THE NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION'S

Nevada's Hope & Dignity for Homeowners Business Plan

A response to the U.S. Treasury's Request

June 14, 2010

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This plan is a compendium of inputs and research that we have attempted to incorporate into a functional and achievable business plan that can serve the goals and objectives of the U.S. Treasury's Guidance. All errors in this document are solely those of the author.

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SECTION #1: EXECUTIVE SUMMARY

This **Business Plan** reflects thousands of inputs from more sources than we could possibly acknowledge here. Particular attention has been given to direct testimony and inputs from the citizens of Nevada who like so many other Americans are suffering mightily through the current real estate crises. While it can be said that some families are suffering from self-inflicted bad decisions or poor judgments relative to their current real estate circumstances, that is absolutely not the case for the majority of Nevada families either currently threatened with or enduring the foreclosure process. The overriding principal of this **Business Plan** is to address and to the fullest extent reasonably possible, reverse, prevent or help the qualified families stop the foreclosure process and to keep them in their homes if they are able to sustain their ownership over the long term. Particular attention in this **Business Plan** has been paid to the unemployed and underemployed Nevada families whose economic circumstances are not the result of their own making.

<u>Salient factors in this Business Plan design</u>:

1. Per Federal Reserve Bank data, Nevada state-wide has 1,120,945 homes; 70-80% of those same homes are underwater as of March, 2010 by an average of $30-$50,000. Those homes purchased during the frenetic 2003-2007 period average over $100,000 in being underwater. That translates mathematically into **a minimum of $23.5billion to a maximum of $44.8billion excess debt relative to current home values**;
2. As of March, 2010 the State's unemployment data for Nevada show that there are 189,000 workers who are not working/unemployed. In **the Las Vegas-Paradise Valley SMSA area the unemployment rate is 13.9%**. Between 52-61% [varies by month] of the unemployed are homeowners threatened with the loss of their homes within a short period of time;
3. In interviews, surveys and round-table discussions with the Nevada Foreclosure Mitigation and Judicial Mediation industry, statewide less than 1,000 HAMP loan modifications have been effectuated/made it to permanent status through February, 2010; additionally there is a very high 'confusion' factor amongst troubled borrowers seeking help and or assistance, as well as a absolute lack of capacity to increase the foreclosure mitigation client through-put;
4. Data from one major national bank shows that 21% of their HAMP failures in Nevada on the NPV testing were for <$10,000—this value exceeded all other of the 5-Hardest Hit States participating in the TARP program by more than 50%;

5. In public hearings, multiple national, regional and local economists are predicting that Nevada's unemployment levels will not dip below double digit levels until very late 2013 at the earliest;
6. As many as 60% of the current 2nd liens on Nevada homes are held by State charted credit unions or banks, all of those in Clark County/Las Vegas area have virtually zero realizable real estate collateral to back those loans currently, with rare exception;
7. Absentee buyers/investors are increasing their share of Las Vegas Valley housing market and constituted 45% of the properties sold in February, 2010 per MDA DataQuick.

<u>Basic Business Plan Components:</u>

There are four primary program elements listed below in this summary that comprise the basic programs to be enacted through this **Business Plan**. They are listed in priority order regardless of the level of funding associated with them.

- **Mortgage modification with principal reductions and some forbearance.** In conjunction with our fellow 5-Hardest Hit State's Housing Finance Agencies, Nevada's HFA and Nevada Affordable Housing Assistance Corporation have all concluded that some form of principal reduction program must be a necessary component of its **Business Plan**. *Nevada contemplates that the principal reduction component of its **Business Plan** will be in the form of an earned forgiveness loan*. Depending upon circumstances some forbearance may also be needed in targeted populations for this element the Nevada **Business Plan**. While this program element has been worked on diligently by the state's HFA throughout the planning process and there is a general consensus on the basic underwriting and qualification criteria, there still exists institutional hurdles. Those hurdles may either delay or truncate a full and broad implementation for this programmatic element. Those hurdles revolve around enlisting sufficient numbers of participating banks and the Federally Chartered GSEs [Fannie Mae, Freddie Mac and Ginnie Mae]. The position Nevada and other states have taken on the mortgage modification with principal reduction program is that there must be a sharing of the costs related to each loan's principal reduction. The other states and Nevada are looking for a minimum participation by the note holders of 50:50. Nevada is targeting a $50,000 maximum principal reduction [shared 50:50 between the TARP participant and with the note holding financial institution].

There also is a consensus that the principal must be on an 'earned forgiveness basis' it should be continued through modified homeowner payments over a 2-3 year minimum period at the recast mortgage level in order to earn the full and final principal reduction. This later element is to provide incentive to a borrower to stay in the home and stay current, versus flipping the home via sale once the economics are more favorable. The details of the underwriting and screening criteria are spelled out in the full description of this program element elsewhere in this **Business Plan.** The Nevada **Business Plan** calls for this Mortgage modification and principal reduction component to constitute the majority of the U.S. Treasury program dollars. **It is expected that a minimum of 55% and a maximum of 60% of the program funds will be expended on this program element**. It is a target performance indicator that a minimum of 40 families per million dollars of expenditures will be assisted with by program element.

This program element will be both complex and expensive to administer. It is planned that the existing foreclosure mitigation industry will be the primary 'in-take' screener for eligible applicants to this element of the Nevada **Business Plan**. However, a cadre of experienced and well trained loan underwriters on the NAHAC side must be fully functional and capable of rapid and sophisticated interfacing with dedicated and designated [to the principal reduction program of the state HFAs] banking industry staff in carrying out these complex loan modifications, and alterations. The Nevada Affordable Housing Assistance Corporation [NAHAC] believes there must be both a judicious, careful yet timely expenditure of this large quantity of the U.S. Treasury's TARP funds for this key **Business Plan** element.

The expected outcome of this Business Plan program element is to ensure ***that nearly 2,500 Nevada families are able to stay in their homes*** *with a permanent change to their mortgages which more precisely reflect their true economic circumstances such that the chances of foreclosure or re-foreclosure are less than 40%.*

- **Second mortgage reduction plan aimed at assisting borrowers who have a second lien interfering with either a short-sale or modification of the first mortgage.** In numerous discussions and conferences with the banking regulators, the in-state banking associations as well as individual banks and credit unions of Nevada, it is all too apparent that there exists today a major problem with second liens. That problem is best summarized by indicating that a program qualified homeowner, with a second lien must either have it reduced in a major way or eliminated altogether or they could not hope to get a sustainable first mortgage loan modification. This problem is compounded by the fact that almost every second lien holder is virtually collateral-less in Nevada. This later matter threatens the very financial viability of many important Nevada financial institutions, especially the member owned credit unions.

This Business Plan will allocate up to 20% of is available resources to enter into agreements with the primary second lien holder institutions of Nevada to make major reductions with lien releases or outright elimination of second liens on a shared basis for **Business Plan** qualified borrowers. *Nevada's* ***Business Plan*** *calls for these reductions to* *be in the form of earned forgiveness loans.* The **Business Plan** calls for a maximum of a 40:60 principal reduction sharing with the lien holder institutions. It has been determined that a 40% contribution of TARP funds to the 2^{nd} lien reduction and lien removal or elimination is both fair to the borrower and a judicious use of the TARP funds.

It is also expected that some though not all of the borrowers affected by the 2^{nd} lien reduction program element may also qualify for 1^{st} mortgage loan modifications under **Business Plan** element #1 described above.

The expected outcome of this program element is to assist up ***to 1,200 families remove the impediment of a second lien on their property*** *such that either a refinancing or first mortgage modification can be carried out and thus prevent a foreclosure.*

- **Foreclosure mitigation capacity building.** A near unanimous recommendation from borrowers, professionals in the foreclosure mitigation business, HUD officials, as well as a unanimous voice from elected officials, is for there to be a material expansion of the foreclosure mitigation efforts in Nevada with the TARP funds being made available. As such, **this Business Plan is following and endorsing those recommendations by allocating up to 3.5% of the available TARP funding for this element**. The funds will be allocated on a performance based set of contracts to HUD certified foreclosure counseling agencies with specific data reporting stipulations, screening tools and outcome expectations. It will be a primary responsibility of the foreclosure mitigation agencies awarded contracts under this element of the **Business Plan** to broaden their 'in-take' capacities and to accelerate the preliminary determinations of eligible clients for HAMP, HAFA and **Business Plan** specific programs. All clients screened will have their data registered in a web-based data base created specifically for the **Business Plan** to track progress and facilitate the flow of ***secure information***. The HOPE Loan Port is currently being reviewed to be the systems tracking platform, if budgetarily acceptable. Specific borrower records will be scanned and associated files attached to the borrower's secure record so that there will be one record accessible to lenders, program underwriters and intake personnel. This program design element should thus avoid the 'paper chase' of missing records, a commonly heard complaint voiced in every hearing and roundtable discussion leading up to this **Business Plan.**

The expected outcome of this program element is measured in two metrics. First and foremost will be the number of families successfully entered into and completing a HAMP, HAFA or ***Business Plan*** *program element. Here, it is expected that up to 1 in 9 applicants screened through a fortified foreclosure mitigation program [up to a maximum of 8,815] will result in excess of* ***1,900 families aided or assisted to keep their***

homes and prevent a foreclosure. *The second metric for this program element will be the actual number of families receiving 'in-take assistance'. Here, it is expected that an average of 2,450 per million expended will receive services from a HUD certified credit counselor.*

- **Short sale facilitation-aid to the unemployed.** It has been pointed out both in hearings and round-table discussions held precedent to crafting this **Business Plan**, the existing system for processing short-sales is broken. Clearly, the just released H.A.F.A. program may help in a significant way. This Nevada **Business Plan** program element is designed to supplement and provide added impetus to the facilitation of the short-sale problems addressed in H.A.F.A. or create new solutions if the H.A.F.A. program proves inapplicable for a particular client/candidate. *Nevada's **Business Plan** contemplates the supplement to the H.A.F.A. program to be in the form of outright direct assistance paid to vendors facilitating the short-sale or payments to either lenders or apartment facilities*. While H.A.F.A. takes a $6,000/case approach to funding up relocation, document preparation etc. for eligible clients, the Nevada **Business Plan** will provide up to $8,025 in matching or equal amounts where the federal program's limits are insufficient or in need of supplementation in order to expedite short-sale completion and relocation of the affected families to a more affordable circumstance. **The Nevada Business Plan calls for financial institution incentive payments up to $1,500 or a maximum of $500/month for 90 days. This incentive payment to the note holding financial institution is designed to expedite the short-sale decision making and closing process, in addition to the assistance associated with completing the short-sale and matriculating the family into a rental unit. The Business Plan will be allocating up to 11.5% of its TARP funds for this program element**.

*It is expected that at a $8,025 level of average funding per family assisted with the short-sale program element in the **Business Plan** up to **1,713 families facing immanent foreclosure threat due to unemployment, will have the burden of their home mortgage eliminated and the threats of a default judgment removed.***

The table below summarizes the goals for outcomes associated with the program elements embodied in this **Business Plan.**

TABLE #1-<u>Outcome ratios</u>

Program Element	Percentage of Funds Targeted	# of Families Assisted/$million funded
Principal Reduction/mortgage modification	60%	40.0
Second Mortgage Reduction	20%	60.6
Short-sale facilitation	11.5%	166.7

<u>SECTION #2: DETAILED BUSINESS PLAN</u>

GENERAL: As indicated in the Executive Summary above, the Nevada **Business Plan** contemplates four basic programmatic elements fundamental to both the U.S. Treasury's <u>Guidance</u> as well as to the research and economic realities facing Nevada's real estate market at this time-----and into the medium term future periods. In general, it is expected that program fiscal outlays will occur over a twenty-four (24) month period in perhaps, somewhat uneven amounts per quarter. Secondly, Nevada's **Business Plan** contemplates utilizing both 'best purchasing and compliance practices' relative to selecting, funding and tracking performances of participating lending institutions, foreclosure mitigation institutions as well as administrative services, data processing and general overhead cost consumption. It is expected that all borrower/homeowner recipients receiving either first mortgage and/or second lien program benefits will receive those benefits directly through either escrow account payments or direct banking institutional payments. However, in the case of the short-sale assistance recipients—payments will go directly to short-sale escrows and to the apartment complexes into which a homeowner will be matriculating. The Nevada Business Plan has zero intention of making direct borrower/recipient payments.

RESOURCE ALLOCATIONS: Like our neighbor state Arizona, Nevada's has two primary population centers and a number of smaller populations scattered in a very wide area throughout the rest of the non-urban centers. Therefore, in evaluating how the TARP funds are to be allocated under this **Business Plan** it was determined that we would aggregate our funding breakdowns into three primary geographic areas: Greater Las Vegas Valley or Clark County; Greater Reno-Sparks MSA; all rural areas including the Capitol City Carson City. Further, like the U.S. Treasury's analysis in determining the original allocations to the 5-Hardest Hit States, the Nevada **Business Plan** will incorporate both the levels of foreclosures as well as the levels of unemployment. The table below summarizes this **Business Plan** resource breakdown. It should be pointed out that each of the three criteria [population, foreclosures, unemployment] are given equal weighting in the distribution calculation.

TABLE #2-Allocation Criteria

Named Area	**Population***	**Foreclosures^**	**Unemployed+**
Clark County (Las Vegas areas)	1,952,040 or 71.998%	13,970 or 82.2%	137,500 or 72.59%
Washoe County (Reno-Sparks areas)	416,632 or 15.368%	2,055 or 12.1%	30,700 or 16.20%
Rural Nevada + Capitol	342,534 or 12.634%	975 or 5.7%	21,220 or 11.21%
Totals =	**2,711,206 or 100%**	**17,000 or 100%**	**189,420 or 100%**

*Per State of Nevada Demographers Office; ^Per Federal Reserve Data 1/31/10; +Per Nevada Dept. of Employment Training and Rehabilitation at February, 2010.

Based upon equal weighting of the population, foreclosure and unemployed percentages of the State's totals, the resultant weighted average and programmatic dollar distributions are:

TABLE #3-Budgeted Direct Cost Allocations

NAMED AREA	***Weighted Avg. % Allocated***	***Principal Reduction Program***	***2nd Lien Relief Program***	***Short-sale Acceleration Program***	***Triage/Intake Process***	***Totals***
Clark County	75.542%	$46,594,306	$15,531,435	$8,930,474	$2,903,079	$73,959,294
Washoe County	14.617%	$9,015,766	$3,005,255	$1,728,018	$561,731	$14,310,770
Capitol and rural Counties	9.841%	$6,069,928	$2,023,310	$1,163,508	$378,214	$9,634,970
Totals =	**100.0%**	**$61.68million**	**$20.56million**	**$11.822million**	**$3.843million**	**$97.905million**

Outcomes expected, as a first approximation utilizing the funding allocations above in Table #3 combined with the families assisted column ratios shown in Table #1 above should yield the following levels of assistance to Nevada families:

TABLE #4 – Families Assisted

NAMED AREA	***Principal Reduction Program***	***2nd Lien Relief Program***	***Short-sale Acceleration Program***	***Totals***
Clark County	1,864	941	1,036	3,841
Washoe County	361	182	200	743
Capitol and rural Counties	243	123	135	501
Totals =	**2,468**	**1,246**	**1,371**	**5,085**

Principal Reduction Program Element:

The purpose and intent of the 1st Mortgage Principal Reduction program element is to assist the underemployed income restricted homeowner candidates to keep occupancy and ownership of their home. The expected target audience is believed to be the pool of underemployed families struggling to keep ownership of their home. This program element will be carried out through a series of direct partnership arrangements (contracts) with mortgage note holding financial institutions. Those same institutions will participate in a principal reduction strategy aimed at a dollar for dollar matching of the TARP funds with the bank's internal funds. The goal of principal matching is to reduce the principal outstanding on a qualified mortgage sufficient to get the Loan-to-Value level to at least 1.15 or 115%. ***Further, the simultaneous goal is to ensure that the PITI ratio [principal + interest + insurance + property taxes] does not exceed 31% of gross family incomes.*** These twin objectives [LTV=<115% and PITI =<31%] represent the primary goals of this program element.

This program may be viewed as a supplement to the newly modified federal H.A.M.P. program or on a stand-alone basis for those applicants who may not meet current H.A.M.P. guidelines but whose outcomes would meet the underwriting standards of this **Business**

Plan program element. There will be the utilization of standard H.A.M.P. Net Present Value calculation methods the details of which will be shared between the participating financial institutions and the NAHAC underwriters. However, if an applicant has a NPV 'fail' for less than $5,000 then an 'exceptions' element will be added to the underwriting process in the form of possible added principal reduction from the TARP program, so long as the LTV and PITI ratios will be compliant with program underwriting guidelines.

Phase I-Implementation: The first implementation steps for this program element are the parallel activities of completing contracts with participating financial institutions and finalizing and formalizing underwriting policies and procedures for use. Additionally, both web-based screening criteria and computer tracking and document retention systems must be programmed and implemented and participating institutions and underwriting staff trained in their correct utilization.

The finalized underwriting policies and procedures will be drafted and incorporated into the loan servicer/participating financial institution contracts as well as the operating manuals to be utilized by the NAHAC loan underwriting staff. Following approval of this program element by the U.S. Treasury, lawyers will begin writing and negotiating contracts with the participating financial institutions.

A key plank in the correct construction of the principal reduction element of this **Business Plan** will by necessity be *a very well defined and controlled communication channel between the NAHAC underwriting staff and the financial institution's actual loan modification decision makers*. The financial institution's program contracts will specify direct underwriter-to-underwriter communications in order to both facilitate and expedite applicant loan modification processes. Defined time frames for document verification, calculations and decision making will be defined contractual elements. Without direct underwriter-to-underwriter communication and strictly adhered to decision making time frames, many of the existing H.A.M.P. program bottlenecks and logjams will be repeated and an echo of existing programs' criticisms will obtain. Therefore, particular attention to these program design essentials will be important in the financial institution contracts, initial participant training programs and properly drawn operating/underwriting manuals. Systems supporting the tracking of each decision node in the loan modification process will be necessary design elements.

Additionally, borrower confidentiality releases, scanned source document records attached to the central document repositories will be program operational elements. During the initial phases of the principal reduction program, internal auditing procedures will be undertaken to test contract decision node/date compliance and process integrity. Violations by either the financial institution or internal underwriting staff will be brought to management's attention for corrective action.

Finally, data integrity checks will be undertaken by the program's outside auditors at random 6 month intervals to insure proper data security and redundancy. Auditors will also obtain independent title search documents, employment verifications and review mortgage loan notes to ensure data input reliability in the independent determination of applicant eligibility and calculation of benefits derived. Any violations will invoke standard management direct intervention, corrective action and where indicated a potential fraud referrals to the Nevada Attorney General's Fraud Investigation Unit. NAHAC insurance policies will be boosted in the areas of employee fraud, D&O liability and general liability areas to protect both the **Business Plan** and NAHAC.

Phase II-Operations: NAHAC intends to run both a northern and southern Nevada office in support of the **Business Plan**. Due to the overwhelming majority of the Nevada population affected by the **Business Plan** program elements residing in Southern Nevada, the Southern Nevada office will maintain a staff approximately 2X as large as the Northern Nevada NAHAC office. The Northern Nevada office will be tasked with covering both the northern urban county (Washoe) as well as all of northern and rural Nevada from the City of Tonopah northward. The Southern Nevada office staff will cover both the urban Clark County area (Greater Las Vegas Valley) but also, all of southern rural Nevada up to the Tonopah area. This geographic bifurcation will facilitate easier access to NAHAC staffing and resources. Further, it will allow the two offices to access both 100% of the banking headquarters for the participating financial institutions as well as both HUD offices, state and federal court systems, as well as virtually all of the escrow and title companies domiciled in Nevada.

Secure data links will be set up between both the NAHAC Southern Nevada and Northern Nevada offices to allow for migration and balancing of work flow. The protocols to be established for the TARP funded program will match State of Nevada Dept. of Information Technology system integrity protocols where affordable.

The NAHAC staffing ratios and work-load criteria which will be utilized in staffing up the TARP funded program will match the Nevada HFA's protocols. These protocols, ratios of line:supervisory staff, hours of operation and office confidentiality and security rules will be mirrors of the Nevada HFA's operations. The TARP funded program flow of funds represents approximately a 1/3 year funding cycle at the Nevada HFA. The complexity of the **Business Plan** program elements mirror parallel activities of the Nevada HFA. Therefore, it has been determined that as many redundant policies, procedures and protocols as can be applied will happen in the NAHAC office environment also. Employees to be hired for the key underwriting, supervision, bookkeeping and accounting functions will have matching job descriptions to those at the Nevada HFA, where applicable save for state agency specific elements. All NAHAC employees will be required to undergo not only standard independent reference checking/verifications, but will be required to have Criminal Background Checks as well as credit history submissions. Besides standard employee theft and fraud insurance protections, NAHAC will obtain required worker's compensation insurances. Work stations and if available, equipment will be purchased from the State of Nevada's surplus property shop where available items can match operational needs. Outside vendor/supplier materials will be purchased using parallel vendor agreements to standard State of Nevada agency agreements.

The staffing levels for the TARP funded principal reduction program will follow in conjunction with the labor needs for both the 2nd Lien Reduction program element and the Short-Sale program element discussed elsewhere in this **Business Plan**. To ensure redundancy and easy access between the intake function (Foreclosure Mitigation services) and the NAHAC underwriting staff, all underwriters will be trained on all three program elements (principal reduction element,2nd lien relief element, short-sale element). Based upon projected volumes of activities for the three non-intake elements and funding, the Table #5 below outlines the staffing pattern expected to be in place during the 24 month core of the program. Lower start up volumes and program wind-up volumes will lead to staffing level adjustments.

TABLE #5- STAFFING TABLE

Positions	Southern Nevada Office	Northern Nevada Office	Totals
Loan Underwriters	4.5 FTE	1.5 FTE	6.0 FTEs
Underwriter Supervisor	1.0 FTE	0.0 FTE	1.0
Telephone Receptionists	1.5 FTE	1.0 FTE	2.5
Bookkeeper/data tracker	1.0 FTE	1.0 FTE	2.0
Staff Accounts	1.0 FTE	1.0 FTE	2.0
Totals =	9.0 FTE	4.5 FTE	13.5 FTE

All salary, fringe benefit, holiday and vacation policies will parallel the state of Nevada employee levels except for furlough days and pension benefits which will not be a paid nor will it be an offered benefit for the NAHAC employees hired and employed with this

Business Plan. Further, because of the profound high levels of unemployment currently being suffered in Nevada, known good banking relationships between the Nevada HFA and Nevada based financial institutions will be tapped heavily to comb for a 'best possible candidate pool' on the underwriting and supervisory positions.

From a timing perspective, it is expected and outlined on a time/responsibility chart, that all underwriting and supervisory positions will be filled within the first 30 days following approval of the **Business Plan** so that an intensive training, simulation exercises, telephone, network systems and work stations can be ordered, tested and verified prior to a kick-off date from program operations.

The Program's **Business Plan** will be achieved as approved by Treasury. Program leadership will come from the NAHAC Executive Committee. That Committee of the NAHAC Board of Directors has over 50 years housing finance agency management experience between its three members. The Nevada HFA's Executive Director, Chief Financial Officer and Chief of Federal Programs constitute the Executive Committee of the NAHAC Board of Directors. It is also expected that both a Program Administrator position and a staff lawyers will be added to the **Business Plan** staffing, following the implementation and start-up phases. Further, an international auditing firm will be engaged for both performance and financial auditing during the life of this **Business Plan**.

The key business relationships to be established in order to activate the Principal Reduction program element of this **Business Plan** will be the contracts with the financial institutions and possibly with the Governmental Sponsored Enterprises---Fannie Mae, Freddie Mac and Ginnie Mae once they or their conservator commit to participating with the Hardest Hit States. Each of these entities through their loan servicing entities has indicated they have a principal reduction programs either in place or in conjunction with the federal H.A.M.P. program. Thus, it is expected that the contracting process for a loan reduction program element should flow very quickly once each financial institution 'signs-on' to working with NAHAC on this **Business Plan's** principal reduction program. NAHAC legal counsel will be engaged quickly and fully in working with the Executive Committee to ensure that participating financial institution contracts are given the highest priority on the implementation plan. Further and to the extent possible, the NAHAC will work with other states participating in the hardest hit TARP fund to duplicate contract language so as to expedite the process of completing contracts in the shortest possible time and standardizing underwriting criteria where it suites each state's program. It is abundantly clear that the four largest national banking institutions [Bank of America, Wells Fargo, Citibank and J.P. Morgan Chase through its Chase Bank affiliate] constitute the largest servicing portfolios and in-house portfolios of troubled loans in Nevada. Thus, those four institutions plus the GSEs will represent the first priority group of financial institutions targeted for contracting with in the principal reduction element of the **Business Plan.** However, as pointed out by the Nevada regulator of state chartered financial institutions, the magnitude of the foreclosure problem is such in Nevada that if none of the four national banks and the GSEs were to participate, NAHAC could still be successful with this program element. Based upon the Nevada Chief of Financial Institutions input, there is a greater than 50% likelihood that state chartered financial institutions would be able to fully participate and absorb an in-kind principal matching program identical to this Business Plan program element. However, the speed and scope or breadth of families approved for funding under the NAHAC **Business Plan**'s principal reduction program would be distorted and possibly elongated and the demographic mix of applicants changed. Thus, while it is still a solution and possibly an excellent back-up plan, the NAHAC **Business Plan** calls for the first priority of contracting financial institutions to be the GSEs and the four largest national banking institutions.

Phase III- Underwriting & Budget-Principal Reduction Program

The principal reduction program is budgeted for a 24 month time horizon in this **Business Plan**. Included below is the program summary from the **Business Plan's** Master Budget. Additionally, we deem it appropriate to include basic underwriting criteria to be utilized for this program, pending Treasury's approval.

<u>Underwriting Standards</u>

1. Owner occupied
2. Legal US Resident
3. Resident in Nevada 5 years in same dwelling
4. Any cash out borrowing in past five years must be limited to:
    a. Home improvement----real, not personal property classification
    b. Medical bills---documented
    c. Paying off existing revolving debt---documented
5. Must have only one existing mortgage
6. Current income does not exceed 120% of Area Median Income (2010)
7. Principal balance must not exceed 115% based upon current appraisal following principal balance reduction nor PITI exceed 31%
8. Borrower must be facing eminent default, if delinquent cannot be more than 6 months maximum---target to be 3 months maximum

9. Delinquency based on a financial hardship due to circumstances beyond the homeowner's control (no contrived defaults allowed). Eligible hardships to include but not limited to the following:

    a. Underemployment

    b. Illness, disability or death of wage earner in family in possession

    c. Divorce or legal separation

10. Current mortgage cannot be secured by one of the following entities FHA/VA, Fannie Mae, Freddie Mac if the existing loan qualifies for one of those entities existing programs (direct lender program option must be exhausted first).

11. All modified mortgages will be changed to fixed rate 30 year or longer mortgages.

Budget-Total Program Costs (including administrative)

Program:	**Fiscal Year >**	**Quarter 3-'10**		**Quarter 4-'10**		**Quarter 1-'11**		**Quarter 2-'11**	
Principal Reduction-underemployed									
Direct	Principal payments on mortgages	$	2,702,000	$	8,136,171	$	8,151,171	$	8,151,171
Direct	Public Notification/Education campaign	$	115,000	$	50,000	$	50,000	$	50,000
Direct	Contracting - legal & ongoing	$	42,500	$	27,000	$	12,000	$	12,000
Direct	Database building & maintenance	$	168,000	$	8,000	$	8,000	$	8,000
Direct	Banking	$	1,500	$	400	$	400	$	400
Direct	Title & Escrow, Appraisal services	$	55,000	$	149,286	$	149,286	$	149,286
	subtotal all directs + principal reduction =	$	3,084,000	$	8,370,857	$	8,370,857	$	8,370,857
Indirect	Management/Admin. Cost allocation (5%)=	$	154,200	$	418,543	$	418,543	$	418,543
	Total Principal Reduction Program Costs =	**$**	**3,238,200**	**$**	**8,789,400**	**$**	**8,789,400**	**$**	**8,789,400**

Program:	**Fiscal Year >**	**Quarter 3-'11**		**Quarter 4-'11**		**Quarter 1-'12**		**Quarter 2-'12**		**Totals**	
Principal Reduction-underemployed											
Direct	Principal payments on mortgages	$	8,151,171	$	8,151,171	$	8,151,171	$	8,191,171	**$**	**59,785,200**
Direct	Public Notification/Education campaign	$	50,000	$	50,000	$	50,000	$	10,000	**$**	**425,000.00**
Direct	Contracting - legal & ongoing	$	12,000	$	12,000	$	12,000	$	12,000	**$**	**141,500.00**
Direct	Database building & maintenance	$	8,000	$	8,000	$	8,000	$	8,000	**$**	**224,000.00**
Direct	Banking	$	400	$	400	$	400	$	400	**$**	**4,300.00**
Direct	Title & Escrow, Appraisal services	$	149,286	$	149,286	$	149,286	$	149,286	**$**	**1,100,000**
	subtotal all directs + principal reduction =	$	8,370,857	$	8,370,857	$	8,370,857	$	8,370,857	$	61,680,000
Indirect	Management/Admin. Cost allocation (5%)=	$	418,543	$	418,543	$	418,543	$	418,543	$	3,084,000
	Total Principal Reduction Program Costs =	**$**	**8,789,400**	**$**	**8,789,400**	**$**	**8,789,400**	**$**	**8,789,400**	**$**	**64,764,000**

***Phase III-Monitoring, Tracking and Performance Measures**:* Presuming that Phase I and Phase II are implemented as planned, the third phase of operating the Principal Reduction element of the **Business Plan** will be the actual ongoing management monitoring, studying, adjusting and refining the program processes. It is the NAHAC's intention to target program performance through a series of performance monitoring measures. Or as we call them in Nevada—'performance indicators'. Performance Indicators for the principal reduction program are best summarized in three measures: (1) number of mortgages reduced via successful underwriting versus total applicants applying for the same program;(2) number of re-fails or recidivism to foreclosure;(3) time to complete from application through closure of principal reduced mortgage (date of escrow closing).

Performance Indicator #1-successful mortgage reductions through to close versus number of applicants for the program is a simple ratio. The data will be tracked by the bookkeeper/data trackers by measuring number of loan packages/applications received for principal reduction versus the number of escrows funded. These data will be tracked four ways---by underwriter, by office location, by participating financial institution and by program in total. Variance in performance between underwriters and financial institutions will be monitored closely by the underwriting supervisor. Monthly the NAHAC Executive Committee will review all program performance indicators to evaluate program performance. Loan Supervisors will be required to report and analyze variances from program targets with allowances for start-up or new-hire efficiency. Trends will be monitored and graphed relative to contracted participating financial institutions. All re-foreclosure cases will be reviewed in case conferences between the Underwriter supervisors and the TARP program administrator and counsel. Reviewers will be tasked with paying particular attention to potential fraud, errors by underwriters and financial institution errors as well as documented borrower's change in circumstances. Additionally, re-foreclosures will also be tracked by intake/foreclosure mitigation organization. Monthly reports on re-foreclosures and causes will be sent to the NAHAC Executive Committee. The Executive Committee will have a three-strike policy for financial institution errors leading to re-foreclosures. There will be a zero tolerance for underwriter staff fraud. Any foreclosure mitigation institution perpetrating a fraud with a stalking-horse false identity/loan profile will be turned over to the Attorney General's Fraud Prevention Task Force.

Finally, the Executive Committee will independently engage the international auditing firm to run a monitoring and compliance programs in addition to their semiannual audits of the NAHAC financials. System integrity checking, including blinded applications will be put through the in-house underwriting, tracking and accounting processes. Results will be reported directly to the NAHAC Executive Committee for review and possible action if indicated.

<u>Second Lien Relief Program Element</u>

The purpose and intent of the Second Mortgage Reduction Plan element of this ***Business Plan*** *is aimed at assisting borrowers who have a second lien interfering with either a short-sale or modification of the first mortgage.* The expected applicant's pool is believed to be both unemployed and underemployed families. As pointed out in Congressional hearings on the subject of 2nd Liens, on April 13, 2010----'they are a serious problem interfering with first mortgage modifications and short-sales'. The NAHAC **Business Plan** calls for up to 20% or $20.6million of the TARP resources available to be expended modifying or eliminating 2nd liens for eligible applicants. **All 2nd liens obtaining relief through this program element will have an accompanying lien release and waiver of deficiency judgment rights**.

According to State of Nevada banking regulators, almost 50% of the 2nd liens recorded in Nevada are held by state chartered institutions with the balance scattered amongst the nationally chartered institutions. It is NAHAC's goal to expend up to an average of $16,500 per qualified client/applicant for principal reduction efforts on 2nd liens with the sole goal to remove them from interfering with first mortgage loan modifications and/or short-sale completions. Where ever possible, the 2nd lien extinguishments will be done in conjunction with a note holder institution providing 60% of the loan relief to 40% from the NAHAC's **Business Plan** funded program element. The ceiling on this **Business Plan**'s funding will be a maximum of $16,500 per client/applicant. Thus, the relative maximum 2nd mortgage that could be extinguished under this program element would be approximately $41,250. Any amounts above that could be additionally written down by the participating note holders but the $16,500 ceiling per applicant relative to the TARP funding would remain. Full second lien releases and waivers of rights to deficiency judgments must accompany the closing package for all 2nd mortgages receiving the TARP funding.

The primary objective of eliminating the interfering 2nd lien is to expedite movement of qualified applicants into a H.A.M.P. or Fannie Mae or Freddie Mac or FHA or private banking or TARP first mortgage modification process described above. Thus, NAHAC envisions a two-step approach to assisting qualified applicants/clients. First there would be a separate and unique process of cleaning off the 2nd lien from the subject's property. Then a matriculation of the applicant/client into a H.A.M.P. or other type of first mortgage loan modification process. It is possible that this two-step process could increase total escrow costs, but unless the U.S. Treasury authorizes a one-step processing of the 2nd lien relief and a H.A.M.P. loan modification simultaneously, current rules appear to prohibit it. If the applicant/client is not qualified for any of the first mortgage loan relief programs following 2nd lien relief, then the client/applicant will be guided through a short-sale/H.A.F.A. process (further described below).

Phase I-Implementation: The first implementation steps for this program, just like the first mortgage principal reduction element described above, are the parallel activities of completing contracts with participating financial institutions and finalizing and formalizing underwriting policies and procedures for use. However, because approximately one-half of the recorded second lien loans in Nevada are held by state chartered institutions, it is expected that the contracting process will be quicker than the portion dealing with the nationally charted financial institutions on the subject of second lien relief/extinguishment and principal write-downs. Therefore, the Business Plan time-line for implementation of the contractual infrastructure for this program element is set for one-month to 45 days following approval from Treasury and NAHAC approval of the model contract form.

Policies, procedures and training of participating foreclosure mitigation organizations as well as in-house underwriting staff should follow within a two-three week time frame following adoption by the NAHAC Board of the standard form 2nd lien relief contract. Underwriting goals i.e. 31% PITI maximum and 115% LTV maximums will continue to guide the underwriting processes. Thus, if relief from a second lien takes an LTV below 115% or a PITI ratio below 31% that will be acceptable. However, it is not the goal of this program element to expect exactly the maximum of $16,500 per 2^{nd} loan extinguishment. Rather, the goal is to remove the 2^{nd} lien as an impediment from either effectuating qualification of the client/applicant for a H.A.M.P. or other form of first mortgage modification OR matriculation into a short-sale process should the first mortgage modification prove infeasible mathematically. During the implementation and training, phase of this **Business Plan** element, underwriters will be taught to review the client file for the feasibility of a H.A.M.P. like modification. If the fundamentals of the client property indicate a 'fail' under a H.A.M.P.- like first lien modification following removal of the 2^{nd} lien, then the client will be advised to explore the short-sale program. This matriculation of the client to a short-sale program, even while the 2nd lien is being extinguished is aimed at reducing the client's 'wait-time' through the painful processing of winding up home-ownership.

Staffing of 2^{nd} lien relief program

The **Business Plan** calls for the same underwriting staff associated with the principal reduction program described above to do the underwriting of the 2^{nd} lien relief program element. Staffing and supervision levels will be identical across all three direct servicing programs in this **Business Plan.** Thus, the same underwriting staff and supervisors, bookkeeping, data tracking and telephone receptionist staff serving the first mortgage reduction program will also serve the 2nd lien relief program as well as the short-sale program element described more fully below. It is expected that no more than five percent (5%) of the total 2^{nd} lien relief program element will be associated with these indirect expenditures. However, *actual program mix and volumes will lead to cost accounting* *allocations*. The quarter to quarter variations in staff overhead loads by program element will be reviewed at the 6 month, 12 month and 18 month time periods and proper adjustments to allocations made to program budgets to more fully reflect actual costs of each program element. Underwriter work-time logs will be the prime source of staffing cost allocations.

Phase II- Underwriting & Budget-2nd Lien Relief Program: The underwriting standards to be applied for the 2nd lien relief program are identical for standards #1- #9 shown above in the first mortgage principal reduction program. The underwriting standard associated with Fannie Mae, Freddie Mac or FHA (#10) does not apply nor does the re-casting of the mortgage into a fixed rate 30 year term (#11 above) apply. However, there is an added underwriting standard required for the 2nd lien relief program element not applicable to the first mortgage principal reduction program element. That is, the maximum 2nd lien size eligible for relief under this program element must be equal to or less than $41,250. Exceptions will be made to this standard only where the existing 2nd lien holder is willing to fund the difference between the maximum TARP funded limit of $16,500 and the total 2nd lien principal outstanding. The same requirement for full lien release and waiver of deficiency judgment rights will be required, even if the note holder provides in excess of 60% of the relief for 2nd note principal.

The average eligible client/applicant case for the 2nd lien relief program will by definition be more complex than the first mortgage principal reduction program. This is due primarily to the addition of the 2nd lien associated with the same property with a distressed first mortgage. Therefore, total staffing hours per client may exceed that of the first mortgage principal reduction program. However, until actual material data are in hand that can be analyzed, the same 5% staffing and indirect expense load is being budgeted for the 2nd lien relief program element. The budget shown below carries out that allocation.

Budget Total Program Costs (including administrative)

Program:	**Fiscal Year >**	**Quarter 3-'10**	**Quarter 4-'10**	**Quarter 1-'11**	**Quarter 2-'11**
2nd Mortgage Relief Program-underemployed					
Direct	Principal payments on mortgages	$ 973,440	$ 2,730,780	$ 2,730,780	$ 2,730,780
Direct	Contracting - legal & ongoing	$ 33,500	$ 3,500	$ 3,500	$ 3,500
Direct	Banking	$ 500	$ 200	$ 200	$ 200
Direct	Title & Escrow, Appraisal services	$ 20,560	$ 55,806	$ 55,806	$ 55,806
	subtotal directs w/o principal =	$ 54,560	$ 59,506	$ 59,506	$ 59,506
	sub total all directs + 2nd loan payments =	$ 1,028,000	$ 2,790,286	$ 2,790,286	$ 2,790,286
Indirect	Management/Admin. Cost Allocation (5%) =	$ 51,400	$ 139,514	$ 139,514	$ 139,514
	Total 2ndLien Relief Program Costs =	**$ 1,079,400**	**$ 2,929,800**	**$ 2,929,800**	**$ 2,929,800**

Program:	Fiscal Year >	Quarter 3-'11	Quarter 4-'11	Quarter 1-'12	Quarter 2-'12	Totals
2nd Mortgage Relief Program-underemployed						
Direct	Principal payments on mortgages	$ 2,730,780	$ 2,730,780	$ 2,730,780	$ 2,730,780	**$ 20,088,900**
Direct	Contracting - legal & ongoing	$ 3,500	$ 3,500	$ 3,500	$ 3,500	**$ 58,000**
Direct	Banking	$ 200	$ 200	$ 200	$ 200	**$ 1,900**
Direct	Title & Escrow, Appraisal services	$ 55,806	$ 55,806	$ 55,806	$ 55,806	**$ 411,200**
	subtotal directs w/o principal =	$ 59,506	$ 59,506	$ 59,506	$ 59,506	**$ 471,100**
	sub total all directs + 2nd loan payments =	$ 2,790,286	$ 2,790,286	$ 2,790,286	$ 2,790,286	**$ 20,560,000**
Indirect	Management/Admin. Cost Allocation (5%) =	$ 139,514	$ 139,514	$ 139,514	$ 139,514	**$ 1,028,000**
	Total 2ndLien Relief Program Costs =	**$ 2,929,800**	**$ 2,929,800**	**$ 2,929,800**	**$ 2,929,800**	**$ 21,588,000**

Phase III-Monitoring, Tracking and Performance Measures: Presuming Phase I and Phase II of the 2nd lien relief program element are successfully implemented, the issue of performance indicators (more fully described in the Principal Reduction Program Element above) must be considered, tracked and appropriate measures of success or failure defined. For purposes of the 2nd lien relief program, the first performance indicator is identical to that in the first mortgage principal reduction program above, i.e. number of successful cases closed through escrow versus applicant/client packages received. The second indicator from above does not apply---i.e. re-foreclosure incidence. However, the goal of the 2nd lien relief program is to help matriculate an applicant into either a first loan modification program or toward a successful short-sale. Thus, the second performance indicator (metric) for the 2nd lien relief program will be the number of successful 1st mortgage loan modifications that follow 2nd lien relief or number of successful short-sales effectuated. This second performance indicator, by necessity may entail considerable lags in time relative to the first performance measure due to the complexity and time associated with each case's conclusion. However, if the very purpose of the 2nd lien relief program element is not measured then there can be zero validation of the programs purpose. This also leads to the third and fourth performance indicators for the 2nd lien relief program element, the two time frames---one to complete a 2nd lien relief from time of application through escrow closing of the 2nd lien removal; secondly the time from close of the 2nd lien relief-- through conclusion of first mortgage relief and or short-sale completion. It is expected that the standard for a primary first mortgage principal reduction program client will match or nearly match the time for a candidate to matriculate from 2nd lien relief through finalization of first mortgage relief. Alternatively, if a 2nd lien relief client must matriculate into a short-sale program, then that indicator should most closely match that of the short-sale program time lines described below in that program element.

Again in the 2nd lien relief program just like the principal reduction program above, the data will be tracked by the data tracking staff and computer systems. The data will be parsed into cases by underwriter, by financial institution and by originating foreclosure mitigation or mediation organization as well as by northern Nevada office and southern Nevada office. Data will be reported monthly to the NAHAC Executive Committee with analysis of variances and outliers provided by program staff. All instances of fraud by staff, financial institution or foreclosure mitigation or mediation program will lead to debarment from further program participation and referral to the Attorney General's Fraud prosecution unit. Instances of carelessness, common errors or mistakes in judgment will be dealt with via progressive discipline if staff created. Errors associated with contracting parties will lead to first warnings, following by probationary status and reduced volumes if repeated. Should an institution violate policies and procedures three times, they will be terminated from further participation in the program.

System integrity checking by international auditing firm engaged, including blinded 2nd lien relief applications will be put through the in-house underwriting, tracking and accounting processes. Results will be reported directly to the NAHAC Executive Committee for review and possible action if indicated.

Short-sale Acceleration Program Element

The purpose and intent of the Short-sale Acceleration Plan element of this ***Business Plan*** *is aimed at assisting borrowers who are beginning or need to initiate the short-sale process to relieve themselves of the mortgage burdens that they cannot sustain—even with a material loan principal reduction.* The expected target audience for this service is primarily unemployed families sufficiently high up on the frustration/desperation scale as to have made the determination that they can no longer reasonably maintain home ownership. There may be some qualified applicants/clients for the short-sale program who simply do not qualify for any other legs of this **Business Plan**'s program elements, but who do have some existing form of sustainable income. However, the vast majority of the expected applicant/clients qualifying for the short-sale program element are expected to be registered unemployed families.

Boiled down to its essence the short-sale program element in the **Business Plan** is a four pronged approach to assistance to the homeowners who for whatever reason(s) are abandoning hope of retaining their home. First, appraisal fees and necessary transaction and recording fees attendant to completing a short sale in Nevada are budgeted at $2,500/client as a form of outright assistance that will be paid into the closing escrow. Secondly, moving and first and last month rental payments are being made to the home-owner completing the short-sale. Those three fees are budgeted at $2,574 maximum and must be paid directly to either the moving company or to the rental property by the program. No funds will pass through the hands of the client per se. Additionally, these same fees will not be paid for a family exiting residence from Nevada. Thirdly, to the extent needed to get full financial institution cooperation with facilitating the short-sale in less than 90 days following completion of a buyer's Offer-and-Acceptance, the program is prepared to pay up to $500/month to the financial institution for a maximum of 3 months. The full $1,500 will be paid into the sale escrow if the transaction is closed =<90 days. The bank will be free to apply the incentive payment to either the arrearage on the mortgage or treat it in other ways so long as the client receives full lien relief and a full waiver of deficiency judgment rights by the financial institution. The fee will be recaptured at close of escrow from the financial institution if the closing goes beyond 90 days---regardless of reason. Fourth, it has been pointed out repeatedly that legal involvement to assist the borrower/short-seller in their dealings with the financial institutions has been needed in virtually 100% of the cases in Nevada. Thus, a direct legal allowance of $1,450 has been budgeted for per short-sale case accepted.

With regard to this third part' (see paragraph immediately above regarding the 'incentive') of the short-sale program element, the data simply are unclear and the recently announced H.A.F.A. program is too new, to be able to ascertain whether or not existing structures/mechanisms are sufficient to reduce the typical 1-year long 'process' to complete a short sale and thus reduce the seller's uncertainty, anxiety and anguish. Therefore, in an attempt to be both responsive to public outcry on this issue as well as offer creative solutions to problems vexing the foreclosure/real estate crises, this **Business Plan** is making a dedicated budgetary and programmatic commitment to try something new----an incentive payment aimed at shortening the short-sale process or to accelerate it.

Phase I-Implementation: The implementation of the short-sale acceleration program will by necessity begin simultaneously with the financial institutions and the foreclosure mediation and mitigation agencies serving under this **Business Plan**. Specifically, it is believed that this leg of the **Business Plan** could have a more accelerated implementation schedule versus the other legs due to the fact that we will begin by contacting all H.A.F.A. participating financial institution's real estate disposition groups serving Nevada. The goal is to literally start with borrowers who meet the same basic underwriting criteria #1 through #5 in the Principal Reduction Program (for purposes of being judicious in composition, we will not repeat those same criteria from above once again). Additionally, the client/applicant must have an agreement with the note holder accepting the result of a short-sale. If that is still in an indeterminate state, a form will be created by staff legal counsel and sent for immediate execution.

The screening process for current eligible's, should be a more accelerated vetting process than the more extensive principal reduction or 2nd lien relief processes. Thus, it would be anticipated that a goodly number of the clients served in the first **Business Plan** calendar quarter would be short-sale client/applicants. Overt attempts at both public notification/ads as well as outreach classes will be implemented very early in the **Business Plan** with particular attention being paid to early success/volumes of clients eligible for this service/plan benefit. This will be particularly important to the families with school aged children. That is because of the obvious summer period and possible need to relocate children into different schools. This **Business Plan** will be particularly sensitive to this issue by focusing on clearing as many short-sales in its early months as possible.

Staffing of Short-Sale Program

The staffing plan indicated above under the Principal Reduction element of this **Business Plan** will hold for this third element also. Thus, the staff of underwriters, bookkeeper/data trackers, telephone receptionists and supervisory personnel will not change as a result of this third program/work element. However, it is totally possible that assigned legal staff may have a greater portion of their allocated time associated with this program element in the first two quarters of this **Business Plan** due to the higher amount of legal analysis and real estate law matters for each short-sale client/applicant. This could be attributed to the mere fact that some of the short-sale client/applicants will be 'in process' versus just beginning the process of arranging a short-sale. It is expected that those analysis/legal process will become procedures for the underwriting staff once a more normal flow of work is achieved.

Phase II- Underwriting & Budget-Short-sale program element: As indicated earlier in this detailed program description relative to the Short-Sale Program, Underwriting standards #1-#5 will be applicable. In addition, there will be the added requirement for the short-sale program of 'proof of unemployment' through confirmation with the Nevada Unemployment Insurance program. Thus, it will be necessary to have executed privacy wavers in place before confirming the unemployment situation. In sum then, there will be the two added elements: (1) short-sale agreement between the mortgage note holder and borrower; (2) the confirmation of unemployment. These two added underwriting criteria in addition to standard program underwriting criteria #1- #5 will constitute the screening and eligibility criteria for determining program eligibility for the short-sale program element.

Budget Total Program Costs (including administrative)

The Business Plan budget for the short-sale acceleration program element is as follows:

Program:	**Fiscal Year >**	**Quarter 3-'10**	**Quarter 4-'10**	**Quarter 1-'11**	**Quarter 2-'11**
Short-sale acceleration Program- unemployed					
Direct	Incentive to banks for =<90 day performance	$ 103,500	$ 279,000	$ 279,000	$ 279,000
Direct	Legal & Banking processes	$ 99,398	$ 269,793	$ 269,793	$ 269,793
Direct	Title & Escrow, Appraisal services	$ 178,230	$ 483,767	$ 483,767	$ 483,767
Direct	Moving and storage expenses	$ 34,175	$ 92,761	$ 92,761	$ 92,761
Direct	Rental unit payments (1st & last month)	$ 176,448	$ 478,929	$ 478,929	$ 478,929
Direct	subtotal directs =	$ 488,250	$ 1,325,251	$ 1,325,251	$ 1,325,251
	Management/Admin. Cost Allocation (5%) =	$ 24,413	$ 66,263	$ 66,263	$ 66,263
Indirect	**Total Short-sale acceleration Program Costs=**	**$ 512,663**	**$ 1,391,513**	**$ 1,391,513**	**$ 1,391,513**

Program:	**Fiscal Year >**	**Quarter 3-'11**	**Quarter 4-'11**	**Quarter 1-'12**	**Quarter 2-'12**	**Totals**
Short-sale acceleration Program- unemployed						
Direct	Incentive to banks for =<90 day performance	$ 279,000	$ 279,000	$ 279,000	$ 279,000	**$ 2,056,500**
Direct	Legal & Banking processes	$ 269,793	$ 269,793	$ 269,793	$ 269,793	**$ 1,987,950**
Direct	Title & Escrow, Appraisal services	$ 483,767	$ 483,767	$ 483,767	$ 483,767	**$ 3,564,600**
Direct	Moving and storage expenses	$ 92,761	$ 92,761	$ 92,761	$ 92,761	**$ 683,500**
Direct	Rental unit payments (1st & last month)	$ 478,929	$ 478,929	$ 478,929	$ 478,929	**$ 3,528,954**
Direct	subtotal directs =	$ 1,325,251	$ 1,325,251	$ 1,325,251	$ 1,325,251	**$ 11,821,504**
	Management/Admin. Cost Allocation (5%) =	$ 66,263	$ 66,263	$ 66,263	$ 66,263	**$ 591,075**
Indirect	**Total Short-sale acceleration Program Costs=**	**$ 1,391,513**	**$ 1,391,513**	**$ 1,391,513**	**$ 1,391,513**	**$ 12,412,579**

Phase III-Monitoring, Tracking and Performance Measures: Realistic metrics that measure the success of a short-sale program fall into two primary categories for the Nevada **Business Plan**. First, how many folks make it through the process successfully relative to the number of families qualifying and starting the process. Secondly, and as an overt method [metric] of determining the 'incentive/acceleration processes' success----how many are actually completed within a 90 day window from the point of Offer and Acceptance execution?

Like both the Mortgage Principal Reduction program element as well as the 2^{nd} Lien Relief program element, staff data trackers will compile the start-finish times on an ongoing basis for eligible and accepted client/applicants. These completion times will be parsed by underwriter, by participating financial institution and by referring mortgage mitigation or mediation agency. Performance levels will be reviewed monthly by the NAHAC Executive Committee and where indicated personnel added training or progressive discipline will be applied. With regard to financial institution performance, legal staff will undertake contract performance reviews. If indicated, financial institutions and foreclosure mitigation and foreclosure mediation agencies will be put under scrutiny with specific ‘times to cure’ warnings issued. Repeat offenders, absent compelling data to the contrary will be terminated from participation in the program and their funding cutoff.

System integrity checking for fraud, abuse and process modification will be part of the international auditing firm’s engagement for this program element also. These checks will be performed at the 6, 12 and 18 month program intervals.

Foreclosure Mitigation Process & Client Triage:

INTRODUCTION: *The purpose and intent of the Foreclosure Mitigation process of this* ***Business Plan*** *is aimed at assisting borrowers who are beginning or need to initiate all of the previous three primary program elements mentioned above including a H.A.M.P. a 2nd lien relief or short-sale process to relieve themselves of the mortgage burdens that they cannot sustain.* The expected target audience is believed to be the pool of underemployed families struggling to keep ownership of their home.

There has been a near unanimous voice from the public at hearings and in written form, from Congressional and State elected officials all begging that NAHAC " boost up the foreclosure mitigation businesses if possible" with the TARP program dollars where feasible. The genesis of this tsunami of input, has been a near unanimous perception that there exists mass confusion amongst troubled homeowners. That confusion is on the part of the suffering home owners facing eminent defaults or in some state of foreclosure processing. The acute problems in Nevada relative to foreclosure have been muddied by 'scam artists' offering to 'fix your loan problems' for a small fixed front end fee. HUD itself with its own resources or in conjunction with state and other federal programs is unable to drown out this distorting white noise that is leading to the confusion and keeping legitimate H.A.M.P. processes or private label bank modification processes from being heard clearly. Per multiple discussions with our peer states in the Hardest Hit States, this same message about confusion and fraud process has been heard throughout the country.

It must be pointed out here that the mass confusion on finding methods and ways to legitimately seek relief from potential foreclosures is being amplified by failed or sub-optimal existing processes and the constant press stories about dealing with financial institutions by the troubled home owners. Therefore, another key component of this Business Plan program element will be an overt attempt at consistent simple and rational directions giving. "We are going to tell them, tell them again and tell them we told them." This pubic information component of the foreclosure mitigation and mediation efforts will be via joint public information messaging with HUD and the Foreclosure Prevention Task Force in Nevada. At its core, this program element will aim squarely at developing clear and clean lines of where to get 'known good help' and what to expect in the way of help/processes and what a borrower is responsible for doing themselves. HUD has indicated that they will try and generate a matched funding to the budget amount in this program of about $200,000. The information campaign will be designed around a constant, broad and simple message: "get legitimate help and answers from clearly identified sources and be prepared to be involved in the process. Home buying is complicated at its core and fixing a bad mortgage situation takes time and effort."

The final area needing discussion/explanation relative to the program element foreclosure mitigation is in the 'intake-screening' area. The **Business Plan** calls for a 'ramping up' of the ability of the HUD certified foreclosure mitigation industry to handle a larger volume of potential clients----up to 10,000 – 15,000 more over the 24 month funding horizon we have chosen for this **Business Plan**. This **Business Plan** will devote a reimbursement mechanism similar to existing Neighbor-works methods, a total of $3.64million dollars aimed at providing increased intake/triage services to borrowers in need of some form of mortgage relief or help. HUD officials in Nevada have assured NAHAC that the training programs available will be sufficient and timely to allow for the material increase in certified counselors. For purposes of this program, the triage/intake function will focus on determining eligibility for the above listed three programs [principal reduction for non-HAMP qualified borrowers; 2nd lien relief program or a short-sale program]. The funding contracts will specify data collection and direction to the applicable program, be it the programs of this **Business Plan** or others more appropriate for the borrower's circumstances.

Phase I-Implementation: The implementation phase of this Business Plan program element will be contracting first following immediately thereafter with policy and procedure training for the affected provider parties. The 'intake process' will be the screener and driver of volumes to and through the other **Business Plan** program elements. Thus, it will be strategically vital to the overall success of the program that screening personnel in the foreclosure mitigation area be intimately familiar with the programs and how to matriculate eligible families to and through them.

Classroom and on-line training and testing will be established and carried out by supervisory people in NAHAC soon after Treasury approval of this **Business Plan**. The training will include actual case history/analysis and simulations into the program screening system and data storage sub-system. Finally, program material drafts will be reviewed and where input is relevant tweaked into a more 'user friendly' fashion. *The overt and urgent goal of the implementation phase of the foreclosure mitigation process is clarity, simplicity and creating a sense of assurance in the customer/applicant*. That sense of assurance/reassurance to be imparted by the intake process will be focused on factually pointing out that specific help is available, the processes are known and understood and the applicable one can be gotten through in a reasonable time frame. The overriding caveat that must be imparted by intake personnel is that borrower involvement has just begun. Further, the intake process must provide reasonable time and cost estimates for the customer appropriate avenue of aid. Further, the focus will be on teaching the client/applicants how and what materials are needed to be gathered in order to move the processes forward----and the deadlines by when they are needed. It is expected that the training portion of the implementation phase will take 60-90 days to complete due to the varied amount of time necessary for the RFP selected agencies to complete their hiring and basic HUD certified training.

Phase II- Staffing & Budget-Foreclosure Mitigation process and borrower triage process: The staffing levels at the RFP selected agencies involved in Foreclosure Mitigation will be at a ratio of 1:1,200 intake customers/year. It is felt that a standard of about 25 applicants/week is a fair intake work load ratio based upon round-table discussions with the foreclosure mitigation industry leaders. In following basic demographic data, there will be a requirement of 1:4 Bilingual new hires placed in the contract requirements. Further, similar criminal background checks and credit checks will be necessary elements for the agencies contracting for in-take services under this **Business Plan**. These later two contract elements are specifically designed as a fraud preventative and risk management tool. Because of the critical nature of the intake-process in driving potential client/applicants into the **Business Plan** program elements----and other programs perhaps more appropriate for the client's needs, the first 120 days will be full of direct NAHAC activities and training processes. Thus, training materials, methods and system's set ups and simulations will be hugely important to having a program perceived as well running in both the marketplace and in the public's perceptions. While all 'new processes' are fraught with issues, the foreclosure mitigation process is already reasonably well established. Thus, the focus on incremental changes brought on by the **Business Plan's** new programs should not 'clog up the works' if properly prepared materials are timely put in place and training correctly carried out. Both the underwriting supervisory staff of NAHAC as well as the Executive Committee of NAHAC will be working together very closely to ensure a successful launch through the selected 'intake mechanisms' of the ramped up foreclosure mitigation industry.

The existing foreclosure fraud prevention task force established in joint action with local jurisdictions and the federal NSP program and HUD has already prepared an extensive outreach and media program. Thus, the **Business Plan** should not have to 'reinvent the wheel' on the media outreach element of this part of the Plan. Rather, it has already been discussed and will be planned for in further detail once Treasury authorizes the **Business Plan.** It is expected that media buys and e-mail blast schedules should follow shortly after the **Business Plan** is approved and funding mechanisms put in place.

Budget Total Process Costs (including administrative)

The multi-threaded elements of the foreclosure mitigation ~~and foreclosure mediation~~ and outreach program are budgeted as follows:

Program:	Fiscal Year >	Quarter 3-'10	Quarter 4-'10	Quarter 1-'11	Quarter 2-'11
Foreclosure Mit.					
Direct	Mitigation Services Intake Services	$ 181,940	$ 493,837	$ 493,837	$ 493,837
Direct	Foreclsoure Prevention Info Program w/ HUD	$ 25,557	$ 25,557	$ 25,557	$ 25,557
Direct	subtotal directs =	$ 207,497	$ 519,394	$ 519,394	$ 519,394
Indirect	Management/Admin. Cost Allocation (5%) =	$ 10,375	$ 25,970	$ 25,970	$ 25,970
	Total Mitigation Program Costs =	**$ 217,872**	**$ 545,364**	**$ 545,364**	**$ 545,364**

Program:	Fiscal Year >	Quarter 3-'11	Quarter 4-'11	Quarter 1-'12	Quarter 2-'12	Totals
Foreclosure Med/Mit.						
	Mitigation Services Intake Services	$ 493,837	$ 493,837	$ 493,837	$ 493,837	$ 3,638,800
Direct	Foreclsoure Prevention Info Program w/ HUD	$ 25,557	$ 25,557	$ 25,557	$ 25,557	**$ 204,456**
Direct	subtotal directs =	$ 519,394	$ 519,394	$ 519,394	$ 519,394	$ 3,843,256
Indirect	Management/Admin. Cost Allocation (5%) =	$ 25,970	$ 25,970	$ 25,970	$ 25,970	**$ 192,163**
	Total Mediation/Mitigation Program Costs =	**$ 545,364**	**$ 545,364**	**$ 545,364**	**$ 545,364**	**$ 4,035,419**

Phase III-Monitoring, Tracking and Performance Measures: It is the NAHAC's intention to target program performance through a series of performance monitoring measures. The performance indicators set for the previous three programmatic elements of this **Business Plan** [Principal Reduction;2nd lien relief; short-sale acceleration] have a high degree of carry-over into this program element. Thus, they will not be repeated here.

We will instead focus on the marginal and unique performance indicators [metrics] particular to just the Foreclosure mitigation and foreclosure mediation elements as well as the media outreach elements.

Specifically, in the foreclosure mitigation process there will be a performance indicator measuring intake times per client/applicant. Further, Neighbor-works level one and level two definitions will apply [for reference see the National Foreclosure Mitigation Counseling Program 'Funding Announcement-Round 3' document]. These measures of intake process productivity should, over a large enough sample size, center on values comparable to what exist in the Neighbor-works data for similar services. Variances [beyond the ramp-up phase] from the standard will be monitored and where indicated contracting agencies will receive counseling, added training and higher levels of oversight. Deteriorating performances will lead to either financial penalties or termination of the foreclosure mitigation services contract. Monthly reports on these metrics/performance indicators will be reviewed monthly by the Executive Committee of the Board. Further, the Grant Thornton LLP performance evaluation services contract will cover both a verification of proper revenue and expense allocations to the Business

Plan program, but also do integrity checking and verification of systems input data, client record completeness.

Again, data will be tracked monthly on the mediation program performance indicators and variances monitored for possible intervention. Reports and graphical tracking of the indicators will be provided to the Executive Committee of the NAHAC Board of Directors.

One added contractual control will also be in place for the foreclosure mediation program. Specifically, the same hiring requirements for criminal background checks, credit history (Dunn & Bradstreet) as well as current status with the Nevada bar association for the lawyers engaged will be contractual obligations to the RFP selected mediation agencies.

BUSINESS PLAN PROGRAM SUMMARY:

As indicated throughout the body of this Response to the U.S. Treasury's Guidelines for the HFA Proposal Submission, the already existing Nevada Affordable Housing Assistance Corporation organization will be the corporate vehicle through which this **Business Plan** will be carried out from inception through wrap up. At the request of U.S. Treasury officials (via e-mail from Mr. Ron Ferlazzo dated 4/15/10 at 10:14 a.m. PDT) we are repeating our submission of the Nevada Affordable Housing Assistance Corporation's: 501(c)3 Determination Letter from the IRS dated June 13th, 2003; the current Corporate Bylaws; the original, 2003 Articles of Incorporation. The electronic file is labeled NAHAC-orgDocs and incorporated fully herein.

Master Budget:

The Master Budget for all four programmatic elements within the **Business Plan** is shown below. Each detailed program description above had the individual program's more detailed budgets embedded in those program descriptions. The detailed *overhead/administrative budget, which is allocated out to the individual programs on a 5% of program element cost basis* is shown below the Master Budget including discussion thereon.

Program:	Fiscal Year >	Quarter 3-'10	Quarter 4-'10	Quarter 1-'11	Quarter 2-'11
Principal Reduction-underemployed					
	Total Principal Reduction Program Costs =	$ 3,238,200	$ 8,789,400	$ 8,789,400	$ 8,789,400
2nd Mortgage Relief Program-underemployed					
	Total 2ndLien Relief Program Costs =	$ 1,079,400	$ 2,929,800	$ 2,929,800	$ 2,929,800
Short-sale acceleration Program- unemployed					
	Total Short-sale acceleration Program Costs=	$ 512,663	$ 1,391,513	$ 1,391,513	$ 1,391,513
Foreclosure Med/Mit.					
	Total Mediation/Mitigation Program Costs =	$ 217,872	$ 545,364	$ 545,364	$ 545,364
Grand Total Budget for HOPE & Dignity for Nevada Program =		**$ 5,048,135**	**$ 13,656,077**	**$ 13,656,077**	**$ 13,656,077**

Program:	Fiscal Year >	Quarter 3-'11	Quarter 4-'11	Quarter 1-'12	Quarter 2-'12	Totals
Principal Reduction-underemployed						
	Total Principal Reduction Program Costs =	$ 8,789,400	$ 8,789,400	$ 8,789,400	$ 8,789,400	$ 64,764,000
2nd Mortgage Relief Program-underemployed						
	Total 2ndLien Relief Program Costs =	$ 2,929,800	$ 2,929,800	$ 2,929,800	$ 2,929,800	$ 21,588,000
Short-sale acceleration Program- unemployed						
	Total Short-sale acceleration Program Costs=	$ 1,391,513	$ 1,391,513	$ 1,391,513	$ 1,391,513	$ 12,412,579
Foreclosure Med/Mit.						
	Total Mediation/Mitigation Program Costs =	$ 545,364	$ 545,364	$ 545,364	$ 545,364	$ 4,035,419
Grand Total Budget for HOPE & Dignity for Nevada Program =		**$ 13,656,077**	**$ 13,656,077**	**$ 13,656,077**	**$ 13,656,077**	**$ 102,799,998**

The Administrative & Overhead Budget:

The NAHAC administrative and overhead budget is premised upon four fundamental objectives: (1) strict financial controls and operational controls;(2) quick and thorough access via secure data links to a master client data base;(3) utilization of outside professional services with specific relevant expertise versus reliance on in-house staff building;(4) lean but adequate staff to carry-out the fundamental functions of underwriting, data-tracking and process supervision. Finally, organizationally the U.S. Treasury's **special Hardest Hit TARP funded program may not rely upon any cross-funding sources with either the Nevada Housing Division nor the Nevada Affordable Housing Assistance Corporation and therefore, must pay for itself completely**.

Staffing: The staffing of direct NAHAC employees was outlined in Table #5 above is repeated here:

STAFFING TABLE

Positions	Southern Nevada Office	Northern Nevada Office	Totals
Loan Underwriters	4.5 FTE	1.5 FTE	6.0 FTEs
Underwriter Supervisor	1.0 FTE	0.0 FTE	1.0
Telephone Receptionists	1.5 FTE	1.0 FTE	2.5
Bookkeeper/data tracker	1.0 FTE	1.0 FTE	2.0
Staff Accounts	1.0 FTE	1.0 FTE	2.0
Totals =	9.0 FTE	4.5 FTE	13.5 FTE

The purpose of this 'in-house staffing' is focused primarily in two areas—hardcore loan underwriting and modification calculations with daily interfacing with financial institution's underwriting staffs. Secondly, direct control and relations with the contracting servicers, agencies and financial institutions attendant to operationalizing the four programmatic tenants of this **Business Plan.**

The salary levels and benefits levels for each of the four categories of proposed hires is listed below

Table #6- Budgeted Staff Salaries/year

[number of employees X max salary levels]

Loan Underwriters	$402,600
Underwriter supervisor	$75,600
Telephone Receptionists	$79,300
Bookkeeper/data trackers	$141,520
Program Manager	$85,000
Staff Accounts	$151,200
Totals =	**$935,220**

In addition to the line staff indicated immediately above plus the program manager who will be engaged following the 2nd quarter of operation, NAHAC will hire on contract 2.0 FTEs of staff real estate and contract specialty lawyers for the first year, at an amount not to exceed $100,000 in total compensation. Depending upon work- loads, the second staff lawyer may not be necessary for the full second year of the **Business Plan**. ***Thus, total staff expenses for year #1 of this Business Plan will be $1,135,220 and up to $1,135,220 in the second year of the Business Plan.***

The second obvious component for the administrative budget is the rentals for the two office spaces. One NAHAC office will be in Southern Nevada covering all of Southern Nevada up to the city of Tonopah. The second office will be in Reno covering everything from the Oregon border in the north down to the city of Tonopah. Both offices will be linked via both computer network and video conference facilities. The estimated budget for these two offices [larger in the south, smaller in the north] is $78,000 for each of the two years of this **Business Plan.** The expected cost per square foot is approximately $1.60-$1.65 on a net:net:net basis.

The third administrative budget expense of a material nature is the systems area. Here both programming costs and equipment costs will be built into the admin budget from the getgo so that as hiring begins, equipment is ready to begin the training processes and the data links to the contracting parties who will be funneling client/applicants through the Business Plan processes. The programming needed for the below particularized system has received a review by the Nevada Housing Division's EDP staff and the State Department of Information Technology. While it can be addressed on an expeditious basis, the very first contract issued once this Business Plan is approved by Treasury will be the programming contract followed immediately by the equipment contracts. The system programming, web design and documentation contract is estimated currently at $140,000-$145,000. The equipment for the employee work stations, software and networking equipment are currently priced at $2,300/employee or a total first year cost of $36,800. Leasing of telephone, copying, scanning and printing devices for the two offices are priced at $28,000/year. Therefore, **total EDP costs are expected in the first year to total a maximum of $209,800 but only $28,000 in the second year.**

The fourth administrative expense budget area in this **Business Plan** is the use by the NAHAC of outside counsel in preparing initial contracts for service by type as well as assistance to the project leader and staff lawyers in negotiating original and renewals. While the in-house legal staff lawyers are expected to be expert in Nevada real estate law, it would not be possible, at the budgeted compensation levels projected to have national banking experienced lawyers, real estate specialists, federal administrative law specialists and tax law specialists. Thus, during the initial phases of implementation, two national law firms will be engaged where their specialties may be tapped for specific needs. The expected **costs budgeted for these highly specialized services is $200,000 in the first year and ½ of that in the second year or $100,000.**

The fifth administrative expense budget area in this **Business Plan** is the highly specialized performance audit and financial audit function. After a review of the unique nature of the performance audits---which are spelled out in detail in each Program Element section above, **the budget for these services has been quoted at $183,000 in both year #1 and year #2**. The semiannual financial audits are part of these quotes as well as the quarterly performance audits by program element.

The six, seven and eighth administrative expense items are the standard insurances required by corporate policy, the general office supply and services attendant to running an loan underwriting operation as well as the standard travel and training costs. The total of **these three items constitutes a budget impact of $394,198 over the biennium of this Business Plan.**

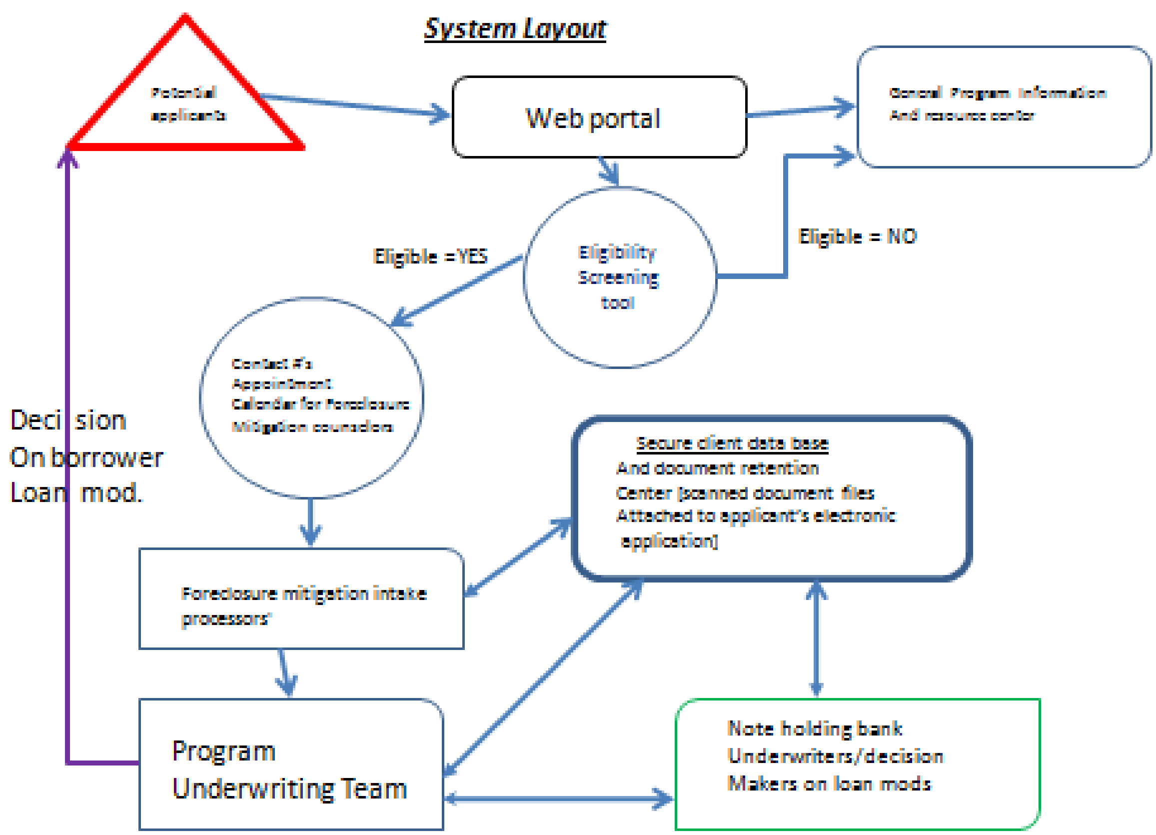
The ninth administrative budget category is one that has been highly recommended by both foreclosure mitigation industry professionals, legal experts and in public testimony. That is a special 'contingency amount' that can be utilized to expedite unique hardship cases who do not exactly fit into the standardized underwriting criteria of each of the above listed Business Plan program elements. It has been determined that approximately 1% of the program budget should be set aside for those unique client/applicant cases which might warrant unique consideration. However, the utilization of this fund will not be to undermine underwriting standards applicable to all clients/applicants, rather it will be applied on an 'appeal process basis' directly to the NAHAC Board Executive Committee. Each appeal will require full write up by the underwriter, underwriter supervisor and a explanation as to why added funding is needed to make the uniqueness argument valid and worthy of special financial consideration.

In sum, the administrative budget details are particularized below:

Admin expenses totals:	Year #1	Year #2	Biennial Total
less: Salaries & Benefits	$ 1,135,220	$ 1,135,220	$ 2,270,440
Office Rents (@ $1.6/sq.ft net:net:net) N+S	$ 78,400	$ 78,400	$ 156,800
Computer systems and equipment	$ 209,800	$ 28,000	$ 237,800
Outside legal counsel	$ 200,000	$ 100,000	$ 300,000
Audit and compliance contract	$ 183,000	$ 183,000	$ 366,000
Insurances (D&O, Gen. Liab, WC, Property	$ 68,213	$ 68,213	$ 136,426
Gen Office supplies & services	$ 117,286	$ 117,286	$ 234,572
Training, travel & auto reimbursement	$ 11,600	$ 11,600	$ 23,200
Underwriting exceptions fund(unique hardship cases)	$ 585,000	$ 585,000	$ 1,170,000
Totals expenses =	**$ 2,588,519**	**$ 2,306,719**	**$ 4,895,238**

System Design

As indicated in the administrative budget narrative above, there was one theme repeated over and over again. It rivals the often heard complaint about 'not sending another dime to the Wall Street bank'. Rather the overwhelming area of failure/complaint heard in hearings testimony, relative to developing this **Business Plan**, multiple round table discussions and in direct written or e-mail appeals to NAHAC---'do something about the lack of communication between people seeking assistance and the banks and help us keep from having to send in the same documents 3,4 or 5 times.' The crude system layout shown below is aimed at addressing this problem directly. It lays out the flow of applicant/clients through the **Business Plan** as well as to demonstrate where a common document repository will reside and have copies of all relevant underwriting documents on a client file basis.



NAHAC Organizational Chart