

U.S. DEPARTMENT OF THE TREASURY

Press Center



Obama Administration Approves State Plans For \$600 Million of 'Hardest Hit Fund' Foreclosure Prevention Assistance

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North Carolina, Ohio, Oregon, Rhode Island and South Carolina Will Receive Funding to Support Local Initiatives to Assist Homeowners Struggling Due to Unemployment

WASHINGTON – State Housing Finance Agencies (HFAs) in North Carolina, Ohio, Oregon, Rhode Island and South Carolina can begin to use \$600 million in foreclosure-prevention assistance from the Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets ("Hardest Hit FundSM") under plans approved today by the Obama Administration. This assistance will support local initiatives to assist struggling homeowners in these five states that have high percentages of their population living in areas of economic distress due to unemployment.

"These states have designed targeted programs with the potential to make a real difference in the lives of homeowners struggling to make their mortgage payments because of unemployment," said Treasury Assistant Secretary for Financial Stability Herb Allison. "While the Obama Administration has already taken critical action to strengthen the housing market and create jobs, we are committed to doing everything we can to immediately help those who are hurting the most during these tough times."

The proposals approved today include targeted programs to expand options for homeowners struggling to make their mortgage payments because of unemployment, as well as programs to address first and second liens, facilitate short sales and/or deeds-in-lieu of foreclosure, and assist in the payment of arrearages. States estimate that approximately 50,000 struggling homeowners will receive aid.

HFAs gathered public input and designed programs to meet the specific challenges facing struggling homeowners in their states. Each state HFA then determined how to design programs and target resources to meet their unique needs.

The five HFAs submitted their Hardest Hit Fund proposals to Treasury on June 1. Treasury then reviewed each state's proposal to ensure compliance with the Emergency Economic Stabilization Act of 2008 (EESA) and offer technical assistance to develop performance and reporting metrics. These states will now begin to set up and execute their specific Hardest Hit Fund programs to provide relief to homeowners as soon as possible. Specific implementation timing will vary based on the types of programs offered, specific procurement procedures, and other factors in each individual state. Each state HFA will release more information in the near future about when they will begin to accept homeowner applications.

President Obama established the Hardest Hit Fund in February 2010 to provide targeted aid to families in the states hit hardest by the downturn of the housing market. On June 23, the Obama Administration announced approval of state plans under the Hardest Hit Fund to provide \$1.5 billion to the five states with home price declines of more than 20 percent: Arizona, California, Florida, Michigan and Nevada.

A state-by-state summary of the Hardest Hit Fund proposals approved today is available below. For copies of the approved proposals, visit [link](#).

North Carolina (\$159 million)

- North Carolina estimates that up to 7,190 homeowners will be aided through these targeted programs.
- North Carolina will provide assistance to unemployed homeowners who are financially unable to make their mortgage payments and are in danger of losing their homes to foreclosure. The assistance will be used to pay mortgage and mortgage-related expenses while the homeowner secures employment or completes training for a new career.
- The state will refinance existing second mortgages in partnership with the current lender in order to make the mortgage payments more affordable.
- North Carolina will provide principal reduction of the first mortgage, which along with possible rate reduction and term extension by the current lender, will make the monthly mortgage payment more affordable.

Ohio (\$172 million)

Ohio estimates that 15,356 homeowners will be assisted through these targeted programs.

- Ohio will provide assistance to bring delinquent mortgage payments current for borrowers who experience hardships due to a reduction or loss of income or other unforeseen circumstances.
- Ohio will help unemployed borrowers pay their mortgage for up to 12 months while they search for a new job and/or participate in a job training program.
- The state will set up a modification program to incentivize lenders and servicers to reduce a homeowner's mortgage principal balance to a target 115 percent or less of the loan-to-value, at which point the loan may be eligible for HAMPSM or another modification.
- In order to facilitate a short sale or deed-in-lieu of foreclosure, the state will provide an incentive payment to the servicer as well as relocation aid to the borrower and payments in exchange for the release of second liens.

Oregon (\$88 million)

- Oregon estimates that up to 7,400 homeowners will be aided through these targeted programs.
- Oregon will provide funds to assist with loan modifications, including through principal reduction and arrearage payments.
- The state will provide up to six months of mortgage payment assistance for an unemployed borrower or a borrower experiencing other financial distress. Lenders or servicers would be required to match for up to an additional six months.
- Oregon will offer funds to ensure a successful modification or pay arrearages or other fees incurred during unemployment or financial distress once a homeowner has regained employment or recovered from that financial distress.
- The state will provide assistance to borrowers that participated in the state's Hardest Hit Fund unemployed borrower program but did not subsequently regain employment in order to facilitate a short sale or deed-in-lieu of foreclosure. This assistance would be matched by lenders or servicers.

Rhode Island (\$43 million)

- Rhode Island estimates that up to 5,000 homeowners will be aided through these targeted programs.
- Rhode Island will provide assistance to eligible homeowners who otherwise would not qualify for the federal Home Affordable Modification ProgramSM (HAMP).
- Rhode Island will also offer assistance to eligible homeowners who have mortgages with lenders or servicers who do not participate in HAMP. Proceeds will be used to assist the borrower and lender to achieve a loan modification.
- Rhode Island will provide mortgage payment assistance to homeowners who are at risk of foreclosure due to temporary or immediate financial crisis caused by an uncontrollable increase in expenses or an uncontrollable decrease in income.
- Rhode Island will provide payments to lien holders to facilitate a short sale or deed-in-lieu of foreclosure and assist with relocation expenses for homeowners who have suffered a financial crisis and are no longer able to stay in their home.

South Carolina (\$138 million)

- South Carolina estimates that up to 12,000 homeowners will be aided through these targeted programs.
- South Carolina will assist homeowners experiencing unemployment or short-term loss of income by making all or part of their mortgage payment for a period of time so that they can stay current on their mortgage.
- The state will offer assistance to borrowers who have experienced a hardship but have regained the ability to pay. Funds can be used to pay arrearages, late charges, and reduce principal.
- South Carolina will provide funds to servicers to assist in making borrowers HAMP-eligible.
- The state will provide funds to modify second liens in order to allow the modification of the first lien.
- In order to facilitate a short sale or deed-in-lieu of foreclosure, the state will provide funds to incentivize lien holders or help subsidize borrower relocation costs.

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