RESTORING STABILITY

A Save the Dream Ohio Initiative

Revised final submission to the U.S. Department of Treasury | April 11, 2011

Contents

SECTION ONE

Ohio Hardest-Hit Fund Program Overview

The U.S. Department of Treasury has awarded $7.6 billion in funding for innovative measures to help families in states hit hardest by the foreclosure crisis. The Housing Finance Agency Innovation Fund for the Hardest-Hit Housing Markets (HFA HHF) gives the District of Columbia and 18 states, including Ohio via the Ohio Housing Finance Agency (OHFA), the opportunity to develop innovative programs to help homeowners avoid foreclosure. Other selected states are: Alabama, Arizona, California, Florida, Georgia, Illinois, Indiana, Kentucky, Michigan, Mississippi, Nevada, New Jersey, North Carolina, Oregon, Rhode Island, South Carolina, Tennessee, and Washington, D.C.

The U.S. Department of Treasury issued its funding in four rounds. The first round of funding, announced February 19, 2010, allocated $1.5 billion to five states that have experienced a significant decline in home values. The second round of funding was announced March 29, and allocates $600 million to Ohio and four other states that have experienced high levels of sustained unemployment. Ohio was allocated $172 million in the second round. On August 11, Treasury allocated an additional $2 billion to 17 states and the District of Columbia. Ohio received $148.7 million in this round. Finally, on September 29, Treasury announced a fourth round of funding, which allocated $3.5 billion to all of the previously selected states and the District of Columbia, with Ohio receiving $249.7 million. Ohio's allocations from HFA HHF rounds two through four totals $570.4 million. Ohio is receiving the third largest allocation among the 18 states and the District of Columbia.

Ohio appreciates the opportunity to help homeowners avoid foreclosure using resources from HFA HHF. As recognized by President Obama's Administration when it selected Ohio to receive HFA HHF, a large portion of Ohio's population lives in economically distressed areas where the combination of high unemployment and reduced home values has pushed mortgage foreclosure rates to unprecedented levels and continues to destabilize housing markets. Homeowners in these areas are at high risk of mortgage delinquency and foreclosure, which is detrimental to individuals and local communities. Thus, Ohio proposes to use a substantial majority of HFA HHF funds to help homeowners experiencing financial hardship avoid preventable foreclosure. This benefits all Ohioans by helping to stabilize neighborhoods.

U.S. Department of Treasury Guidance on HHF

HFA HHF is an extension of the Troubled Asset Relief Program (TARP); therefore, all programs must satisfy funding requirements under the Emergency Economic Stabilization Act of 2008 (EESA). EESA purposes are to restore liquidity and stability to the financial system and to use TARP funds in a manner that among other things, protects home values, preserves homeownership, promotes jobs and economic growth and provides public accountability.

Treasury outlined transactions that would meet EESA requirements including: mortgage assistance for unemployed homeowners, mortgage modification and principal forbearance, short sales, deeds-in-lieu of foreclosure, principal reduction programs for borrowers with severe negative equity and second lien reductions.

Treasury guidelines stipulate that to receive funds, each recipient of funding from HFA HHF (each Eligible Entity) must be a "financial institution," as that term is defined in EESA. To fulfill this requirement, the Ohio Capital Corporation for Housing (OCCH), an Ohio non-profit corporation formed Ohio Homeowner Assistance LLC (OHA), a wholly-owned subsidiary, which will serve as the Eligible Entity to receive funding from HFA HHF.OHFA was instrumental in the creation of OCCH in 1989 and both OHFA and OCCH have worked closely on many different projects with OCCH being a major participant in the various housing programs that OHFA administers.

Ineligible Uses for HFA HHF

Treasury's legal counsel informed Ohio that certain uses are not to be permitted:

- Counseling – TARP funds may only cover the cost of counseling services necessary and incidental to the implementation of HFA HHF. Counseling may not cover other services and HFAs must develop procedures to ensure TARP funds are not used to pay for other types of counseling.
- Legal Aid – Programs may not cover the costs of legal expenses, legal aid or mediation.[1]
- Job Training – Programs may not support job training expenses.

Ohio's Challenges

Ohio's homeowners face many challenges in today's tough economic climate. Foreclosure filings have risen for 14 consecutive years and in 2009, filings rose above 89,000. Moreover, the national recession has hit Ohioans hard, with high rates of unemployment and underemployment. At the same time, the weak housing market has led to a decline in housing values leaving one in every five Ohio homeowners underwater on their mortgages.

In response, state and local agencies and organizations have acted to mitigate the rise in foreclosures and delinquencies. In 2008, Governor Ted Strickland launched Save the Dream Ohio, which is a multi-agency foreclosure prevention effort that connects homeowners to 37 U.S. Department of Housing and Urban Development (HUD) approved housing counseling agencies, 11 legal aid societies and pro bono attorneys through a toll-free hotline and information-rich website. Each participant in Save the Dream Ohio adds critical services that allow the whole to be greater than the sum of its parts.

This network of counselors and attorneys helps homeowners communicate with servicers and navigate the foreclosure prevention options offered by Making Home Affordable (MHA) and individual loan servicing companies and lenders. Unfortunately, Ohio ranks 39th among 50 states and the District of Columbia for percent of delinquent homeowners who have been helped by MHA's modification program. Most options offered by MHA and servicers require homeowners to be employed to participate. In Ohio, where two-thirds of homeowners seeking help cite loss of income as the reason for their delinquency, many homeowners are falling through the cracks.

Using HFA HHF to Address Ohio's Challenges

To determine how best to use HFA HHF dollars to address Ohio's challenges, OHFA formed an inter-agency team to analyze the state of foreclosures in Ohio, collect input from key community and industry stakeholders and develop an innovative program model. The inter-agency team comprises representatives from OHFA, the Ohio Governor's Office, Ohio Department of Commerce (ODOC), Ohio Department of Development (ODOD), Ohio Department of Job and Family Services (ODJFS) and the Ohio Department of Taxation (ODT).

---

[1]If legal aid is later determined to be an eligible use of HFA funds, Ohio HHF reserves the right to modify its plans to include funding for those activities.

Ohio's inter-agency team developed the following list of guiding principles to inform efforts for developing a program that addresses federal goals and considers the state's housing and economic climate:

- Optimize the potential for sustainable results from HFA HHF.
- Use existing networks and infrastructure to promote and support programs developed with HFA HHF.
- Intervene as early as possible to increase the number of individuals who avoid unnecessary foreclosure.
- Maximize every dollar of Ohio HFA HHF by effective and efficient programming.
- Create a program that is transparent and develop reporting and oversight that allows for public accountability.
- Disperse funds in a meaningful way, using data to support funding and eligibility decisions.

Stakeholder Feedback

Ohio solicited feedback from community and industry stakeholders on ideas for best using HFA HHF dollars. Ohio received verbal and written feedback through phone calls, meetings and letters from housing counseling agencies, community-based organizations, financial institutions, loan servicers, elected officials and local governments. Common themes emerged among the feedback, including:

- Create a comprehensive program that connects homeowners with resources such as job training and financial education to improve the potential for sustainable outcomes;
- Incorporate housing counselors and legal services into Ohio's program to help navigate homeowners through the foreclosure process and improve their chances of success;
- Provide assistance to unemployed homeowners through payment assistance; and
- Make Ohio's program flexible to give counselors the ability to structure a tailored plan for each homeowner to increase the quality of individual solutions and improve the chance that the homeowner obtains a positive, sustainable outcome.

Overview

Ohio's program, Restoring Stability: A Save the Dream Ohio Initiative, is comprehensive, statewide and focused on unemployed and underemployed homeowners who are at risk of mortgage loan default or foreclosure. The structure of Restoring Stability is based on Ohio's experience that every homeowner's situation is unique and they often have complex needs. Ohio's comprehensive approach would provide flexibility by allowing homeowners to tap multiple program options to prevent foreclosure up to a maximum household benefit amount of $15,000.

Restoring Stability's eligibility requirements target homeowners with the greatest need. The requirements include:

- A monthly income limit of 115 percent of area median income (AMI);
- Liquid assets equal to or less than three months of mortgage payments, excluding retirement funds;

- Total first mortgage debt less than the highest Federal Housing Administration (FHA) maximum loan amount among all Ohio counties, is $432,500 for a 1-unit, single family home for 2011;
- Hardship due to involuntary loss or reduction in income, divorce, disability, or illness resulting in a loss of income or significant medical expenses.

Homeowners access Restoring Stability through HUD-approved housing counseling agencies. A statewide network of housing counseling agencies was created through a Request for Qualifications (RFQ) process. OHFA has provided Restoring Stability training to counselors at network agencies. Those housing counselors work with each homeowner to screen for eligibility and develop an individualized Restoring Stability (RS) Action Plan to address the homeowner's particular needs. The RS Action Plan is a plan related solely to TARP funded modification programs. OHFA reviews and approves RS Action Plans and provides counselors with specialized training. OHFA also monitors closely Restoring Stability results.

Ohio uses targeted outreach strategies, including events, informational materials and collaboration with local organizations and media outlets, to inform the public of Restoring Stability. Outreach is an important piece of Restoring Stability, as it directs Ohioans to reputable housing counseling agencies and away from rescue scammers, which have become prevalent in recent years.

Program Descriptions

Ohio offers five program options to address the needs of homeowners with financial hardships who have been unable to qualify for existing loan modification and foreclosure prevention programs. Please refer to the Term Sheets in Appendix I for more detail:

- **Rescue Payment Assistance** – Homeowners dealing with a financial hardship who have already missed one or more mortgage payments are at a high risk of foreclosure. Restoring Stability provides a payment to a participating homeowner's servicer to help bring the homeowner current on his or her delinquent mortgage. The payment may cover principal, interest, fees, delinquent taxes or escrow shortage and homeowners insurance. Participating homeowners must demonstrate the ability to make future payments for at least six months. Rescue Payment Assistance may be combined with Partial Mortgage Payment Assistance and homeowners may use their participation in Partial Mortgage Payment Assistance to demonstrate their ability to make future payments. The amount of assistance is specified in the RS Action Plan and may not exceed $15,000. Rescue Payment Assistance is structured as a zero interest deferred payment loan forgiven over five years.
- **Partial Mortgage Payment Assistance** – Unemployed homeowners are generally not eligible for loan modifications but they are at substantial risk of mortgage default and foreclosure. Restoring Stability supports unemployed homeowners by providing partial mortgage payments while they search for a job or participate in job training. A participating homeowner makes an affordable monthly payment equal to the lesser of 25 percent of his or her total monthly payment or 20 percent of gross monthly income to a special servicer, U.S. Bank, which was selected by OHFA. Restoring Stability would send the total payment to the servicer on behalf of the homeowner. The number of months of assistance would be specified in the RS Action Plan and may not exceed $15,000. Partial Mortgage Payment Assistance is structured as a zero interest deferred payment loan forgiven over five years.

- **Modification Assistance with Principal Reduction** – Homeowners who cannot afford their current mortgage payment may request a loan modification but homeowners with severe negative equity often do not qualify for existing loan modification programs. Restoring Stability provides an incentive to servicers in the form of a payment to reduce a participating homeowners' mortgage principal to the level necessary to achieve a loan modification with a target of a 115 percent loan-to–value ratio or less. Servicers provide principal forbearance or forgiveness equal to or greater than the Restoring Stability payment. If principal forgiveness is permitted by the investor, then it must be offered to the homeowner before any principal forbearance could occur and qualify for Restoring Stability. This option should increase the number of loan modifications that are approved and would be available to both HAMP eligible and non-HAMP eligible borrowers. Principal reduction provided by Restoring Stability is structured as a zero interest deferred payment loan forgiven over five years.
- **Transitional Assistance** – Through Restoring Stability, homeowners who cannot sustain homeownership could pursue alternatives to foreclosure to reduce the negative impact on their credit rating and losses to the servicer. Restoring Stability offers an incentive to servicers to complete short sales and deed-in-lieu agreements to help homeowners exit their homes gracefully. This would benefit homeowners who have exhausted their available options to maintain homeownership and homeowners who must relocate to gain meaningful employment. Servicers would provide an incentive to participating homeowners to leave the property in broom swept, saleable condition and extinguish all remaining debt. If necessary, an incentive payment could also be made to second lien holders to release their lien.
- **Short Refinance** – Homeowners who have not missed a payment on their home, but who are facing a financial hardship may benefit from refinancing their home to achieve a more affordable payment. Unfortunately, many homeowners interested in refinancing are not able to do so if their home has declined in value. In 2011, Restoring Stability will offer the Short Refinance Program to provide funds to lenders/servicers on behalf of homeowners who wish to refinance to a new mortgage loan in order to lower their monthly payment. Funds will be used to reduce the principal balance of homeowner's mortgage, which will incentivize lenders/servicers to match the program payment in the form of principal forgiveness to reduce homeowner's principal balance to the level necessary to qualify for a refinance. This program will be offered initially on a pilot basis.

Program Allocation

To develop projections of the distribution of resources among programs, Ohio estimated that 50 percent of homeowners served would be unemployed and 50 percent would be underemployed or have another financial hardship. Ohio then projected the average amount of assistance that would be used for each program and the percentage of borrowers in each category that would use the assistance. Tables 1 and 2 below summarize these assumptions.

Table 1. Projected Distribution of Homeowners

County	Unemployed	Other Hardship	Total
Total	31,900	31,585	63,485

Table 2. Projected Allocation to Programs

	Unemployed	Other Hardship	Avg. Asst. Target	Program Allocation	Homeowners Served
Rescue Loans (a)	15%	15%	$5,994	$106,904,904	17,835
Partial Payment Assistance	80%	0%	$9,390	$299,540,000	31,900
Modifications/ Principal Reduction	5%	55%	$9,667	$22,717,635	2,350
Short Sale/DIL	10%	20%	$3,676	$18,013,461	4,900
Short Refinance			$7,692	$50,000,000	6,500
TOTAL				$497,176,000	63,485

(a) Numbers may vary slightly due to rounding.

These projections are based upon the best information and analysis available to OHFA. If the distribution of eligible participants, the average amount of assistance per programs or demand for programs differs from our projections, program allocations may change.

SECTION TWO

(a) Program Overview

Purpose and Scope

The purpose of HFA HHF is to help families stay in their homes or otherwise avoid preventable foreclosure. Consistent with the purpose EESA and TARP, Ohio's program, Restoring Stability, aims to protect home values, preserve homeownership, promote jobs and economic growth and provide public accountability. Ohio designed a program that is statewide and comprehensive in scope and focuses on unemployed and underemployed homeowners who are at risk of mortgage default or foreclosure due to a temporary or permanent reduction in income. Eligibility is limited to households with incomes below 115 percent of area median income, liquid assets equal to or less than three months of mortgage payments and total mortgage debt less than the maximum FHA loan amount for the state, which is $432,500 for a 1-unit, single family home. Restoring Stability serves homeowners at nearly any point on the path to foreclosure, from those who are current but at imminent risk of default, to those who have a sheriff sale scheduled in 21 days or more.

As described in Section One, Restoring Stability uses a comprehensive approach to allow an eligible homeowner to access multiple program options to prevent foreclosure up to the maximum benefit amount for his or her county. The five program options are:

- Partial Mortgage Payment Assistance
- Rescue Payment Assistance
- Mortgage Modification with Principal Reduction
- Transitional Assistance
- Short Refinance

Each program is described in detail in the term sheets in Appendix I.

Problems Addressed by Restoring Stability

Homeowners who have experienced an involuntary loss of income are at a high risk of foreclosure, particularly in an environment of declining home values. Homeowners who have experienced a temporary loss of income may benefit from short-term assistance to help bridge the gap until they have restored their income. Homeowners who are experiencing a long-term reduction of income may benefit from assistance in restructuring their current mortgage to make it more affordable. The key challenges Restoring Stability addresses are: (a) the high rate of mortgage foreclosures; (b) loss or reduction of income due to unemployment or underemployment; and (c) negative home equity that prevents resolution of financial hardship through sale, refinance or available loan modification programs.

Foreclosure Rate – The national subprime lending epidemic hit Ohio particularly hard over the last decade. According to the Federal Reserve Bank of Cleveland, Ohio's foreclosure rate has nearly tripled in the last ten years. The factors contributing to increasing foreclosure rates included subprime lending, job loss and rising health care costs. Subprime lending and rising foreclosure rates contributed to the near collapse of financial markets in September 2008 and the national recession. Save the Dream Ohio, multi-agency foreclosure prevention program, launched in 2008 to connect homeowners with free housing counseling and legal services. Although there were over 89,000 new foreclosure filings in Ohio in 2009, more than 36,500 homeowners have received assistance through Save the Dream Ohio since its launch. Without Save the Dream Ohio and its network of housing counselors, legal aid and pro bono attorneys, it is likely Ohio's foreclosure rate would be even higher.

Unemployment and Declining Incomes – The collapse of financial markets in September 2008 deepened a national recession that was already leading to increased unemployment. The official recession period was December 2007 – June 2009. During that period, Ohio lost 375,500 jobs. As of December 2010, Ohio has recovered 6,300 jobs since the post-recession employment low in February 2010.

Negative Home Equity – An estimated 20 percent of homeowners in Ohio were in a negative equity position as of the end of the first quarter of 2010.[2] When negative equity combines with another factor such as loss of income, the risk of foreclosure is high, even after a loan modification. Although home values in Ohio have not declined as steeply as some of the first states to be eligible for HHF, negative equity is still a serious concern in Ohio. More than 60 percent of all mortgages are estimated to be underwater in the following MSAs: Mansfield, Toledo, Canton-Massilon, Akron, Cleveland-Elyria-Mentor, Sandusky, Springfield, Youngstown-Warren-Boardman and Dayton.[3]

Goals of Ohio HHF

The Ohio HHF inter-agency team developed these guiding principles for Ohio HHF:

- Optimize the potential for sustainable results from HHF.
- Use existing networks and infrastructure to promote and support programs developed with Ohio HHF.
- Intervene as early as possible to increase the number of individuals who avoid unnecessary foreclosure.
- Maximize every dollar of HHF by effective and efficient programming.
- Create a program that is transparent and develop reporting and oversight that allows for public accountability.
- Disperse funds in a meaningful way, using data to support funding and eligibility decisions.

The administrative structure and all Ohio HHF program options are consistent with these principles. Table 3 further defines Ohio HHF program goals, outcomes and measurements. The figures in Table 3 are estimates based on a projection of serving 53,000 homeowners by December 31, 2017.

---

[2] *Ohio Market Trends Data by State*, First American CoreLogic, January, February, March 2010

[3] Karen Weaver and Ying Shen, *Drowning in Debt – A Look at "Underwater" Homeowners*, Duetsche Bank Market Update, August 2009.

Table 3. Goals and Outcomes

Goal	Outcome	Measurement	
Provide outreach to potential participants and referral to housing counseling agencies for triage and RS Action Plan	Homeowners referred	110,000	Save the Dream Ohio call center and counseling agency tracking
	Applications submitted	79,700	OHFA loan tracking system and Counselor Direct
	Applications determined ineligible	5,500	
	HHF Action Plans proposed	74,200	
Review and approve homeowner eligibility and RS Action Plans	Eligible homeowners approved	69,300	Counselor Direct
	RS Action Plans approved	64,700	
	RS Action Plans implemented	63,485	
	Payments to counselors	$46,760,000	OHFA internal reports and Eligible Entity fiscal tracking
Provide payments to servicers to bring homeowners current on delinquent mortgages, including principal, interest, fees, delinquent taxes or escrow shortage and homeowners insurance	Homeowners served	17,835	OHFA loan tracking system, Counselor Direct, reports from third party servicer and OHA fiscal tracking
	Average total payment amount	5,994	
	Default/foreclosures prevented	16,052	
Support unemployed homeowners by providing partial mortgage payments while they search for a job or are in job training. Prevent default or foreclosure for 90% of families	Homeowners served	31,900	OHFA loan tracking system, Counselor Direct, reports from third party servicer and OHA fiscal tracking
	Average total payment amount	9,390	
	Default/foreclosures prevented	28,710	
Provide incentive payments to servicers to reduce the borrower's mortgage principal to a 115 percent loan-to-value ratio or a level necessary to achieve approval of a loan modification.	Homeowners served	2,350	OHFA loan tracking system, Counselor Direct, reports from third party servicer and OHA fiscal tracking
	Average total payment amount	9,667	
	Default/foreclosures prevented	2,115	
Offer an incentive to servicers to complete short sales and deed-in-lieu agreements to help families to exit their homes without deficiency judgments.	Homeowners served	4,900	OHFA loan tracking system, Counselor Direct and OHA fiscal tracking
	Incentive payments to first mortgage holders	13,510,097	
	Incentive payments to second mortgage holders	4,503,366	
Provide incentive payments to servicers to reduce the borrower's mortgage principal to help the homeowner qualify for a refinance	Homeowners served	6,500	OHFA loan tracking system, Counselor Direct and OHA fiscal tracking
	Average total payment amount	7,692	
	Default/foreclosures prevented	6,000	

(b) (1) Population Served and Allocation Method

Estimate of Households Served

Ohio estimates that 63,485 households will be assisted by Restoring Stability (see Tables 1 and 2, Section One). A key figure in these projections is the maximum benefit amount per household. Ohio chose to use a household maximum benefit amount of $15,000 in all counties. Ohio's aim in selecting these maximum benefit amounts is to provide meaningful assistance to as many homeowners as possible.

Two groups of homeowners are potentially eligible for Ohio HHF programs—households with a primary wage earner receiving unemployment compensation and households that have experienced a significant reduction in income or other hardship. For the first group, Ohio's inter-agency team used current unemployment claims matched against 2008 tax returns to estimate that 287,600 households that had a member receiving unemployment compensation as of April 12, 2010 also had an outstanding mortgage. Approximately 30 percent of those 287,600 unemployed homeowners may be in need of mortgage assistance, assuming that 11 percent of households are delinquent on their mortgage[4] and 19 percent of homeowners seeking foreclosure prevention assistance are current on their mortgage.[5] Therefore, the inter-agency team estimated that 86,280 unemployed households in Ohio could be eligible for Restoring Stability if they meet the other eligibility criteria.

To estimate the number of households that have experienced a significant reduction in income or other hardship, the inter-agency team referred to 2006-2008 ACS PUMS data,[6] which indicates that Ohio has 847,135 owner-occupied housing units with mortgage holders whose total household income is at or below 115 percent AMI. Ohio cannot determine what percentage of homeowners have had a significant reduction in income or other hardship, but if we assume that, based on Mortgage Bankers Association and OHFA statistics, 11 percent of this group is already delinquent on their mortgage and 19 percent is at risk of delinquency, there could be as many as 254,000 households in this group eligible for Restoring Stability if they meet the other eligibility criteria.

Recognizing that there will be some overlap between these two groups of potentially eligible homeowners, the total number of potentially eligible households should be somewhere between 254,000 and 340,000. Restoring Stability could serve approximately 18 to 25 percent of these households with HFA HHF dollars, not counting any recycled funds. To target funds to homeowners in greatest need, Restoring Stability plans to limit eligibility based on income, liquid assets, mortgage amount and hardship.

Timeline from Treasury Approval to Deployment of Capital

By launching some start-up activities immediately after application submission, Restoring Stability began serving eligible borrowers within 60 days after approval of the program by Treasury on August 4.

---

[4]Mortgage Bankers Association 2009 Fourth Quarter Statistics

[5]OHFA's Office of Affordable Housing Research found that among borrowers already engaged in National Foreclosure Mitigation Counseling Program, 19 were current with their mortgage but were poised to face default in the coming months.

[6]ACS PUMS stands for American Community Survey Public Use Microdata Sample. ACS PUMS files show a wide range of population and housing unit responses collected on individual ACS questionnaires.

During the six to eight week review period by Treasury, OHFA:

- Refined the management agreement between OHFA and the Eligible Entity, OCCH/OHA [see Section 2(e)];
- Selected housing counseling agencies to participate in the program by developing an RFQ, which asked agencies to describe their qualifications and capacity, specify the area to be served and project the numbers of homeowners they will serve with existing and if applicable, new staff;
- Developed an RFP for a special loan servicer to receive the partial payments from homeowners enrolled in Partial Mortgage Payment Assistance and service second mortgages according to program guidelines;
- Developed an RFQ to select a title agency to close and record second mortgage loans on behalf of OHA;
- Developed detailed program guidelines for use by housing counselors, servicer/investors and the special loan servicer, including terms of assistance and repayment, procedures for deferring repayment in cases of continuing borrower hardship and procedures for forgiving debt in cases of severe negative equity;
- Prepared a standard note and mortgage for Partial Mortgage Payment Assistance, Rescue Payment Assistance and Mortgage Modification with Principal Reduction program options;
- Contracted with Counselor Direct for client management software using funds already approved by the OHFA Board;
- Developed an online application module for Restoring Stability eligibility;
- Developed position descriptions for the project specific staff that OHFA will hire for eligibility verification, grant administration and in-house housing counseling; and
- Develop a detailed plan for consumer outreach.

Following Treasury's approval of Restoring Stability, OHFA:

- Executed the HFA Participation Agreement with Treasury and OHA and executed a supplemental management agreement with OCCH/OHA;
- Issued the RFP for special servicer, selected U.S. Bank and entered into contract;
- Issued the RFP for title agency, selected Title First Agency and entered into contract;
- Tested and refined the eligibility module and make it available to counselors and other outreach partners;
- Completed and tested the application and verification modules developed by Counselor Direct;
- Hired the project-specific OHFA Restoring Stability staff;
- Trained housing counselors on program guidelines, procedures and software; and
- Entered into agreements with lender/servicers and trained lender/servicers on Restoring Stability programs and procedures.

Timeline for Deploying Funds

When Restoring Stability funds became available in Ohio, the state experienced an initial surge in demand due to the high number of homeowners who already were at risk of default or foreclosure. Therefore, Ohio anticipates approving approximately 8,000 participants in the first year of the program, 12,000 in the second year and 12,000 in the third year. OHA will draw funds monthly based upon the schedule submitted by OHFA. Ohio HHF will continue using recycled funds from borrower partial payments until 2017 when all funds must be returned to Treasury.

In the first 90 days after Restoring Stability launched, OHFA :

- More than 20,000 homeowners applied online and were referred to housing counseling agencies for eligibility, screening and development of RS Action Plans; and
- Verified eligibility of 432 participants and reserved Restoring Stability funds their behalf;
- Developed agreements with 56 mortgage servicers;
- Hired and trained 26 staff;
- Directed OHA to make payments to servicers consistent with approved RS Action Plans. All disbursements are at the direction of OHFA and OHFA will execute contracts and/ or agreements with the participating organizations [see Section 2 (h)].

(b) (2) Status of Conversations with Financial Institutions Regarding Leveraging Funds

Outreach to Servicers and Lenders

Ohio took several steps to generate support from mortgage industry stakeholders and to leverage HFA HHF dollars by gaining commitments from lenders and servicers to participate in Restoring Stability. During the proposal process, the inter-agency team invited lenders and servicers to participate in a meeting at the ODOC. Representatives from national banks, community banks, Ohio-headquartered banks and credit unions participated in the meeting, which also included several mortgage servicers that signed the Compact to Help Ohioans Preserve Homeownership (Compact) in 2008.Additionally, representatives from the inter-agency team held follow-up calls with several Compact signers who were unable to attend the meeting. While the nation's four largest loan servicers were unable to attend, numerous conference calls were held with Bank of America, Wells Fargo and Citi to obtain their input. Finally, the inter-agency team consulted representatives from Fifth Third Bank and Third Federal Savings and Loan regarding program design. All servicers who attended a stakeholder meeting, participated in a conference call or attended a planning session were asked to share their ideas for how HFA HHF dollars might best be spent to have the maximum impact in the state of Ohio.

In the 120 days since the launch of Restoring Stability, OFHA has hired a servicer liaison who has developed a Servicer Enrollment Package, held dozens of introductory webinars on Restoring Stability, facilitated numerous meetings with mortgage servicers to develop individualized procedures for transmitting data and funds, and successfully enrolled 95 mortgage servicers. OHFA continues to enroll servicers and refine its procedure for transmitting funds and data in order to grow and maintain servicer participation.

Additionally, OHFA has been working with the nation's largest mortgage servicers, including Bank of America, Chase, Citi, and Wells Fargo, to develop a "common data exchange file." The common data exchange file is an electronic spreadsheet that lists key data points for approved customers. Mortgage servicers will use the file to receive information on approved homeowners from OFHA, approve or object to those homeowners' participation in Restoring Stability, and flag the loans of approved homeowners in their systems. OHFA is working with Counselor Direct to automate the common data exchange between OHFA and participating servicers. Once in place, this system should speed up the time it takes to get servicers' approval on files and provide funding to homeowners.

Value of Housing Counseling and Financial Education

Servicers overwhelmingly agreed that homeowners who participated in housing counseling and additional education such as financial education, consumer credit counseling and job training were better candidates for programs like loan modification, principal reduction and partial mortgage payment assistance. This is primarily because a homeowner's voluntary participation shows motivation, makes the homeowner better prepared during negotiation and likely lowers redefault rates by increasing a homeowner's potential for sustaining the loan payments. Many servicers indicated a willingness to offer larger HFA HHF program matches for homeowners who participated in these types of programs. However, because Treasury guidelines limit the use of funds to support such activities, Ohio will encourage counselors to use other resources to refer homeowners to credit counseling, financial education and job training.

Matching Principal Reduction Assistance

Recognizing that a significant percentage of loan modifications fail under HAMP and other guidelines, servicers have expressed willingness to offer principal forbearance for unemployed and underwater homeowners. Community banks, credit unions and Ohio Compact signers all asserted that they already offer aggressive principal forgiveness modifications on loans they hold in their own portfolios. However, the strict rules governing loans held by Fannie Mae and Freddie Mac (the GSEs) make it difficult or impossible for servicers to use similar modification options on the loans they service on behalf of the GSEs. Therefore, until the GSEs' position changes, Restoring Stability program options must allow servicers to match Restoring Stability principal reduction assistance with principal forbearance rather than forgiveness. For loans held in servicers' own portfolios, Restoring Stability will encourage servicers to offer principal forgiveness as the match if they deem it will improve the long-term performance of the loan.

Matching Other Assistance

Servicers recognize the value of Partial Mortgage Payment Assistance and Rescue Payment Assistance. OHFA and its partners have developed policies to leverage HFA HHF funds in the form of matched dollars, waived fees or extended forbearance agreements. For example, the Modification Assistance with Principal Reduction option is flexible and allows Restoring Stability funds to be used to reduce capitalized loan balances for unemployed homeowners to help them secure a sustainable permanent modification.

(c) Demonstration of Capacity to Implement

With its extensive experience in administering state and federal housing programs, OHFA has proven itself as a leader in the design and implementation of innovative programs to address housing issues, particularly in the area of foreclosure prevention and recovery.

OHFA Internal Team Leaders

- **Douglas A. Garver, Executive Director** – Douglas A. Garver, Executive Director of OHFA, oversees the lead agency for affordable housing in Ohio. OHFA offers many opportunities to help Ohio families obtain affordable, quality housing. OHFA administers a wide range of programs that offer assistance to first-time homebuyers, renters, senior citizens, single parents and other populations with special needs who otherwise might not be able to afford quality housing. Mr. Garver currently serves on the boards of the National Council of State Housing Agencies and the Ohio Statewide Development Corporation. He also is a member of the Board of Trustees for the National Housing Conference, the Governor's Interagency Council for Homelessness and Affordable Housing and Ohio's Permanent Supportive Housing Policy Steering Committee. Prior to his appointment at OHFA in February 2004, Mr. Garver served five years as Assistant to the Director and Assistant Director of the ODOD. Mr. Garver received a Bachelor of Arts from Mount Union College in Alliance, Ohio with a dual major in economics and business administration. He is certified as an Economic Development Professional by the National Development Council and has attained a Master of City and Regional Planning from The Ohio State University.
- **Blaine Brockman, Assistant Executive Director** – Blaine Brockman joined OHFA in April 2004 as the Chief of Staff and was later promoted to Assistant Executive Director. Mr. Brockman oversees OHFA's programmatic and financial activities. Prior to joining OHFA, he worked at the Ohio Department of Natural Resources as a Law Enforcement Officer and in Labor Relations. He then worked as the Assistant Human Resources Administrator for ODOD. Most recently, he worked at ODOC as the Human Resources Administrator. Mr. Brockman earned a Bachelor of Science from The Ohio State University and his Juris Doctor, Cum Laude, from Capital University Law School. He is a member of the Governor's Inter-agency Council for Homelessness and Affordable Housing Policy Team, the Madison County Mental Retardation/Developmental Disabilities (MR/DD) Board and a member of the Board of Trustees of the Ohio Association of County Boards of MR/DD. He is a practicing attorney and recently was recognized for volunteering over 400 hours with the Habitat for Humanity of Madison County.
- **Marlo Tannous, Chief Legal Counsel** – Marlo Tannous was named Chief Legal Counsel for the OHFA in June 2005.Prior to joining OHFA, Ms. Tannous was Chief Legal Counsel for ODOD from 1998 until 2005 and served as Deputy Chief Legal Counsel for ODOD for six years. Ms. Tannous was previously employed with Schottenstein Zox & Dunn, the Court of Claims and held a judicial clerkship with the Third Appellate District. Ms. Tannous earned a Bachelor of Arts from Bowling Green State University and her Juris Doctor from The Ohio State University Moritz College of Law.
- **Donald E. West, Jr., Chief Financial Officer** – Donald E. West, Jr. began his career at the OHFA in May 1990 and has served as the Chief Financial Officer (CFO) since July 2004. During his more than 18 years of experience in state fiscal and bond matters, Mr.

West has held the positions of Finance Manager, Controller and most recently, Assistant Director of Finance. In the position of CFO, Mr. West oversees the management of more than $3 billion in combined mortgage revenue bonds payable. He also is responsible for purchasing, fiscal operations, budget matters and accounting support for the Agency and its programs. Mr. West earned a Bachelor's degree in Business Administration from Ohio Dominican University and both a Bachelor's degree in Finance and a Master of Business Administration from Franklin University. He also is certified as a Housing Development Finance Professional by the National Development Council and has been a member of the Government Finance Officers Association for a number of years.

- **Cynthia A. Flaherty, Director of Homeownership** – Cynthia A. Flaherty was promoted to Director of Homeownership at OHFA in January 2008. She previously was OHFA's Director of Special Projects. Ms. Flaherty oversees the OHFA's efforts on its First-Time Homebuyer and Down Payment Assistance Programs as well as a grant to help expand foreclosure counseling statewide. As Director of Special Projects, Ms. Flaherty coordinated the Governor's Foreclosure Prevention Task Force and wrote the final report. In addition, Ms. Flaherty helped OHFA secure its first successful HUD Housing Counseling grant. Prior to joining OHFA, Ms. Flaherty was employed with Fannie Mae as Director of Central and Southern Community Ohio Business Center where she developed and implemented strategies for Fannie Mae investments in affordable housing. Ms. Flaherty also worked as the Vice President of Corporate and Community Relations for OCCH, for OHFA as part of the ODOD and for the National Low Income Housing Coalition. Ms. Flaherty earned a Bachelor's degree from Beloit College and a Master's degree in Community Planning from the University of Cincinnati. She is currently a Board member of the Affordable Housing Trust for Columbus and Franklin County.

Compliance Infrastructure

OHFA complies with all requirements under EESA and accomplishes compliance oversight, internal controls and fraud prevention through several means. Policies, procedures and internal controls required to implement Restoring Stability are modeled on processes that were already in place and operating as intended. OHFA's Internal Audit office has expanded its work plan to include the review of internal and partners' program activities.

Audit and Internal Controls

Independent CPA auditors annually perform single audits for OHFA and its non-profit entity, OCCH. Additionally, the State of Ohio's Office of Budget and Management (OBM) provided 12 guidance documents to be used by state agencies when receiving American Recovery and Reinvestment Act of 2009 or related funds. OHFA's Internal Audit office carried out the following steps for Restoring Stability:

- Evaluated policies, procedures and internal controls for compliance with program requirements;
- Tested processes for controls being in place and operating before program start-up and during its operation;
- Evaluated program process compliance with applicable U.S. Office of Management and Budget (OMB) Circulars A-87, A-102, A-133 and Addendum #1 to the Compliance Supplement;

- Determined if any sub-grantee status for an entity exists within the program and planned internal control features for its processes; and
- Established the financial reporting for Restoring Stability activities within the existing OHFA financial reporting system.

Fraud Risk Mitigation

OHFA's Internal Audit office carries out the following steps for Restoring Stability:

- Reviews for internal control prevention and detect weaknesses that could result in fraud, waste, abuse or loss of funds;
- Recommends process improvements and any necessary compensating controls;
- Determines key control points have been assigned to specific staff members who are accountable and responsible to a senior manager; and
- Evaluates ethics requirements and investigates complaints of alleged fraud, abuse and waste in conjunction with OHFA's Legal Office.

Reporting Protocols

OHFA tracks costs associated with Restoring Stability in a manner consistent with its existing practices for tracking administrative costs for other federally funded programs. These processes are consistent with the cost principles outlined in OMB Circular A-87.

OHFA will comply fully with tracking and reporting requirements provided by Treasury. OHFA will collect, track and report data using the Restoring Stability System created by Counselor Direct. Additionally, program participants will be expected to provide authorizations to release information allowing OHFA to track outcomes on a file by file basis. Through the common data exchange process, participating lenders/servicers will provide ongoing reporting on assisted borrowers' payment histories during the receipt of assistance.

OHFA maintains compliance with the requirements described in the OMB Circular A-133 that apply to its major federal programs. In this respect, OHFA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs (e.g. Section 8 Housing Assistance Program, HOME Investment Partnership Program, Housing Counseling Assistance Program and National Foreclosure Mitigation Counseling (NFMC) Program).

Systems Infrastructure and Necessary Funding

OHFA requires the use of a secure, web-based client management system to provide client-level information in real time. OHFA selected Counselor Direct to develop the online system for eligibility of applicants by OHFA personnel and as the tracking mechanism for available funds. Counselor Direct's online system also facilitates borrower intakes, referrals and submissions to servicers by counseling agencies. OHFA used its general fund to initiate the system design by Counselor Direct and was later reimbursed for a portion of the development and ongoing costs. In addition to Counselor Direct, OHFA is able to use HOPE LoanPort for data exchange with lenders/servicers. OHFA also works with lenders/servicers to use other platforms for data exchange, such as FTP sites and secure email.

Implementation Mechanisms

Prior to the implementation date of the program, OHFA provided extensive training to housing counselors and internal staff regarding policies and procedures to be followed. OHFA developed a detailed manual in conjunction with those trainings. OHFA provided outreach to Ohioans prior to and during implementation to ensure homeowners receive accurate information and are not misdirected to foreclosure rescue scams. OHFA conducts this through outreach through its partnership with Save the Dream Ohio.

Similar Programs Administered by OHFA

OHFA is committed to foreclosure prevention and recovery in Ohio. Over the past two years, OHFA has administered funds under the NFMC Program and the Neighborhood Stabilization Program (NSP).OHFA leverages the funds received from these programs to maximize the benefits of the Restoring Stability.

- **NFMC Program** – OHFA first received funding under the NFMC Program in 2008 and has been awarded over $8.2 million to date. In the first two years of the program, OHFA served over 16,000 households and provided positive outcomes in 32 percent of the cases. OHFA currently administers the program for 21 sub-grantees and has an in-house counseling department. Through the administration of this grant and OHFA's partnership with Save the Dream Ohio, OHFA has developed a strong network of 37 HUD-approved counseling agencies.
- **NSP** – The NSP Affordable Rental Housing Initiative is a collaborative effort between the ODOD and OHFA to create new rental housing opportunities for very low-income households in Ohio. As a result of the enactment of House Resolution 3221 (HR 3221) by Congress, HUD awarded more than $3.9 billion in funding to states and communities across the country to address the nation's abandoned and foreclosed homes. ODOD received an NSP allocation of more than $116.8 million. To meet the legislative requirement that NSP recipients expend 25 percent of the allocation to benefit households with incomes at or below 50 percent of AMI, ODOD allocated approximately $29.2 million of the NSP allocation to the Affordable Rental Housing Initiative administered by OHFA.

(d) Localization to Help Areas with Concentrated Economic Distress

The second round of HFA HHF specified that a substantial majority of funds must be targeted to homeowners living in counties of concentrated economic distress. To comply with this requirement, the inter-agency team initially proposed a two-tiered approach that would have provided $12,000 to homeowners in every Ohio county, with an additional $3,000 available to homeowners living in counties that were in the top quartile of Ohio's 88 counties on at least one of three indicators: foreclosure filings, decline in valid home sales, and unemployment rates.

However, subsequent funding rounds did not include this targeting requirement. Moreover, OHFA determined that providing a substantial amount of funding to unemployed homeowners and using need-based formulas to allocate counseling units to counties effectively achieved the goal of targeting assistance to areas of concentrated economic distress, which eliminated the need to provide a higher maximum benefit to residents of targeted counties. Thus, OHFA changed its maximum benefit amount to $15,000 for all eligible homeowners, regardless of location.

(e) Staffing and Business Partners

Internal Staffing

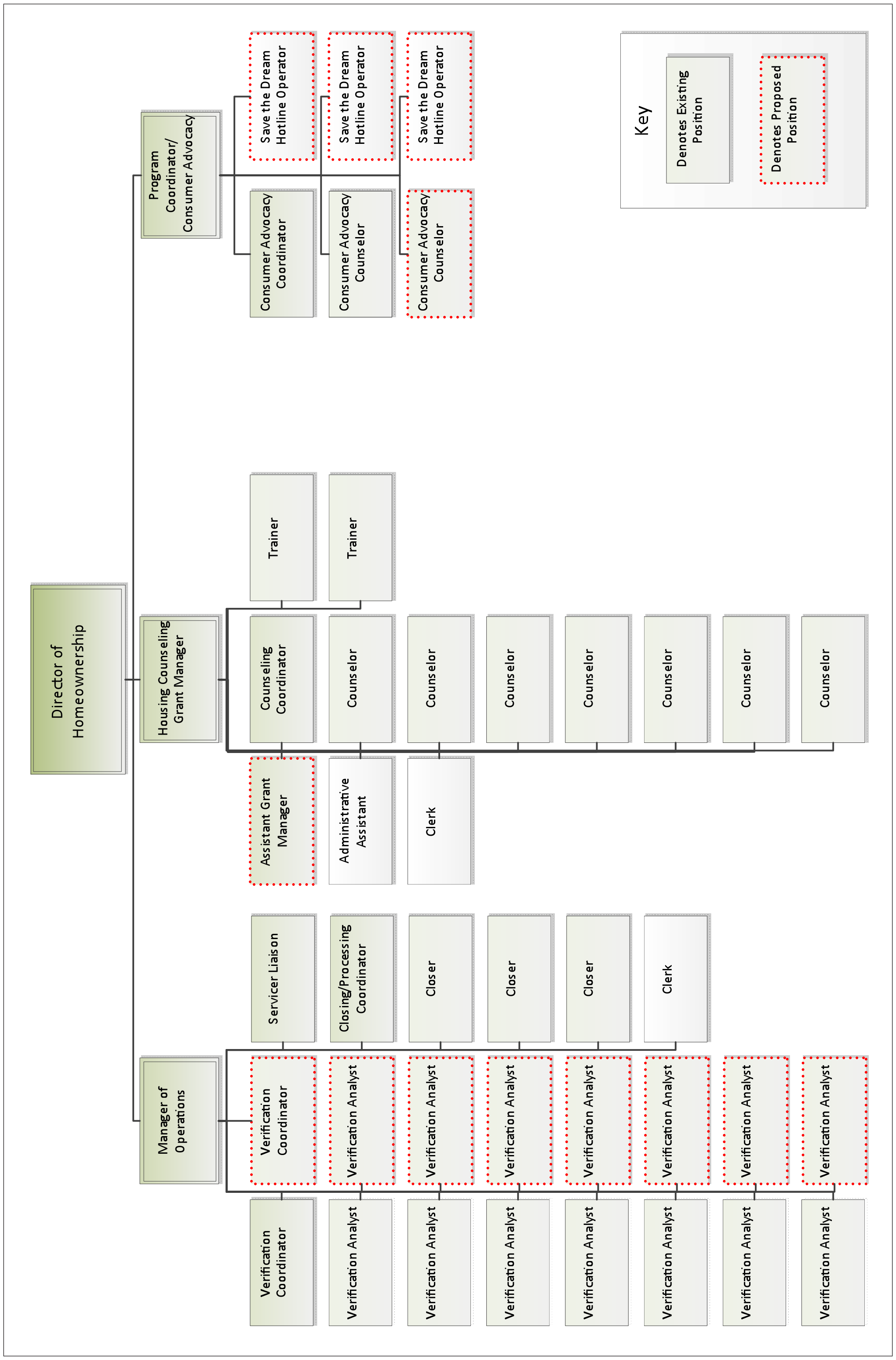
- **Director of Homeownership** – The Director of Homeownership allocates 75 percent of her time to this project and oversees every aspect of Restoring Stability. In addition to managing HHF staff, she is responsible to the OHFA Board and the U.S. Department of Treasury regarding overall program direction. The Director of Homeownership approves all administrative rules and policies as they pertain to the program administration.
- **Housing Counseling Support Manager** – The Housing Counseling Support Manager oversees the counseling and intake aspects of Restoring Stability and reports to the Director of Homeownership. The Housing Counseling Support Manager allocates 60 percent of her time to this project. The Housing Counseling Support Manager works with the partner organizations to insure that all functions of the program are working efficiently and effectively.
- **HHF Grant Operations Manager** – The HHF Grant Operations Manager oversees the review by HHF Compliance Analysts of homeowner eligibility and RS Action Plans submitted by housing counseling agencies. She also oversees the submissions to servicers and closing processes for Restoring Stability assistance and prepares disbursement instructions for payments to counseling agencies and servicers. She evaluates the metrics of the program and makes recommendations for continual improvement.
- **Servicer Liaison** – The Servicer Liaison assists with the administration of Restoring Stability by enrolling lenders/servicers in Restoring Stability, managing communications regarding program policies and procedures, and maintaining productive business relationships. The Servicer Liaison responds to questions from participating lenders/servicers; resolves administrative issues; and plans, directs, and coordinates training and development activities for participating lenders/servicers.
- **Assistant Grant Manager (new)** – The Assistant Grant Manager will manage the processes and policies as they relate to the housing counseling aspect of the program in order to provide quality service to constituents. This person will also monitor changes to federal and state programs as they relate to borrowers enrolled in Restoring Stability in order to set training guidelines.
- **Administrative Assistant (new)** – The Administrative Assistant collects reports from both in-house and partner housing counselors and verification staff. She then assembles the information in a format acceptable to report to Treasury.
- **Counseling Coordinator** – The Counseling Coordinator allocates 100 percent of his time to Restoring Stability and organizes the workflow and processes of the in-house counseling staff. The Counseling Coordinator coordinates work schedules, training on systems and handling escalated situations.
- **HHF Verification Coordinator (new)** – The HHF Verification Coordinator organizes the workflow and processes of the in-house file verification staff. The HHF Compliance Coordinator trains staff on systems and ensures quality control.
- **HHF Counseling Compliance Trainers (new)** – Two HHF Counseling Compliance Trainers are constantly in the field educating housing counseling agencies on Restoring Stability along with changes to other programs, such as HAMP, to ensure consistency in

the delivery of services to constituents. While in the field, these employees monitor for compliance and attend outreach events.

- **HHF Consumer Program Coordinator** – The HHF Program Coordinator provides effective information about Restoring Stability for policymakers, partners, and consumers. She develops presentations, speaks at conferences, and coordinates outreach events. She assists in data management and reporting and prepares narrative monthly, quarterly, and annual reports to Treasury and other oversight organizations.
- **HHF Compliance Analysts (new)** – Eight Assistance Compliance Analysts validate borrower eligibility for Restoring Stability, review HHF Action Plans and reserve HHF funds on behalf of homeowners.
- **In-House Counselors (new)** – Eight Housing Counselors provide counseling services to constituents via telephone to handle the overflow from the partner counseling agencies. Counselors collect budget information, documents and other information from homeowners to develop RS Action Plans. Once completed, the counselors submit the RS Action Plans the HHF Compliance Analysts. These positions report to the Assistant Grant Manager and the Counseling Coordinator.
- **HHF Clerk (new)** – One HHF Clerk supports the in-house counselors by receiving and uploading files from applicants.

Figure 2 shows an organization chart of new, existing, and proposed positions at OHFA dedicated to Restoring Stability.

Figure 2. Organization Chart



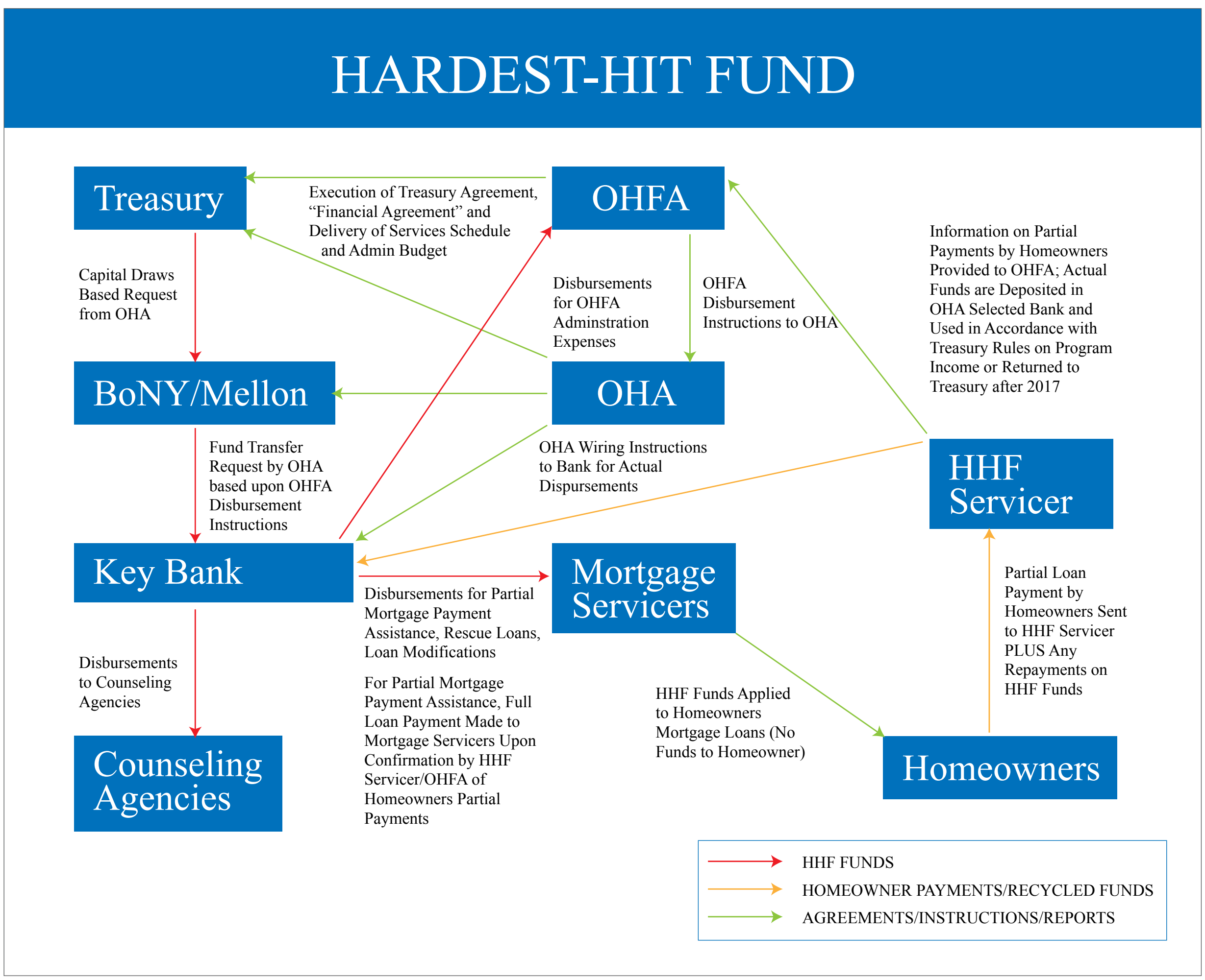
Eligible Entity

OCCH, an Ohio non-profit corporation, formed OHA, a wholly-owned subsidiary that will serve as the Eligible Entity for Restoring Stability. OHFA was instrumental in the creation of OCCH in 1989. OHFA and OCCH have worked together closely on many different projects, with OCCH being a major participant in the various housing programs that OHFA administers. By an amendment to its Articles of Incorporation in 2001, each of the seven OCCH Board of Trustee members must be approved by OHFA before their respective elections. This control over the composition of the Board of Trustees of OCCH by OHFA is sufficient to satisfy the requirements that the Eligible Entity be regulated by the housing finance agency in order to be a recipient of the funds under HFA HHF.

While performing duties as Ohio's Eligible Entity, OHA is be managed by OHFA and receives all direction for payment of funds from OHFA internal staff. OHFA will regularly request reconciliations from the Eligible Entity. Copies of OHA's governing documents and the management agreement that will be drafted upon approval of OHFA's proposal will be forwarded upon request.

Figure 3 shows the relationship between OHFA, OHA, Treasury and other business partners.

Figure 3. Flow of Funds with Eligible Entity



Counseling Agencies

OHFA issued an RFQ for HUD-approved counseling agencies located in the state of Ohio to provide intake and triage services for homeowners. Factors considered in selection included capacity of the agency, relationships with servicers, percentage of positive outcomes achieved for prior clients and ability to report measurable outcomes. Counseling agencies handle the initial intake for all homeowners, assemble documentation, prepare a RS Action Plan for each borrower and submit recommendations to OHFA for verification. Compensation is $700 per household for all Restoring Stability services including eligibility screening and developing and implementing RS Action Plans, which is be paid in increments. Counseling agencies may receive payments of $200 for each successful intake, $500 for each RS Action Plan approved by OHFA, and $100 for each intake that is not approved after the homeowner submits a full application with documentation. Prior to the launch of Restoring Stability, participating counseling agencies had the option to request an advance of $100 for up to 50 percent of the total number of units allocated. OHFA may add new HUD-approved counseling agencies to Restoring Stability to continue to expand capacity as needed.

Special Servicer

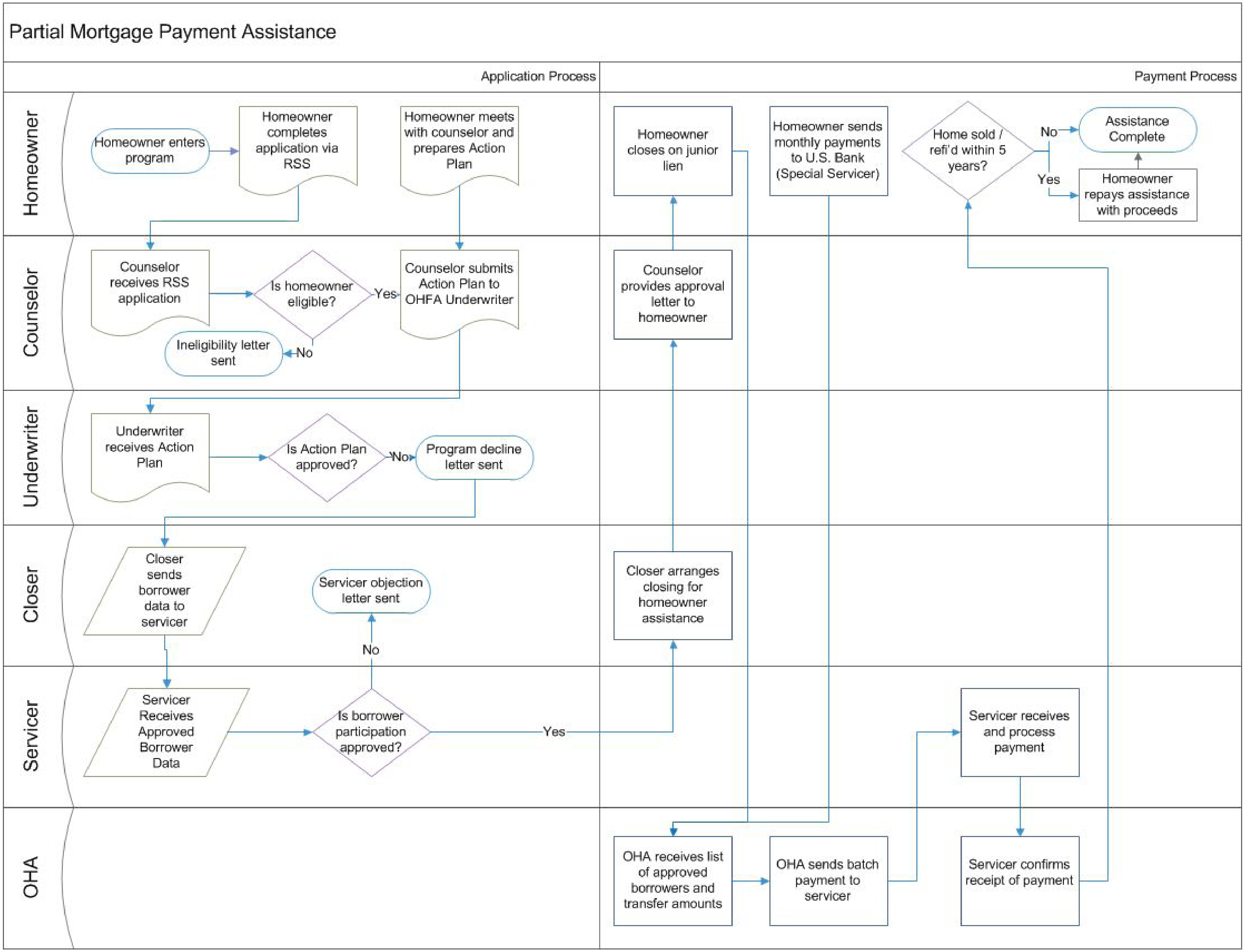
OHFA issued an RFP for a Special Servicer to collect partial payments from homeowners who are participating in the Partial Mortgage Payment Assistance program option. The selected Special Servicer, U.S. Bank, is responsible for applying guidelines provided by OHFA in all transactions with constituents and reconciling with OHFA on a frequent basis. U.S. Bank is compensated from Administrative Funds.

Title Companies

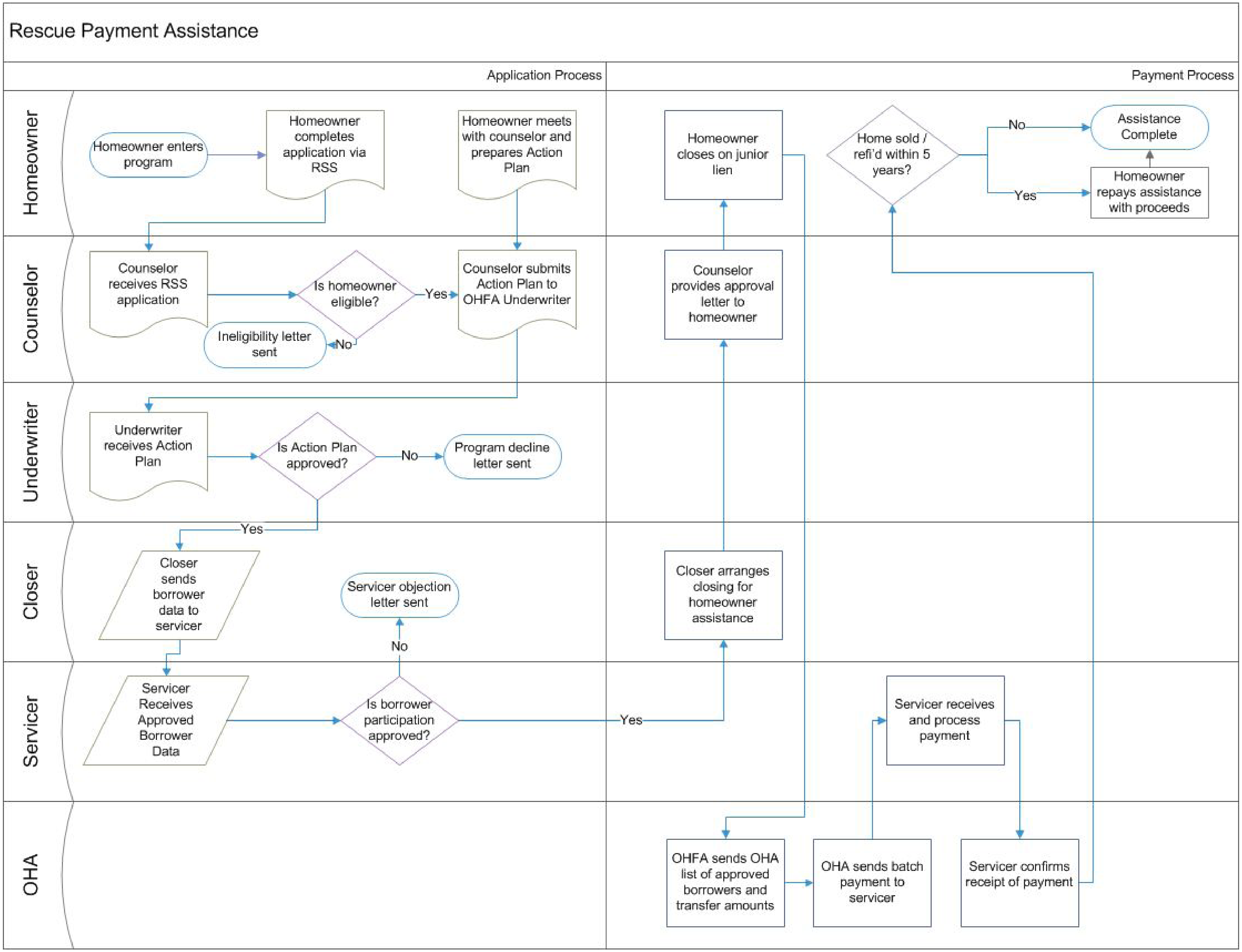
OHFA issued an RFQ to title underwriters with agencies located in the state of Ohio and individual title agencies to provide closing and documentation recordation services in the cases where a mortgage must be filed to complete the transaction. OHFA selected Title First Agency through this process. Compensation is $150 per closed file plus recording fees.

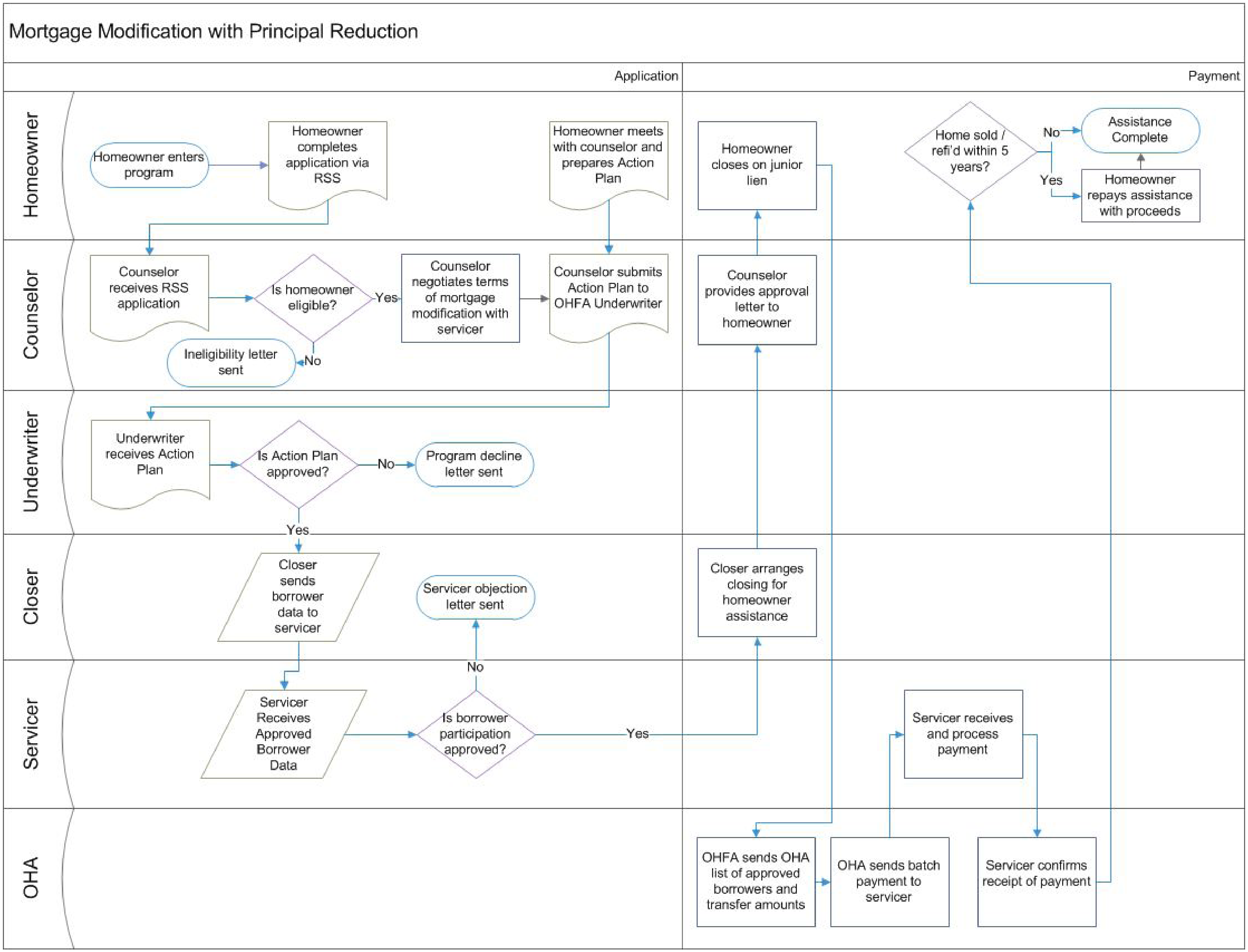
Program Flow Charts

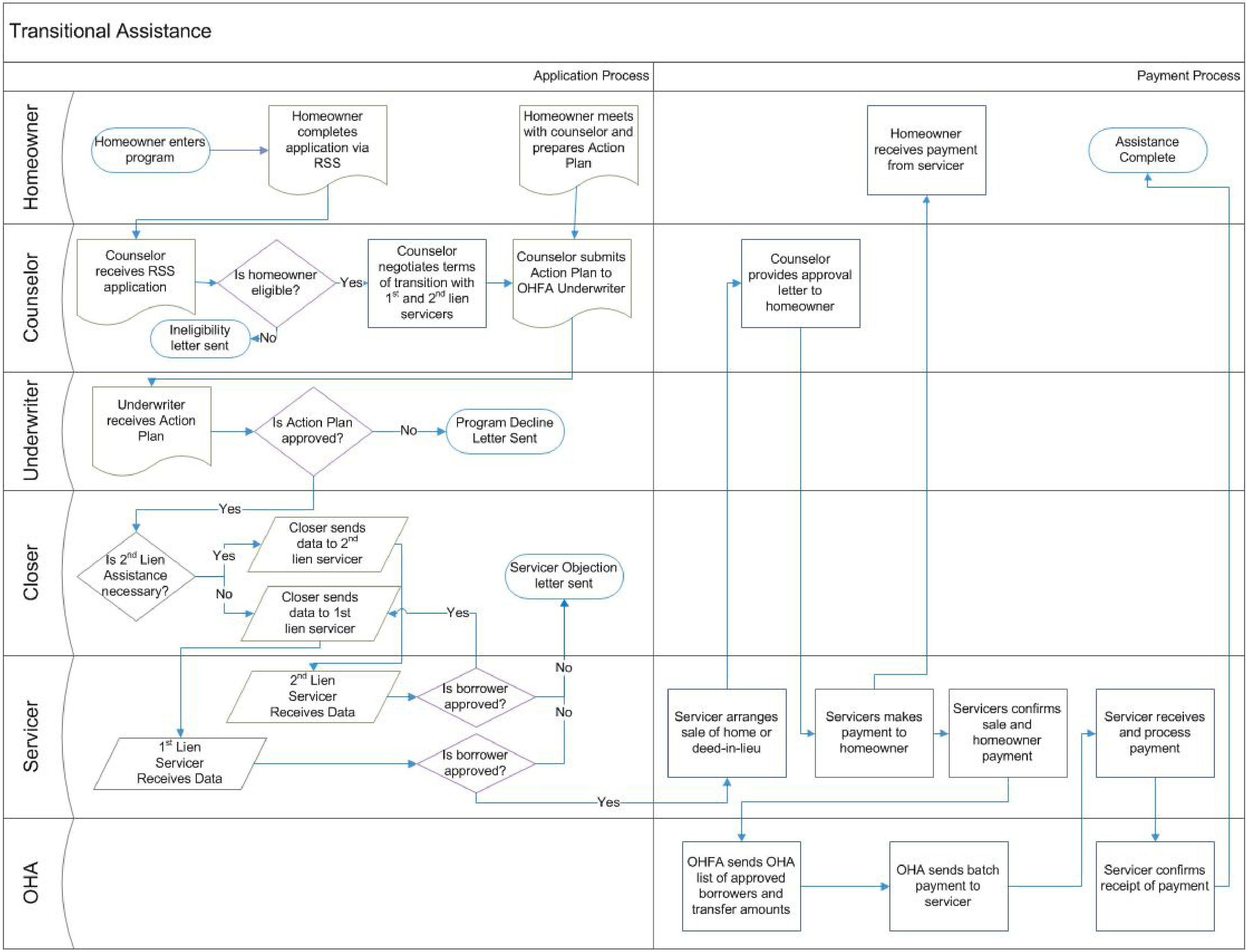
Flow charts showing the roles of the homeowner, housing counselor, OHFA, Special Servicer, Mortgage Servicer and OHA are shown on the following pages.

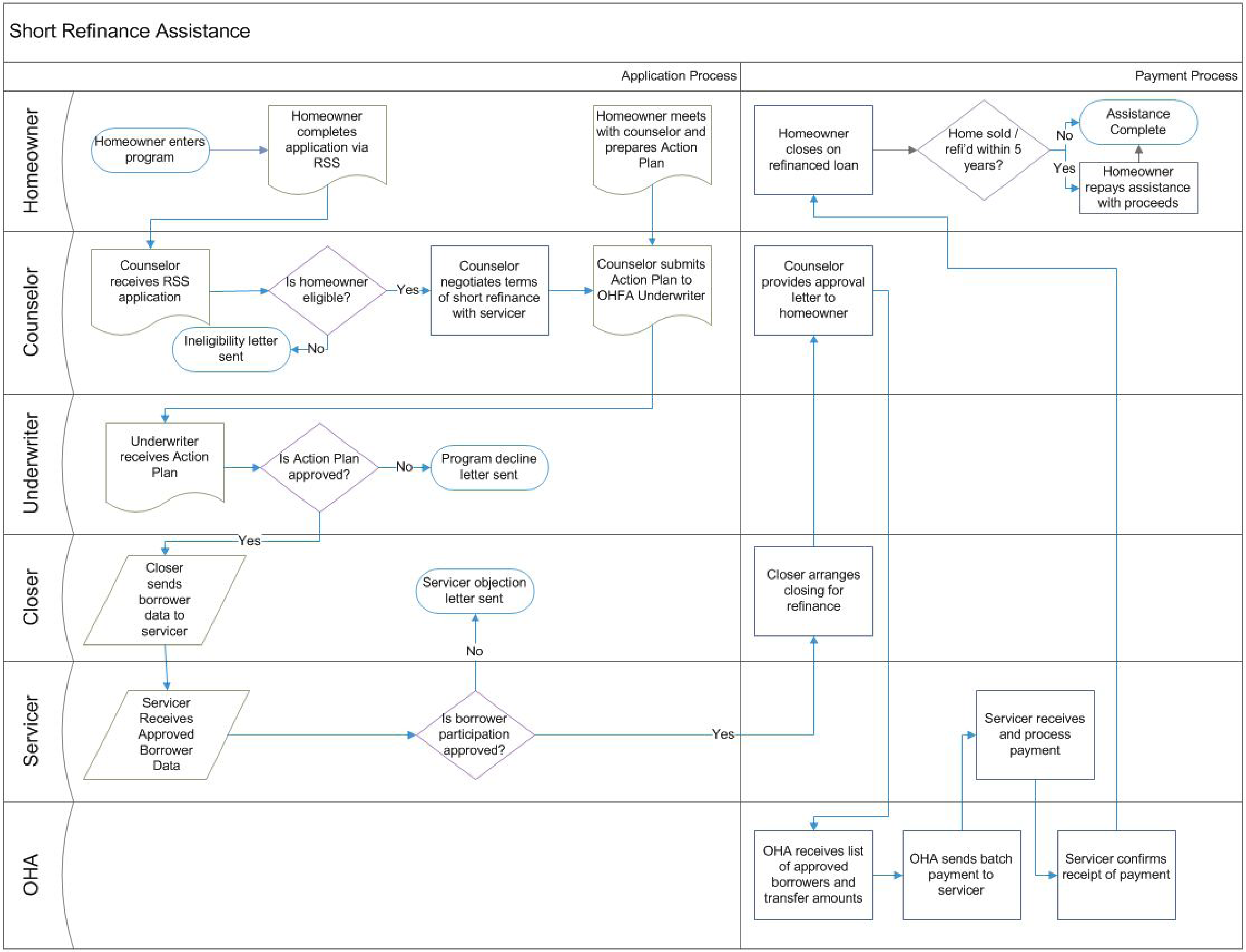


Partial Mortgage Payment Assistance
Application Process
Payment Process
Homeowner
Counselor
Underwriter
Closer
Servicer
OHA
Homeowner enters program
Homeowner completes application via RSS
Homeowner meets with counselor and prepares Action Plan
Counselor receives RSS application
Is homeowner eligible?
Yes
No
Ineligibility letter sent
Counselor submits Action Plan to OHFA Underwriter
Underwriter receives Action Plan
Is Action Plan approved?
No
Program decline letter sent
Closer sends borrower data to servicer
Servicer objection letter sent
No
Servicer Receives Approved Borrower Data
Is borrower participation approved?
Yes
Homeowner closes on junior lien
Counselor provides approval letter to homeowner
Closer arranges closing for homeowner assistance
OHA receives list of approved borrowers and transfer amounts
Homeowner sends monthly payments to U.S. Bank (Special Servicer)
OHA sends batch payment to servicer
Home sold / refi'd within 5 years?
No
Yes
Assistance Complete
Homeowner repays assistance with proceeds
Servicer receives and process payment
Servicer confirms receipt of payment


Rescue Payment Assistance
Application Process
Payment Process
Homeowner
Counselor
Underwriter
Closer
Servicer
OHA
Homeowner enters program
Homeowner completes application via RSS
Homeowner meets with counselor and prepares Action Plan
Counselor receives RSS application
Is homeowner eligible?
Yes
No
Ineligibility letter sent
Counselor submits Action Plan to OHFA Underwriter
Underwriter receives Action Plan
Is Action Plan approved?
No
Program decline letter sent
Yes
Closer sends borrower data to servicer
Servicer objection letter sent
No
Servicer Receives Approved Borrower Data
Is borrower participation approved?
Yes
Closer arranges closing for homeowner assistance
Counselor provides approval letter to homeowner
Homeowner closes on junior lien
OHFA sends OHA list of approved borrowers and transfer amounts
OHA sends batch payment to servicer
Servicer receives and process payment
Servicer confirms receipt of payment
Home sold / refi'd within 5 years?
No
Yes
Assistance Complete
Homeowner repays assistance with proceeds


Mortgage Modification with Principal Reduction
Application
Payment
Homeowner
Counselor
Underwriter
Closer
Servicer
OHA
Homeowner enters program
Homeowner completes application via RSS
Homeowner meets with counselor and prepares Action Plan
Counselor receives RSS application
Is homeowner eligible?
Yes
No
Ineligibility letter sent
Counselor negotiates terms of mortgage modification with servicer
Counselor submits Action Plan to OHFA Underwriter
Underwriter receives Action Plan
Is Action Plan approved?
No
Program decline letter sent
Yes
Closer sends borrower data to servicer
Servicer objection letter sent
Servicer Receives Approved Borrower Data
Is borrower participation approved?
No
Yes
Closer arranges closing for homeowner assistance
Counselor provides approval letter to homeowner
Homeowner closes on junior lien
OHFA sends OHA list of approved borrowers and transfer amounts
OHA sends batch payment to servicer
Servicer receives and process payment
Servicer confirms receipt of payment
Home sold / refi'd within 5 years?
No
Yes
Assistance Complete
Homeowner repays assistance with proceeds


Transitional Assistance
Application Process
Payment Process
Homeowner
Counselor
Underwriter
Closer
Servicer
OHA
Homeowner enters program
Homeowner completes application via RSS
Homeowner meets with counselor and prepares Action Plan
Homeowner receives payment from servicer
Assistance Complete
Counselor receives RSS application
Is homeowner eligible?
Yes
No
Ineligibility letter sent
Counselor negotiates terms of transition with 1st and 2nd lien servicers
Counselor submits Action Plan to OHFA Underwriter
Counselor provides approval letter to homeowner
Underwriter receives Action Plan
Is Action Plan approved?
No
Program Decline Letter Sent
Yes
Is 2nd Lien Assistance necessary?
Yes
No
Closer sends data to 2nd lien servicer
Closer sends data to 1st lien servicer
Yes
Servicer Objection letter sent
No
No
2nd Lien Servicer Receives Data
Is borrower approved?
1st Lien Servicer Receives Data
Is borrower approved?
Yes
Servicer arranges sale of home or deed-in-lieu
Servicers makes payment to homeowner
Servicers confirms sale and homeowner payment
Servicer receives and process payment
OHFA sends OHA list of approved borrowers and transfer amounts
OHA sends batch payment to servicer
Servicer confirms receipt of payment


Short Refinance Assistance
Application Process
Payment Process
Homeowner
Counselor
Underwriter
Closer
Servicer
OHA
Homeowner enters program
Homeowner completes application via RSS
Homeowner meets with counselor and prepares Action Plan
Counselor receives RSS application
Is homeowner eligible?
Yes
No
Ineligibility letter sent
Counselor negotiates terms of short refinance with servicer
Counselor submits Action Plan to OHFA Underwriter
Underwriter receives Action Plan
Is Action Plan approved?
No
Program decline letter sent
Yes
Closer sends borrower data to servicer
Servicer Receives Approved Borrower Data
Is borrower participation approved?
No
Servicer objection letter sent
Yes
Closer arranges closing for refinance
Counselor provides approval letter to homeowner
Homeowner closes on refinanced loan
Home sold / refi'd within 5 years?
No
Assistance Complete
Yes
Homeowner repays assistance with proceeds
OHA receives list of approved borrowers and transfer amounts
OHA sends batch payment to servicer
Servicer receives and process payment
Servicer confirms receipt of payment

(f) Administrative Expenses

OHFA anticipates using approximately 12.8 percent of the $570.4 million award towards administrative related expenses of the Eligible Entity, OHFA and counseling agencies. Of the __ percent, approximately 4.9 percent will be used for operational costs of the Eligible Entity and OHFA, 7.4 percent will be paid to housing counseling agencies and 0.5 percent will be used for outreach.

Table 5. Administrative Expenses - Operational Costs

	Year 1	Year 2	Year 3	Year 4+	Total	%
OHFA	$4,210,772	$3,777,022	$3,142,615	$2,692,858	$13,823,267	2.4%
Eligible Entity	$5,448,908	$5,043,624	$2,202,459	$2,183,979	$14,878,970	2.6%
Total Administrative Expenses:	$9,659,680	$8,770,646	$5,295,074	$4,676,839	$28,152,239	4.9%
% of award:						4.9%

Table 6. Administrative Expenses – Counseling and Outreach

	Year 1	Year 2	Year 3	Years 4 - 7	Total
Counseling/ Triage	$6,751,887	$9,532,075	$9,532,075	$16,283,962	$46,760,000
Outreach Efforts	$475,817	$671,742	$671,742	$1,147,559	$2,966,860
Total Counseling/ Outreach Efforts:					$45,066,860
% of award:					7.9%

Expenditure Timeline

OHFA anticipates drawing down the $570.4 million incrementally over five years. Based on the assumptions provided in the proposal the anticipated draws in six-month increments would be as follows:

Table 7. Draw Schedule

	Amount
Month 6	$ 15,603,483
Month 12	$ 41,697,207
Month 18	$ 60,106,219
Month 24	$ 65,739,770
Month 30	$ 65,428,421
Month 36	$ 65,428,421
Month 42	$ 63,334,720
Month 48	$ 63,242,412
Year 5 +	$ 129,814,445
Total:	$ 570,395,099

Included below is the projected impact of the programming funds. This chart shows the impact of Ohio HHF assisting an estimated 63,485 households over the 5-year period. It is possible for a household to use more than one program up to the maximum Restoring Stability household benefit amount.

Table 8. Program Expenses

	Year 1		Year 2		Year 3		
	#	Amount	#	Amount	#	Amount	Total
Rescue Loans (a)	2,344	$14,415,669	4,002	$24,606,275	11,039	$67,882,960	$106,904,904
Partial Payment Assistance	4,302	$16,909,069	7,342	$60,827,851	20,256	$221,803,080	$299,540,000
Modifications/ Principal Reductions	317	$3,063,376	541	$5,228,912	1,492	$14,425,347	$22,717,635
Short Sales / Deed In-Lieu	661	$2,429,038	1,128	$4,146,154	3,111	$11,438,269	$18,013,461
Short Refinance	500	$3,846,154	1,568	$12,062,334	4,431	$34,091,513	$50,000,000
Totals:	8,124	$40,663,306	14,581	$106,871,526	40,330	$349,641,169	$497,176,000
Total Program Expenses:							$497,176,000

(a) Numbers may vary slightly due to rounding.

Table 9. Total Restoring Stability Breakdown

	Year 1	Year 2	Year 3	Year 4+	TOTAL	%
Administrative Expense OHFA	$3,960,772	$3,727,022	$3,092,615	$2,492,860	$13,273,269	2.3%
Administrative Expense OCCH/ OHA	$5,448,908	$5,043,624	$2,202,459	$2,183,979	$14,878,970	2.6%
Housing Counseling/ Triage	$6,751,887	$9,532,075	$9,532,075	$16,283,962	$42,100,000	7.4%
Outreach Efforts	$475,817	$671,742	$671,742	$1,147,559	$2,966,860	0.5%
Total Administrative Expense:	$16,637,384	$18,974,463	$15,498,891	$22,108,360	$73,219,099	12.8%
Total Program Expense:	$40,663,306	$106,871,526	$115,357,951	$234,283,218	$497,176,000	87.2%
Total Restoring Stability:	$57,300,690	$125,845,989	$130,856,842	$256,391,578	$570,395,099	100%

Administration – OHFA

OHFA will only seek reimbursement for costs directly incurred by the Agency for the administration of the Restoring Stability. Below is the expected summary budget. Any unused portion will be included into the program budget to assist additional households.

Table 10. OHFA Administrative Expenses

	# of Staff	Year 1	Year 2	Year 3	Years 4 - 7	Total
Existing Staff	10	$359,480	$360,142	$355,080	$850,074	$1,924,776
New Staff (b)	50	$1,658,468	$2,694,470	$2,209,789	$1,250,212	$7,812,939
New Employee Overhead (b)		$65,420	$63,700	$45,500	$4,368	$178,988
Contracts (Temps and Audit)		$1,233,904	$528,710	$407,246	$368,206	$2,538,066
Travel (Outreach and Training)		$100,000	$80,000	$75,000	$20,000	$275,000
Total Administrative Expenses OHFA						$12,729,769
% of award:						2.2%

(b) New Staff decreases over the first three years of the program (24 in Year 1), (17 in Year 2), (6 in Year 3) and (0 in Year 4-7). Sample costs include supplies, telecommunications, transportation expenses, etc.

Administration – Eligible Entity

The following administrative and supporting costs will be paid directly by the Eligible Entity.

Table 11. Eligible Entity

	# of Staff	Year 1	Year 2	Year 3	Years 4 - 7	Total
New Staff (c)	4	$252,720	$260,302	$268,111	$835,393	$1,616,526
Employee Overhead		$35,460	$36,524	$37,620	$122,556	$ 232,160
Recording and Title Fees		$4,941,728	$4,499,348	$1,645,492	$50,000	$11,136,568
Legal and Audit Fees		$67,500	$229,829	$233,306	$1,084,158	$1,614,793
Consolidation Fees		$10,000	$10,300	$10,609	$58,014	$88,923
Bank Fees		$1,500	$7,321	$7,321	$33,858	$50,000
Total Administrative Expenses OCCH/OHA		$5,308,908	$5,043,624	$2,202,459	$2,183,979	$14,738,970
% of award:						2.6%

(c) New staff decreases after the first three years of the program.

Counseling Agency Fees

Counseling fees support the work non-profit agencies throughout the state will provide for intake, triage, preparation of Homeowner Action Plans and facilitating Restoring Stability assistance and workouts with servicers. Counseling agencies will be compensated a total of $700 per household for providing eligibility screening and developing and implementing the Homeowner Action Plans. Counseling agencies may receive payments of $200 for each successful intake, $500 for each RS Action Plan approved by OHFA, and $100 for each intake that is not approved. The counseling agency fee structure may be adjusted to reflect actual costs and workflow. Prior to the launch of Restoring Stability, participating counseling agencies had the option to request an advance of up to 50 percent of the total number of units allocated. Training for counselors is provided by OHFA and is included in the OHFA administrative budget.

Marketing and Outreach

Restoring Stability uses a portion of HFA HHF dollars to pay for marketing and outreach to homeowners to inform them of new foreclosure prevention options available through Restoring Stability. Outreach is conducted via events, direct mailing and print materials distributed by Restoring Stability and partner organizations to encourage homeowners to seek foreclosure prevention help early and to combat mortgage rescue scammers, who continue to target homeowners and are likely to use the infusion of HFA HHF dollars in the state as an opportunity to misdirect homeowners seeking assistance. Marketing efforts have involved targeted ads on billboards, radio, television, online media, and newspapers.

Start-Up Costs

One-time start-up costs will be incurred by both OHFA and the Eligible Entity to prepare both entities to administer the program.

Table 12. Start-Up Costs

	OHFA	Eligible Entity
Computers (PC, Monitor, Basic Software)	$54,500	$25,000
Office Furniture / Equipment	$14,000	$20,000
IT Consulting/Programming	$320,000	$25,000
Legal / Accounting Advisory	$ -	$55,000
Start-Up Contingency (a)	$155,000	$15,000
Subtotal Start-Up Costs:	$543,500	$140,000
Total Start-Up Costs:		$683,500
% of award:		0.1%

(a) Start-Up Contingency were be used for unforeseen costs. Any unused portion after year one will be transferred to program funds.

Recycling of HFA HHF Program Funds

To serve more eligible households, Restoring Stability will direct payments from HFA HHF participants back into the program. It is anticipated that the largest source of payments will be from participants in the Partial Mortgage Payment Assistance program option. This program option is structured so that the mortgage servicers receive a full mortgage payment from OHA drawn from Restoring Stability, while homeowners will make their affordable portion of the mortgage payment to the Special Servicer. Homeowner payments will be recycled for use by future Restoring Stability program participants. Restoring Stability anticipates that homeowners' average affordable payment will be $300 per homeowner per month during the Partial Mortgage Payment Assistance period and approximately $86 million could be collected and recycled.

A second source of recycled funds will be repayments on the second mortgages filed on behalf of the Eligible Entity under the Rescue Loan Assistance, Modification with Principal Reduction and Partial Mortgage Payment Assistance program options. Because repayments would only occur if a homeowner sold or refinanced a home before the loan was entirely forgiven and if there were sufficient net proceeds very few repayments are expected to occur.

SERVICE SCHEDULE B-1

Ohio Housing Finance Agency (OHFA)
Rescue Payment Assistance Program
Summary Guidelines

1.Program Overview	The Rescue Payment Assistance Program will provide funds to lenders/servicers on behalf of homeowners who are delinquent on their mortgage payments due to a delay in receiving unemployment benefits, insufficient income, or other unforeseen circumstances, by bringing them current on delinquent mortgage obligations. Allowable uses of the funds will include the following: • Delinquent mortgage payments; • Late fees, inspection fees, and attorney fees related to a successful/closed loan modification; • Delinquent property taxes advanced by the servicer or escrow shortage; and • Up to one year of standard homeowner's insurance if a lender/servicer has previously imposed forced-placed insurance on the property. Forced-placed insurance is high cost insurance which serves only to protect the mortgagee's interest in the property. If Rescue Payment Assistance is used to pay delinquent property taxes or homeowner's insurance, the homeowner must request that the lender/servicer set up an escrow account for property taxes and homeowner's insurance if none is in place. If the homeowner's lender/servicer will not agree to set up an escrow account, the homeowner's taxes and insurance must be considered in calculating the Sustainable Monthly Payment. Assistance is subject to approval of the homeowner's HHF Action Plan which is a plan relating solely to TARP-funded modification programs that will be developed by a housing counseling agency and approved by OHFA (the "HHF Action Plan"). Homeowners may receive assistance from one or more HHF Programs. The HHF Action Plan will determine the type(s) and amount of HHF assistance for each homeowner, up to the maximum total benefit amount for which the homeowner qualifies.
2.Program Goals	The goal of this program is to prevent avoidable foreclosure for homeowners who have experienced a temporary hardship by reinstating their past due first mortgage loans.
3.Target Population/ Areas	The Program will be available to eligible low- and moderate- income homeowners throughout Ohio, up to the maximum benefit of $15,000.
4.Program Allocation (Excluding Administrative Expenses)	$106,904,903.00

5.Borrower Eligibility Criteria	Homeowner must meet the following criteria: • Income at or below 115% of area median. Current household income is defined at time of submission of the HHF Action Plan as the 30 day average of all wages, compensation and/or public benefits in the homeowner's household over the prior 60 days; • First mortgage debt less than the highest FHA maximum loan amount among all Ohio counties; • Liquid assets equal to or less than three months of mortgage payments, excluding retirement accounts; • Hardship due to involuntary loss or reduction in income, divorce, disability, or illness resulting in a loss of income or significant medical expenses, which shall be documented by a financial hardship affidavit signed by the homeowner, and supporting documents which may include documents from the state unemployment department, a letter from the previous employer, divorce decree, medical bills, or disability forms; and • Demonstrate ability to sustain mortgage payments, if assistance under the Program is received, for six months or more. Unemployment compensation or assistance under the Partial Mortgage Payment Assistance Program will be considered in evaluating sustainability, if assistance is expected to continue for at least six months.
6.Property/Loan Eligibility Criteria	One to four unit owner-occupied primary residences located in Ohio, including condominiums. Manufactured homes are eligible only if the mortgage is recorded as real property and the home is permanently affixed to the land.
7.Program Exclusions	• Homeowners who cannot demonstrate the ability to sustain mortgage payments for at least six months are not eligible. Other HHF programs may be used to demonstrate sustainability. Sustainable Monthly Payment is equal to 38% or less of current household income, and the payment must include taxes and insurance in cases where taxes and insurance are not escrowed by the lender/servicer. • Homeowners participating in or eligible for HAMP. • Homeowners in active bankruptcy and homeowners who have not reaffirmed their mortgage after a bankruptcy which resulted in mortgage debt being discharged. • Homeowners who have a sheriff's sale scheduled in 21 days or less.
8.Structure of Assistance	Assistance will take the form of a non-recourse, non-amortizing, zero-percent interest, five-year loan secured by the property and repayable only from equity proceeds of a refinance or sale. The loan will be recorded as a subordinate lien. Twenty percent of the loan balance will be forgiven each year on the anniversary of the closing, and any remaining balance will be forgiven on December 31, 2017. Loan repayments will be recycled back into the program and used to provide assistance to additional homeowners until December 31, 2017.
9.Per Household Assistance	Maximum amount available per homeowner: $15,000 Estimated average assistance provided per homeowner: $5,994
10.Duration of Assistance	Assistance will be provided in a one-time lump sum payment to the homeowner's lender/servicer.

11.Estimated Number of Participating Households	It is expected that 17,835 households will be assisted under the Program.
12.Program Inception/ Duration	The Program will begin September 27, 2010 and is expected to continue until December 31, 2017 or when available funds are exhausted.
13.Program Interactions with Other Programs (e.g. other HFA programs)	Homeowners may access the Partial Mortgage Payment Assistance Program, the Mortgage Modification with Principal Reduction Assistance Program, and/or the Short Refinance Program, if approved as part of the homeowner's HHF Action Plan. If homeowners are unable to sustain homeownership after receiving assistance under the Program, they may be approved for the Transitional Assistance Program if they have not exhausted their maximum benefit.
14.Program Interactions with HAMP	Homeowners will be first screened for eligibility for HAMP before being considered for the Program, until the expiration of HAMP. Homeowners participating in or eligible for HAMP are excluded.
15.Program Leverage with Other Financial Resources	The Program will strongly encourage the lenders/servicers to consider waiving late fees or any other expenses that are not paid to a third party. Lenders/servicers will not be required to match Program funds.
16.Qualify as an Unemployment Program	☐ Yes ☑ No

SERVICE SCHEDULE B-2

Ohio Housing Finance Agency (OHFA)
Partial Mortgage Payment Assistance Program
Summary Guidelines

1.Program Overview	The Partial Mortgage Payment Assistance Program will support unemployed homeowners by assisting with their mortgage payments for up to 15 months while they search for a new job and/or participate in a job training program. Full mortgage payments will be made to the homeowner's lender/servicer as long as the homeowner remains eligible for assistance. To remain eligible for assistance, the homeowner must pay their Affordable Monthly Payment, as calculated and in their approved HHF Action Plan (hereinafter defined), to the Ohio HHF servicer, a special third-party servicer selected by Ohio Housing Finance Agency (the "Ohio HHF Servicer") to receive homeowners' partial payments under the Ohio HHF program. Affordable Monthly Payment is equal to 20% of current household income or 25% of homeowner's monthly mortgage principal, interest taxes and insurance (PITI) payment, whichever is greater, unless the Affordable Monthly Payment is waived because the homeowner has exhausted unemployment compensation benefits. The Affordable Monthly Payment amount may change if homeowner's income increases 20% or more or decreases 10% or less. Homeowners will resume their regular payments at the end of the term approved in their HHF Action Plan or two months after resuming employment, whichever occurs first. Assistance is subject to approval of the homeowner's HHF action plan which is a plan relating solely to TARP funded modification programs that will be developed by a housing counseling agency and approved by OHFA (the "HHF Action Plan"). Homeowners may receive assistance from one or more HHF Programs. The HHF Action Plan will determine type(s) and amount of HHF assistance for each homeowner, up to the maximum total benefit amount for which the homeowner qualifies.
2.Program Goals	The goal of the Program is to assist unemployed homeowners to remain in their homes and make on-time, monthly payments on their mortgages during unemployment so that they may avoid delinquency and foreclosure; and to assist homeowners with obtaining a sustainable loan modification after they have regained employment.
3.Target Population/ Areas	The Program will be available to eligible unemployed low- and moderate-income homeowners throughout Ohio, up to $15,000.
4.Program Allocation (Excluding Administrative Expenses)	$299,540,000.00

5.Borrower Eligibility Criteria	Homeowner must meet the following criteria: • Income at or below 115% of area median. Current household income is defined at time of submission of the HHF Action Plan as the 30 day average of all wages, compensation and/or public benefits in the homeowner's household over the prior 60 days; • First mortgage debt less than the highest FHA maximum loan limit among all Ohio counties. • Liquid assets equal to or less than three months mortgage payments, excluding retirement accounts; • Hardship due to involuntary loss or reduction in income, which shall be documented by a financial hardship affidavit signed by the homeowner, and supporting documents which may include a form from the state unemployment department, or a letter from the previous employer documenting involuntary unemployment; • At least one wage earner in the household must be receiving unemployment compensation or must have exhausted unemployment compensation benefits within the last twelve months; • Homeowner must make the partial mortgage payment on time; and • Homeowner must actively seek reemployment during the assistance period.
6.Property/Loan Eligibility Criteria	One to four unit owner-occupied primary residences located in Ohio, including condominiums. Manufactured homes are eligible only if the mortgage is recorded as real property and the home is permanently affixed to the land.
7.Program Exclusions	• Homeowners with a total PITI payment of less than 20% of current income are not eligible. • Homeowners in active bankruptcy and homeowners who have not reaffirmed their mortgage after a bankruptcy which resulted in mortgage debt being discharged. • Homeowners who have a sheriff's sale scheduled in 21 days or less.
8.Structure of Assistance	Assistance will take the form of a non-recourse, non-amortizing, zero-percent interest, five-year loan secured by the property and repayable only from equity proceeds of a refinance or sale. The loan will be recorded as an open-ended subordinate lien. Twenty percent of the current loan balance will be forgiven each year on the anniversary of the closing, and any remaining balance will be forgiven on December 31, 2017. Loan repayments will be recycled back into the program and used to provide assistance to additional homeowners until December 31, 2017.
9.Per Household Assistance	Maximum amount available per homeowner: $15,000 Estimated average assistance provided per homeowner: $9,390
10.Duration of Assistance	Homeowners may receive assistance up to a maximum of 15 months. Should a homeowner become reemployed within the 15 month period, the homeowner may continue receiving assistance for up to an additional 2 months after reemployment.

11.Estimated Number of Participating Households	It is expected that 31,900 households will be assisted under the Program.
12.Program Inception/ Duration	The Program will begin September 27, 2010 and is expected to continue until December 31, 2017 or when available funds are exhausted.
13.Program Interactions with Other Programs (e.g. other HFA programs)	Homeowners who participate in the Program will work with their lender/ servicer to enter into a modified, affordable loan payment when the homeowner is re-employed. Homeowners may access the Rescue Payment Assistance Program, the Mortgage Modification with Principal Reduction Assistance Program, and/or the Short Refinance Program, if approved as part of the homeowner's HHF Action Plan. If homeowners are unable to sustain homeownership after receiving assistance from the Program, they may be approved for the Transitional Assistance Program if they have not exhausted their maximum benefit.
14.Program Interactions with HAMP	The Program may precede the Home Affordable Unemployment Program (UP) forbearance or may be used to extend it.
15.Program Leverage with Other Financial Resources	The Program will strongly encourage the lenders/servicers to consider waiving late fees or any other expenses that are not paid to a third party. Lenders/servicers will not be required to match Program funds.
16.Qualify as an Unemployment Program	☑Yes ☐No

SERVICE SCHEDULE B-3

Ohio Housing Finance Agency (OHFA)
Mortgage Modification with Principal Reduction Program
Summary Guidelines

1.Program Overview	The Mortgage Modification with Principal Reduction Program will provide assistance to homeowners who do not qualify for existing loan modification programs due to severe negative equity. Funds will be used to incentivize lenders/servicers to reduce homeowners' mortgage principal balance to the level necessary to achieve a loan modification with a target of 115% of loan to value or less, and to achieve an Affordable Payment for the homeowner. Affordable Monthly Payment is equal to 31% or less of current household income. Lenders/servicers will provide principal forbearance or forgiveness equal to or greater than the Program payment. If principal forgiveness is permissible by the lender/servicer, it must be offered to the homeowner before any principal forbearance could occur and qualify for the Program. This option should increase the number of loan modifications that are approved and will be available to both HAMP-eligible and non-HAMP eligible borrowers. This program also offers the option of Lien Elimination Assistance to substitute for a loan modification. Lien Elimination Assistance applies in cases where the lien holder agrees to accept up to $15,000 in HHF funds in return for extinguishing the existing lien. This is most likely to occur in cases where the property is valued at $60,000 or less. To receive Lien Elimination Assistance, homeowners must demonstrate the ability to stay current on their property taxes and homeowner's insurance. To be considered sustainable, the homeowner's property taxes and insurance must be equal to 31% or less of current household income. Assistance is subject to approval of the homeowner's HHF action plan which is a plan relating solely to TARP funded modification programs that will be developed by a housing counseling agency and approved by OHFA (the "HHF Action Plan"). Homeowners may receive assistance from one or more HHF Programs. The HHF Action Plan will determine type(s) and amount of HHF assistance for each homeowner, up to the maximum total benefit amount for which the homeowner qualifies.
2.Program Goals	The goals of the Program are to: • Help homeowners obtain mortgage loan modifications to achieve an affordable monthly loan payment; • Reduce the probability of re-default after the loan modification by incentivizing lenders/servicers to include principal reduction as part of a modification when that reduction is necessary to achieve an affordable monthly payment; and • Reduce the risk of re-default due to severe negative equity.
3.Target Population/ Areas	The Program will be available to eligible low- and moderate- income homeowners throughout Ohio, up to the maximum benefit amount of $15,000.
4.Program Allocation (Excluding Administrative Expenses)	$22,717,635.00

5.Borrower Eligibility Criteria	Homeowner must meet the following criteria: • Income at or below 115% of area median. Current household income is defined at time of submission of the HHF Action Plan as the 30 day average of all wages, compensation and/or public benefits in the homeowner's household over the prior 60 days; • First mortgage debt less than the highest FHA maximum loan amount among all Ohio counties; • Liquid assets equal to or less than three months of mortgage payments; • Hardship due to involuntary loss or reduction in income, divorce, disability, or illness resulting in a loss of income or significant medical expenses, which shall be documented in part by a financial hardship affidavit signed by the homeowner; and • Homeowner must have been turned down for a loan modification due to the failure of the lender/servicer's Net Present Value (NPV) calculation.
6.Property/Loan Eligibility Criteria	One to four unit owner-occupied primary residences located in Ohio, including condominiums. Manufactured homes are eligible only if the mortgage is recorded as real property and the home is permanently affixed to the land. To qualify for modification with principal reduction assistance, must have a loan to value ratio of 115% or more.
7.Program Exclusions	• Homeowners currently participating in HAMP are not eligible. • Homeowners in active bankruptcy and homeowners who have not reaffirmed their mortgage after a bankruptcy which resulted in mortgage debt being discharged. • Homeowners who have a sheriff's sale scheduled in 21 days or less.
8.Structure of Assistance	Assistance will take the form of a non-recourse, non-amortizing, zero-percent interest, five-year loan secured by the property and repayable only from equity proceeds of a refinance or sale. The loan will be recorded as a subordinate lien. Twenty percent of the loan balance will be forgiven each year on the anniversary of the closing, and any remaining balance will be forgiven on December 31, 2017. Loan repayments will be recycled back into the program and used to provide assistance to additional homeowners until December 31, 2017.
9.Per Household Assistance	Maximum amount available per homeowner: $15,000 Estimated average assistance provided per homeowner: $9,667
10.Duration of Assistance	Assistance will be provided in a one-time lump sum payment to the homeowner's lender/servicer.
11.Estimated Number of Participating Households	It is expected that 2,350 homeowners will receive assistance from the Program.
12.Program Inception/ Duration	The Program will begin September 27, 2010 and is expected to continue until December 31, 2017 or when available funds are exhausted.
13.Program Interactions with Other Programs (e.g. other HFA programs)	Homeowners may access the Rescue Payment Assistance Program and/or the Partial Mortgage Payment Assistance Program, if approved as part of the homeowner's HHF Action Plan. If homeowners are unable to sustain homeownership after receiving assistance under the Program, they may be approved for the Transitional Assistance Program if they have not exhausted their maximum benefit.

14.Program Interactions with HAMP	Homeowners will be first screened for eligibility for HAMP before being considered for the Program until the expiration of HAMP. Homeowners currently participating in HAMP are not eligible.
15.Program Leverage with Other Financial Resources	The following modification options leverage other financial resources: **Principal Reduction Matched Assistance (HAMP Eligible)** Contributions will be made to the homeowner's principal reduction with the goal of reducing the LTV to at least 115%. For every dollar of principal forbearance or forgiveness offered by the lender/servicer, one dollar of Program funds will be contributed. All late fees and other non-out-of-pocket collections costs must be waived by the lender/servicer and cannot be capitalized. **Principal Reduction Matched Assistance (Non HAMP Eligible)** Contributions will be made to the homeowner's principal reduction with the goal of reducing the LTV. For every dollar of principal forgiveness granted by the lender/servicer, one dollar of Program funds will be contributed. All late fees and other non-out-of-pocket collections costs must be waived by the lender/servicer and cannot be capitalized.
16.Qualify as an Unemployment Program	☐ Yes ☑ No

SERVICE SCHEDULE B-4

Ohio Housing Finance Agency (OHFA)
Transition Assistance Program
Summary Guidelines

1.Program Overview	The Transition Assistance Program will assist homeowners whose current mortgage payment exceeds the Affordable Monthly Payment, and/or who must relocate to gain meaningful employment. Affordable Monthly Payment is equal to 31% or less of current household income. The Program requires the lender/servicer to consider a Short Sale or Deed-In-Lieu option and waive any rights to deficiency judgments. The Program allows an incentive to the lender/servicer and a stipend to borrowers to relocate while leaving the property in saleable condition. Assistance is subject to approval of the homeowner's HHF action plan which is a plan relating solely to TARP funded modification programs that will be developed by a housing counseling agency and approved by OHFA (the "HHF Action Plan"). Homeowners may receive assistance from one or more HHF Programs. The HHF Action Plan will determine type(s) and amount of HHF assistance for each homeowner, up to the maximum total benefit amount for which the homeowner qualifies.
2.Program Goals	To allow homeowners to achieve a "graceful exit" from their current situation and avoid foreclosure.
3.Target Population/ Areas	The Program will be available to eligible low- and moderate- income homeowners throughout Ohio, up to the maximum benefit amount of $15,000.
4.Program Allocation (Excluding Administrative Expenses)	$18,013,462.00
5.Borrower Eligibility Criteria	Homeowner must meet the following criteria: • Income at or below 115% of area median. Current household income is defined at time of submission of the HHF Action Plan as the 30 day average of all wages, compensation and/or public benefits in the homeowner's household over the prior 60 days; • First mortgage debt less than the highest FHA maximum loan amount among all Ohio counties; • Liquid assets equal to or less than three months of mortgage payments; • Hardship due to involuntary loss or reduction in income, divorce, disability, or illness resulting in a loss of income or significant medical expenses, which shall be documented in part by a financial hardship affidavit signed by the homeowner; and • Homeowners who must relocate for employment should meet the requirements of IRS Publication 521 which states "the new main job is at least 50 miles farther from former residence than old main job." The new residence must be located in the United States of America, except for active duty military personnel.
6.Property/Loan Eligibility Criteria	One to four unit owner-occupied primary residences located in Ohio, including condominiums. Both HAMP and non-HAMP eligible loans will be considered for the Program. Manufactured homes are eligible only if the mortgage is recorded as real property and the home is permanently affixed to the land.

7.Program Exclusions	• If net sales proceeds of the sale of the home are sufficient to pay off the mortgage balance, the borrower is not eligible for assistance. • Homeowners in active bankruptcy and homeowners who have not reaffirmed their mortgage after a bankruptcy which resulted in mortgage debt being discharged. • Homeowners who have a sheriff's sale scheduled in 21 days or less.
8.Structure of Assistance	Assistance will not be structured as a loan.
9.Per Household Assistance	Maximum amount available per homeowner: $15,000 Estimated average assistance provided per homeowner: $3,676
10.Duration of Assistance	Assistance is in the form of a one-time payment, and could consist of: • A $3,000 payment to the lender/servicer, $1,500 of which will be passed through to the borrower or provided to the borrower by Ohio Homeowner Assistance LLC (OHA) and $1,500 of which will be an inducement to the servicer. • Payments will also be made to secondary lien holders, if any, in the amount of 10% of the second lien balance, up to $2,500, if a recordable "Satisfaction of Lien" is issued and they agree not to pursue a deficiency judgment for any remaining balance. • Homeowners will receive relocation assistance up to $1,500, passed through from the lender/servicer or OHA, which will be paid as a reduction from net proceeds at a real estate closing on a short sale or as funds from the servicer or OHA in a deed-in-lieu situation. Relocation assistance will be conditional on the homeowner leaving the home in "broom swept" condition. The lender/servicer is responsible for inspection. No payments may be made to the lender/servicer until a short sale, or deed-in-lieu agreement is executed.
11.Estimated Number of Participating Households	It is expected that 4,900 households will be assisted under the Program.
12.Program Inception/ Duration	The Program will begin September 27, 2010 and is expected to continue until December 31, 2017 or when available funds are exhausted.
13.Program Interactions with Other Programs (e.g. other HFA programs)	Homeowners may have previously received assistance from the Rescue Payment Assistance Program and/or the Mortgage Modification with Principal Reduction Program prior to using the Program. Homeowners may have previously received or may currently receive assistance from the Partial Mortgage Payment Assistance Program. Homeowners may be approved for assistance under the Program only if they have not exhausted their maximum benefit.
14.Program Interactions with HAMP	HAFA may not be combined with any element of the Program. The homeowner must first apply for HAFA and either be denied or have no response from the lender/servicer within 30 days to be eligible for the Program.
15.Program Leverage with Other Financial Resources	Lenders/servicers must agree to release homeowners from future obligations or judgments as part of the process of approving a short sale, cash for keys, or deed-in-lieu agreement. First and second mortgage holders must accept less than full payoff.
16.Qualify as an Unemployment Program	☐ Yes ☑ No

SERVICE SCHEDULE B-5

Ohio Housing Finance Agency (OHFA)
Short Refinance Program
Summary Guidelines

1.Program Overview	The Short Refinance Program will provide funds to lenders/servicers on behalf of homeowners who wish to refinance to a new mortgage loan in order to lower their monthly payment. Funds will be used to reduce the principal balance of homeowner's mortgage, which will incentivize lenders/servicers to match the Program payment in the form of principal forgiveness to, in the aggregate, reduce homeowner's mortgage principal balance to the level necessary to qualify for a refinance, with a target of 95 percent to 100 percent combined loan-to-value ratio. The resulting refinance should result in an affordable monthly payment, including all subordinate mortgage loans, lower than 31 percent of their gross income. The mortgage refinance will be originated by the homeowner's lender, and homeowners must qualify under their lender's underwriting guidelines. Lenders/servicers will provide principal forgiveness equal to or greater than the Program payment. This option is available to homeowners who are current on their mortgage, employed, and have good credit history. Assistance is subject to approval of the homeowner's HHF action plan which is a plan relating solely to TARP funded modification programs that will be developed by a housing counseling agency and approved by OHFA (the "HHF Action Plan"). Homeowners may receive assistance from one or more HHF Programs. The HHF Action Plan will determine type(s) and amount of HHF assistance for each homeowner, up to the maximum total benefit amount for which the homeowner qualifies.
2.Program Goals	The goals of the Program are to: • Help homeowners obtain mortgage loan refinances to lower their monthly loan payment; • Provide assistance to homeowners who may not be eligible for a traditional modification but cannot refinance due to a decline in their home's value; and • Reduce the number of homeowners with negative equity.
3.Target Population/ Areas	The Program will be available to eligible low- and moderate- income homeowners throughout Ohio, up to the maximum benefit amount of $15,000.
4.Program Allocation (Excluding Administrative Expenses)	$50,000,000.00
5.Borrower Eligibility Criteria	Homeowner must meet the following criteria: • Income at or below 115% of area median. Current household income is defined at time of submission of the HHF Action Plan as the 30 day average of all wages, compensation and/or public benefits in the homeowner's household over the prior 60 days; • First mortgage debt less than the highest FHA maximum loan amount among all Ohio counties; • Liquid assets equal to or less than three months of mortgage payments; • Hardship due to involuntary loss or reduction in income, divorce, disability, or illness resulting in a loss of income or significant medical expenses, which shall be documented in part by a financial hardship affidavit signed by the homeowner; and • Homeowners must qualify for refinance under their lender's underwriting guidelines.

6.Property/Loan Eligibility Criteria	One to four unit owner-occupied primary residences located in Ohio, including condominiums. Manufactured homes are eligible only if the mortgage is recorded as real property and the home is permanently affixed to the land. To qualify for short refinance assistance, must have a loan to value ratio of 100% or more.
7.Program Exclusions	• Homeowners in active bankruptcy and homeowners who have not reaffirmed their mortgage after a bankruptcy which resulted in mortgage debt being discharged. • Homeowners who have a sheriff's sale scheduled in 21 days or less. • Homeowners who do not qualify under their lender's underwriting guidelines.
8.Structure of Assistance	Assistance will not be structured as a loan.
9.Per Household Assistance	Maximum amount available per homeowner: $15,000 Estimated average assistance provided per homeowner: $7,692
10.Duration of Assistance	Assistance will be provided in a one-time lump sum payment to the homeowner's lender/servicer.
11.Estimated Number of Participating Households	It is expected that 6,500 homeowners will receive assistance from the Program.
12.Program Inception/ Duration	The Program will begin January 1, 2011 and is expected to continue until December 31, 2017 or when available funds are exhausted.
13.Program Interactions with Other Programs (e.g. other HFA programs)	Homeowners may access the Partial Mortgage Payment Assistance Program prior to receiving a Short Refinance, if approved by the homeowner's HHF Action Plan. Homeowners may access any HHF Program if the homeowner qualifies and needs assistance after receiving Short Refinance assistance, if they have not exhausted their maximum benefit.
14.Program Interactions with HAMP	Homeowners participating in HAMP may be eligible for Short Refinance assistance if they qualify for a refinance under their lender's underwriting guidelines.
15.Program Leverage with Other Financial Resources	To leverage other financial resources, contributions will be made to the homeowner's lender/servicer to reduce the mortgage principal balance to at least 100 percent loan-to-value. For every dollar of principal reduction offered by the lender/servicer, one dollar of Program funds will be contributed. All late fees and other non-out-of-pocket collections costs must be waived by the lender/servicer and cannot be capitalized.
16.Qualify as an Unemployment Program	☐ Yes ☑ No