Arkansas Homeowner ASSISTANCE FUND

ARKANSAS
Homeowner Assistance Fund (HAF)

HAF Plan and Program Guide

REVISED: NOVEMBER 2021

ADFA
ARKANSAS DEVELOPMENT FINANCE AUTHORITY

Contents

1 Overview

On March 11, 2021, President Biden signed into law the American Rescue Plan Act (hereinafter referred to as the "ARPA"), setting aside a total of $1.9 trillion in federal funding for coronavirus pandemic related expenses and needs. Section 3206 of the ARPA established the Homeowner Assistance Fund ("HAF"), which provides approximately $9.9 billion in federal funding to states, territories, and tribal governments to assist low-to-moderate income homeowners who have experienced a negative financial impact associated with the coronavirus pandemic.

This document represents the State of Arkansas's proposed Implementation Plan (the "Plan") to US Treasury (hereinafter referred to as "Treasury") outlining Arkansas's HAF program design and strategy for distribution of the HAF funding.

The HAF was established to mitigate financial hardships associated with the coronavirus pandemic to prevent homeowner mortgage delinquencies, defaults, foreclosures, loss of utilities or home energy services, and displacement of homeowners experiencing financial hardship after January 21, 2020, through qualified expenses related to mortgages. Additionally, the HAF requires not less than 60 percent of the state's total allocation be made available to homeowners at or below 100 percent of the area median income ("AMI") or 100 percent of the median income for the United States, whichever is greater. The remaining portion of funding must be prioritized for socially disadvantaged individuals before providing funding to other eligible homeowners. The State of Arkansas understands these eligibility requirements and is committed to developing and administering a program that meets the intent of the guidance, all while allowing compliant, efficient, and uninterrupted funding to Arkansas's most vulnerable homeowners.

To receive funding under the HAF, states were required to submit a Notice of Funds Request by April 25, 2021, and enter into a Financial Assistance Agreement with Treasury regarding the use of these funds. The State of Arkansas submitted its notice within the required time frame and entered into the requisite agreement for a total allocation of $63,330,313 in HAF funding to be administered by the Arkansas Development Finance Authority ("ADFA"), a division of the Arkansas Department of Commerce. ADFA elected to opt-in and receive the allowed 10 percent allocation advance to fund and administer a pilot program summarized herein. Additionally, the state was required to submit the Plan to Treasury by August 20, 2021, for review and approval to receive funds beyond the initial 10 percent payment received for the pilot program. Accordingly, ADFA developed this plan outlining the intent and distribution strategy for the State of Arkansas's HAF allocation. This plan has been modified to reflect feedback received from Treasury subsequent to the original submission.

The State of Arkansas and ADFA are incredibly grateful for this federal funding opportunity. It will provide immediate, needed assistance to homeowners in the state who have struggled to meet their housing financial obligations due to the ever-present negative impacts of the coronavirus pandemic. ADFA is available to answer any questions or provide additional details as needed by Treasury. We stand ready to assist our most vulnerable homeowners and launch Arkansas's HAF program upon receiving Treasury's approval and the remaining funding.

2 Homeowner Needs and Engagement

2.1 Data-Driven Assessment

ADFA performed a data-driven needs assessment to understand the homeowner needs across the state of Arkansas. The findings and information were used in the development and shaping of our plan and approach, including our marketing and outreach strategy.

Foreclosure and Delinquency Data/Information

The state of Arkansas has approximately 1,163,647 housing units – comprised of approximately 761,809 owner-occupied units. Of the owner-occupied units, an estimated 403,551 units have mortgages.[1]

While all of the owner-occupied units across the state may not have been negatively impacted by the coronavirus pandemic, the data indicates a significant need in the state of Arkansas for owner-occupied loans that are troubled. ADFA used data provided by Treasury to better understand the overall estimated need within the state, which is summarized below:[2]

Loan Types – State of Arkansas	Loan Units
FHA	80,319
USDA	33,059
VA	34,884
Totals	**148,262**

EXHIBIT 1

Days Delinquent	FHA	USDA	VA	Total
Loan Units 60 Day Delinquent	879	323	282	**1,484**
Loan Units 90 Day Delinquent	7,768	2,845	2,440	**13,053**

EXHIBIT 2

Forbearance	FHA	USDA	VA	Total
Forbearance Count	5,753	1,911	1,891	**9,555**
Forbearance $ (Unpaid Principal)	$642,231,683	Unavailable	Unavailable	**$642,231,683**
Forbearance $ (Delinquent Balance)	Unavailable	$8,967,501	$15,548,296	**$24,515,797**

EXHIBIT 3

[1] *U.S. Census Bureau, 2019 American Community Survey 1-Year Estimates, Table DP04*

[2] *Atlanta Fed calculations using Black Knight's McDash Flash daily mortgage performance data (available with a two-day lag), U.S. Census Bureau 2017 FIPS Codes*

Other Needs	FHA	USDA	VA	Total
Bankruptcy Loan Count	857	225	550	**1,632**
Loan Units - Active Foreclosures	113	382	275	**770**
Loan Units - Loss Mitigation ALL Options	6,721	1,377	2,158	**10,256**

EXHIBIT 4

In addition to the data provided by Treasury, ADFA obtained data from three loan servicers – ServiSolution, US Bank and Wells Fargo - summarizing the impact to those loans serviced in the state of Arkansas. The data obtained from ServiSolutions is isolated to loans originated by ADFA.

Loan Servicer	Wells Fargo	U.S. Bank	ServiSolutions
# of loans in state	45,430	Not Available	4,453
# of loans in default	2,738	1,478	254
# active in COVID forbearance	1,337	747	Unavailable
Average monthly PITI	$1,010	$872	$558
Average amount delinquent	$8,570	$8,076	$2,880

EXHIBIT 5

Based on the data provided by the three servicers, we concluded an average monthly payment costs of approximately $835. We also obtained data from American Community Survey ("ACS") to further support the monthly owner cost for homeowners within the state of Arkansas.[3] The ACS survey indicated median monthly owner costs to be approximately $1,094.

Our review of the combined data above from the three servicers indicated homeowners on average are delinquent approximately 8 months, as demonstrated in Exhibit 6 below.

Loan Servicer	Wells Fargo	U.S. Bank	ServiSolutions
Median days	210	360	60
Average/Median months	7	12	4

EXHIBIT 6

The combination of these facts highlights the immediate need for a mortgage reinstatement program.

State of Arkansas Unemployment Data

As ADFA assessed program needs, we also considered the state's unemployment rates. The current unemployment rate, as of June 2021, for the state of Arkansas is 4.4%.[4] The unemployment rate at the height of the pandemic reached as high as 10% in April 2020. As the graph demonstrates below, the unemployment rate has improved significantly over the last year. While a significant improvement, ADFA

[3] *U.S. Census Bureau, 2019 American Community Survey 1-Year Estimates, Table DP04*

[4] *U.S. Rates - U.S. Bureau of Labor Statistics, https://data.bls.gov/timeseries/LASST050000000000006?amp%253bdata_tool=XGtable&output_view=data&include_graphs=true, August 2021*

Arkansas Rates - https://data.bls.gov/timeseries/LASST050000000000003?amp%253bdata_tool=XGtable&output_view=data&include_graphs=true, August 2021

South Region Rates - https://data.bls.gov/timeseries/LASRD930000000000003?amp%253bdata_tool=XGtable&output_view=data&include_graphs=true, August 2021 recognizes many borrowers have not fully recovered from the financial impacts of the coronavirus pandemic. Therefore, we believe a mortgage reinstatement program could meet the immediate need to assist homeowners in their continued efforts of recovery.

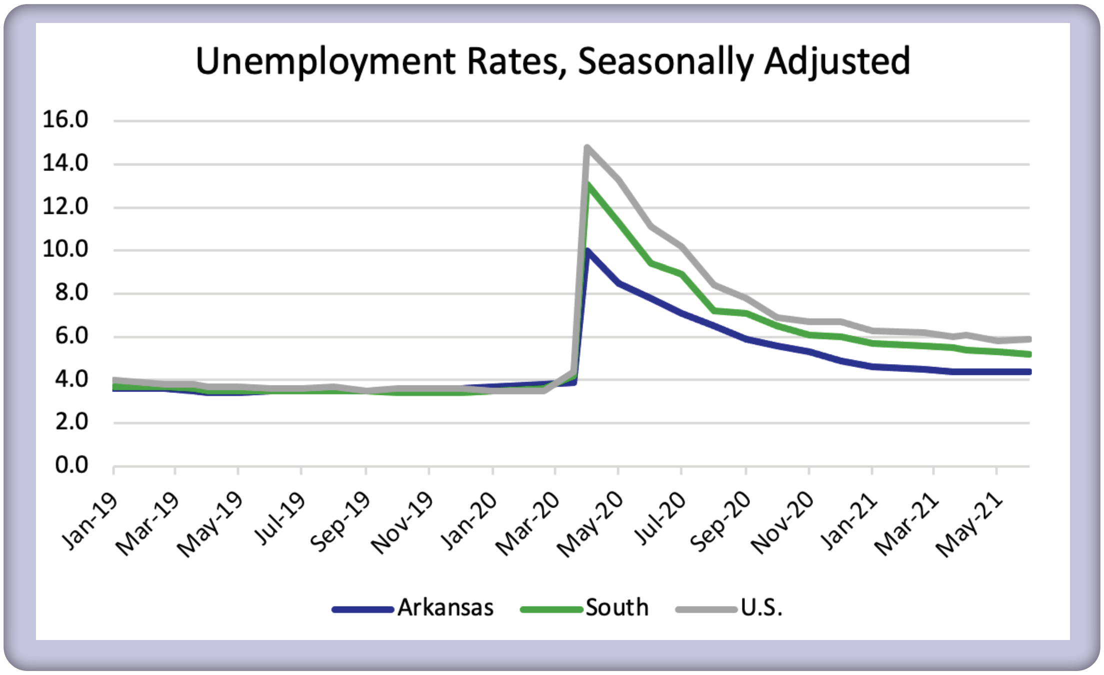

EXHIBIT 7

Demographics/Socially Disadvantaged Individuals

ADFA recognizes the need for prioritizing those socially disadvantaged individuals, as those individuals typically face significant housing challenges. Socially disadvantaged individuals as defined by Treasury are those individuals whose ability to purchase or own a home has been impaired due to diminished access to credit on reasonable terms as compared to others in comparable economic circumstances, based on disparities in homeownership rates in the HAF participant's jurisdiction as documented by the U.S. Census. The impairment must stem from circumstances beyond their control. Indicators of impairment under this definition may include being a (1) member of a group that has been subjected to racial or ethnic prejudice or cultural bias within American society; (2) resident of a majority-minority Census tract; (3) individual with limited English proficiency; (4) resident of a U.S. territory, Indian reservation, or Hawaiian Home Land, or (5) individual who lives in a persistent-poverty county, meaning any county that has had 20% or more of its population living in poverty over the past 30 years as measured by the three most recent decennial censuses.

We also reviewed data from the Congressional Research Services for the persistent poverty counties across the state to identify geographic areas where homeowners are considered socially disadvantaged. ADFA identified 17 counties included within the report as follows: Bradley, Chicot, Columbia, Crittenden, Desha, Jefferson, Lafayette, Lee, Lincoln, Mississippi, Monroe, Nevada, Phillips, Poinsett, St. Francis, Searcy, and Woodruff.[5] Our marketing and outreach efforts will ensure those potentially eligible homeowners within these persistent poverty counties are aware of the program and information needed

[5] *Congressional Research Service "The 10-20-30 Provision: Defining Persistent Poverty Counties" February 24, 2021*

to gain access to apply.

Data was also provided by Treasury highlighting the need across several demographics that fall within the definition of the socially disadvantaged individuals.

	FHA	USDA	VA	Total
# of Black Borrowers in Forbearance	1,642	275	469	**2,386**
# of Hispanic Borrowers in Forbearance	436	30	55	**521**
Other Minority Borrowers (Combined) in Forbearance	519	89	48	**656**
# of Black Borrowers 90+ Days Delinquent	2,292	444	582	**3,318**
# of Hispanic Borrowers 90+ Days Delinquent	470	45	64	**579**
Other Minority Borrowers (Combined) 90+ Days Delinquent	625	105	70	**800**

EXHIBIT 8

The following exhibit demonstrates the percentage of homeowners by race and ethnicity within the state of Arkansas.[6]

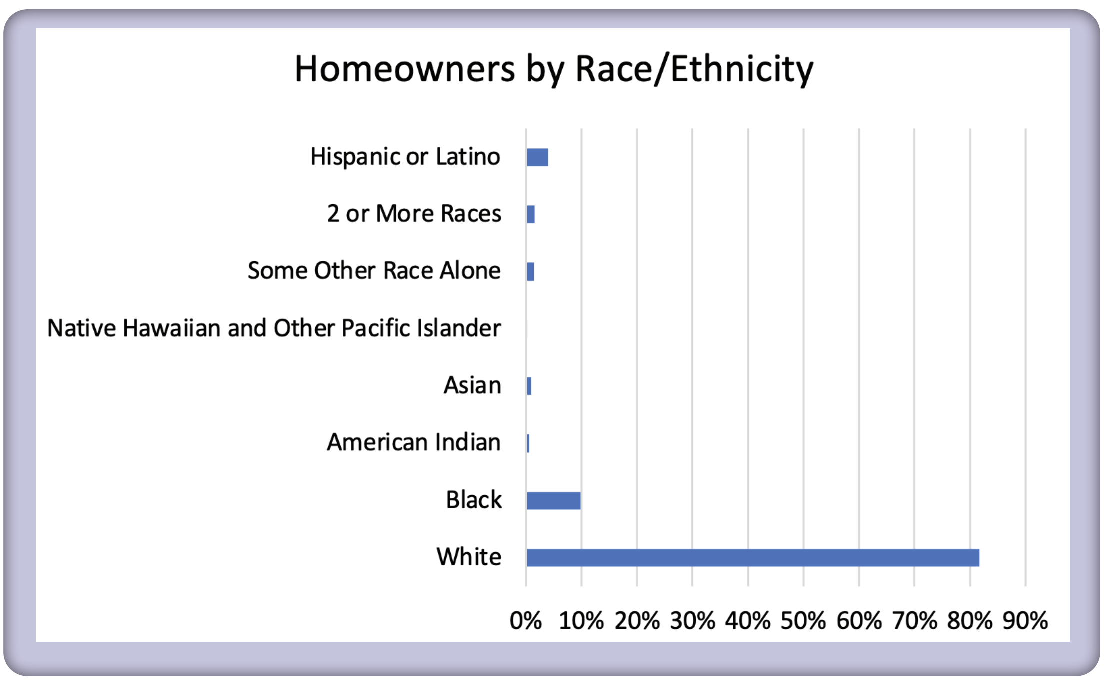

EXHIBIT 9

[6] *U.S. Census Bureau's American Community Survey (ACS) 2015-2019 5-year estimates, Tables B25003, B25003B, B25003C, B25003D, B25003E, B25003F, B25003G, B25003H, B25003I*

Utilities Assessment

ADFA analyzed data around delinquent utilities associated with loan units in poor standing. The assessment performed by ADFA for utilities related to homeownership include gas, electricity, water, sewer, and waste. As current data was not readily available related to utility delinquency, ADFA's assessment was based on certain assumptions, including 1) homeowners in forbearance based on Treasury data, 9,555 homeowners, are also behind on utility payments and 2) the average number of months calculated above for the three servicers was assumed in this analysis, resulting in 8 months on average. Based on those assumptions, ADFA estimated the total associated unpaid utilities to be $2,417,415. ADFA estimated monthly utility amounts based on various data sources as outlined below. These estimates were used to project the unpaid utility needs based on the loan units and average months of delinquency.

★ Gas at $65 monthly [7]

★ Electricity at $109 monthly [8]

★ Water at $22 monthly [9]

★ Sewer at $33 monthly [10]

★ Waste at $24 monthly [11]

Internet Assessment

ADFA estimated the total associated unpaid internet bills to be $506,415. Similar to the utility assessment, as data was not readily available on internet delinquencies, the same assumptions were made within the internet assessment. We obtained the listing of the top nine residential internet providers across the state to determine average monthly plan prices to arrive at the average monthly internet bill of $53 per household. The average monthly internet bill was used within our projections to determine the need related to delinquent internet bills.

Conclusion

While difficult to project the total dollar amount associated with troubled loans across the state of Arkansas, the data assessment and information gathered demonstrates a significant and immediate need for homeowners across the state. Many of the data sources and information obtained are based on government backed loans, which we know typically serve those individuals in the low-to-moderate income levels. Considering all factors mentioned within this assessment, we believe the mortgage reinstatement program will serve the immediate need for a program to reduce mortgage delinquencies and related home costs, as well as the need for assistance with utility and internet related expenses.

ADFA's proposed program design for mortgage reinstatement and related homeowner expenses is further described in section 3.

[7] *ADFA obtained natural gas prices per region from the U.S. Energy Information Administration and multiplied by the monthly price. Gas consumption data was obtained from Table CE2.1 Annual household site fuel consumption in the U.S. published by the U.S. Energy Information Administration.*

[8] *ADFA obtained the monthly prices from the Annual Electric Power Industry Report, Form EIA-861 Schedule 4A-D.*

[9] *ADFA inspected the U.S. Department of the Interior and U.S. Geological Survey Circular 1441 for Estimated Use of Water in the United States and calculated the local water company rates by consumption estimates for the average household size.*

[10] *ADFA reviewed the U.S. Geological Survey for water use to obtain the average water use per day and calculated the monthly average sewer price for a household of 3. We obtained sewer prices from local water association authorities in the state.*

[11] *ADFA reviewed local residential solid waste collection and sanitation prices to determine the average monthly waste cost per household of 3.*

2.2 Public Participation

Arkansas values the input and feedback from key stakeholders and the community on the HAF plan and use of funding. Public participation was obtained through in-person events, webinars, and a platform, to submit input. ADFA hosted multiple events in early June for key stakeholders and the community to learn about the program and provide input. The state also hosted numerous webinars and in-person meetings for the community and key stakeholders. Meetings included; religious establishments, charitable organizations, county judges, banking associations, financial institutions, media associations, realtor associations, among others, to educate the stakeholders and community on the HAF plan and facilitate live feedback/participation sessions. In an effort to ensure all identified stakeholders were privy to the same information, the state recorded the webinar and emailed it to all participants and individuals registered for the webinar, including those unable to attend. The webinar recording was posted to the public websites (arkansashaf.com and adfa.arkansas.gov) for viewing, including information in English and Spanish. Instructions were provided in the webinar and the recording on the method for submitting additional feedback as well as input on the plan after the webinar's conclusion through a SmartSheet. In an effort to further engage participation from the citizens of Arkansas, the link to the SmartSheet and information on the process were also posted to the public websites (arkansashaf.com and adfa.arkansas.gov). Public comment was open beginning June 8, 2021. Feedback and input submitted before the submission of this plan were considered and incorporated as determined appropriate by the state.

The original draft plan was searchable online. Due to additional guidance being provided from Treasury, August 2, 2021, ADFA has updated this public version of the plan to reflect all updated guidance as well as reflect the content in this submission to Treasury. This updated public version of the plan was posted to the public websites (arkansashaf.com and adfa.arkansas.gov), following the original submission to Treasury. The updated public version of the plan was posted in English and Spanish, as well as shared with organizations reaching those citizens with disabilities or individuals without reliable internet access. Individuals seeking information in languages besides English and Spanish are able to contact our call center for information in multiple languages.

3 Program Design

3.1 Program Design Overview

ADFA used the data driven needs assessment to understand the potential needs throughout the state of Arkansas. The data indicates a significant need related to troubled loans. The Arkansas HAF intends to address the immediate need of mortgage delinquencies and associated homeowner expenses to allow the citizens of Arkansas to recover from the negative impacts of the coronavirus pandemic.

3.2 Eligibility Requirements

Homeowner Income

The Arkansas HAF program will require homeowners to have incomes equal to or less than

150 percent of the AMI or 100 percent of the median income for the United States, whichever is greater, to be considered an eligible homeowner. HAF participants are given two options to use in calculating income for eligibility determination:

1. Department of Housing and Urban Development's ("HUD") definition of "annual income" in 24 CFR 5.609.

   OR

2. Use adjusted gross income ("AGI") as defined for purposes of reporting on Internal Revenue Service ("IRS") form 1040 series for individual federal annual income tax purposes.

Further, the guidance allows for two approaches for supporting income verification:

1. The household may provide a written attestation as to household income together with supporting documentation such as pay stubs, W-2s or other wage statements, IRS Form 1099s, tax filings, depository institution statements demonstrating regular income or attestation from an employer.

   OR

2. The household may provide a written attestation as to household income. In addition, the HAF participant may use a reasonable fact-specific proxy for household income, such as reliance on data regarding average incomes in the household's geographic area.

Based on experience in the pilot program, ADFA does intend to implement a fact-specific proxy for the program. The approach will include written attestation plus reasonable fact-specific proxy for household income. A written attestation as to household income will be provided by the homeowner, and the proxy will be used for the homeowner's income verification. If the household falls within any of the seventeen (17) persistent poverty counties identified, the household will be presumed to meet income verification requirements. Doing so will avoid unnecessary barriers to participation and ease the documentation burden for these socially-disadvantaged homeowners. If a household does not fall within any of the seventeen (17) persistent poverty counties, the applicant will be required to provide a written attestation within the system along with supporting documentation. Required supporting documentation is outlined within the attached Program Term Sheets in Appendix A.

Arkansas's HAF program, utilizing the HUD approved AMI and NMI data, will calculate income limits as follows:

Income Limits for Income-Targeting Population (the greater of the two below):

★ **100% of AMI** – Two times the income limit for very-low-income families, for the relevant household size, as published by HUD in accordance with 42 USC 1437a(b)(2) for purposes of the HAF

★ **100% of NMI** - The median income of the United States, as published by HUD for purposes of the HAF

- ▶ The median income for the fiscal year 2021 for the United States is $79,900 as of HUD publication April 1, 2021

Income Limits for Eligible Homeowner Population:

- ★ Income limits for program eligibility are noted within the Program Term Sheets in Appendix A

Financial Hardship

Financial hardship will also be an eligibility requirement for the Arkansas HAF program. Therefore, the homeowner will be required to complete a self-attestation certifying they have experienced financial hardship after January 21, 2020 (including a hardship that began before January 21, 2020, but continued after that date). The self-attestation will require the homeowner to describe the nature of the financial hardship. The form will be completed within the system as part of the application.

Other Eligibility Requirements

See attached Program Term Sheets within Appendix A for other eligibility requirements.

3.3 Structure of Assistance

Available Assistance/Caps

Program caps were determined based upon readily available data obtained from loan servicers. Each program cap is stated within the respective Program Term Sheets within Appendix A.

Eligible Expenses

ADFA will administer a mortgage loan reinstatement program designed to assist vulnerable homeowners across the state who have fallen behind on their mortgage payments and related property costs (included within escrow). ADFA will also have a utility and internet program designed to assist homeowners who have fallen behind on utility and internet expenses. Eligible expenses are outlined within the Program Term Sheets included in Appendix A.

Arrearages of qualified expenses are eligible regardless of the date they were incurred, including if they arose before January 2020.

3.4 Prioritization/Targeting

Treasury guidance requires 60 percent of amounts made available to the state to assist homeowners with incomes equal to or less than 100 percent of the AMI or equal to or less than 100 percent of the median income for the United States, whichever is greater. The remaining allocation to the state must be prioritized for socially disadvantaged individuals, and after prioritization to those individuals, funds will be made available to other eligible households.

The Arkansas HAF program intends to meet the targeting and prioritization requirements with an early advantage period for the Socially Disadvantaged population. Funds will be set aside for the income-targeting requirements and tracked separately from the remaining funding to ensure the condition is met. At the same time, the remaining funds will be utilized for the priority group.

Prioritization within income-targeting applicants

The state also recognizes the need to prioritize certain types of loans based on the mortgage portfolios represented by the low-to-moderate income homeowner. Therefore, the state has determined it appropriate to prioritize certain loan types within the amounts made available to the income-targeting applicant based on the need. Homeowners who have FHA, Department of Veterans Affairs ("VA"), or US Department of Agriculture ("USDA") mortgages and homeowners who have mortgages made with the proceeds of mortgage revenue bonds will be prioritized for assistance. Applicants will have the option on the application to select if their mortgage falls within one of the types above. For all applications submitted within the first 30 days that select one of the mortgage types listed above, the state will prioritize review of those applications. Suppose during the review process, the homeowner is determined to have a mortgage type other than those listed above. In that case, the application will be returned to the waitlist until after the priority period. After all priority applications have been reviewed, applications will be reviewed on a first-come, first-serve basis, based on the submission date. The only exception to the priority detailed above will be those homeowners that can prove they are currently facing foreclosure.

Prioritization for socially disadvantaged applicants

Based on experience in other federally funded programs, the state has determined an early advantage priority period of 30 days to be appropriate. Therefore, for all applications submitted within the first 30 days of the program that self-identify as socially disadvantaged, those applications will be reviewed first. Socially Disadvantaged and income targeted applications submitted within the first 30 days will receive priority processing and take precedence over other applications in the pipeline. While the initial review may take longer than 30 days, it will be based on the submission date. Once the early advantage SDI applications have been reviewed, we will then begin actively monitoring the portfolio to manage priority. Through our pipeline management, we will ensure we meet the targeting goals and requirements set forth by Treasury for both income targeting and the socially disadvantaged population. We believe the approach noted within the plan allows the program to meet the prioritization requirements as well as ensure uninterrupted funding to applicants.

Marketing and outreach will be a significant component to ensure those within the socially disadvantaged priority group are aware of the program and ways to apply with sufficient time to meet the priority window.

ADFA will use a two-step method to determine whether a homeowner is a "socially disadvantaged individual" as defined by the HAF guidelines. Additionally, we will measure the success of the outreach and marketing and use our pipeline to help inform us of changes needed to ensure we're reaching the Socially Disadvantaged applicants and meeting the income targeting goals.

The first step is to verify if the applicant's home address falls within either:

1. A majority-minority Census tract

2. A U.S. Territory, Indian reservation or Hawaiian Home Land or

3. A persistent-poverty county (meaning any county that has had 20% or more of its population living in poverty over the past 30 years as measured by the three most recent decennial censuses).

If the applicant resides within one of the geographic areas, they are designated "socially disadvantaged."

For the second step, our application will also have a section in which the applicant can self-attest to qualifying as a "socially disadvantaged individual". The attestation will ask the applicant if they identify as a "socially disadvantaged individual" based on the following definition: "Socially disadvantaged individuals are those whose

1. Ability to purchase or own a home has been impaired due to diminished access to credit on reasonable terms as compared to others in comparable economic circumstances, based on disparities in homeownership rates, stemming from circumstances beyond the individuals control

2. Member of a group that has been subjected to racial or ethnic prejudice or cultural bias within American society or

3. individual with limited English proficiency".

This will be a yes/no question in response to the definition above. If the applicant satisfies step one or provides a self-attestation in step two, the applicant will be considered a "socially disadvantaged individual".

3.5 Application Process

Homeowners interested in the program will apply to the program through a secure portal monitored and maintained by the program management team. The application will be designed to meet the eligibility and compliance requirements while reducing the documentation burden to the applicant, as recommended by Treasury. Applicants will experience a user-friendly and easily digestible application. As applications are submitted, the application processing team will evaluate and review applications. In addition to their application, applicants will be required to submit specific documentation to support their application. The application processing team will contact and assist applicants should additional documentation or explanation be needed to process the application. The program will also have a paper application process available to accommodate any applicants unable to apply through the online portal, as well as accommodations for other applicant needs.

3.6 Payment Process

Payments will be made directly to the lender, servicer, utility provider, internet provider, or other applicable third-party authorized to collect eligible charges. For payments in the mortgage reinstatement program, payments will be made using the Common Data File ("CDF") process. For the utility and internet program, the information will be compiled within the system to produce a payment file. Once the payment file is assembled, the file will be transmitted through a secure portal to the payment team, a separate team to ensure proper controls and segregation of duties between the eligibility and payment teams. The payment team will use the payment file to initiate payments to utility providers, internet providers, or other applicable third-party authorized to collect eligible charges based on the information provided in the payment file.

3.7 Marketing and Targeting Efforts

ADFA will focus first on marketing and outreach to those populations meeting the income-targeting limits and populations which are socially disadvantaged. The outreach efforts will use demographic data to identify these potentially qualified applicants. Information compiled in our data driven analysis is also being used in development of the marketing and outreach efforts. The market data allows us to view each county's population by income, race/ethnicity, and homeownership. In addition, the data provides statistics on the county's smartphone ownership and internet access. ADFA will use this data to guide the outreach efforts by the county and allow us to tailor our materials to best suit the citizens of an area.

The communications plan will combine strategic partnerships with businesses, mortgage servicers, cities and counties, community and faith leaders, and print, radio, and digital media. ADFA's partners will serve as connection points and will be provided an outreach toolkit to help disseminate information in their spheres of influence. These toolkits will include digital/social graphics and pre-crafted posts, posters, fliers, FAQs and eligibility documents, website links, and talking points documents.

All materials will be provided in English, Spanish, and Marshalles, and the Call Center will also be equipped to support additional languages as needed.

Additionally, ADFA has built and will maintain a website to educate and inform potential applicants by providing details on eligibility, requirements, program status updates, and an online application portal. The website has already been deployed to provide the community and stakeholders with general information regarding the process for plan submission and the ability to track the status of the program launch. Additional information will continue to be developed for the website and added upon approval of the plan from the Treasury. ADFA will create a program social media page that will share important information. The HAF will use targeted paid social media ads to reach identified populations. Printed fliers and posters will be distributed from critical locations. Broadcast Public Service Announcements and local news and talk radio will also be used to share program details.

ADFA recognizes the success of this program is largely dependent upon effective marketing and outreach. Therefore, strong emphasis and efforts will be dedicated to ensuring the citizens of Arkansas, especially those in the income-targeting group and socially disadvantaged group, are aware of the program and have the resources needed to apply.

3.8 Other Available Sources of Assistance

ADFA understands the importance of ensuring homeowners are aware of all available assistance programs. The HAF program will make an effort to connect homeowners with other assistance programs as needed. As outlined in the Utility and Internet Program Term Sheet, applicants will have requirements on efforts to connect with other programs. See the Program Term Sheets for additional information.

In addition, other assistance programs and organizations could include Home Telephone Service, Arkansas Community Action Agencies, Legal Aid groups, United Way 211, etc.

3.9 Best Practices and Coordination with Other HAF Participants

Through its affiliation with the National Council of State Housing Authority ("NCSHA"), ADFA has been communicating with peer Housing Finance Agencies ("HFA") on an almost daily basis since being selected to administer this program in Arkansas. There are now, at a minimum, weekly calls between multiple levels of staff of multiple State HFAs and Arkansas that provide a platform for sharing best practices and innovative ideas. Sharing of files and forms has been prolific and has been instrumental in forming our plan and program. We have also been working daily with our servicers to ensure that our data is relevant in our decision-making.

4 Performance Goal

Program Design Element	Metrics of Success	Goal
Allow homeowners to reinstate mortgages or pay other housing-related costs	★ Number of home losses avoided due to HAF funds ★ Dollar amount paid for mortgage related expenses ★ Number of days spent to provide assistance from application to funding	★ Assist 1,900 homeowners with risk of home loss ★ Commit $50.9M dollars of mortgage reinstatement assistance ▶ $30.5M dollars to LMI ★ 45 days to provide assistance once applicant has provided all required documents
Payment assistance for homeowner's utilities (e.g., electric,gas, home energy, and water)	★ Dollar amount paid for utility related delinquencies ★ Number of days spent to provide assistance	★ Commit $2.4M dollars of utility assistance ▶ $1.4M dollars to LMI ★ 45 days to provide assistance once applicant has provided all required documents
Payment assistance for homeowner's internet service (e.g., broadband)	★ Dollar amount paid for internet related delinquencies ★ Number of days spent to provide assistance	★ Commit $506k dollars of internet assistance ▶ $304k dollars to LMI ★ 45 days to provide assistance once applicant has provided all required documents

5 Readiness

5.1 Staffing and Systems Overview

The State of Arkansas has engaged HORNE LLP ("HORNE") and ProLink Solutions ("ProLink") to assist in the program planning and administration. Since late May, both vendors have been working with the state to develop the plan and system and prepare to execute the program launch. HORNE will be responsible for project management, program administration, marketing, and call center operations. ProLink will provide the system solution and necessary system training for the HAF program. The system of record for the program will be ProLink+. ProLink+ has been deployed for the pilot program. Development to improve the overall applicant experience will continue in an effort to be ready to launch the full program following approval from Treasury. The call center is utilizing the Five9 system, which is described further below. The call center has launched and is currently providing services for the pilot program as well as general inquiries related to the larger program. Our program team has been staffed by local Arkansans.

5.2 Program Administration/Project Management

HORNE will serve as the program administrator for the State of Arkansas. HORNE has over 15 years of experience administering federal funding. Including relevant experience in administering housing programs and expertise in federal funding related to the coronavirus pandemic. With more than 1,900 employees, HORNE stands ready to deploy resources immediately and ramp up resources as the program needs demand.

HORNE has a team of Program Management and Subject Matter Experts already deployed and dedicated to the Arkansas HAF program. The dedicated team includes, but is not limited to, attorneys, Certified Public Accountants, and experts in LMI housing programs to ensure all angles are considered and covered.

Standard Operating Procedures ("SOP") have been developed and implemented for the pilot program. The SOPs for the pilot program are the starting point for the larger program. Program Management is actively preparing the SOPs for the larger program, with completion anticipated following any additional feedback and final approval from Treasury.

5.3 Call Center

The call center and customer service management functions will provide professional, compassionate, and empathetic service to the citizens of Arkansas. A turn-key solution, including a robust cloud contact technology – Five9, has been deployed. The Call Center will also be equipped to support multiple languages as needed.

Five9 is a proven technology solution that can route, manage, and provide reporting data for all daily contacts. The system's capacity is only limited by the number of Customer Service representatives ("CSR") answering calls. HORNE has significant experience with Five9 from similar programs, allowing the team to use best practices in configuring and launching the solution for the Arkansas HAF.

CSRs went through extensive training one week before the call center launch, including training on high quality and empathetic customer service, ProLink+, Five9 system, and the program's requirements. The state has secured a location for the call center, which is now being used for call center operations. Staffing levels are determined based on our experience in other federally funded coronavirus relief programs and anticipated call volumes. The Five9 technology has the capability of tracking call volume and anticipating staffing levels based on call volume. The call center manager will closely monitor the volumes to determine if staffing levels are appropriate to meet the demand. HORNE has CSRs that will be cross-trained to step in and assist during times of increased call volume if additional resources are needed.

5.4 Application Processing

Application processing will be supported by a team of QAQC Supervisors and Eligibility Analyst. The team has been hired and trained to support the pilot program. The staffing levels have been estimated based on the number of anticipated applications. As data becomes available in the pilot program and throughout the larger program, HORNE is prepared to scale up quickly should additional resources be needed to meet the demand and ensure timely approval and funding.

Training has been provided to the team members dedicated to the pilot program, which included training on ProLink+, SOPs, extensive training on the program details and overall HAF guidance released by Treasury. Additional training will be held prior to launch of the larger program for any changes made based on feedback from Treasury.

5.5 System Solution

ADFA has chosen ProLink as the software provider for the HAF implementation. ProLink has been in the Affordable Housing Technology business for over 20 years, and clients include state and local housing finance agencies, tax credit syndicators/investors, and developers. ProLink+ is an updated version of a system ProLink built to support the Hardest Hit Fund. By using this existing technology to support the HAF program, they can launch on an expedited timeline. In addition, the technology includes a public-facing Homeowner Portal website and an Agency Portal website, which serves as a workspace for ADFA and its service providers for the HAF program. These two websites operate off of a single database, ensuring data integrity across the system. ProLink+ is being used for the Pilot Program; therefore, it will be ready and available to the public in Arkansas on the first day of the program launch. ADFA and HORNE received training on the operation of the ProLink+ software during mid-June for the Pilot Program.

5.6 Pilot Program

The state received the initial 10 percent payment from Treasury and has launched a pilot program to deliver immediate resources to a targeted population. An assessment was done on loans originated by ADFA to determine the targeted population for the pilot program, specifically targeting the reduction of mortgage delinquencies. Initially working with two servicers, US Bank and ServiSolutions - Alabama, information was gathered on the potential applicants demonstrating a need of up to $7,174,155 for approximately 1,440 homeowners. As the pilot program continues, ADFA is currently working to expand the pilot program population.

ProLink+, as described in previous sections, is the system of record for the pilot program. As the pilot program continues, we will use best practices to shape the upcoming program and remaining system development. In addition, using ProLink+ to administer the pilot program allows the program administration team to become experts at the system and fine-tune policies and procedures, leading to significant efficiencies for the larger program launch.

During the pilot program, data will be monitored to determine if the program design should be modified, such as program caps and eligibility determinations.

Several modifications to this plan are a result of data gathered during the pilot program.

6 Budget

HAF Program Budget

Mortgage Reinstatement Program	$	50,906,936
Payment Assistance for Homeowner's Utilities	$	2,417,415
Payment Assistance for Homeowner's Internet Service	$	506,415
TOTAL	**$**	**53,830,766**
PROGRAM RELATED ADMIN:		
IT Costs	$	1,266,606
Administration, Underwriting, Call Center, Marketing and Outreach, Etc.	$	6,399,999
Other Administration Costs	$	1,832,942
TOTAL ADMINISTRATION COSTS	**$**	**9,499,547**
PROGRAM ALLOCATION*	**$**	**63,330,313**

* Treasury allocated $63,330,313 to the State of Arkansas for HAF. States are required to set aside 60 percent of the allocation to be made available to homeowners having incomes equal to or less than 100 percent of the AMI or equal to or less than 100 percent of the median income for the United States, whichever is greater. The HAF program will allocate 25 percent of the total allocation to other eligible homeowners, with prioritization on the socially disadvantaged group. Based on Treasury guidance, an aggregate amount not to exceed 15 percent of the total funding from the HAF will be used for expenses related to planning, community engagement, needs assessment, and administrative expenses related to the HAF participant's disbursement of the HAF funds.

Appendix A

ARKANSAS MORTGAGE REINSTATEMENT PROGRAM

CRITERIA	PROGRAM TERMS
Brief description	Provide funds to eliminate or reduce past due payments and other delinquent amounts, including payments under a forbearance plan, on forward mortgages, or loans secured by manufactured homes. HAF Funds may be used to bring account partially or fully current, and to repay amounts advanced by the lender or servicer on the borrower's behalf for property charges, including property taxes, hazard insurance premiums, flood or wind insurance premiums, ground rents, condominium fees, cooperative maintenance fees, planned unit development fees, homeowners' association fees or utilities that the servicer advanced to protect lien position. Payment may also include any reasonably required legal fees. If the maximum amount per program cap is less than the total amount needed to bring the homeowner current on all existing mortgages, the homeowner may cover the shortfall if acceptable by the servicer. Homeowners who indicate during the pre-qualification survey they are unable to resume mortgage payments – even if the loan was reinstated - will be referred to their servicers, housing counselors and/or legal services to explore alternate loss mitigation options. Housing counselors and legal services can help these homeowners work with their loan servicers to achieve a loss mitigation solution that best fits their hardship.
Maximum amount of assistance per homeowner	Each Homeowner will be eligible for up to $40,000 through this program to be used only for the homeowner's primary residence.
Homeowner eligibility criteria and documentation requirements	**General Eligibility Requirements (based on Treasury guidance provided August 2, 2021):** ★ Homeowner has experienced a financial hardship after January 21, 2020 (including a hardship that began before January 21, 2020, but continued after that date), and provided an attestation describing the nature of the financial hardship ★ Homeowner has incomes equal to or less than 150% of the area median income or 100% of the median income for the United States, whichever is greater ★ Homeowner must be applying for assistance related to the dwelling that the homeowner owns and is the homeowner's primary residence **Same as General Eligibility Requirements (noted above) plus:** ★ Property must be located within the state of Arkansas ★ Property must not be vacant, abandoned or condemned ★ Mortgage must be held by a lender/servicer with an NMLS number, which would include federally backed and privately funded mortgages. Private party mortgages are ineligible for assistance **Indicate documentation requirements listed here** (Additional documentation could be required based on specific circumstances, but the program is committed to reduce documentation barriers as feasible): **Documents required for all applicants:** ★ Identification for the Borrower & Co-borrower(s), (if applicable) ★ Income documents for the Borrower & Co-borrower(s), (if applicable) - (e.g., 2020 federal tax return, W-2s, other wage statements, unemployment statements, social security statements, etc. ,unless exempt based on fact-specific proxy) ▶ **NOTE: Household income will be determined based on Borrower & Co-borrower(s) income only, as those represent the individuals financially responsible for the mortgage** ★ Proof of homeownership, ONLY if cannot be determined by HAF based on publicly available ownership records ★ Documents from mortgage servicer demonstrating delinquency. Documents should indicate the account number, payment amount, payment due date, total past due amount, type of loan, and payment remittance address (e.g., most recent mortgage statement, letters from mortgage holders, etc.) ★ Original mortgage to determine if the unpaid principal balance of which was, at the time of origination, not more than the conforming loan limit ▶ This will ONLY be required from applicant if cannot be determined by the program based on publicly available records or corrdination with the serviers

CRITERIA	PROGRAM TERMS
Homeowner eligibility criteria and documentation requirements	**Additional documents that could be needed based on individual situations:** ★ Power of attorney or probate documents, if applicable ★ Zero income attestation form, if applicable ★ Self-employment attestation form, if applicable **Documents to be completed within the system as part of application:** ★ Third-party authorization form ★ Financial hardship self-attestation form ▶ **NOTE: For program documents, if the applicant needs certain accommodations, the forms can be provided in other formats (e.g., paper application, additional languages, etc.)** ★ Acknowledgment of Program Terms and Conditions
Loan eligibility criteria specific to the program	Delinquent by at least two payments, including any payments during a forbearance period.
Form of assistance	Assistance will be structured as a non-recourse grant.
Payment requirements	Payments will be made directly to the lender or servicer, as appropriate.

ARKANSAS UTILITY/INTERNET/BROADBAND PAYMENT ASSISTANCE TERM SHEET

CRITERIA	PROGRAM TERMS
Brief description	Provide funds to resolve delinquent payments for utility and/or internet access services. HAF funds may be used to pay delinquent amounts in full, including interest or reasonably required legal fees, under circumstances in which a delinquency threatens access to utility or internet services. The provided assistance must bring the homeowner's account current. If internet access services are bundled with other services, the bundled services can be included as an eligible expense, as partial funding would threaten access to internet services.
Maximum assistance per homeowner	Each Homeowner will be eligible for up to $2,500 through this program with respect to the applicant's primary residence.
Homeowner eligibility criteria and documentation requirements	**General Eligibility Requirements (based on Treasury guidance provided August 2, 2021):** ★ Homeowner has experienced a financial hardship after January 21, 2020 (including a hardship that began before January 21, 2020, but continued after that date), and provided an attestation describing the nature of the financial hardship ★ Homeowner has incomes equal to or less than 150% of the area median income or 100% of the median income for the United States, whichever is greater ★ Homeowner must be applying for assistance related to the dwelling that the homeowner owns and is the homeowner's primary residence

CRITERIA	PROGRAM TERMS
Homeowner eligibility criteria and documentation requirements	**Same as General Eligibility Requirements (noted above) plus:** ★ Property must be located within the state of Arkansas ★ Property must not be vacant, abandoned or condemned ★ Homeowner is at least two installment payments in arrears on one or more of the following: • utilities, such as electric, gas, home energy, and water OR • internet service, including broadband internet access service ▶ NOTE: If an eligible homeowner is on a payment plan for utility/internet expenses incurred prior to the application date, those expenses will be considered arrears and can be included as eligible expenses. ★ Assistance sufficient to resolve the delinquency is not available from Arkansas Low Income Home Energy Assistance Program ("LIHEAP") and, without HAF assistance, the homeowner is likely to lose services **Indicate documentation requirements** (Additional documentation could be required based on specific circumstances, but the program is committed to reduce documentation barriers as feasible): **Documents required for all applicants:** ★ Identification for the Borrower & Co-borrower(s) (if applicable) ★ Income documents for the Borrower & Co-borrower(s) (if applicable) (e.g., 2020 federal tax return, W-2s, other wage statements, unemployment statements, social security statements, etc., unless exempt based on fact-specific proxy) ▶ **NOTE: Homeowner income will be determined based on Borrower & Co-borrower(s) income only, as those represent the individuals financially responsible for the mortgage** ★ Proof of homeownership ONLY if cannot be determined by the program based on publicly available ownership records ★ Documents from utility companies or internet company demonstrating delinquency. Documents should indicate the account number, payment amount, payment due date, total past due amount, type of utility/internet charges, and payment remittance address (e.g., most recent statement) ★ Original mortgage to determine if the unpaid principal balance of which was, at the time of origination, not more than the conforming loan limit ▶ This will ONLY be required from applicant if cannot be determined by the program based on publicly available ownership records or corrdination with the servicers ★ If applying for assistance that is covered under the LIHEAP, document demonstrating the applicant has applied for LIHEAP and provide evidence that they were either denied or require more assistance than was able to be provided through LIHEAP ★ Self-attestation form certifying the applicant has attempted to obtain assistance from other programs and assistance sufficient to resolve the delinquency is not available from other utility or internet assistance programs, and without HAF assistance, the homeowner is likely to lose services **Additional documents that could be needed based on individual situations:** ★ Power of attorney or probate documents, if applicable ★ Zero income attestation form, if applicable ★ Self-employment attestation form, if applicable **Documents to be completed within the system as part of application:** ★ Third-party authorization form ★ Financial hardship self-attestation form ▶ **NOTE: For program documents, if the applicant needs certain accommodations, the forms can be provided in other formats (e.g., paper application, additional languages, etc.)** ★ Acknowledgment of Program Terms and Conditions

CRITERIA	PROGRAM TERMS
Loan eligibility criteria specific to the program	N/A
Form of assistance	Assistance will be structured as a non-recourse grant.
Payment requirements	Funds will be paid directly to the utility provider, internet provider, or other applicable third-party authorized to collect eligible charges.

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