The American Rescue Plan Act
Homeowner Assistance Fund

April 2021

The recently enacted COVID-19 relief legislation, the *American Rescue Plan Act*, included $9.9 billion in relief for homeowners to be administered through a new Homeowner Assistance Fund (HAF). These funds, which will soon be made available to eligible homeowners through their states, may be used for assistance with mortgage payments, homeowner's insurance, utility payments, and other specified purposes.

The HAF was created to prevent mortgage delinquencies and defaults, foreclosures, loss of utilities or home energy services, and displacement of homeowners experiencing financial hardship after January 21, 2020. The law prioritizes funds for homeowners who have experienced the greatest hardships, limits eligibility based on need, and can only be used for certain qualified expenses, outlined in more detail below.

1. How much money is available to states and how can a state apply for the funds?

The statute requires the Department of Treasury to provide funds to eligible entities, including:

- a minimum of $50 million for each state, the District of Columbia and Puerto Rico;
- $498 million for Tribes or Tribally designated housing entities and the Department of Hawaiian Home Lands; and,
- $30 million for the territories of Guam, American Samoa, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands.

These allocations will be based on homeowner need determined by a formula based on unemployment figures and the number of homeowners with late payments or foreclosures. The exact maximum amount allocated for each State and U.S. territory may be found here.

To participate in the HAF, each eligible entity must submit request to the Department of the Treasury by April 25, 2021, or they will not be eligible to receive the funds.[1] By April 16, 2021, Treasury will have an electronic portal available for eligible entities to submit (1) a notice of funds request; (2) the HAF financial assistance agreement; and (3) a payment information form.

2. Which homeowners are eligible for HAF funds?

Eligible homeowners must have experienced a financial hardship after January 21, 2020, and have incomes no greater than 150% of the area median income.[2] Eligible homeowner assistance may only be applied to qualified expenses (see #4 below) for the homeowner's primary residence. Eligible participants must attest to the experienced financial hardship.

- **Financial hardship:** defined as a material reduction in income or material increase in living expenses associated with the coronavirus pandemic that has created or increased a risk of mortgage delinquency, mortgage default, foreclosure, loss of utilities or home energy services, or displacement for a homeowner (for example, job loss, reduction in income, or increased costs due to health care or the need to care for a family member).

[1] A Tribe, a Tribal entity, or the Department of Hawaiian Home Lands must submit a request by September 30, 2021.
[2] For a household, 150% of AMI is defined as three times the income limit for very-low incomes families, for the relevant household size, in accordance with HUD regulations.

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- **Income determinations:** based on either HUD's definition of "annual income" (24 C.F.R. §5.609) or "adjusted gross income" as reported to the Internal Revenue Service for federal annual income tax purposes.

  Homeowners do not have to provide income tax returns to qualify. Instead, income verification can be a written statement by the homeowner together with supporting documents such as paystubs, bank deposit records or a letter from the employer. Alternatively, the homeowner may provide a written statement of income and the State or other eligible HAF entity may then rely on data regarding average incomes in the homeowner's neighborhood as verification.

  States and other eligible jurisdictions may grant waivers for income documentation requirements if necessary to accommodate special situations, including disabilities, any practical challenges resulting from the pandemic, or a lack of technological access. The homeowner would still be required to attest to their income.

3. When will Treasury disperse the funds to states and when will states disperse the funds to eligible homeowners?

Treasury will make initial payments available to eligible entities that are approved to participate in the HAF, in an amount equal to 10% of the total amount allocated to the eligible entity. These initial funds are intended to fund pilot programs to serve targeted populations.

To receive the remaining funding, states must develop and submit a "HAF plan" to Treasury for approval by June 30, 2021, or provide a date for which the plan will be completed. Therefore, most eligible homeowners may not see funding flowing until after Treasury approval of the states' plans. The HAF plan should describe in detail the needs of the homeowners within the relevant jurisdiction, the design of the proposed assistance program, and the performance goals used to measure success. States and other jurisdictions are expected to make their draft HAF plans public and to hold public hearings on their proposed plan.

The Treasury guidance further details requirements for program design, including data on the impact of the COVID pandemic on homeowners and socially disadvantaged individuals, as well as, Treasury's assessment and approval criteria. Treasury also states that it will look favorably on prioritization of assistance to homeowners who have FHA, VA, and USDA mortgages and mortgages that were funded by programs that target low- and moderate-income borrowers.

4. What are the qualified expenses that the HAF will cover for eligible homeowners?

HAF Funds can only be used for the following specific purposes:

- Mortgage payments
- Payments to help a homeowner to reinstate a mortgage
- Housing-related costs resulting from a period of forbearance, delinquency, or default
- Mortgage principal reduction, including a second mortgage provided by a nonprofit or government entity
- Payments to reduce mortgage interest rates
- Utilities such as gas, water, and energy
- Internet services, including broadband access

- Homeowners' insurance, flood insurance and mortgage insurance
- Homeowner and Condo association fees, late fees, and liens
- Down payment assistance for loans made by nonprofit or government entities
- Delinquent property taxes to prevent tax foreclosures
- Home repairs to maintain habitability of the premises
- Payments to homeowners to clear title issues
- Counseling by HUD approved agencies
- Legal services targeted to HAF eligible households for foreclosure prevention, up to 5 percent of the funding provided to the State in the aggregate
- Reimbursement of States and other jurisdictions for specified services provided between January 21, 2020 and the date HAF are first received
- Payments to States and other jurisdictions for planning, community engagement, needs assessments and administrative costs, up to 15 percent of the HAF funding.

5. Is there a priority among eligible homeowners?

Yes. The State or other eligible jurisdiction must allocate at least 60% of the HAF funds received to assist homeowners having incomes less than 100% of the area median,[3] or less than 100% of the median income for the United States. Whichever amount is greater. The remaining HAF funds must be prioritized for assistance to "socially disadvantaged" individuals. Any remaining funds are available to other eligible homeowners.

"Socially disadvantaged" individuals are those individuals who have been subject to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual qualifies. There is a rebuttable presumption that "socially disadvantaged" individuals include Black Americans, Hispanic Americans, Native Americans, Asian Americans and Pacific Islanders.

The Treasury Department also encourages the States and other jurisdictions to prioritize assistance to homeowners who have FHA, VA and USDA mortgages, and homeowners who have mortgages funded by programs that target low- and moderate-income borrowers.

Additional Resources:

Homeowner Assistance Fund Guidance

Notice of Funds Request

Financial Assistance Agreement Template

[3] For a household, 100% of area median income is defined as two times the income limit for very-low incomes families, for the relevant household size, in accordance with HUD regulations.

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