

## TARP-Related Program Lets Unemployed People Live Mortgage-Free

*State agency promotes Hardest Hit Fund to laid-off residents, who may not have to repay*

By: Barry Smith - May 30, 2013

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A federal program created under the federal Troubled Asset Relief Program, aka TARP, has allowed more than 11,000 North Carolina homeowners who fell behind on their house payments to live mortgage-free for as long as 36 months.

Benefits from the U.S. Treasury's Hardest Hit Fund, operated through the N.C. Housing Finance Agency, are tax-free, and though the benefits are treated as a loan, recipients may not have to repay if they stay in their homes.

People often find out about the program when they apply for unemployment benefits through the Division of Employment Security, previously known as the Employment Security Commission.

Lockhart Taylor, director of government relations for the division, said that the division signed a contract with the N.C. Housing Finance Agency in 2011 to provide notices about the program to people seeking unemployment benefits.

"We bill them every month for not only the cost of postage, but the cost of staff time," Taylor said.

He said the Division of Employment Security usually bills the agency about \$4,000 a month.

"This definitely has been a good bridge for a lot of households," said Robert Kucab, executive director of the N.C. Housing Finance Agency.

The program was established as part of TARP following the economic freefall of 2008. Unemployed North Carolinians are eligible to receive benefits for up to 18 months if they have been laid off, and up to 36 months if they are participating in an education program, such as going to a community college or working on their degree, he said.

"In both cases, the maximum amount of benefit is \$36,000," Kucab said. He said there are certain criteria the agency reviews when someone applies for help. They include having a job-related loss of income, being a responsible homeowner who was making mortgage payments before the layoff, having a mortgage balance of \$300,000 or less, and showing the ability to resume mortgage payments after the job search or educational program is over.

That's not always easy, Kucab said.

“It’s a struggle in some cases,” Kucab said. “A spouse goes back to work in some cases. In other cases, people have two jobs where they formerly had one.”

The Hardest Hit Fund program has drawn attracted criticism, primarily from observers who say administrators have been slow to get the money to laid-off workers who want to remain current on their mortgage payments.

Earlier this year, U.S. Sen. Ben Nelson, D-Fla., called for an investigation into the practices, saying most of the money had failed to reach those who need it, with many applicants not being informed if they had even been approved for assistance.

Those criticisms haven’t been directed at North Carolina’s program, however.

“It seems like North Carolina has actually done a better job than others in terms of getting the money out there,” said Mark Calabria, an economist at the Cato Institute.

Ed Pinto, resident fellow at the American Enterprise Institute, was critical of a number of government programs instituted as the economy sank during the latter part of the last decade.

“The federal government has so many income distribution programs that overlap,” Pinto said. “It adds up. Everything adds to the deficit. It reaches the point in my mind where we’re redistributing too much.”

Pinto said government policies created the problems that led to the housing collapse. “Now it is trying to solve the problem,” Pinto said. “It does it in ways that are so complex and overlapping.”

Kucab said the North Carolina program started in late 2010.

“We have now assisted or are in the process of assisting around 11,000 households,” Kucab said. “At this stage, about 95 percent of the households that have completed assistance have been successful in maintaining their homes.”

Kucab forecasts that the program will end up affecting around 20,000 households by the end of 2014 or the first quarter of 2015.

The payments are considered a loan, but loan repayments are deferred unless the house is sold or refinanced, Kucab said. If the house is sold, the loan repayment is taken from the proceeds of the sale.

If the homeowner remains in the home for five to 10 years, portions of the loan would be forgiven. After 10 years, the total loan would be forgiven.

The benefits aren’t taxable either, even for those whose loans are forgiven.

Margaret Matrone, director of government relations for the N.C. Housing Finance Agency, said the forgiven loans under the Hardest Hit Fund fall under the IRS rule that says “payments made under governmental programs for the promotion of the general welfare are not includible in an individual recipient’s gross income.”

Kucab said that the N.C. Foreclosure Prevention Fund has provided loans in all 100 North Carolina counties.

As of early April, loans had been closed for 11,186 homeowners. Kucab said that 4,860 of those homeowners had completed receiving assistance and resumed making their mortgage payments.

The average length that participants receive assistance is 13 months, Kucab said.

Since the program's initiation, the agency has committed \$224 million and paid out \$142 million, Kucab said, adding that the program has saved about \$1.4 billion in real property from foreclosure.

The average length for processing a loan is between 45 and 60 days, Kucab said. The biggest variable is the time it takes to get documents from the homeowner and the time it takes to get an updated loan reinstatement amount from the mortgage servicer.

"Most homeowners are delinquent when they start the process, so they have also incurred fees that need to be calculated by servicers, and paid by the program, in order to bring their existing home mortgage current," Kucab said.