



ILLINOIS HOUSING DEVELOPMENT AUTHORITY

NATIONAL FORECLOSURE MITIGATION COUNSELING PROGRAM (NFMC)

ROUND 6

APPLICATION GUIDE

I. PROGRAM OVERVIEW

The Illinois Housing Development Authority is submitting an application to NeighborWorks America (NWA) to receive federally appropriated foreclosure mitigation counseling funds under the National Foreclosure Mitigation Counseling Program (NFMC). This grant will cover counseling provided within the period of October 1, 2011 and December 31, 2012.

If you are interested in being part of our joint application, please complete the attached application spreadsheet. You must fill out this application even if you have been awarded Round 5 funds.

NeighborWorks is requesting IHDA to have a completed application submitted on January 30, 2011. Therefore, we have a very limited time to compile all potential sub-grantees' applications. We are giving you as much time as possible. To ensure your participation in Round 6 please be sure your submission is accurate and error free. Be sure to attach all items on the checklist with your application submission.

We must receive your completed application **no later than Thursday, January 19, 2012 at 2:30pm.** Please email your completed application to Amber Lockwood at alockwood@ihda.org. You may submit your signed signature page and supporting documents through PDF (scan) or you can fax to 312-832-7693.

Changes under Round 6

- All requested items due at time of submission (this is not for legal documents)
- Information about your agency's financial audits/financial statements requested
- Disclosure Letter to receive NFMC funds under additional Grantees other than IHDA, due with application
- Letter due with application explaining why your agency does not perform financial audit, if applicable
- Questions about how and when you will use your Round 5 dollars
- Questions regarding organizational systems for storing and disposing of information
- Demonstrated experience
- Updated Details for each level of counseling
- Several questions about compliance and federal investigations
- Several questions regarding the agency Service Model
- Duplicate Reset

Use of Funding

The National Foreclosure Mitigation Counseling Program (NFMC) will cover direct counseling and Program Related Support. Your direct counseling request is linked to the number of clients you project you will counsel during the grant period. Program Related Support covers the activities you will undertake to increase your capacity to provide foreclosure mitigation counseling. (See instructions below for more detail on these funding types). For more information on NFMC, please visit the NeighborWorks America web site at www.nw.org/nfmc.

Demonstrated Experience

To be eligible for funding, applicants to IHDA will need to demonstrate their experience working with financial institutions and borrowers facing default, delinquency, or foreclosure.

In particular, your organization will need to meet one of the following experience thresholds:

1. Provided foreclosure counseling services that included documented action plans to at least 50 people during the past year, or 20 people during the past quarter; or
2. Provided foreclosure counseling services that included documented action plans to at least 25 people during the past year or 10 people during the past quarter AND > 75% of your service area is rural; or
3. Provided foreclosure counseling services that included documented action plans to at least 12 people during the past year AND has at least one comprehensively trained and qualified foreclosure counselor on staff.

Match Requirements

As an applicant, IHDA must demonstrate at least a 20% match to be eligible for funds. As a joint applicant, you are not required to provide match in order to be eligible for funding, however, the higher IHDA's ratio of match to grant funds, the more competitive our overall application will be. More guidance is provided on page 22.

Duplicate Reset

Recognizing that some homeowners who have received foreclosure counseling in past NFMC grant rounds may now experience new circumstances which threaten their ability to remain current on their mortgages, such as a loss of job or reduction in income, NFMC is "resetting" the duplicate check so that any client who received counseling services **prior to January 1, 2011** will be eligible to be counseled again by an NFMC grantee on or **after January 1, 2011 at any level**. Grantees who take advantage of this rule must document that the client received the appropriate level of service again, after January 1, 2011, and all required documentation as described in the "Level and Funding Explanation" section on page 10 is maintained in the client file, with the new intake date. In order for a client to be uploaded into the Data Collection System for payment, the homeowners must have received a new counseling session after January 1, 2011, and all required documentation must be updated as of the new intake date and filed.

Draw Schedule

Release of grant funds for this program will be based on achievement of production goals. NeighborWorks has created the following draw schedule:

- **1st Draw** (upon receipt of grant agreement): typically 10% of counseling award + 25% of Program Related Support;
- **All Subsequent Draws:** All counseling award payouts after the first draw will be based on your production in the previous month.

- **Counseling Funds will be disbursed according to the following formula:**
 \$150 per client that received Level 1 counseling during the previous month,
 plus
 \$300 per client that received Level 2 counseling during the previous month,
 plus
 \$150 per client that received Level 4a counseling during the previous month,
 plus
 \$300 per client that received Level 4b counseling during the previous month.
These levels are explained below in *Factor 4*

Program Related Support: Applicants will be eligible for a flat 20% of total requested counseling amount to use for Program Related Support. In order to receive these funds after the first draw you will be required to submit expenditure reports on a monthly basis for out-of-pocket expenses incurred for Program Related Support. (You will not be required to exhaust the initial disbursement before receiving the reimbursable payments.) These funds must be expended during the grant period.

IHDA Approval Process:

- 1. NFMC Staff Review:** IHDA's NFMC staff will review all submitted applications. NFMC Staff will review based on individual answers to the questions, service areas, etc. For returning applicants past performance and compliance will be considered. IHDA reserves the right to fund an application for less than the requested amount. All decisions by IHDA are FINAL.
- 2. IHDA Application:** NFMC staff will compile all chosen applications and submit a comprehensive application to NeighborWorks America requesting participation in Round 6.
- 3. NeighborWorks Review:** NWA reviews all applications submitted by Housing Finance Agencies (HFA) and NeighborWorks Organizations (NWO). They determine the amount for each Grantee based on overall performance and experience in previous rounds. They factor in the experience and geographic areas served by the sub-grantees. In most cases, the requested amount is reduced in order to accommodate the amount of applicants. After determining recipients, NWA will send out grant agreements to the HFAs and NWOs and post award amounts on their website (www.nw.org/nfmc).
- 4. NFMC Redistribution:** NFMC staff will use their discretion to determine each sub-grantees final award amount based on the award amount given by NWA, past performance, geographic needs, and any other relevant factors.
- 5. Board Meeting:** Applications approved will be presented to the IHDA Board of Directors for approval. Board Meetings are held on the third Friday of each month.
- 6. Grant Agreements:** Following approval by the Board, IHDA's legal department will create and distribute grant agreements to each agency. The agreement details the terms of the program. The agreement must be signed by each agency and returned to IHDA along with the appropriate supporting legal documents.
- 7. Closing:** All legal documents are signed at closing. No funds will be administered and no clients will be uploaded until all legal documents have been returned by each agency to IHDA's Legal Department and they administer a close memo.

II. APPLICATION INSTRUCTIONS

There are ten (10) tabs included in the attached Excel Workbook, *Round 6 Sub-Grantee Application*, each corresponding to the titles listed in bold below. Please be sure to complete each section. It is important that you answer completely. If there is a box for narrative please be thorough, a full paragraph is ideal. Further instructions are outlined below.

A. Cover Sheet:

Please enter your agency name and BranchID on the appropriate lines. The BranchID is used by IHDA and NeighborWorks to identify your agency throughout the entire round of funding. It will be used on every report you submit to IHDA regarding NFMF. This number is unique to your agency. For new agencies, please use either your Tax ID number or your HUD identification number. If you are a returning IHDA NFMF sub-grantee, you should enter the same BranchID you are currently using for NFMF with IHDA.

B. Checklist:

This application sheet is a reminder of all items that must be included with your application submission. It is important that all requested items are returned with the application or your application will be incomplete and your funding could be jeopardized. With your application, you must be sure the president or executive officer signs the signature page following Organizational Information. We are also requesting you attach all foreclosure training certificates from the last 24 months, for any staff that will be counseling or offering counseling advice under NFMF. If you will be receiving NFMF funds from any other source, we need a disclosure letter explaining how much you are requesting and from whom (see page 23). Lastly, we are requesting a letter due with the application, if your agency does not perform financial audits, explaining why. All items must be attached for your application to be complete.

C. Organization Information, Certification & Authorized Signature:

On this application sheet you will indicate your organization name, all contact information, agency locations, the number of months the organization has provided foreclosure counseling, HUD certification information, and any other sources through which you will be applying for NFMF funds. This section also includes several required applicant certifications to confirm. ***If you cannot certify that all are true, your organization is not eligible for funding.*** If you are anticipating receiving NFMF funds from another source in addition to IHDA, please provide us with a disclosure letter with this information (please see page 23). It is important that you list the start and end date for your fiscal year, as well as when you expect your FY11 audit to be prepared. If you do not have an audit please explain why, and include a letter, attached to the application, explaining why your agency does not have financial audits and what you use in place of this.

Finally, this section must include a signature by the president or executive officer of your organization certifying that the information contained in the workbook accurately reflects your foreclosure counseling program.

You may submit your signed signature page and supporting documents through PDF (scan) to alockwood@ihda.org, or you can fax to 312-832-7693.

D. Factor 1:

Factor 1 first asks for those agencies currently participating under Round 5 to explain what date you expect to fully expend your Round 5 funds. Be realistic in your estimation and timeline, and base the date on your most recent monthly counseling unit production. The table requests data on how your Round 5 units will be delivered from October 2011 to June 2012. If your organization projects in Question 1 that it will not fully expend its Round 5 award until late in the funding round and extension period, provide clear evidence that your organization needs the additional Round 6 funding (which must be completed by December 31, 2012) in order to meet demand.

You are required to describe any challenges you have experienced in implementing previous NFMC awards as well as how you have addressed those (i.e., staff turnover, training new and existing staff, data management, etc.). Where possible and appropriate, please quantify your challenges and the impact of the solutions you implemented, include hard facts or data showing that these solutions worked. Please be thorough. (For example, instead of just citing problems with staff turnover, quantify the staff turnover and how it affected your organization's counseling activity. When describing solutions implemented, quantify how many more clients were served and the progress made toward achieving counseling goals.)

You must explain if you have had any NFMC funds recaptured or de-obligated in Rounds 4 or 5. You must explain when and why this occurred, as well as what steps were taken to correct the issue that led to this. How are you ensuring that those changes are effective? Explain how your organization has monitored any changes made to ensure ongoing effectiveness.

It is also required that you explain any compliance findings your organization has had since January 2010 with HUD, NFMC or any other counseling source. *Please enter N/A if this does not apply to you.* Explain which program it occurred under and describe in detail what systems/processes your organization has implemented to avoid similar findings in the future. You must also indicate the timeline for fully implementing those corrective actions. The response should provide convincing evidence that the cause(s) of the findings have been addressed and corrected.

Explain if your organization had compliance findings from the NFMC Program Round 2 and 3 reviews in 2010. If so, detail the systems and processes your organization put in place to ensure similar findings are avoided in the future.

You must describe if you have had any HUD funds recaptured or de-obligated in 2010, 2011, 2012. You must explain when, why this occurred, as well as what steps were taken to correct the issue that led to this, and if you have monitored these changes for ongoing effectiveness. You must also indicate the timeline for fully implementing those corrective actions. The response should provide convincing evidence that the cause(s) of the recapture or de-obligation have been addressed and corrected.

Lastly, you are required to address if your organization or any of its branches or affiliates are under investigation related to foreclosure intervention counseling or the use of federal funds. Do you have a compliance or licensing finding or dispute with any federal, state, or local government agency regarding your authority to conduct business in any particular jurisdiction where you conduct or

propose to conduct counseling service? If the answer is yes, please provide specifics on these issues and how your organization has addressed or resolved the matter and if you have monitored these changes for ongoing effectiveness. You must also indicate the timeline for fully implementing those corrective actions.

E. Factor 2:

The purpose of *Factor 2* is to determine the qualifications of your organization's staff. Here you will explain the number of staff currently providing foreclosure counseling (paid and volunteer), number of additional staff that will be providing services if these funds are secured, average months of foreclosure counseling experience of those providing the services, number of staff certified or trained in foreclosure counseling, and the amount of client experience the counselors have. Please discuss the impact your proposed changes in number of counselors will have on your ability to fully implement the NFMC Program in Round 6.

Please note this new addition to the IHDA NFMC Application. Organizations are required to certify that they meet the National Industry Standards for Homeownership Education and Counseling guidelines on disposing of personally-identifiable information, which state, "Homeownership educators/counselors will dispose of client records in a manner that protects clients' confidentiality and is consistent with state governing records and social work licensure". Please explain in detail your organization's system of storing and disposing of personally identifiable information. Describe how your organization stores client records and explain how this ensures privacy and protects confidentiality. Also, describe your organization's methods of disposing of client records or other identifiable documents and how this aligns with state statutes.

Explain the mode of counseling your organization provides to clients, please enter the percentage of clients that receive each service as their primary service type, with all entries totaling 100%. Applicants must indicate the percentage of clients served through each service type. When added together, the percentages of all service types should equal 100%. Online, web-based, and other similar counseling methods can lack personal touch. What is your organization doing, if anything, to supplement these counseling methods and thereby enhance personal contact? Please provide a clear description for both Level One and Level Two clients.

Please note this new addition to the IHDA NFMC Application. It is requested that you answer if your agency provides direct lending to or servicing of loans for homeowners and address whether your organization has counselors on staff that will be providing foreclosure counseling. If so, explain how your organization provides counseling in such a way that there is no real or perceived conflict of interest and that the organization does not stand to benefit from particular counseling outcomes. Explain how your organization avoids perceived conflicts of interest. This includes avoiding actions that would result in, or create the appearance of, the counselor or organization conducting activities that would foster personal or private gain and ensure that lenders, servicers, Realtors and other housing partners – as well as individual customers – do not receive preferential treatment. Please include the rules, policies, and practices that are in place to ensure each of the following:

- Adequate firewalls exist between servicers/lenders and counselor staffing structures

- Adequate firewalls exist between client management systems of servicers/lenders and counselors
- Referral systems are in place that ensure that those individuals receiving loans or loan servicing from the Applicant do not receive counseling from individuals employed by the Applicant
- Homeowners are provided adequate notification that the Applicant provides these services and the homeowner is under no obligation to use them
- Counselors are trained to convey to homeowners the full range of options available to them.

You must list the funds previously awarded to your agency under NFMC and the actual amount you expended for each funding round. This applies whether or not these funds were awarded by IHDA. If you did not expend the full award by the end of the round and required an extension, please explain why in detail. We are also requesting that you also list your three (3) largest funding sources for your counseling program, **other than NFMC**, for the last three fiscal years. It is important that you also list, and briefly describe, the other services outside of the foreclosure counseling program that your agency offers. In addition, we are gathering information on how many counselors you have added in the last 12 months.

Lastly, please complete the table indicating the specific individuals at your agency who are or will be providing counseling services with NFMC funds, their years of experience in this area, and their titles. You must also include specific trainings these staff persons have participated in in the last 24 months, and their dates, which agency provided the training, how many hours the training was, and whether or not they received certification. Foreclosure training is required for all staff persons providing foreclosure counseling under NFMC. This training must have occurred **within the last 24 months**. (Please do not list training outside of that period.) Please note that NFMC follows National Industry Standards that offer specific guidelines on training:

Training: As soon as possible but no later than within 12-months of being hired, Foreclosure Intervention Counselors will obtain minimum training equivalent to no less than 30 hours of facilitated instruction, utilizing a variety of methods including lecture, interactive, demonstration, on-line and case study.

Recommended Benchmark: Those counselors new to foreclosure intervention and default counseling should (prior to seeing clients) be involved in an on the job training/coaching/mentoring program for at least 90 days. To best meet the client's needs in this highly specialized field, facilitated training in foreclosure intervention and default counseling should be completed within six months and no later than one year to obtain the competency and skills listed under the Core Operating Standards.

Continuing Education: Complete a minimum of 10 hours of continuing education annually in subjects primarily relative to the core content and delivery of foreclosure intervention and default counseling.

Recommended Benchmark: Professional certification continuing education requirements may meet or exceed this standard."

You must attach documentation of the listed certifications that staff has received.

F. Factor 3:

All applicants should fully describe their service delivery model. Provide thorough and detailed answers to each of the questions below. Fully describe each topic area, be precise, and emphasize any aspects that may be unique. Explain how each model helps to meet the demand for services, is responsive to the population being served, and is effective in meeting the needs of homeowners seeking services. Give a description of improvements or changes made over time and provide quantitative evidence on how those adjustments have improved your organization's program efficiency and/or effectiveness.

You should be sure to fully detail each category in the following sections:

a) Intake and triage procedures - provide specific details on your intake and triage systems and emphasize any aspects that may be unique. Indicate how long a potential customer must wait for a response from a counselor. Explain how this model helps to meet the demand for services and the needs of homeowners seeking services. Describe any improvements that have been made to your intake and triage systems and provide quantitative evidence describing how these improvements have made your program more efficient and effective. Indicate how long these systems have been in place and/or when you made the improvements;

b) Method of counseling used - Provide specific details on your counseling methods (including face to face, phone, internet, email, and/or group education/workshops) and emphasize any aspects that may be unique. Which methods do you use regularly? Which methods do you use less often? Explain how this model helps to meet the demand for services and the needs of homeowners seeking services. Describe improvements you have made to your counseling methods over time and provide quantitative evidence on how they improved your program. Indicate how long these methods have been in place and/or when you made these improvements;

c) Counseling staff roles - Indicate if counselors or other staff who work with foreclosure counselors (intakers, negotiators) are full-time, part-time, or volunteer; and whether they are fully dedicated to foreclosure services, or splitting their time between counseling and management of other programs. Explain how this model helps to meet the demand for services and the needs of homeowners seeking services. Describe any improvements to staff roles you have made and the impact of those changes. Indicate how long these changes have been in place and/or when you made these improvements;

d) Staffing models -Fully describe your organization's staffing models and indicate if staff are specialized or handle multiple aspects of the process. (For example, some counselors do only intake and budget counseling, while other counselors are dedicated to securing outcomes and all negotiations with servicers) Explain how this model helps to meet the demand for services and the needs of homeowners seeking services. Explain any improvements your organization has made regarding staffing models and describe the impact that those changes have had on your program. Indicate how long these changes have been in place and/or when you made improvements to your staffing models;

e) data collection - Provide a complete description of your data collection, consolidation and reporting procedures and include the improvements you have made that have improved effectiveness and efficiency. Describe the impact that these improvements have had on the program. Indicate how long these changes have been in place and/or when you made improvements. Explain how this model helps to meet the demand for services and the needs of homeowners seeking services.

f) Methods of communicating with loan servicers during the counseling process. Fully explain how your counselors communicate with loan servicers during the counseling process. Include strategies for making a connection with loan servicers and methods of ongoing communication. Explain how this model helps to meet the demand for services and the needs of homeowners seeking services. Provide details on any improvements your organization has made related to these methods and describe the impact they have had on your program. Indicate how long the current system has been in place and/or when you made improvements.

G. Factor 4:

This factor will determine your organization's counseling funding request based on your prediction of how many clients you intend to see during Round 6 and based on your previous experience in production. In the table provided, labeled **Demonstrated Experience**, indicate the number of Level One and Level Two counseling clients you have assisted between October 1, 2010 and September 30, 2011 with NFMC funds AND any other funds. *(All levels of counseling are defined in detail below)*

In the second table provided, labeled **Round 6 Goals**, please state the units of Level One and Level Two foreclosure counseling your organization anticipates serving between 10/1/11 – 12/31/12 with NFMC Round 6 funding. Immediately following please express if your agency intends to offer Level 4 counseling. It will not be held against you if you answer yes and do not end up counseling any Level 4 clients. *(All levels of counseling are defined in detail below)*

The third table, labeled **Maximum Eligible Counseling Award - Round 6**, will automatically calculate and show you the maximum counseling award you will be eligible for in Round 6. Please note that this amount can be decreased at IHDA's discretion (this could be based on application scores as well as IHDA's level of funding, etc.). The amount in the blue box, labeled "Total Requested Amount", includes the counseling award and an automatic 20% for Program Related Support, which totals your complete eligible Round 6 award.

The number of foreclosure intervention counseling and other foreclosure staff FTEs your organization currently has available and additional staff that your organization will need to hire (new), reassign and train (existing staff), or otherwise recruit (volunteers) to meet the Round 6 counseling goals is also requested. Other foreclosure staff may include team leaders, managers, or supervisors, and negotiators, as well as administrative assistants. If your organization has no need for additional counselors for any quarter, enter "0".

Level and Funding Explanation

1. Direct Counseling: In the *Factor 4* worksheet, enter the total number of clients you predict you will be able to counsel under NFMC in Round 6, for both of the counseling levels described below. If you are a current Round 5

recipient, who will counsel clients during any of the quarters listed for Round 6, predictions should reflect only the time following your estimated completion of Round 5. If there are certain quarters listed on the form in which you believe you will still be participating in Round 5 and therefore have no goals for Round 6, please leave those blank. **If you anticipate uploading your clients twice, both as a Level 1 and a Level 2, they must be included on your application TWICE, once as a Level 1, and once as a Level 2.**

Remember that Round 6 will not begin until IHDA's network has completed their Round 5 commitments. If you are a new NFMC recipient or a current recipient who completes Round 5 early, you will be reimbursed for clients counseled under NFMC guidelines during the entire eligible Round 6 period (10/1/11 - 12/31/12). However, reimbursement will not occur until IHDA's network completes Round 5. IHDA expects to open Round 6 in approximately June of 2012.

2. Program Related Support: Program Related Support is automatically 20% of your counseling request, it will be calculated automatically in the application. Examples of how Program-Related Support may be used include (but are not limited to) the following:

- Establishing a triage system that makes more effective and efficient use of counseling time so counselors are not scheduling and reserving time with clients who have situations not related to mortgage and home foreclosure. Triage can also ensure that clients are better prepared for the counseling session – they have gathered documents and information, for example.
- Outreach to delinquent clients, especially in areas of greatest need. The earlier a delinquent homeowner reaches out for assistance, the more probable the success. Outreach strategies are encouraged which draw delinquent homeowners from your organization's communities to come in for assistance well before the foreclosure notice is received.
- Group orientation and education sessions to help use counseling time more effectively. Registering attendees, preparing for and delivering these sessions are all eligible uses.
 - Infrastructure development and communication
 - Technology improvements for outreach, counseling, education, registration and loan modification purposes
 - Improving Applicant capacity and infrastructure for tracking and reporting data
 - Costs related to hiring, orienting, and training new counseling staff
 - Purchasing or leasing equipment and software for counselors
 - Collecting data and preparing quarterly reports and draw requests
 - Quality control of the counseling function
 - Outreach and communication on preventing rescue or loan modification scams

“Level One” Counseling: To qualify for a Level One payment (\$150), a counseling agency will be required to complete the following steps and provide evidence of such in each client file:

- Organization must **conduct an intake** including client name and address, basic demographic information, lender and loan information, and reason for delinquency. The National Industry Foreclosure Counseling Standards provide guidance on what should be included in an Intake Form. (Guidance at www.nw.org/network.nfmcp/documents/NationalIndustryForeclosureCounselingStandards-FINAL.pdf) It is recommended, but not required, that contact information for one additional person is collected at intake in the event that the client moves or is otherwise unable to be reached following initial intake. Grantees conduct intake in a variety of ways. Those that use electronic client management systems can submit a screenshot from their system showing that the minimum required information has been collected. The Grantee must ensure that the information is readily available in the client file when requested by NFMC;
- Collect a **signed authorization form** from the client or have other legally permissible client authorization on record that will allow organization to (a.) submit client-level information to the data collection system for this grant, (b.) open files to be reviewed for program monitoring and compliance purposes and to share information among servicer, counselor, and program administrators and their agents, and (c.) conduct follow-up with client related to program evaluation. Clients may opt-out of only (c.) above, but proof of this opt-out must be retained in the client’s file. Clients that “opt out” of (a) or (b) above cannot be uploaded into the NFMC Data Collection System. IHDA has provided a sample template to assist in this. *It is acceptable for grantees to substitute the words “Grant Administrators” or “Funders” in place of “NFMC” in (b) or (c) above.* Grantees are responsible for performing NFMC counseling within the limits of the laws in the state(s) in which it operates. Agencies providing counseling via telephone or online should verify verbal/electronic authorization laws in the state(s) where NFMC counseling is being performed and proof of electronic signature or verbal authorization, as permissible by the law in the state(s) in which the Grantee operates, should be maintained in the client file.
- Organization must also document client access to its **privacy policy** statement. Proof that the client received the policy must be maintained in the file. Such proof can include a statement signed by the homeowner or an electronic signature, if applicable. Although it is a best practice to provide the client with the privacy policy at the time of counseling, the agency may elect to share the privacy policy after the counseling occurs. If that is the case, the organization must keep on file proof that the policy was sent to the homeowner via email, fax, or postal mail. Having access to the privacy policy on the organization’s website does not satisfy this requirement unless there is affirmative confirmation and documented proof that the client has reviewed the policy in the file. *Note: it is acceptable for organizations to combine the authorization form, disclosure statement, and privacy policy into a single document which the client signs and the agency maintains in the client file;*
- Organization must provide to all clients a **disclosure statement**. The disclosure statement must explicitly describe the various types of services the organization provides and any financial relationships between the Grantee

and any other industry partners. The disclosure must state clearly that the client is not obligated to receive any other services offered by the Grantee or its exclusive partners. This must be presented to the client at the time of counseling. Proof that the client received the disclosure must be maintained in the file. Such proof can include a statement signed by the homeowner or an electronic signature, if applicable. This form must be signed by the agency Executive Director as well (this does not have to be an original signature);

- **Develop a budget** for the client based on client's oral representation of their expenses, debts, and available sources of income. One example of a worksheet grantees may choose to use to develop this budget can be found on the FDIC "My Money" website: <http://www.mymoney.gov/content/income-and-expenses-worksheet.html>.
- Organization must **develop a written Action Plan** for follow-up activities to be taken by the client and review this Action Plan with the client. The Action Plan must be clearly labeled in the client file. It must include the counselor's assessment of the client's situation with a client-specific recommendation for plan of action. If the assessment and recommendation are part of the counselor notes, NFMC requires that the information be transferred to a form titled Action Plan so that the assessment and course of action are clearly defined for the client and for compliance testing. The National Industry Standards for Foreclosure Intervention Counseling provides guidance on what should be included in an Action Plan. IHDA has also created a template Action Plan use of this template is not required; however, Grantees must have a conforming Action Plan in each client file. When developing this action plan, it is expected that the counselor will do a comprehensive analysis of the homeowner's situation and recommend the best plan of action. This will be individualized for each client. If the homeowner seeks counseling to determine whether they qualify for the *Making Home Affordable* Program, or any subsequent loan modification programs sponsored by the U.S. Department of Treasury, the counselor must work to determine the homeowner's eligibility before completing the Level One session. Even if the homeowner seeking counseling does not ask about the program, it is expected that the Level 1 session will include a screening for eligibility. Documentation that a screening occurred should be included in the Action Plan or client file. A checklist of items that should be discussed as part of the screening is included as Exhibit 5 of the funding announcement.
- Agency must also **screen for Making Home Affordable Program** (modification or refinance) before completing the Level One session and documentation must be included in each client file. Organization must determine and document if client is eligible for a *Making Home Affordable* Program refinance or modification. NFMC has created a template screening checklist, which can be found on the NFMC members' website.
 - *Refinance*. Organization must determine and document eligibility by requesting information and analyzing if (a) client is the owner occupant of a one- to four-unit property (required by the NFMC Program, not HARP); (b) loan is a first lien, GSE's web look-up tools; (c) client is current on mortgage (client hasn't missed more than one payment in the last 12 months and has not missed any payments in the prior six months or, if client has had the loan for less than 12 months, he/she must not have missed any payments in the previous six months and must not have missed more than one payment since inception of the mortgage); (d)

client must have a source of income; and (e) the refinance improves the long-term affordability or stability of the loan.

- *Modification.* Organization must determine and document eligibility by requesting information and analyzing if: (a) the mortgage loan is a first lien mortgage loan originated on or before January 1, 2009; (b) the mortgage has not been previously modified under the Home Affordable Modification Program (HAMP); (c) the borrower has experienced a hardship that has caused the mortgage loan to become delinquent or default is reasonably foreseeable; (d) the property securing the mortgage loan is not vacant or condemned; (e) the mortgage loan is secured by a one- to four-unit property, one unit of which is the borrower's principal residence; (f) client's current monthly mortgage payment ratio is greater than 31%; and (g) the current unpaid principal balance of the mortgage is less than \$729,750 for a one unit property, \$934,200 for a two-unit property; \$1,129,250 for a three-unit property; and \$1,403,400 for a four-unit property.
- *FHA Loans.* Organization must determine and document eligibility by requesting information and analyzing if: (a) the client is the owner of a one- to four-unit home; (b) the client is less than 12 payments behind on their mortgage; (c) client has income sufficient to support the new mortgage payments; and (d) with the modification, the client's front end DTI will be as close as possible but not less than 31% and their back end DTI will be less than 55%.
- *Short Sale and Deed-In-Lieu.* Organization must determine and document eligibility for the Home Affordable Foreclosure Alternatives (HAFA) program by requesting information and analyzing if (a) client is or has been the owner occupant of a one- to four-unit property sometime during the last 12 months; (b) the homeowner has not purchased a new property within the last 12 months; (c) because of a financial hardship, the homeowner is delinquent or default is reasonably foreseeable. For Service Members, this may include a Permanent Change of Station (PCS) order; (d) the mortgage loan is a first lien mortgage loan originated on or before January 1, 2009; (e) the current unpaid principal balance of the mortgage is less than \$729,750 for a one-unit property, \$934,200 for a two-unit property; \$1,129,250 for a three-unit property; and \$1,403,400 for a four-unit property; (f) the borrower has either been evaluated for a modification but is not eligible or has been informed that modification may be an option and has elected to pursue a short sale or DIL instead.

When billing for Level 1 activity, all seven of these completed documents must be in client file: intake, signed authorization form, signed disclosure statement, proof that client received privacy policy, budget, Action Plan, and MHA eligibility determination.

“Level Two” Counseling: To qualify for a Level Two payment (\$300), a counseling agency will be required to complete the following steps and provide evidence of such in each client file:

- Engage in **budget verification** during which the counselor reviews documented evidence provided by the client to establish true debt obligations (e.g., credit report), monthly expenses (e.g., monthly bills, banks statements, mortgage statement, credit card statement, utility bill) and spending patterns, and realistic opportunities for income (e.g., returns, pay stubs, profit and loss statement, third party verification). Note: a credit report alone

does not satisfy the budget verification requirement. Grantee should collect verification of all income, expenses, and debt as stated by the client.

- Organization must also document client access to its **privacy policy** statement. Proof that the client received the policy must be maintained in the file. Such proof can include a statement signed by the homeowner or an electronic signature, if applicable. Although it is a best practice to provide the client with the privacy policy at the time of counseling, the agency may elect to share the privacy policy after the counseling occurs. If that is the case, the organization must keep on file proof that the policy was sent to the homeowner via email, fax, or postal mail. Having access to the privacy policy on the organization's website does not satisfy this requirement unless there is affirmative confirmation and documented proof that the client has reviewed the policy in the file. *Note: it is acceptable for organizations to combine the authorization form, disclosure statement, and privacy policy into a single document which the client signs and the agency maintains in the client file;*
- Organization must provide to all clients a **disclosure statement**. The disclosure statement must explicitly describe the various types of services the organization provides and any financial relationships between the Grantee and any other industry partners. The disclosure must state clearly that the client is not obligated to receive any other services offered by the Grantee or its exclusive partners. This must be presented to the client at the time of counseling. Proof that the client received the disclosure must be maintained in the file. Such proof can include a statement signed by the homeowner or an electronic signature, if applicable. This form must be signed by the agency Executive Director as well (this does not have to be an original signature);
- **Take steps to obtain a solution** outlined in the written Action Plan (created during Level 1) are taken. Counselor must have documented evidence of Steps to obtain a solution or the "action" taken on behalf of the client. This requires more than the counselors notes; it also requires documentation that the action took place. This could include but is not limited to the following:
 - a. Draft and submit to the servicer a hardship letter that describes the client's situation, reason for delinquency, factors that should be considered when developing a workout plan, and an estimate of the housing cost the client can afford to pay. Counselors should keep on file a copy of the fax transmission report, email, portal transmission screenshot, or postal mail receipt as evidence that this was submitted to servicer.
 - b. Document an attempt to contact the servicer or lender via fax transmission receipt, email, or postal mail receipt. If a workout is possible, fill out and submit forms required by the servicer to move forward with a workout plan, loan modification, or other available program and maintain proof that these were submitted in the client file (fax transmission receipt, email, portal transmission screenshot, or postal mail). NeighborWorks has posted e-mail contact information for servicers who have made such information available on the NFMC members' website.

- c. Complete and submit application for local resource options including refinance programs or rescue funds and document that the referral took place via fax transmission receipt, email, or postal mail receipt.
 - d. Assist in situations where client elects to pursue sale options and document the assistance that took place and communication with industry via fax transmission report, email, portal transmission screenshot, or postal mail.
 - e. Collecting and transmitting documentation required for *Making Home Affordable* refinance or modification decisions, if that is what Action Plan dictates. Counselors should keep on file a copy of the fax transmission report, email, portal transmission screenshot, or postal mail receipt as evidence that this was submitted to servicer.
- **Close-out documentation** is completed. For purposes of this grant, “close-out documentation” refers to the documentation of steps taken above in order to report this client as having received Level Two counseling. All files need to contain a reason for close out and, if applicable, any documentation demonstrating solution. Client data may be uploaded into the data collection system before an outcome is reached, as long as close-out documentation for NFMC Program reporting purposes is in client file. IHDA has created a template form that sub-grantees may elect to use that satisfies the requirements for close-out documentation

When billing (reporting) for Level Two counseling activities, all six of these completed documents must be in client file: signed authorization form, signed disclosure statement, proof that client received privacy policy, verified budget, documentation of steps taken based upon Action Plan, and close-out documentation.

Examples:

- When you work with a client through the intake process and the client does not return, or you refer them to another agency, you may report this client **as Level One**.
- If a client comes to you from another agency, or referral, with the intake process already complete, you will report that client as a **Level Two**.
- However, if your agency counsels a client through all the steps included in Levels One and Two, intake through close-out, you will report that client **as both a Level One and a Level Two**.

Making Home Affordable: (referred to as “Level Four”) In addition to the funding categories described above, the National Foreclosure Mitigation Program allows Grantees to use up to 30% of Counseling Awards to fund “Level Four,” or post-mitigation, counseling. Borrowers who qualify for *Making Home Affordable* loan modifications but have back end debt-to-income ratios at or above 55% may receive trial loan modifications from participating servicers and be referred by their servicers to a HUD-approved housing counseling agency or NFMC Program participating agency. Detailed protocol describing the required components of Level Four counseling is found at <http://www.hud.gov/offices/hsg/sfh/hcc/hcprotocol.pdf>.

If a borrower contacts a counseling agency for counseling without having first received a *Making Home Affordable* trial loan modification and being referred by a servicer, and it is determined the borrower might be eligible for the loan

modification program, the counselor will work with the borrower to submit an intake package to the servicer. This counseling must conform to Level One and Level Two counseling requirements, as established under the NFMC Program. If the borrower does receive the *Making Home Affordable* modification and is referred back to the counseling agency because his or her back end debt-to-income ratio is equal to or greater than 55%, the agency can also provide the borrower with Level Four counseling, as described in the Counseling Protocol on HUD's website.

Level Four counseling will be valued at \$450. Because this Level Four will require at least two contacts with the borrower, NFMC Program Grantees will upload these clients at two points in time. After the first contact, the client can be reported as "Level 4a" at a value of \$300. Once a follow-up appointment has been completed, that client can be reported as "Level 4b" at a value of \$150. Level Four Counseling constitutes the completion of the following: Borrower has received a temporary loan modification through the "Making Home Affordable" program and been referred to counseling by a servicer because his or her back end debt-to-income ratio is 55% or greater. The counseling must follow the Counseling Protocol available on HUD's web site at: <http://www.hud.gov/offices/hsg/sfh/hcc/hcprotocol.pdf>. The preliminary counseling session must include collection of the following to be reported to the NFMC Program as Level Four (in addition to the client-level data points):

Level 4a (\$300)

- (1) Organization shall keep on file **proof that client was referred to the agency** with a trial Making Home Affordable loan modification for Level Four counseling because his or her back end debt-to-income ratio is 55% or greater. In many cases, this will be a copy of the trial loan modification agreement or the counseling agency referral letter from the servicer stating the reason for referral as high back end debt-to income ratio, or noting the calculated ratio. If there is no letter, or the letter given to the borrower by the servicer does not identify the back end debt-to-income ratio, the agency must first try to confirm the reason for the referral from the servicer (and document attempts to reach the servicer), and if this cannot be obtained, the counselor can calculate the ratio, and if it is 55% or greater, that client can be funded.
- (2) Organization shall **collect a signed authorization form** from the client or have other legally-permissible client authorization on record that will allow organization to (a) submit client-level information to the data collection system for this grant, (b) allow NFMC to open files to be reviewed for program monitoring and compliance purposes, and (c) allow NFMC to conduct follow-up with the client related to program evaluation. Clients may opt-out of (c) above only, but proof of this opt-out must be retained in the client's file. Clients that "opt out" of (a) or (b) above cannot be uploaded into the NFMC Data Collection System. NeighborWorks has made available a template authorization form available for Grantees to modify for their own use if they do not already have such a form. Alternatively, Grantees may incorporate the language above into their existing authorization forms. Files uploaded into the Data Collection System without a signed authorization form can create a legal liability for the grantee; therefore, grantees must ensure client files submitted to the DCS have a signed authorization form in the client file. *It is acceptable for grantees to substitute the words "Grant Administrators" or "Fundors" in place of "NFMC" in (b) or (c) above.*

Grantees are responsible for performing NFMC counseling within the limits of the laws in the state(s) in which it operates. Agencies providing counseling via telephone or online should verify verbal/electronic authorization laws in the state(s) where NFMC counseling is being performed and proof of electronic signature or verbal authorization, as permissible by the law in the state(s) in which the Grantee operates, should be maintained in the client file.

- (3) **Documentation of DTI:** The counselor will verify income, debt, and expenses and calculate the back end debt-to-income ratio. The back end DTI is the ratio of the borrower's total monthly debt payments to the borrower's Monthly Gross Income. A standard for calculating back end DTI is included in the Counseling Protocol. A document indicating the calculation must be in the file, as well as evidence of income and debt. A credit report is not sufficient to calculate DTI, as income must also be validated.
- (4) **Create Budget:** Counselor will create a crisis budget (if necessary) and a long-term budget using a standard form and recalculate the new back end debt-to-income ratio.
- (5) **Create Action Plan** that includes a timeline to eliminate unnecessary debt, minimize expenses, increase income, and increase savings. Different from a Level 1 Action Plan, the 4a Action Plan is focused on how the client can maintain the trial modification and manage his/her budget. *If these items are part of the counselor notes, NFMC requires that the information be transferred to a form titled 4a Action Plan so that the assessment and course of action are clearly defined for the client and for compliance testing.*
- (6) Discuss **terms of mortgage and how to stay current**, even if/when rate resets. Explain incentive component and that redefaulting loans will be terminated from the program. A loan will be considered to have redefaulted when the borrower reaches a 90-day delinquency status under the MBA delinquency calculation. Note: in order to successfully complete the initial trial period (at minimum three payments at modified terms), a borrower must be current by the third payment.
- (7) **Refer** to job training or referral programs if applicable.
- (8) Establish **follow-up schedule with counselor**, with at least one additional appointment, as required by action plan. It is expected that a borrower will notify their counselor if they have a significant change in circumstances.
- (9) The counselor must document each session, including the borrower's back end debt-to-income ratio and the borrower's willingness to continue/complete counseling.

In order to report a client as having received Level 4a counseling, the following six documents must be in the file: proof of legitimate referral from servicer, authorization form, verified budget at intake, documentation of back end DTI, Action Plan, and date of follow-up meeting.

Level 4b (\$150)

Level 4b can be reported when a Level 4a client has completed one follow-up session and the following documents are in the file:

- (1) **Documentation of DTI:** The counselor will verify income, debt, and expenses and calculate back end debt-to-income ratio. The back end DTI is the ratio of the borrower's total monthly debt payments to the borrower's Monthly Gross Income. A standard for calculating back end DTI is included in the Counseling Protocol. A document indicating the calculation must be in the file, as well as

evidence of income and debt. A credit report is not sufficient to calculate DTI, as income must also be validated.

- (2) **Documentation of borrower's ability to keep to crisis budget** and/or long-term budget and progress against Action Plan developed during first visit. This could be an updated crisis or long-term budget that reflects that the client is on track, a credit report could be pulled to be sure the client is paying their debt on time or the counselor could provide a narrative that states the client is still on track. If a narrative is used, it should be clear that it is as a "verified budget at time of second appointment."
- (3) **Status of borrower's payment** on modified loan must be verified; proof of this includes a current mortgage statement that details the status of the client's payments.

In order to report a client as having received Level 4b counseling, the following four documents must be in the file: verified budget at time of second appointment, documentation of back end DTI at time of second appointment, progress against Action Plan and status of borrower's modified loan.

Factor 4 (continued):

Please explain how your organization provides personal contact with Level One and Level Two clients. If you will only offer one Level of counseling (either Level One or Level Two but not the other), please address partnerships or other arrangements to ensure homeowners can receive the level of counseling your organization will not be offering and ensure all clients' needs are met.

In addition, several questions address your partnerships in the community. Provide a detailed overview of not only the partners involved, but also the goals, outcomes and accomplishments of the partnership(s) or initiatives. Address specifically how they will help homeowners facing default and foreclosure resolve their mortgage delinquencies. If any portion of these partnerships or initiatives is still developing, present evidence they will be in place and operating by April 1, 2012.

Provide a detailed explanation of partnerships with organizations that serve unemployed or underemployed clients. Include a description of their program(s) and services and how they fit with the programs offered at your organization. Describe any collaborative projects or referral agreements and explain how the partnership(s) helps your organization to achieve its goals.

You must provide a detailed explanation of how you intend to use your Program Related Support to meet your Round 6 NFMC counseling goals based on PRS guidelines listed above. Show how your organization's plan will increase the effectiveness and efficiency of its foreclosure counseling program. Please include any major line items and the specific costs that are related to your proposed plan.

If you plan to contract any of your PRS, please enter a description of the activities your organization will contract out, what organization it will contract them out to, and if/how the organization is affiliated with the Applicant organization. "Recent and relevant" means within the last 24 months. Provide specific examples of their success in undertaking similar tasks or services as those your organization is contracting with them to provide. Where possible, quantify the response (for example, if they will supply training indicate the number of similar trainings they have offered in the last 24 months, and the number of people they have trained.) For example, describe a written and signed

MOU or MOA; performance benchmarks; consequences of missing benchmarks; and other strategies for ensuring contractor reports to your organization and it is able to adequately monitor their use of Round 6 funds.

G. Factor 5:

For *Factor 5*, please determine a geographic itemization of where you will serve your clients based on your counseling goals listed in *Factor 4*. (**Please be sure that the numbers of clients you predict to serve in this category match the numbers of clients you propose in Factor 4, Question 3**). Do not include any counseling for which you were awarded funding under previous NFMF grant rounds.

H. Factor 6:

You must state your commitment, if any, to serve low-income/minority homeowners and zip codes with Round 6 NFMF funds. (Please use this link to determine which zip codes are considered low-income and minority <http://www.nw.org/network/foreclosure/nfmcp/R6zipcodes.xls>).

Please note that if you commit to provide services to these individuals and areas, it will be enforced. Combine ALL Level 1 and Level 2 in this response. PLEASE insert "0" if you do not intend to serve these areas.

Describe how your organizational marketing and outreach strategies are designed to reach these zip codes.

I. Matching Funds:

As an applicant, IHDA must demonstrate at least a 20% match to be eligible for funds. As a joint applicant, you are not required to provide match in order to be eligible for funding, however, the higher IHDA's ratio of match to grant funds, the more competitive our overall application will be. **Remember: NFMF is not meant to be the only source of funding for your counseling program.**

On this sheet, you will list source and amount of support for your foreclosure counseling program specifically, not your general housing counseling program. Match need not be new resources generated for this grant program. These funds can be in-kind and cash match that will be expended, anticipated, committed, or pending April 1, 2011 through December 31, 2012. Funds raised before this time period can be counted toward the match as long as they will be expended between April 1, 2011 through December 31, 2012. Funds used as match for NFMF Rounds 1, 2, 3, 4, or 5, or for NFMF Legal Assistance funding, cannot be counted as match toward NFMF Round 6. The sheet will calculate your total match based on the amounts you list on the chart.

You will not need to submit copies of documents that verify this support. However, you must have these documents on file at your organization and be prepared to submit them upon request.

Match can be cash or in-kind. In-kind valuation will be considered consistent with requirements for other federal grant programs (please see page 22). No federal funds, with the exception of Community Development Block Grant funds, may be included as match funds for this program. Funds used to match NFMF Rounds 1 through 5 or NFMF Legal assistance grant awards cannot be counted toward match requirements.

III. Submission Deadline

We must receive your completed application by **Thursday, January 19 at 2:30pm.** No extensions will be granted. Please e-mail your completed application to Amber Lockwood at alockwood@ihda.org. You may submit your signed signature page and supporting documents through PDF (scan) or you can fax to 312-832-7693.

IV. Questions

If you have any questions prior to the deadline, please contact:

Amber Lockwood
alockwood@ihda.org
(312) 836-7340



Guidance Regarding Value of In-Kind Contributions

Updated January 21, 2008

Source: OMB Circular A-110 (Uniform Administrative Requirements for Grants and Agreements with Institutions of higher education, hospitals, and other non-profit organizations).

“Volunteer services furnished by professional and technical personnel, consultants, and other skilled and unskilled labor may be counted as cost sharing or matching if the service is an integral and necessary part of an approved project or program. Rates for volunteer services shall be consistent with those paid for similar work in the recipient's organization. In those instances in which the required skills are not found in the recipient organization, rates shall be consistent with those paid for similar work in the labor market in which the recipient competes for the kind of services involved. In either case, paid fringe benefits that are reasonable, allowable, and allocable may be included in the valuation.”

“When an employer other than the recipient furnishes the services of an employee, these services shall be valued at the employee's regular rate of pay (plus an amount of fringe benefits that are reasonable, allowable, and allocable, but exclusive of overhead costs), provided these services are in the same skill for which the employee is normally paid.”

“Donated supplies may include such items as expendable equipment, office supplies, laboratory supplies or workshop and classroom supplies. Value assessed to donated supplies included in the cost sharing or matching share shall be reasonable and shall not exceed the fair market value of the property at the time of the donation.”

[Date]

Amber Lockwood
Illinois Housing Development Authority
401 N. Michigan Ave Suite 700
Chicago, IL 60611

Dear Mrs. Amber Lockwood:

I am writing to disclose [Your Agency Name] intent to apply for National Foreclosure Mitigation Counseling Funds through the following entities:

- 1) Illinois Housing Development Authority
- 2) [Name of Additional Organization You Intend to Apply for NFMC Funds]

The following are the number of counseling units we are proposing during the grant period under each application:

GOALS outlined in this table should correspond with the NFMC Round 3 Goals in the "Scope of Proposed Counseling Services" section of application.		
	"Level One" Counseling	"Level Two" Counseling
Illinois Housing Development Authority		
[Name of Additional Organization You Intend to Apply for NFMC Funds]		
Organization's Total Goals		

I certify that we have the ability to track these clients by counseling level and assign them to the appropriate entity for inclusion in each entity's draw requests in order to ensure double billing does not occur. I ask that you reply to this correspondence with a confirmation that the numbers in the table above attributed to you are the numbers you have included in your NFMC application.

[Organizations should feel free to add anything about other activities that might vary from application to application. For example, an organization might elect to use Program-Related Support differently under each application and could detail that here.]

Sincerely,

[Director Name]
[Organization]