the assistance provided was only a temporary relief for some borrowers, and once the assistance ended they were not able to resume their regular mortgage payments. As a result, they lost their homes to foreclosure[35]. In total, of the 497 borrowers who were no longer in their homes, five percent lost their homes to foreclosure, and four percent sold their homes or accepted a short sale or deed-in-lieu. Even though refinance and borrower paying off the original mortgage are not necessarily negative outcomes, THDA will not be able to track the homeownership retention status once the lien is released for these borrowers, as we consider them as "no longer owning their homes." On average, a borrower experienced an event causing him/her to lose the home 24 months after the first assistance started and 13 months after the last assistance payment received.

The following figure shows the homeownership retention status of the borrowers in the HHF Program at the end of 2015.

35 THDA keeps the lien for five years after the borrower is approved for receiving assistance. Therefore, THDA is notified when the borrower sells the home or refinance the mortgage or goes through foreclosure within that timeframe.

Figure 13. HHF Borrowers who are No Longer in Their Homes and the Reasons, Dec. 31, 2015



2. Foreclosures

To date, 280 borrowers, approximately four percent of all HHF borrowers who received assistance, foreclosed. Given that the population eligible for this assistance was, by definition, at a higher risk for foreclosure, a four percent foreclosure rate suggests a successful intervention for most borrowers. On average, the foreclosure occurred within the first 15 months after their HHF assistance ended. The majority of these foreclosures happened after the borrower received the maximum allowed assistance. On average, a borrower who left the HHF Program after exhausting all available assistance amount foreclosed 16 months after the assistance end date. However, 60 borrowers who foreclosed left the program without receiving the maximum assistance. While most of these 60 borrowers were those who left due to abandonment of the property or non-response, there were 15 borrowers with a different story. They left the program due to employment gain and appeared to be on the path to sustainable homeownership. However, they experienced a foreclosure, on average, 13 months after their assistance ended.

On average, a borrower who foreclosed after the HHF assistance ended received assistance payments for nine months. Some of the foreclosures happened soon after the HHF assistance ended, while some borrowers stayed in their homes and continued making their monthly mortgage payments for as long as four years after the last HHF assistance payment. Twenty percent of all borrowers whose mortgage loan were foreclosed started receiving HHF assistance in 2011 and 45 percent started in 2012. For seven percent of the borrowers who foreclosed, HHF assistance started in 2014. The following table gives the number of loans foreclosed by the year the foreclosure happened and the year borrower started receiving HHF assistance.

Table 21. Number of Foreclosures by the Year of Foreclosure and Year of HHF Assistance Started

	Year Borrower's HHF Assistance Started					Percent of All Foreclosed
	Number of Foreclosures					
Year of Foreclosure	2011	2012	2013	2014	ALL	
2012	9	6	0	0	15	5%
2013	19	24	0	0	43	15%
2014	15	44	19	1	79	28%
2015	14	52	59	18	143	51%
All Foreclosed	***57***	***126***	***78***	***19***	***280***	***100%***
Percent of All Foreclosed	20%	45%	28%	7%	100%	

Fifty-four percent of foreclosed HHF borrowers were female and 83 percent were unemployed at the time they were approved for assistance. Of the foreclosed borrowers, 63 percent were white and 33 percent were African American. These are comparable to the gender and racial characteristics of all borrowers in the HHF Program.[36]

Twenty-six percent of all HHF borrowers in the state were from Shelby County. Sixty Shelby County HHF borrowers who had a foreclosure represent three percent of all borrowers who received assistance in the county and 21 percent of all HHF foreclosures. An average borrower who had a foreclosure in Shelby County received assistance for 10 months and their foreclosure happened 16 months after their payments ended. Davidson County followed Shelby County with the highest number of borrowers who foreclosed. Sixteen percent of all HHF borrowers who received assistance in the state were from Davidson County and four percent of them, a total of 45 HHF borrowers, were foreclosed by the end of 2015. Similar to foreclosed borrowers from Shelby County, the borrowers who foreclosed in Davidson County received assistance, on average, for 10 months and they foreclosed on their mortgage 16 months after their payments ended. The following table shows the 10 counties with the highest number of HHF borrowers, the number of borrowers who foreclosed after the assistance ended, and the average number of months receiving assistance and months from end of assistance to the foreclosure.

36 Fifty-seven percent of all borrowers were female and 41 percent were male. Fifty-eight percent were white and 40 percent were African American. Approximately 26 percent of all borrowers were in Shelby County.

Table 22. The Number of Borrowers who Received Assistance and Foreclosed, Average Number of Months Receiving Assistance and Months from End of Assistance to Foreclosure

	Total Borrowers Received Assistance		Total Borrowers Foreclosed		Average Number of Months	
	Number	Percent in State Total	Number	Percent in State Total	Receiving	From Last Payment to Foreclosure
Shelby	1,887	26%	60	21%	10	16
Davidson	1,154	16%	45	16%	10	16
Rutherford	483	7%	14	5%	12	16
Hamilton	474	6%	31	11%	6	15
Knox	442	6%	9	3%	11	15
Sumner	184	3%	8	3%	6	19
Montgomery	142	2%	3	1%	11	18
Wilson	142	2%	5	2%	7	11
Sullivan	123	2%	7	3%	6	13
Williamson	120	2%	2	1%	14	11
Tennessee	***7,355***		***280***		***9***	***15***

At the time their HHF assistance was approved, the foreclosed borrowers' unpaid balance ranged from $12,364 to over $265,000, and the average loan balance was little less than $110,000.[37] Only 30 borrowers who foreclosed had a second mortgage loan, ranging from $290 to $149,000. The average appraised value of a foreclosed loan was $122,587, ranging from $13,600 to $323,500. Loan-to-value (LTV) ratios ranged from seven percent to over 200 percent for these foreclosed borrowers. One third of the borrowers who foreclosed after their assistance ended had a LTV ratio over 100 percent at the start of their HHF loan, which means that their unpaid principal loan balance was more than the appraised value of their home at the time they were approved to receive assistance. Without the information about the current appraised value of their home and their LTV ratio at the time they foreclosed, it is difficult to say with certainty that their negative equity was the reason for their subsequent foreclosure, though negative equity has been shown in other studies to contribute to the likelihood of foreclosure.[38]

37 THDA does not have information about the appraised home value, principal loan balance or the income of the borrowers after their assistance ended.

38 For more information about the link between negative equity and foreclosure see, for example; Christopher L. Foote, Kristopher Gerardi, and Paul S. Willen (2008); Neil Bhutta, Jane Dokko, and Hui Shan (2010); Edward Vincent Murphy (2008).

3. Home Was Sold (Including Short Sale)

After foreclosure, the second most frequently occurring reason for not owning the home is that the borrower sold the home. A total of 137 borrowers sold their homes[39] and an additional 35 borrowers accepted a short sale. By avoiding foreclosure and agreeing to a sale (including short sale)[40], approximately two percent of households that received HHF assistance were assisted in preserving their credit and may have even gained some equity back in the sale. Some of the borrowers who sold their homes did not gain enough to pay back their HHF assistance to THDA, but some of them experienced house price appreciation and they were able to pay back the full amount of assistance they received (discussed in the next section). Of 137 borrowers who sold their homes, 95 borrowers, or 69 percent of borrowers who sold, paid back the assistance they received (minus the forgiven amount) and 38 did not gain enough to pay back any assistance, therefore their loan was fully forgiven. Four borrowers sold homes toward the end of 2015, therefore THDA did not receive any lien release request or the returned funds before December 31, 2015. Out of 35 short sales, only one borrower had gained enough equity to pay back the assistance received. For the rest of HHF borrowers who accepted a short sale, THDA forgave the assistance amount.

Of the borrowers who sold their homes, 108 borrowers received the full HHF assistance amount allocated for them without any alternative outcome or event causing them to leave the HHF Program without using the full assistance, while 15 of them left the program early after finding employment opportunities and 14 borrowers' assistance was canceled either because the borrower did not respond to recertification calls or the home was abandoned at the time of recertification.

4. Other Homeownership Retention Outcomes

A total of 25 borrowers refinanced their current mortgage loans and paid back the assistance amount they received minus any forgiven amount, which was nearly a total of $193,000 for all 25 borrowers who refinanced. Ten borrowers accepted deed-in-lieu and four borrowers paid off their loans and paid back the assistance amount they received. Two borrowers' homes were destroyed, and THDA received the assistance amount back when the insurance paid the borrower in one case and there were not sufficient funds recovered for the second home. Four borrowers passed away and their homes were sold by their estates. THDA received over $44,000 from three borrowers and there were not sufficient funds to pay back in one of the deceased borrower's estate sale.

39 Four borrowers passed away and the home was sold. They are not included among the borrowers whose home was sold.

40 These are the HHF borrowers who received all allocated assistance and completed the program, but in five-year period after their assistance ended had a short sale or deed in lieu. These are different than the borrowers who transitioned out of HHF program for an option like short sale or deed in lieu.

VII. Lein Satisfaction Recoveries and Funds Recaptured

As of December 31, 2015, THDA released the liens for 217 borrowers, across all outcome types. As was explained previously, HHF loans are forgivable by 20 percent every year. If the borrower stays in the house without selling, refinancing, or foreclosing, then the loan is forgiven and the lien is released. If the borrower decides to sell, refinance or accept a short sale or a deed-in-lieu, then he/she needs to pay back any amount he/she received minus the amount forgiven, depending on the time passed from the date the loan was closed. If the borrower did not earn any return after the home was sold, THDA still releases the lien without receiving the balance of the unforgiven portion of the loan.

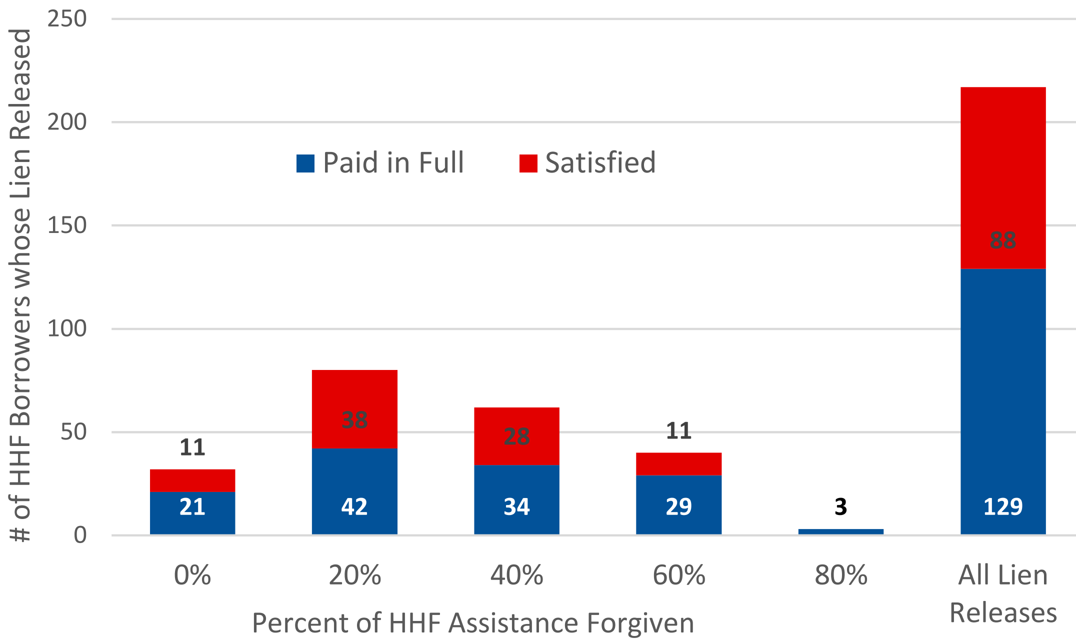
A total of 133 HHF borrowers[41] paid back the balance of their assistance amount[42] and received their lien releases. THDA recovered $1.4 million of HHF assistance paid, in the process. The amount of payoff received ranged from $680 to nearly $32,000 per borrower. Eighty-four HHF borrowers who are no longer in their homes received their lien release, but THDA did not recover any funds because either the funds were insufficient to pay off THDA or the borrower did not receive any payment from the transaction (foreclosure, deed-in-lieu or short sale with no net proceeds to the seller).

The following figure shows the HHF borrowers whose lien was released for various reasons by the percent of assistance amount forgiven (depending on number of years they stay in their homes from the date they started receiving HHF assistance) and whether or not they paid back the remaining assistance amount they owed ("satisfied" means that the borrower's lien was released even if the borrower did not pay the full assistance amount he/she received because there was not sufficient funds to pay back the full assistance amount). There were no borrowers whose lien was released without any pay back requirement because the borrower stayed home for at least five years. Only three borrowers stayed in their homes four years after the assistance, and they paid back the amount they owed after their homes were sold.

41 For the purposes of tracking homeownership retention, borrowers who refinanced and paid back the balance of the assistance amount are considered as among the borrowers who no longer own their homes.

42 Excluding the forgiven amount depending on the number of years they stayed in the home after the assistance.

Figure 14. Number of Lien Releases and the Forgiven Assistance



A total of 32 borrowers, 15 percent of all borrowers whose lien was released at the end of 2015, stayed in their homes less than one year and, therefore, they did not have any assistance amount forgiven. More than half of them, 21 borrowers, paid back the total amount of assistance they received. Eleven borrowers who received their liens within the first year did not receive any net gain from the transaction, and therefore did not pay any assistance back to THDA.

VIII. Conclusion

The Hardest Hit Fund Program helped 7,355 struggling homeowners avoid foreclosures and stay in their homes while searching or training for a new job. The program paid approximately $170 million on behalf of the homeowners. For the homeowners helped, the assistance was very valuable. For the most part, those helped have maintained homeownership or successful foreclosure prevention outcomes such as selling the home.

Part of the federal efforts to stabilize the economy, the HHF program made a varying sized impact in housing markets across the state. A few counties' housing markets had substantial assistance from the program. For example, in McNairy County, 66 borrowers who received assistance from the Hardest Hit Fund Program represented two percent of the total mortgage holders in the county.[43] Similarly, 76 HHF borrowers in Marion County characterized 1.7 percent of the total households with a mortgage. In Shelby County, 1,885 homeowners received assistance from the HHF Program, 1.3 percent of all households with a mortgage in the county.

Compared to the other states that administered the HHF Program, Tennessee's 79 percent admission rate[44] was the second highest after the District of Columbia. With the help of the program participants such as the counseling agencies that worked with the applicants, borrowers in THDA's Hardest Hit Fund Program were able to receive their assistance in an average of 167 days from the date of application.

The following table shows the borrowers who are no longer in the program and the average values for initial unpaid loan balance, income, appraised home value, monthly principal, interest, property tax and insurance (PITI) amount and loan-to-value (LTV) ratio. The table also compares these average values for borrowers who no longer in the program to all borrowers who received assistance and borrowers who are still receiving payments from the program.

Table 23. Average Loan Balance, Annual Income, Appraised Amount, PITI and LTV[45]

	Loan Balance	Annual Income	Appraisal Amount	First PITI	LTV
Borrowers who Received Assistance	$99,224	$16,615	$118,724	$871	87%
Still Receiving Assistance	$85,164	$10,262	$104,781	$766	86%
Borrowers No Longer In the Program	$103,986	$18,766	$123,447	$907	88%
Completed the Program	$110,251	$22,046	$130,281	$961	88%
Gained Employment	$92,648	$14,260	$109,707	$807	88%
Cancellation	$93,938	$11,575	$114,180	$819	87%
Deed-in-lieu	$56,281	$0	$45,011	$294	125%
Short Sale	$105,489	$0	$196,733	$1,545	63%

43 Total number of households with a mortgage is from American Community Survey (ACS) five-year estimates, 2010-2014.

44 This admission rate is based on the borrowers who applied on the website, worked with the counseling agencies and then were sent to THDA for further consideration. It does not include the website applicants whom counseling agencies did not send to THDA.

45 Loan balance, annual income, appraisal amount, first mortgage PITI and LTV were all at the time of the loan application. THDA does not have information about these variables when the borrower no longer is receiving assistance.

Sheree

Sheree was an executive at a prominent hotel chain until a major layoff in 2011 left her unemployed, along with 350 other employees in the Nashville area. Very soon, Sheree was struggling to pay the mortgage on the condo where she'd lived for 10 years and raised two teenage daughters.

After missing four payments, her mortgage company advised her to contact THDA about the Hardest Hit Fund. "I was a little hesitant at first, but you guys were so easy to work with," she said. "This program was a lifesaver. It was like God put you there for me."

After 14 months of assistance, Sheree's temporary job became a permanent position and her home became affordable again. Without a foreclosure on her record, Sheree was able to sell her condo in August 2015 and move into a house, where her new grandson loves to come and play.

The HHF Program made it possible for these borrowers to stay in their homes while they were searching for a new job. In some cases, the assistance provided borrowers enough time to find other solutions such as refinancing their mortgage or selling their home. Only 10 percent of all borrowers who received assistance through THDA's HHF Program no longer own their homes due to foreclosures or loss of contact (no response at the time of at least two recertification periods). Four percent of the borrowers who received assistance ultimately lost their homes to foreclosures. While some households were not able to keep their homes, their assistance allowed for improved alternative outcomes in the form of sale, short sales, refinancing and deeds in lieu. Approximately two percent of HHF borrowers were assisted in preserving their credit by successfully arranging a sale, short sale, refinancing and deed-in-lieu arrangement.

There were Hardest Hit Fund Program borrowers in every county except Moore County, and almost 40 percent of the borrowers were in Middle Tennessee. Of all the borrowers who received assistance, 5,576 borrowers were unemployed, 1,178 were underemployed, and the remaining eight percent were having difficulties with their mortgages due to divorce or the death of a spouse.

At the end of 2015, THDA was still making mortgage payments for 1,861 borrowers. Of 5,494 borrowers who were no longer receiving assistance at the end of 2015, 3,477 completed the program by receiving the total assistance amount they were approved for without any alternative outcome causing them to lose their assistance early. A total of 1,173 borrowers gained employment and left the program early without receiving all the assistance for which they were approved.

At the end of 2015, of all borrowers who were no longer in the program; those exhausting available assistance (borrowers who completed the program), those regaining their footing in the labor market (borrowers who gained employment) and those who left for other reasons (borrowers whose assistance was canceled), over 90 percent were still in their homes. These were the borrowers who were, by definition, at risk to lose their homes and HHF assistance they received helped them save their homes. The ratio of borrowers who kept their homes is even higher among the borrowers who left the program after finding employment opportunities. A total of 497 borrowers who received HHF assistance were no longer in their homes. In total, of the 497 borrowers who were no longer in their homes, five percent lost their homes to foreclosure, and four percent sold their homes or accepted a short sale or deed-in-lieu. Even though refinancing and a borrower paying off the original mortgage for any reason other than listed here are not necessarily negative outcomes, THDA will not be able to track the homeownership retention status once the lien is released for these borrowers completed the HHF program, and we consider them as "no longer owning their homes."

On average, a borrower who was no longer receiving assistance at the end of 2015 and who did not experience any event causing him/her to lose home had stayed in the house 16 months since the end of assistance. Approximately 17 percent of the all the borrowers who received HHF assistance were still in their homes even more than 24 months since their assistance payments ended. Two borrowers (one in Shelby County and one in Hamilton County) whose HHF loans were closed in early May 2011 were still in their homes 55 months after their assistance ended. Both of those unemployed borrowers received only one payment covering their arrears to bring their mortgage payments current.

Next Steps

THDA will utilize the funds recaptured from the repaid loans for a new Blight Elimination Program, which will use the recaptured and de-obligated funds from the Keep My Tennessee Home Program assistance recipients. By the end of 2015, THDA had recaptured $1.4 million from borrowers who sold their homes or refinanced their mortgages and de-obligated, approximately, a total of $5.5 million from borrowers who were no longer eligible for continued assistance.

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