

ANALYSIS

Item 30: Housing and Community Services Department Homeowner Assistance Fund

Analyst: Michelle Deister

Request: Increase Federal Funds expenditure limitation for the Housing and Community Services Department by \$39,769,368 for assistance to financially distressed homeowners pursuant to guidelines issued by U.S. Treasury under the American Rescue Plan Act.

Analysis: Oregon was awarded \$90.9 million for financial assistance to distressed homeowners under the American Rescue Plan Act (ARPA) of 2021. The funds, which must be expended by September 30, 2025, will be used to establish a new mortgage assistance program. Before program guidelines were developed by U.S. Treasury, the 2021-23 legislatively adopted budget included \$32.9 million Federal Funds and 23 positions (19.88 FTE) to allow the Housing and Community Services Department (HCSD) to set up infrastructure to deploy the resources as soon as possible once federal expectations became clear. The Congressional purpose of the program is to prevent defaults, foreclosures, and loss of utilities, although Oregon's program will not provide utility assistance. HCSD's request to increase expenditure limitation by an additional \$39.8 million will effectively mean that HCSD will attempt to deploy 80% of the total grant amount (or \$72.8 million) in the 2021-23 biennium.

HCSD anticipates that 15% of the budgeted amount for the program will be spent on program administrative costs including staffing, program administration, and community outreach by HCSD and its local partners. At least 80% of funding will be paid to mortgage servicers, county tax assessors, homeowner or condo associations, and other housing-related entities to help an estimated 1,033 households in the 2021-23 biennium. The remaining 5% of Oregon's allocation may be used to provide homeowners with other related services, such as legal representation or education.

HCSD will open this program in four phases, focusing initial phases on homeowners most at-risk of foreclosure or displacement. The initial phases are anticipated to generate a low-volume of applications, with the applicants being submitted through community partners or housing counselors, or after pre-screening of eligibility by HCSD. In later phases, HCSD will partner with a program administrator to process a higher volume of applications and provide call center support. At this stage, applications may be submitted by community partners, housing counselors, and directly by eligible homeowners.

As of December 17, 2021, U.S. Treasury had authorized HCSD to access only 10% of funds. And while the Legislature granted position authority for the program, the agency division with the highest number of vacancies is the Homeownership Division. HCSD reports that it is prioritizing recruitment for positions supporting this Division, the Housing Stabilization Division, procurement efforts, and contracting work, with the goal of deploying the \$72.8 million in requested program funding by the end of the biennium.

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means recommend including an increase of \$39,769,368 in the Federal Funds expenditure limitation for the Housing and Community Services Department in a budget reconciliation bill during the 2022 legislative session for assistance to financially distressed homeowners.

30
Housing and Community Services Department
Webb

Request: Increase Federal Funds expenditure limitation by \$39,769,368 for the purpose of making payments from the Homeownership Assistance Fund program.

Recommendation: Approve the request during the 2022 Legislative Session.

Discussion: The Homeownership Assistance Fund (HAF) program was authorized by the U.S. Treasury using funding provided through the American Rescue Plan Act. The purpose of the program is to prevent homeowner defaults, foreclosures, and loss of utilities. Oregon's HAF program was awarded \$90.9 million and funds must be expended by September 30, 2025. The 2021-23 Legislatively Adopted Budget included \$33 million Federal Funds expenditure limitation for the program. The Department projects it will expend \$72.8 million in the 2021-23 biennium and \$18.2 million in the 2023-25 biennium. Approximately 15% of the \$72.8 million will be spent on agency administrative costs including staffing, program administration, legal services, and community outreach, among other costs. The remaining 85% will be paid to mortgage servicers, county tax assessors, homeowner associations or condo associations, and other housing-related entities to provide assistance to eligible homeowners.

The total HAF award of \$90.9 million is expected to meet only 15% of the current estimated homeowner need in Oregon. The Department expects to serve approximately 1,033 households in the 2021-23 biennium if each household receives the maximum assistance. If the Department finds it can distribute additional funds beyond \$72.8 million in the 2021-23 biennium, it will request an additional increase to its Federal Funds expenditure limitation at a future meeting of the Emergency Board.

Legal Reference: Increase the Federal Funds expenditure limitation established by chapter 556, section 4, Oregon Laws 2021, for the Housing and Community Services Department, by \$39,769,368 for the 2021-23 biennium.



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December 8, 2021

Senator Elizabeth Steiner Hayward, Co-Chair
Representative Dan Rayfield, Co-Chair
Interim Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

Dear Co-Chairpersons:

Nature of the Request:

Oregon Housing and Community Services Department (OHCS) is requesting to appear at the January 2022 meeting of the Interim Committee on Ways and Means to request increasing Federal Funds limitation for the Homeownership Assistance Fund (HAF). OHCS does not yet have approval from U.S. Treasury to launch the full program. At this time, US Treasury has authorized OHCS to access 10% of the program funds, but we know there is a high need for the program. The HAF program will likely only serve approximately 15 percent of homeowners in need. U.S. Treasury expects HAF to be a program of last resort, available after homeowners exhaust all other assistance and protections.

Agency Action:

OHCS received funding for new programs under the American Rescue Plan Act (ARPA) and we were waiting approval of the state plan while making budget adjustments in the 2021 Legislative Session. The limitation to include in our Legislatively Adopted Budget was pro-rated based on the number of months in the program, and we expected to need an adjustment once we knew how quickly the funds would be expended.

The HAF program is authorized by the US Treasury and OHCS was awarded \$90.9 million which must be expended by 9/30/25. The purpose of this program is to prevent defaults, foreclosures, and loss of utilities. We included \$33 million in our LAB and now request limitation for 80 percent of the grant amount. This is an increase to Federal Funds limitation of \$39,769,368. We may request limitation for the additional amount at a future Emergency Board meeting depending on the speed that the funds are requested and awarded.



**OREGON HOUSING *and*
COMMUNITY SERVICES**

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Action Requested:

Approve an increase in Federal Funds limitation for the 2021-23 biennium in the amount of \$39,769,368.

Legislation Affected:

Increase Federal Funds limitation in Chapter 556, Section 4, 2021 Laws.

Sincerely,

Margaret Salazar, Executive Director
Oregon Housing and Community Services

cc: Laurie Byerly, Legislative Fiscal Office
Michelle Deister, Legislative Fiscal Office
George Naughton, Chief Financial Office
Alisa Webb, Chief Financial Office