

MEMORANDUM

To: CalHFA Board of Directors Date: March 11, 2015

From: Di Richardson, Director of Legislation 
CALIFORNIA HOUSING FINANCE AGENCY

Subject: Keep Your Home California Update

Attached please find the current update on KYHC activity. This report is based on our latest quarterly data, which ended December 31, 2014.

- This quarter, through a controlled beta that limited transaction volume, KYHC implemented the Reverse Mortgage Assistance Pilot Program (“RevMAP”) to a select group of reverse mortgage servicers. RevMAP is designed to provide financial assistance to eligible senior homeowners who are in default with their FHA home equity conversion mortgages (“HECM”) because of failure to pay required property expenses such as property taxes and homeowner’s insurance. Eligible senior homeowners who have a valid hardship are eligible to receive up to \$25,000 dollars in program assistance. Full implementation of the RevMAP launched on January 26, 2015. As a result, CalHFA MAC anticipates increased production that will be reflected in upcoming reporting periods.

The Principal Reduction Program (PRP) showed a marked improvement in the following key areas:

- The PRP transaction pipeline continues to show steady improvement. Servicer participation grew 22% in 2014 with the addition of 26 registered servicers since Q4 2013. The most popular utility continues to be Recast which enables a homeowner to obtain an affordable payment and reduce the total debt associated with their first mortgage without use of a servicer-provided loan modification.
 - Of the 520 approved PRP transactions for the quarter, 280 (54%) homeowners received assistance through the Recast utility.
- For the quarter, approved PRP transactions (includes Recast, Modification and Curtailment utilities) resulted in a reduction of the median property loan-to-value from 142% to 111%. The median monthly payment was reduced \$277 per month, from \$1,468 to \$1,191; an almost 21% reduction. The median homeowner debt-to-income ratio was also reduced from 34% to 27%.
- PRP Curtailment volume grew this quarter with 74 approved transactions as compared to 52 approved transactions in Q3 2014. The PRP Curtailment utility is designed to help homeowners with investor and/or loan restrictions that prevent a loan recast or modification. PRP Curtailment enables the homeowner to reduce the amount they owe on their first mortgage loan to an appropriate level of debt that meets KYHC program guidelines.

The following chart contains pre- and post-assistance metrics for each of the three PRP utilities (i.e., Recast, Modification and Curtailment) for Q4 of calendar year 2014. Because the three PRP utilities each comprise a subset of the total PRP transaction population reported in the Quarterly Performance Report, the per-utility details provided differ from the total PRP production.

Principal Reduction Program (PRP) - Q4 2014

	Recast			Curtailment			Modification (2)		
	Pre Assistance	Post Assistance (3)	Change	Pre Assistance	Post Assistance (3)	Change	Pre Assistance	Post Assistance (3)	Change
Median Principal Balance (1)	\$256,043	\$184,602	-\$71,441	\$243,289	\$185,061	-\$58,228	\$311,732	\$258,014	-\$53,718
Median Monthly Payment	\$1,394	\$1,116	-20%	\$1,317	\$1,300	-1%	\$1,807	\$1,323	-27%
Loan to Value	140%	109%	-22%	141%	110%	-22%	145%	116%	-20%
Debt to Income %	32%	27%	-16%	31%	29%	-6%	39%	29%	-26%
Median Assistance	\$74,000			\$68,700			\$36,360		
Homeowners Approved	280			74			166		
Homeowners Approved	54%			14%			32%		

(1) Median Principal Balance Change includes impact of KYHC assistance and investor forbearance

(2) Post-assistance Principal Balance involving a loan modification includes impact of investor match and/or forbearance in addition to KYHC assistance. Median assistance reflects only KYHC contribution.

(3) Post-assistance results for each PRP utility are acquired from servicer reports that are provided to KYHC on a flow basis. As a result, post-assistance results may not capture the entire population of the pre-assistance data reported for all approved homeowners.

Additional areas of interest:

- Program administration expenses, as a percentage of benefit assistance dollars provided for the quarter and from program inception, were 9.3% and 11.3%, respectively.
- Unique homeowners receiving assistance in the quarter and from program inception were 2,476 and 46,018, respectively. The total number of homeowners projected to receive assistance from KYHC programs is expected to be on target or grow through calendar year 2015.

The following chart contains by-program summary data for Q4 2014.

Homeowner Approvals - Q4 2014		
Program	2014 - Q4	
Unemployment Mortgage Assistance (UMA)	1,541	53%
Mortgage Reinstatement Assistance Program (MRAP)	749	26%
Principal Reduction Program (PRP)	520	18%
Transition Assistance Program (TAP)	75	3%
Reverse Mortgage Assistance Program (RevMAP)	0	0%
Community Second Mortgage Principal Reduction Program	0	0%
Total	2,885	100%

- Despite continued improvement to California's statewide unemployment figure (1) approximately 35% of the unemployed population have been out of work for more than 27 weeks; beyond the maximum unemployment benefit period provided by the state's Employment Development Department. This market condition lead CalHFA MAC to extend its maximum UMA program benefit period from 12 months to 18 months and enable homeowners who are no longer receiving state employment benefits to qualify for continuing benefits. This program change was implemented late in the quarter. As a result CalHFA MAC anticipates increased volume in the UMA program that will be reflected in upcoming reporting periods.

(1) California's statewide unemployment rate improved from 7.9% as of December 31, 2013 to 7.0% as of December 31, 2014.

- UMA program approved applicants for the quarter and from program inception were 1,541 and 36,326, respectively. Program to date, 25% of UMA recipients ended their assistance as a result of becoming re-employed.
 - The percentage of homeowners who ended their UMA assistance as a result of becoming re-employed for the quarter was 29.6%, which is slightly below Q3 2014. Fifty one percent (51.1%) of the homeowners who became re-employed this quarter did so between the ninth and twelfth months of unemployment.
- Mortgage Reinstatement Assistance Program (MRAP) approved applicants for the quarter and from program inception were 749 and 7,918, respectively. Ninety four percent (94%) of all MRAP approved applicants received assistance as a pure reinstatement. Five percent (5%) received MRAP assistance in conjunction with a loan modification and one percent (1%) of the transactions were cancelled after funding. MRAP assistance helped reduce or eliminate arrearages and loan expenses that would have been capitalized (added) to the unpaid principal balance before the loan was modified to achieve an affordable payment.
- Overall, 99%, 98% and 93% of the homeowners still own their homes six (6), twelve (12) and twenty-four (24) months after receiving KYHC assistance, respectively. Of the 1,429 homeowners that no longer own their homes 24 months after receipt of KYHC assistance, 579 were due to home resale,

733 were due to a short sale* and 117 were due to foreclosure**. KYHC recovered \$6,956,752.07 (54%) of total assistance provided to homeowners that no longer remained in their home 24 months after receiving benefit assistance.

* Short sale defined as a sale where KYHC did not recover 100% of assistance provided.

** KYHC may have recovered some portion of assistance provided.

- Seventy four percent (74%) of homeowners who received KYHC benefits since program inception are below 80% of the area median income (AMI) for their county of residence.

As of the date of this report, the following chart provides year-over-year information on total and by-program servicer participation levels and growth from Q4 2013 through Q4 2014.

Servicer Participation – Q4 2014 / Q4 2013 Comparison				
Program	2014 - Q4	2013 - Q4	% Change	# Change
Unemployment Mortgage Assistance (UMA)	210	170	24%	40
Mortgage Reinstatement Assistance Program (MRAP)	205	168	22%	37
Principal Reduction Program (PRP)	142	116	22%	26
Transition Assistance Program (TAP)	136	111	23%	25
Reverse Mortgage Assistance Program (RevMAP)	5	0	100%	5
Community Second Mortgage Principal Reduction Program	N/A	N/A	N/A	N/A
Participating in All Programs *	113	91	24%	22

* Excludes Community Second Mortgage Principal Reduction Program.

The following tables provide summaries of the statistical reporting data for U.S. Treasury including explanations of trends and program results.

Homeowners Assisted by Program

Through December 31, 2014, 46,018 unique homeowners have received assistance from the KYHC program. Three thousand nine hundred eighty-eight (3,988) homeowners have received secondary assistance from KYHC including 2,281 homeowners that received UMA program assistance more than once, four (4) homeowners received additional MRAP program assistance **, fifteen (15) homeowners received additional PRP program assistance and 1,688 homeowners received assistance from a unique, second KYHC program. A breakdown by program of homeowners assisted, assistance provided to date and remaining assistance committed is illustrated in the following chart.

**MRAP funds were provided, returned in error by the Servicer, and provided again. These homeowners did not receive two reinstatements.

Homeowners Assisted - Program to Date Q4 2014					
Program	Count		Amount Awarded		Remaining Commitment *
Unemployment Mortgage Assistance (UMA)	36,326	73%	\$480,238,149	54%	\$60,537,160
Mortgage Reinstatement Assistance Program (MRAP)	7,918	16%	\$106,052,341	12%	\$0
Principal Reduction Program (PRP)	4,935	10%	\$294,382,284	33%	\$0
Transition Assistance Program (TAP)	793	2%	\$2,827,169	0%	\$0
Reverse Mortgage Assistance Program (RevMAP)	0	0%	\$0	0%	\$0
Community Second Mortgage Principal Reduction Program	34	0%	\$589,210	0%	\$0
Total	50,006	100%	\$884,089,154	100%	\$60,537,160

* Remaining Commitment includes benefit funds that are reserved for homeowners contingent upon homeowner's ongoing unemployed status.

Also included in the remaining commitment amount shown above are approved homeowner transactions whose assistance was temporarily suspended by KYHC. An example of an approved but temporarily suspended transaction is a loan that is service transferred before the assistance has been paid in full to the transferor servicer. These transactions require special review and handling while the transferee servicer information is obtained. As of December 31, 2014, 19 homeowners who were approved for UMA had their assistance temporarily suspended for a total of \$208,681.29 in suspended assistance.

We continue to analyze our programs and ineligible statistics to come up with additional changes to make the programs more effective. The next report will highlight changes that are being implemented in the first quarter of 2015 which we believe will have a significant impact on our success rate.

As always, there is a lot more information on the Keep Your Home California website, including detailed statistics. Those reports can be found at <http://keepyourhomecalifornia.org/quarterly-reports/>. I look forward to hearing from you if you have any additional questions or thoughts about the programs.