FAQ: Homeowner Assistance Funds and Reverse Mortgages

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What is the Homeowner Assistance Fund (HAF)?

In the American Rescue Plan Act of 2021 Congress created the Homeowner Assistance Fund (HAF) to provide $9.9B to states, territories, and tribes to help homeowners facing hardship due to the COVID-19 pandemic. 53 states, territories and tribes were authorized to establish HAF programs. Each received at least $50M. The U.S. Department of Treasury oversees the program, and provides technical assistance to local programs. HAF funds will be available until September 30, 2025.

What are the eligibility requirements?

While every jurisdiction creates its own eligibility guidelines and program structure, the Treasury Department has established broad eligibility guidance based on the American Rescue Plan Act language. Under that guidance, homeowners experiencing financial hardship after January 21, 2020 are eligible for HAF funds. In addition, eligibility includes homeowners:

- Experiencing financial hardship BEFORE January 21, 2020, if hardship continues after this date;
- With incomes equal to or less than 150 percent of the area median income for their household size or 100 percent of the median income for the United States, whichever is greater, and who are "socially disadvantaged individuals;"
    - (HUD provides a calculator. *See* *FY 2021 Homeowner Assistance Fund Income Limits*)
- With expenses related to their principal residence on a one-to-four unit property;
- Living in condominiums, cooperatives or manufactured homes;
- With expenses related to reverse mortgages; and
- Loans secured by contracts for deeds (land contracts) are also eligible.

How can homeowners use HAF funds?

The purpose of HAF is to prevent mortgage delinquencies, defaults, foreclosure, loss of utilities or home energy services, and displacement of homeowners experiencing financial hardship after January 21, 2020. The Treasury Department's guidance indicates that HAF funds may be used for qualified expenses, including assistance with:

- Mortgage payments;
- Financial assistance to allow homeowners to reinstate a mortgage or pay other housing-related costs related to a period of forbearance, delinquency, or default;
- Principal reduction, and to facilitate mortgage interest rate reductions;

- Property charges, including:
  - Insurance (homeowner, flood, and mortgage insurance);
  - Utility payments including electric, gas, home energy (oil and firewood), water;
  - Internet, including broadband access;
  - HOA fees, condominium association fees, cooperative fees and costs;
- Delinquent property taxes to prevent tax foreclosure;
- Home repairs to maintain habitability and to ease overcrowding or enable households to receive clear title to their properties;
- Down payment assistance loans provided by nonprofit or government agencies; and
- Payment of other housing related costs.

Of note, not all HAF programs will cover all the expenses listed above. It will depend on how the state, territory or tribe sets up its program. In addition, the local program determines the maximum dollar amount allocated for each qualified expense.

The Department of Treasury encourages programs to pair HAF funds with other home preservation program funds, such as property tax relief programs and utility assistance programs. Where they exist, homeowners are also encouraged to apply for assistance from other programs. HAF funds can be used to supplement, instead of replace, other program funds.

Homeowners can use HAF in conjunction with loss mitigation options under some program guidelines. For example HAF assistance can be used as part of a borrower's loan modification, partial claim amount, and, for reverse mortgages, as part of a repayment plan.

Can reverse mortgage borrowers, non-borrowing spouses and heirs get access to HAF funds?

Guidelines vary by jurisdiction, however many allow HAF funds to be used to allow a borrower or non-borrowing spouse to reinstate a reverse mortgage. Where program rules are less clear, it is important to note that such access is consistent with the purpose of HAF, to prevent mortgage delinquencies, defaults, foreclosure, and displacement of homeowners.

How can HAF help reverse mortgage borrowers get caught up on property charges?

Many older homeowners with reverse mortgages fell behind on property charges during the pandemic and are facing foreclosure. HAF programs can provide financial assistance if a borrower is having difficulty paying property charges, or making other housing related payments.

Almost all reverse mortgages are FHA-insured Home Equity Conversion Mortgages (HECMs). HUD, which oversees the HECM program, states explicitly that HAF funds can be used to pay for delinquent property tax and insurance on defaulted HECMs. *See* HUD FAQ KA-06002 (Feb. 4, 2022). Additionally:

- FHA mortgage servicers are required to accept and apply the HAF funds where they are available. *See* HUD FAQ KA-05996;
- Homeowners should apply to have their mortgage reinstated. Servicers will advance funds to pay property taxes and insurance. Though some state HAF programs have a separate property tax program, homeowners should apply to reinstate the reverse mortgage or the loan will be called due and payable and the homeowner will face foreclosure;

- Homeowners should request a COVID-19 HECM Extension (forbearance);
    - Based on hardship directly or indirectly related to the pandemic;
    - A HECM Extension is available as long as the COVID-19 National Emergency is in place;
- Non-borrowing spouses (NBS) who fall behind on property charges during the deferral period should apply for HAF and in many jurisdictions will qualify as a "homeowner;"
- Attorneys and advocates should let NCLC and the National Housing Law Project (NHLP) know if you are assisting a reverse mortgage borrower in applying for HAF and you encounter a roadblock.

Will they stop the foreclosure process if my client applies for HAF?

Currently HUD only allows a pause of the foreclosure process if the homeowner has been approved for HAF funding. *See* HUD FAQ KA-06003 (Feb. 4, 2022). Once the homeowner receives final approval for HAF assistance, the servicer will take steps to pause or end the foreclosure proceeding, depending on state law requirements. This means the foreclosure process will continue, and fees will accrue while the homeowner is waiting for a decision.

It is important to stop the foreclosure process long enough for the homeowner to apply for HAF funds and receive a decision. The best way to do this is for the borrower (or non-borrowing spouse) to request a "COVID-19 HECM Extension Period." This Extension Period allows for a six-month delay of foreclosure, which can be extended by an additional six months up until the end of the national emergency. Most reverse mortgage borrowers who are eligible have not yet obtained a HECM Extension Period.

Some courts or state rules allow for a pause in the process upon *application* for HAF funds. Homeowners should seek legal assistance to determine if state law provides for protections. Advocates also should ask the HAF administrator to expedite the HAF application review on this basis.

In addition to seeking legal assistance, if a foreclosure sale is scheduled with a pending HAF application, advocates can reach out to NCLC or NHLP.

How do homeowners apply for HAF funds?

Currently, at least 24 states/territories are accepting applications. Each state, territory or tribe developed their own program so the application process can vary. Typically, the homeowner will need to:

- File an application attesting to a financial hardship after January 21, 2020;
- Have expenses related to the borrower's principal residence;
- Have household income at or below the state limits;
- Provide proof of income, including;
    - Regular documentation – Tax return, W2s, etc., or;
    - A written attestation of household income plus a fact-specific proxy for household income (e.g., data on average incomes in applicant's geographic area).

States may provide waivers or exceptions to documentation requirements due to extenuating circumstances such as disability, practical challenges related to the pandemic, or tech challenges. In addition, the Department of Treasury discouraged states from imposing additional eligibility requirements (e.g., related to foreclosure status, credit score, bankruptcy status, liens).

Once approved money will go to the mortgage servicer, utility company, or contractor making repairs to the home – if they participate in the HAF program. Many programs will provide the money as a grant. Some may have additional requirements or require repayment, for example, if a home is sold before a certain date.

Will HAF programs do outreach to homeowners?

Yes, states and territories will target certain populations of homeowners in need of assistance. Targeting involves marketing, community engagement, partnership with housing counseling organizations, etc.

- No less than 60% of funds will be made available to homeowners with incomes no greater than 100% of AMI or 100% of the median income for the U.S., whichever is greater;
- Remaining funds will be targeted to “socially disadvantaged” individuals. Under SBA guidelines those are individuals who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual qualities;
- Then the funds will be made available to other eligible homeowners.

Targeted outreach includes prioritizing assistance to limited English proficient consumers and homeowners with FHA, VA and USDA insured or guaranteed loans.

What challenges will homeowners face when applying for HAF funds?

Keep in mind that HAF programs are just getting established. Your state’s program may not be up and running. Additionally, reverse mortgage companies and other mortgage servicers are in the process of establishing agreements with the state programs. As discussed above, many consumers will be put in foreclosure and may be seeking a meaningful opportunity to access HAF funds during this process.

Information about the inclusion of reverse mortgages in the mortgage reinstatement provision of the HAF program may not be clear. Advocates of reverse mortgage borrowers should contact NCLC and NHLP if their state’s HAF program rejects reverse mortgage applicants.

What other options exist to cure a property charge default on a reverse mortgage, if my client does not get approved for HAF?

HUD offers a number of options to help reverse mortgage borrowers behind on property charges. HUD allows reverse mortgage servicers to offer borrowers with property charge arrears:

- A repayment plan of up to 60 months in length. If a borrower had a prior repayment plan, current policy limits the length of the plan to 60 months minus the term of the prior (unsuccessful) repayment plan. If the reverse mortgage is nearing the Maximum Claim Amount, that may also cause a servicer to offer a shorter repayment plan. HUD typically does not allow a successive repayment plan if a borrower has defaulted on a prior plan and owes more than $5,000 in arrears. However this policy has been waived during the pandemic (currently waived through June 30, 2022);

- If all borrowers are over age 80 and at least one borrower has critical health circumstances, such as a chronic illness or disability, the servicer may offer an At Risk Extension, in which the foreclosure is deferred for one year. This option is renewable;
- Finally, a chapter 13 bankruptcy is a good option if nothing else works. The reverse mortgage borrower may propose a chapter 13 plan to cure the property charge arrearage over a three-to-five year plan. The property charges are the only amount that must be paid to bring the reverse mortgage out of default (no principal or interest, and no attorneys' fees or foreclosure fees, need to be paid through the plan). Importantly, the filing of a chapter 13 bankruptcy even on the eve of a foreclosure can stop the foreclosure sale due to the automatic stay, which takes effect immediately upon filing (except for some repeat filers).

Where can I learn more about my state's HAF program?

The National Council of State Housing Agencies (NCSHA) has a map with links to state HAF programs.

Additional Resources

- National Consumer Law Center
  - Homeowner Assistance Fund Overview and FAQs
- National Housing Law Project
  - Homeowner Protection and Resources
- U.S. Department of Treasury
  - Homeowner Assistance Fund
- The National Council of State Housing Agencies (NCSHA)
  - Homeowner Assistance Fund by State
- U.S. Department of Housing and Urban Development (HUD)
  - HUD Homeowner Assistance Fund Income Limits
- Consumer Financial Protection Bureau (CFPB)
  - Get Homeowner Assistance Fund Help