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## I. INTRODUCTION

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As one of the 18 states determined eligible for the expansion of the Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets (HHF) announced on August 11, 2010, the Georgia Housing and Finance Authority (GHFA) submits the following proposal for the State of Georgia.

GHFA is uniquely qualified to develop and administer this program, as will be fully documented in the “Demonstration of Capacity to Implement” section of this application. GHFA manages a wide range of housing programs and is a mortgage servicer with a portfolio of 8,600 mortgage loans. In addition, GHFA currently administers programs specific to the challenging economic times like the National Foreclosure Mitigation Counseling (NFMC) program, the Neighborhood Stabilization Program (NSP), the Homeless Prevention and Rapid Re-housing Program (HPRP), Section 1602 (Tax Credit Exchange), and the Tax Credit Assistance Program (TCAP).

The need for foreclosure prevention measures in Georgia is apparent as more than 469,000 people were out of work and 884,140 active loans were reported as 90 days delinquent or in foreclosure as of June 30, 2010. GHFA proposes to meet this need through a Mortgage Payment Assistance (MPA) program that will be available to eligible homeowners statewide. The program will provide loans to homeowners, who through no fault of their own, are unemployed or underemployed and are in danger of losing their homes to foreclosure, but who, with temporary assistance are likely to be successful in preserving their homeownership. The plan includes reinstatement assistance for re-employed homeowners who have experienced a program eligible job loss. Loan proceeds will be used to either pay the monthly mortgage payment (including escrowed items) until the homeowner secures employment (up to 18 months), or provide a lump sum amount to bring the mortgage current.

**GHFA developed the Mortgage Payment Assistance Program (MPA) based on the following principles:**

- **Foreclosure Prevention** – The primary intent is to preserve homeownership by preventing foreclosure.
- **Need** – The plan will target homeowners who are not eligible for foreclosure assistance through federal programs such as the Home Affordable Mortgage Program (HAMP), the Home Affordable Refinance Program (HARP), the 2nd Lien Modification Program (2MP), Home Affordable Unemployment Program (UP), or other foreclosure assistance programs offered by FHA, VA and USDA, and will require borrowers to use existing short-term relief programs such as Fresh Start and the Home Affordable Unemployment Program, if applicable.
- **Simplicity** – The program should be easy to explain. Applications will be accepted online for ease of access. Program design should provide for ease of administration and documentation of outcomes.
- **Timeliness** – The program should begin assisting homeowners quickly (e.g., within 45-90 days of program approval by Treasury.)

- **Scale/Impact** – The program should have a measurable impact on the foreclosure crisis in Georgia.
- **Concentration on “Hardest Hit”**-GHFA will partner with mortgage servicers, banks, the Georgia Department of Labor, housing counseling agencies, the Georgia Department of Human Services, the Governor’s Office of Customer Service, and other key organizations in order to identify eligible borrowers. Although GHFA will provide fund availability information to the public through statewide media outlets, specific attention will be given to those areas having high concentrations of unemployment and foreclosures.

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## **II. PROPOSAL REQUIREMENTS**

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### **SECTION II – ITEMS A & B:**

#### **OVERVIEW**

#### **POPULATION SERVED & ALLOCATION METHODOLOGY**

Based on feedback from various partners, mortgage industry representatives, and others, GHFA will focus on the following needs:

1. Unemployed homeowners who are unable to make their mortgage payments and are in danger of losing their homes to foreclosure, but with temporary assistance are likely to be successful in maintaining their homeownership.
2. Employed homeowners who are delinquent on their mortgage because of a prior job loss who can resume current and future payments without additional assistance, but need one-time assistance to bring their loan current to avoid foreclosure.
3. Underemployed homeowners who are unable to make their mortgage payments due to their loss of income, but with temporary assistance are likely to be successful in maintaining their homeownership.

GHFA will consider the homeowners’ current household income compared to their housing debt when determining the level of assistance to be provided.

The MPA will be available to homeowners statewide. The MPA will focus on unemployed and underemployed homeowners who are at risk of losing their homes to foreclosure but with temporary assistance during their job search are likely to retain their homes.

The MPA has two types of assistance:

- Short Term Assistance to provide assistance to unemployed or underemployed homeowners while they look for a job, and
- Reinstatement Assistance to assist employed homeowners who need one-time assistance to resolve their delinquency caused by a program-eligible hardship.

The following section describes the proposed program in more detail, outlines the specific goals of the MPA program, and describes how progress will be measured. This section also describes the population that each program will serve, provides a timeline for fund deployment and implementation identifies possible obstacles the program may encounter, and explains how funds will be leveraged by other resources.

## **MORTGAGE PAYMENT ASSISTANCE**

The MPA will assist an estimated **18,625** homeowners who, as a result of involuntary unemployment or underemployment, are unable to make their mortgage payments and are in danger of losing their home to foreclosure. GHFA will provide a 0% interest, non-recourse, deferred-payment, subordinate loan to qualified homeowners to achieve the following goals:

- Provide short-term mortgage assistance to prevent foreclosures for unemployed homeowners while they look for a new job or complete a job training or education program.
- Provide one-time assistance to homeowners who are re-employed but need help to bring their mortgage current.

Georgia has one of the highest unemployment rates in the country. As of June 2010, the unemployment rate was **10.1%**, which translates into more than **469,000** people out of work. June 2010, was the 33<sup>rd</sup> consecutive month Georgia has exceeded the national unemployment rate. Georgia's labor force shrunk by 17,953 in June as long-term unemployed workers lost hope of finding new jobs. This is the largest over-the-month decline in the labor force since May, 2001.

Given the Freddie Mac data indicating that **58%** of delinquencies are triggered by unemployment or curtailment of income, GHFA expects the number of foreclosures in Georgia to remain high until the unemployment rate declines significantly. Most economists do not predict such a decline in unemployment near term.

Most unemployed homeowners either do not qualify for existing loss mitigation programs or cannot find a new job within the assistance programs' timeframes. For instance, the new Home Affordable Unemployment Program, which became available July 1, 2010, will provide a maximum of six months of assistance to eligible homeowners. These homeowners cannot be more than three months behind in their mortgage payments at time of application. However, a substantial number of Georgia homeowners are more than three months behind in their mortgage payments, or they will need more than three to six months to find another job. GHFA's Plan will provide assistance to unemployed homeowners and others suffering a temporary financial

hardship. Loan proceeds will be used to pay their mortgage payments and mortgage-related expenses while the homeowners look for a job or train for a new occupation.

The MPA will provide a **0% interest, non-recourse, deferred-payment, subordinate loan** that will be forgiven over five years at a rate of 20% per year. GHFA will use the loan proceeds to pay the homeowner's mortgage and mortgage-related expenses (i.e., property taxes, hazard insurance, and other escrowed items.) These payments will be made directly to the servicer, not to the homeowner. The following types of assistance will be available:

- **Short Term Assistance**: To assist unemployed and underemployed homeowners who may or may not have become delinquent in their mortgage payments after they lost their job, but need temporary assistance with their mortgage payments while they look for a new job.
- **Reinstatement Assistance**: To assist homeowners who are working again and can make ongoing mortgage payments, but need help to bring their mortgage current.

Loan funds are due and payable if the property is sold, refinanced, or no longer owner-occupied (unless otherwise prohibited under applicable federal law). Loans are repayable only from proceeds to the borrower from a sale or refinance. If the property is sold or refinanced and has not increased in equity to the degree necessary to repay the note, all or a portion of the note will be forgiven.

## Goal

GHFA estimates **18,625** unemployed homeowners will be assisted over a five-year period. Our projected annual goals for MPA are as follows:

Year 1	<b>9,000</b> homeowners assisted
Year 2	<b>9,500</b> homeowners assisted
Year 3	<b>50</b> homeowners assisted
Year 4	<b>50</b> homeowners assisted
Year 5	<b>25</b> homeowners assisted

GHFA will assist most of the homeowners in years 1 and 2. Years 3 through 5 will be primarily funded with payments received from homeowners assisted in years 1 and 2. Of the \$339,255,819 allocation from Treasury, \$311,972,813 will be used to fund loans under the program. This allocation assumes an average MPA loan amount of \$16,750.

## Measuring Program Success/Progress

Progress will be measured by the total number of homeowners assisted. Success will be measured by the number of foreclosures prevented. GHFA will collect the following metrics:

- Number of homeowners assisted.
- Number of foreclosures prevented for homeowners who were six months or more delinquent and in imminent danger of foreclosure at the time of assistance.
- Number of foreclosures prevented for homeowners who were unemployed for six months or more at the time of assistance.
- Number of homeowners who completed a job search or job training program and secured employment within two months of their assistance ending.
- Number of homeowners who resumed mortgage payments and successfully remained in their home for one to five years after assistance ended.

In addition, GHFA will review performance data collected for Treasury reporting to determine the effectiveness of the program.

### **Target Populations**

The target population for Short Term Assistance is homeowners, who through no fault of their own, are unemployed or underemployed and are in danger of losing their homes to foreclosure, but who, with temporary assistance are likely to be successful in preserving their homeownership. The target population for Reinstatement Assistance is employed homeowners who are able to make their current and future mortgage payments but are delinquent in their mortgage payments due to a period of involuntary unemployment or underemployment.

The program will not target homeowners by income. Rather, the MPA is available to assist homeowners who have combined outstanding mortgage balances of \$417,000 or less. This maximum mortgage amount was determined based on the current Federal Housing Finance Agency (FHFA) conforming loan limit. GHFA expects that the majority of the funds will serve unemployed or underemployed, low and moderate income Georgians.

### **Timeline**

GHFA expects to implement the program within 45-90 days of approval by Treasury. Implementation will include development of the web based portal and preparation of marketing materials, legal documentation, and monitoring tools. The program will last up to seven years with most of the loans made in years 1-5. Servicing will continue through completion.

### **Obstacles**

The greatest obstacle we anticipate is the volume of applications to be reviewed and loans to be delivered. GHFA will need to develop our systems and processes to manage the volume of applications and loans. GHFA intends to stagger the release of funds to enable all homeowner requests to be processed in a reasonable turnaround time.

GHFA is exploring ways to streamline the approval, closing, and payment documentation processes in order to efficiently handle the volume of requests. We plan to use a web-based portal to receive, underwrite, and track applications electronically. We are currently reviewing systems already developed and ready to support HHF from application through reporting.

### **Leveraging of Other Resources**

The proposed MPA builds upon the expertise of the GHFA staff and our expertise in current loss mitigation processes with our servicing group.

MPA will provide assistance to unemployed homeowners who do not qualify for the new Home Affordable Unemployment Program, available July 1, 2010 (e.g., who are more than three months behind, need more than six months to find a job, or do not currently receive unemployment assistance.) The MPA will also complement the ongoing Home Affordable Modification Programs offered by Treasury and FHA. With assistance from MPA during the unemployment period, the homeowner is more likely to qualify for a modification and/or afford their mortgage payments at the conclusion of the assistance.

Any funds returned according to established program guidelines will be used to assist additional homeowners through December 31, 2017. After December 31, 2017, the funds will be returned to Treasury.

## **SECTION II - ITEM C DEMONSTRATION OF CAPACITY TO IMPLEMENT**

The Georgia Department of Community Affairs (DCA) was created in 1977 to serve as an advocate for local governments. On July 1, 1996, the Governor and General Assembly merged the operations of the Georgia Housing and Finance Authority (GHFA) with the Department of Community Affairs. Today, DCA operates a host of state and federal grant programs; serves as the state's lead agency in housing finance and development; promulgates building codes to be adopted by local governments; provides comprehensive planning, technical and research assistance to local governments; and serves as the lead agency for the state's solid waste reduction efforts. DCA partners with communities to help create a climate of success for Georgia's families and businesses.

GHFA is the Housing Finance Agency (HFA) for the State of Georgia and, as such, receives affordable housing funds from many sources both public and private. Funding sources include, but are not limited to: Federal Low Income Housing Tax Credits, State Low Income Housing Tax Credits (LITHC), HOME, American Recovery and Reinvestment Act (ARRA) funds, Section 1602 Tax Credit Exchange, Tax Credit Assistance Program (TCAP), Neighborhood

Stabilization Program (NSP), and Shelter-Plus Care Rental Assistance. GHFA is the statewide issuer of mortgage revenue bonds to fund the Georgia Dream Homeownership Program.

The GHFA Housing Finance Division is divided into three offices, the Office of Affordable Housing, the Office of Homeownership and, the Office of Special Housing Initiatives.

The Office of Homeownership administers the Georgia Dream Homeownership Program. This program has helped over 97,000 Georgian's obtain safe, decent, affordable housing by funding \$2.47 billion in low interest first mortgage loans originated by local lending partners and funded by the issuance of mortgage revenue bonds. These loans were made more affordable with \$48 million in zero interest down payment assistance loans funded primarily from the state's allocation of federal HOME funds. State Home Mortgage is the primary servicer for the Georgia Dream Homeownership Program and currently services 7,900 mortgage loans. In addition to State Home Mortgage, GHFA contracts with Bank of America, Regions Bank, SunTrust Mortgage, and Chase for the servicing of our portfolio. Since 2004, the Office of Homeownership has successfully completed grant requests and received an annual allocation of funds from the HUD Housing Counseling Grant Program. These funds, in combination with GHFA matching funds, are disbursed to sub-grantees for pre-purchase, post-purchase, and foreclosure counseling. From July 2004 to June 2010, Home Buyer Education partners provided counseling to 22,493 families. Additionally, in 2008, GHFA was awarded the first of four rounds of counseling funds from the NeighborWork's National Foreclosure Mitigation Counseling (NFMC) Program. When Round 4 is completed in December of this year, GHFA will have received \$2,244,866 in NFMC counseling funds. At the completion of Round 2 in June 2010, 7,249 families had received foreclosure mitigation counseling as a result of this funding.

In 2009, GHFA received an allocation of Neighborhood Stabilization Program 1 (NSP1) funds enacted from the Housing and Economic Recovery Act (HERA). Through administration of the NSP1 funds, GHFA has helped to stabilize communities hit by foreclosure by leveraging its federal financial resources with private investment dollars. New housing opportunities have been made available to low and moderate-income residents, particularly the elderly population and residents with special needs. GHFA has committed to allocate over \$22 million of NSP funds to help stabilize neighborhoods or areas of greatest need throughout the state. These resources have been leveraged with private equity through the Low Income Housing Tax Credit (LIHTC) Program. GHFA has used its resources to target foreclosed or vacant properties through several different strategies. One of those strategies was a zero-interest down payment loan program administered by the Office of Homeownership which provided \$14,000 to an eligible home buyer for the purchase and repair of a foreclosed property as a primary residence. By the September 3, 2010, funding deadline, GHFA will have provided this down payment assistance to over 527 buyers of vacant, foreclosed properties transformed to homeownership by \$7.9 million in Neighborhood Stabilization Program Funding.

GHFA has administered both the LIHTC and HOME programs since the programs' inception. The Community HOME Investment Program (CHIP) competitively provided \$4.1 million in

FY2010 to 15 non-entitlement local governments for rehabilitation and down payment assistance. The Single Family Development Program seeks to expand the supply of affordable housing by providing gap financing in the form of builder and home buyer subsidies. In FY2010 Community Housing Development Organizations (CHDO's) were awarded over \$13.4 million in HOME funds for the production of 119 units of special needs housing. GHFA also manages the State Housing Trust Fund for the Homeless, which provides grants to non-profit organizations and local governments for the operation of emergency shelters, transitional housing, and essential services for the homeless.

GHFA has a long standing track record of successful development of affordable multifamily housing. As the allocating agency for the federal low income housing tax credit program, Georgia has successfully allocated all of its federal allocations since the program's inception. Between 2000 and 2007, GHFA received applications for 437 project sites. From those applications, 210 projects were selected for funding. Selected applications resulted in the funding and development of 18,527 units of housing with approximately 6,750 in rural areas and 11,777 in urban areas. The funding produced 6,673 units developed specifically for senior citizens. These projects were awarded over \$100 million of tax credits and GHFA closed on construction and permanent loans totaling over \$106 million. Fiscal year 2009 federal tax credits were approximately \$20 million. In the past twelve months GHFA has developed and implemented two new programs: Tax Credit Exchange Program (Tax Credit Exchange) and Tax Credit Assistance Program (TCAP) under the stringent regulations and timeframes established in the American Recovery and Reinvestment Act (ARRA). As of July 31, 2010 GHFA has committed over \$178 million or 91% in Section 1602 Exchange funding for 31 projects, and is currently on pace to reach the February 2011 milestone of disbursing over \$13 million of TCAP funds.

GHFA is also one of the 10-member Georgia HAP Administrators which conducts performance-based contract administration for HUD as well as provides professional services to the affordable housing industry. As the performance-based contract administrator, Georgia HAP Administrators (GHA) must audit federally assisted properties to ensure that they are in compliance with their contract and all program requirements. GHA conducts this work in accordance with HUD performance standards for approximately 900 federally assisted properties.

The Georgia Department of Community Affairs/GHFA administers the Housing Choice Voucher (HCV) Program in 149 of the 159 counties in Georgia. This program provides 16,000 rental vouchers annually to help low-income Georgian's obtain decent, safe, and affordable housing.

GHFA has business processes in place to receive and disburse federal and state funds to minimize the risk for fraud, waste, abuse, or mismanagement of funds. There is a separation of duties between the program groups who underwrite and approve the loans and the finance group that accounts for and disburses the funds.

The management team of GHFA and key staff are extensively trained in both technical and leadership skills. GHFA has a seasoned staff of experienced underwriters, business development

personnel, closing, and asset management staff. Board members, senior leadership team members, and office directors participate in ethics training jointly presented by the Siegel Institute for Leadership, Ethics and Character, and the Southern Institute for Business and Professional Ethics. The Human Resources Manual includes the Governor's Executive Order regarding ethics, and the Administrative Procedures Manual addresses internal controls. Senior leaders personally promote legal and ethical behavior. Senior leaders identify leaders and potential leaders who are then enrolled in the Georgia Leadership Institute's (GLI) pre-supervisory, supervisory, and middle management training.

## **QUALIFICATION AS AN ELIGIBLE ENTITY**

In accordance with the HHF Guidelines for HFA Proposal Submission for Unemployment Programs published by the US Department of Treasury, each recipient of funding from the HHF must qualify as an "Eligible Entity". This is a "financial institution" as that term is defined in the Emergency Economic Stabilization Act. The State of Georgia has determined that a nonprofit corporation of the Georgia Housing and Finance Authority (GHFA), GHFA Affordable Housing, Inc., is an Eligible Entity for the purposes of the Hardest-Hit Fund initiative.

As evidenced by O.C.G.A § 50-26-1 et. seq., GHFA is established and regulated by the State of Georgia. It is a body corporate and politic which is an instrumentality of the state, a public corporation performing an essential governmental function and is not a state agency (O.C.G.A § 50-26-5(a)). GHFA has the power to receive funds from Treasury (O.C.G.A § 50-26-17(d)), enter into contracts (O.C.G.A § 50-26-8(a)(34)) and operate independently of any principal state department (O.C.G.A § 50-26-5(b)). GHFA also has the power to incorporate nonprofit corporations as subsidiary corporations for the purpose of carrying out any of the powers of the authority and to accomplish any of the purposes of the authority (O.C.G.A. § 50-26-8(a)(27)). Nonprofits established by GHFA are corporations, a public body, a political subdivision of the state and an instrumentality of the state (O.C.G.A. § 50-26-8(a)(27)). The powers of GHFA are vested in a Board of Directors. GHFA is subject to various provisions of state law, including the Open Records Act (O.C.G.A. § 50-18-70 through 50-18-76), the Open Meetings Act (§ 50-14-1 through 50-14-6) and Code of Ethics (O.C.G.A § 45-10-3 through 45-10-5). In addition, GHFA is a self-supporting organization and not a constituent part of the state budget. The debts and obligations of GHFA are not the debts and obligations of state government. State law requires annual and periodic audits and reports (O.C.G.A. § 50-26-15).

GHFA Affordable Housing, Inc., established in 1990, is incorporated separately from state government itself. Given that a GHFA nonprofit has the power to carry out any of the powers of the authority and to accomplish any of the purposes of the authority (O.C.G.A. § 50-26-8(a)(27)), GHFA Affordable Housing, Inc. can receive funds from Treasury in respect to the Hardest-Hit Fund, can enter into contracts and can work with GHFA in implementing the State's Plan.

## **KEY LEADERSHIP of GHFA**

**Mike Beatty**, Commissioner of DCA and Executive Director of GHFA and GHFA Affordable Housing, Inc. Governor Sonny Perdue appointed Mike Beatty to serve as Commissioner of the Georgia Department of Community Affairs in June 2003. Known for his leadership skills in education, business and government, Commissioner Beatty's background provided him a unique perspective of the challenges facing our state's local communities.

Prior to his service as DCA Commissioner, Mike Beatty worked as an educator and businessman. As an educator, Commissioner Beatty taught history and coached football for eight years in Northeast Georgia schools. As a businessman, he and his wife Judy started and operated several small businesses, including a poultry and cattle farm.

His initial government service was as an elected leader. As a state legislator, Commissioner Beatty served northeast Georgia in both the state House of Representatives and the state Senate. During his tenure in the Georgia General Assembly, his hard work on numerous issues was recognized by his constituents and several organizations, including the Georgia Family Council and the Georgia Bureau of Investigation.

**Carmen Chubb**, Deputy Executive Director of the Authority and Assistant Commissioner for Housing of DCA; Director of the Single Family Housing Office within the Housing Finance Division of DCA from August 1998 to October 2002; Loan Portfolio Manager of the Authority from 1995 to August 1998; Loan Accounting Manager of the Authority from 1992 to 1995; Servicing Supervisor of the Authority from 1991 to 1992. Previously Loan Servicing Specialist and Customer Service Representative, Anchor Savings Bank, FSB (1988-1991). B.A., University of Georgia.

## **SECTION II - ITEM D STAFFING & BUSINESS PARTNERS**

To implement the Hardest Hit Fund programs, GHFA will leverage the expertise of existing personnel, outside contractors, and external partners. GHFA will hire staff for the overall management and implementation of the MPA program.

### **Internal Staffing**

- HHF Director – The director will be responsible for all aspects of the program, including policy development and relationships with external partners.

- HHF Program Manager – The manager of this new department will be responsible for managing the day to day operations of the Georgia HHF including staffing, program delivery, reporting, and compliance. This position will report to the HHF Director.
- Servicing Supervisor (1) - This position will report to the HHF Program Manager and will supervise the work of the loan servicing specialists.
- Servicing Specialists (6 plus temporary staffing) – The Servicing Specialists will set up the new loans in the servicing system, make monthly payments to the mortgage loan servicer(s), and will follow-up regularly with the homeowner to review the status and eligibility of each program participant.
- Underwriter Supervisor (1) - This position will report to the HHF Program Manager and will supervise the work of the underwriters.
- Underwriters (temporary staffing) – The underwriters will review files for program eligibility, assistance amounts, and regulatory compliance.
- Loan Processors (1 plus temporary staffing) - The loan processors will gather all documents necessary to support the homeowners’ eligibility for the MPA and deliver complete files to the underwriter. The position will communicate with the homeowner to obtain any documents necessary to clarify eligibility concerns.
- Customer Service Specialists (2 temporary staffing) – This position will handle escalated calls transferred from our call center and calls received directly by GHFA.
- Closers (1 plus temporary staffing) – The closers get loans ready for closing, prepare documents for the closing attorneys, and are responsible for providing servicing with the documents they need in order to set up the loans in the servicing system. The closers also ensure the proper recording and receipt of deeds.
- Administrative Assistant (1) – The Administrative Assistant will provide support for all of the staff in the HHF Department.
- Quality Control Specialists (2) – This position will report to the DCA Quality Control Supervisor and will be responsible for ensuring that all work done under the HHF Program meets legal and regulatory guidelines.
- Investor Accountant (1) – This position will report to the HHF Program Manager and is responsible for all accounting and reporting of financial transactions for the HHF Program. Responsibilities include establishing procedures for ACH payments to loan servicers, tracking and balancing program funds, administrative expenses, and monthly reconciliation of general ledger transactions.

## **OUTSIDE CONTRACTORS:**

- Mortgage servicing system – We plan to develop or contract for a mortgage servicing system to service the loans made under the HHF Program.
- The Governor’s Office of Customer Service (OCS) Call Center – We plan to contract with OCS to handle the large volume of calls we expect to receive. We will provide the call center with answers to Frequently Asked Questions (FAQs). Any questions that the call center cannot answer will be forwarded to our internal Phone Support Specialists.
- Customer Intake System – We will contract for a web based intake system that will allow potential customers to complete an on-line application for the program. The applications will be processed and reviewed by GHFA.
- Closing Attorneys – We will use our existing Special Assistant Attorneys General (SAAG) network. These law firms have been selected, appointed, and retained by the Attorney General of the State of Georgia to assist GHFA with mortgage related legal work. They will do the title work and close the loans for the HHF Program.

## **External Partners**

- GHFA will partner with mortgage servicers, banks, the Georgia Department of Labor, housing counseling agencies, the Georgia Department of Human Services, the Governor’s Office of Customer Service, and other key organizations.

## **SECTION II – ITEM E: ADMINISTRATIVE EXPENSES**

GHFA has budgeted \$27,283,006 to cover estimated costs over the term of the program. These costs include salary, marketing, auditing, intake, and technology. For additional information on staffing projections, please see Exhibit B on page 20 for a complete breakdown of Administrative Expenses.

## **SECTION II – ITEM F:**

### **RISK MANAGEMENT/FRAUD PREVENTION**

GHFA will implement a quality control plan to assure compliance with the Program, to guard against errors, omissions and fraud, and to assure that swift and appropriate corrective action is taken. A detailed quality control review sheet will be developed to audit the activities from underwriting through post closing. In addition, a separate quality control review sheet will be

developed for the servicing of the loan. Also, GHFA will service the loans originated with the Hardest Hit Funds.

GHFA will review each loan before closing and will conduct the following activities before any funds are released:

- Underwriting of each loan
- Borrower eligibility criteria
- Property/loan criteria
- Program exclusions
- Verification of the borrower's identity at closing

A complete quality control audit will be performed on a percentage of closed loans each month. The audit will include an independent verification of all aspects of the program requirements. The audit will help ensure that the Program is in full compliance with all federal, state, and local laws, including, but not limited to, the Equal Credit Opportunity Act and the Fair Housing Act. The servicing of the loan will also be audited based on industry standards.

The quality control department will continually review for internal control prevention and detect weaknesses that could result in fraud, waste, and/or abuse of funds. The department will recommend process improvements and necessary controls to make the process more efficient. GHFA will hire a qualified quality control professional to manage this function.

## **SECTION II – ITEM G: COMPLIANCE AND MONITORING**

GHFA will comply with all requirements under EESA and will accomplish compliance oversight, internal controls, and fraud prevention through several resources. Policies, procedures, and internal controls required to implement the MPA will be modeled on processes that are already in place and operating as intended.

Our existing quality control review covers at least a ten-percent sampling of the loans purchased by GHFA during the month by each participating lender. The quality control review encompasses a complete file review, from origination to post closing, with the primary focus on compliance with secondary market underwriting standards, insurer guidelines, and GHFA policies and procedures. In each case, the file is reviewed for accuracy and completeness, based on a quality control review sheet that is edited and revised, as needed, to incorporate any changes in guidelines or procedures. GHFA management and GHFA participating lenders are notified of the findings and any required corrective action.

GHFA will implement a quality control plan to assure compliance with the Program, to guard against errors, omissions and fraud, and assure that swift and appropriate corrective action is

taken. Detailed quality control review sheets will be developed to audit the activities from underwriting through post closing. In addition, separate quality control review sheets will be developed for the servicing of the loans.

A complete quality control audit will be performed on a percentage of closed loans each month. The audit will include a review of the above referenced items as well as ensuring each loan meets Program guidelines. The audit will help ensure that the Program is in full compliance with all federal, state, and local laws, including, but not limited to, the Equal Credit Opportunity Act and the Fair Housing Act. The servicing of the loan will also be audited based on a percentage.

The quality control department will continually review for internal control prevention and detect weaknesses that could result in fraud, waste, and abuse of funds. They will recommend process improvements and necessary controls to make the process more efficient. GHFA will hire qualified quality control professionals to perform this function.

GHFA maintains an accounting procedure manual for its major processes, which includes case management, receivables, servicing, accounts payable operations, and grants management. The staff reviews these processes annually to ensure proper policies, procedures, and segregation of duties are in place to minimize the possibility of fraud, illegal acts and violation of the provisions of contracts, and to ensure compliance with grant agreements.

An audit is performed after each fiscal year (June 30<sup>th</sup>) by GHFA's independent audit firm. This audit encompasses a financial and compliance examination of the basic financial statements, supplementary information, and compliance reports in accordance with the laws and/or regulations of the State of Georgia, which include requirements for the minimum scope of the audit. The financial and compliance audit covers federal, state, and local funding sources in accordance with generally accepted auditing standards: Government Auditing Standards; the Single Audit Act of 1984; the Single Audit Act Amendments of 1996; the provisions of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations; the State Single Audit Implementation Act; and applicable laws and regulations.

The independent audit firm also compiles a certified Cost Allocation Plan at the end of each fiscal year in accordance with OMB Circular A-87, which establishes the principles and standards for determining both direct and indirect costs for federal cost-based awards. GHFA establishes timesheet codes for each federal and state program. All of the employees complete a monthly timesheet recording the amount of time worked on each program as well as administrative duties. The timesheet data as well as other factors are used to allocate the costs of the various programs. GHFA has cost centers (projects) that track all eligible operating expenses directly associated with a federal or state grant. GHFA plans to use the cost allocation to substantiate the costs for the Hardest Hit Fund.

GHFA will test processes for controls being in place and operating before the Program start-up and during its operation. GHFA will also have a system of internal controls to encompass the entire process, to include our business partnerships and relationships and any constituency being aided through this Program.

## **SECTION II – ITEM H: REPORTING**

GHFA will track costs associated with HHF in a manner consistent with its existing practices for tracking administrative costs for other federally funded programs. A separate budget will be maintained for the Hardest Hit Funds and every transaction against these funds will be tracked on our current general ledger system.

GHFA will comply fully with all tracking and reporting requirements provided by Treasury for HHF. GHFA expects to collect, track, and report all data required under the Home Mortgage Disclosure Act. Additionally, program participants will be expected to provide authorizations to release information to allow GHFA to track borrower outcomes and the status of the mortgage both during and after the receipt of assistance.

GHFA plans to use a web-based portal to facilitate the promotion and collaboration among all key stakeholders including servicers and borrowers. The proposed system will support program management, borrower/case review, underwriting, loan closings, and Treasury reporting.

GHFA proposes the following program success metrics to be reported quarterly or as requested by Treasury:

- Expected vs. actual figures by program for funds disbursed and homeowners assisted
- For existing homeowners assisted:
  - Number of unemployed who were six months or more delinquent in their mortgage and in imminent danger of foreclosure
  - Number who completed a job search and/or job training/education program and secured employment within two months of assistance ending
  - Number who resumed mortgage payments and successfully remained in their home for one to five years after assistance ended
  - Number of foreclosures averted