

EHLP Exhibit 1 – Eligible Activities

There are two categories of eligible activities: (1) Counseling and (2) Outreach and Program-Related Support. These are defined in greater detail below.

Counseling

Counseling includes a range of activities at prescribed milestones in individual homeowners' progress through the Program including the initial intake and eligibility determination (Level 5a), post-approval counseling (Level 5b), 12-month eligibility recertification (Level 5c), and transition counseling for homeowners who have not regained income by the end of the 24 month Program assistance period or loan term (Level 5d). Sub-Grantees must be able to provide all four levels of counseling.

For the purpose of projecting Counseling budgets, the compensation values have been set as follows: \$350 for Level 5a, \$150 for Level 5b, \$200 for Level 5c, and \$300 for Level 5d. The activities associated with each of these counseling levels are described in greater detail below.

“Level 5a” Counseling: This Counseling level encompasses all the activities a Counseling Agency must perform in order to solicit, select, determine eligibility, and submit a complete homeowner application for the Program funds. To qualify for a Level 5a payment (\$350), a Counseling Agency will be required to complete all seven of the following steps:

1. Counseling Agency will be expected to conduct approximately three weeks of outreach and simultaneously hold an open enrollment period followed by a lottery to identify potentially eligible Program participants. During open enrollment, interested Pre-Applicants may complete and submit Pre-Applicant screening forms indicating their preliminary eligibility for the Program. The Pre-Applicant screening forms will be provided by NeighborWorks. Counselors will provide homeowners submitting Pre-Applicant screening forms with information detailing the Program process and the documentation required to submit an application if selected. Upon completion of the open enrollment period, NeighborWorks will determine which Pre-Applicants are eligible to participate in a lottery based on the homeowner's self-reported information provided on the Pre-Applicant screening forms. For more information about the lottery, contact the Minnesota Homeownership Center.

2. Counseling Agency staff will collect a signed HUD-approved Program third-party authorization form from the Pre-Applicant (also signed by anyone listed on the mortgage note) that will allow the Counseling Agency to (a) submit Pre-Applicant-level information to all data collection systems under the Program, including HOPE LoanPort and Data Collection System, (b) open files to be reviewed for program monitoring and compliance purposes, and (c) conduct follow-up with homeowner related to Program evaluation. Counseling Agency must also provide each Pre-Applicant with the combined Privacy Act Notice and Tennesen Warning as required by the Minnesota Data Practices Act. The Pre-Applicant's signed authorization forms must be submitted prior to the close of the open enrollment period in order to be eligible to participate in the lottery selection process.
3. Upon return of lottery results, the Counseling Agency must schedule and conduct application preparation sessions with the selected Pre-Applicants. At this session, counselors must fully explain the Program including the application process and the Pre-Applicants' roles and responsibilities if eligibility is determined.

Counseling Agency will be required to pull a credit report¹ for the Pre-Applicant and any other person listed on the mortgage note as required by Minnesota Housing.

Counseling Agency will review for completeness the required documentation provided by the Pre-Applicants, as specified in the Program Eligibility Determination Checklist that NeighborWorks will provide. Based on the documentation provided by the Pre-Applicant and the credit report pulled by the Counseling Agency, the counselor will determine if the Pre-Applicant (including any other individuals listed on the mortgage note) appears to meet the Program eligibility requirements, which include the following:

- The mortgaged property must serve as the principal residence;
- Pre-Applicant must be on the Mortgage Note and must have experienced the event that caused the default;
- Total household income prior to becoming unemployed or underemployed was at or below the Program limit for the county of residence (the greater of either \$75,000 or 120 percent of the area median income (AMI));
- Reduction of household income of at least 15 percent relative to 2009 annual income resulting from the involuntary unemployment or underemployment due to adverse economic or medical conditions;
- The monthly mortgage payment exceeds the greater of either \$150 or 31% of the current income of Pre-Applicant(s);

¹ A tri-merge credit report is preferred but a single bureau report is acceptable if the Sub-Grantee is unable to access a tri-merge report.

- Mortgage that is at least three (3) months delinquent and is at risk of foreclosure as of June 1, 2011;
 - Financially unable to afford the full monthly mortgage payment;
 - If flood insurance is required on the delinquent mortgage, flood insurance premiums must be included in the payment of arrearages and flood insurance must be maintained;
 - Not currently delinquent on any federal debt, including federal student loans;
 - No more than two (2) open liens on the property and no federal tax liens;
 - No delinquent federal debt, including student loans. (Deferred student loans are allowed.)
 - Reasonable likelihood to resume full monthly mortgage payments by the end of the Program period;
 - Is a US citizen, US non-citizen national or qualified alien, as defined in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996; and,
 - The Pre-Applicant may not currently be in bankruptcy. Any Bankruptcy proceeding must have been discharged prior to June 1, 2011.
4. If a Counseling Agency determines that a Pre-Applicant's application meets program eligibility requirements, the Counseling Agency will submit the application to the Fiscal Agent through HOPE Loan Port (HLP). All such applications must be submitted through HLP. No exceptions will be made. If the Pre-Applicant is missing documentation or determined to be ineligible, the Counseling Agency will notify the Pre-Applicant via telephone and certified mail of any deficiencies in the application prior to submission through HLP. Pre-Applicants will be given five (5) business days from the date the organization notified the Pre-Applicant to correct any deficiencies. Any Pre-Applicant who fails to respond to the Counseling Agency's request within this timeframe will be found ineligible. The Counseling Agency can identify other alternative solutions for ineligible Pre-Applicants, such as refinance, loan modification, short sale, or other loss mitigation counseling. Pre-Applicants may appeal the organization's eligibility decision according to the procedures identified in the Program guidelines (see Exhibit 1, Section 3, page 16).

NeighborWorks will release a formal appeals policy and procedures document.

5. For applications that meet the eligibility requirements, Counseling Agency must review and reinforce what the Pre-Applicant's rights and responsibilities for the duration of the Pre-Applicant's participation in the Program will be if HUD approves the loan, including timely payment of the Pre-Applicant's portion of the mortgage, annual recertification of income, and notification to the counseling agency if income increases to certain thresholds. The Counseling Agency will calculate within HOPE LoanPort and communicate to the Pre-Applicant in writing, the change in income levels at which each individual Pre-Applicant will need to notify the organization for modification of monthly mortgage payments or for transition out of the Program.
6. Awarded Counseling Agencies will be expected throughout the course of the grant period to review change in income information provided by the Borrower, make an initial determination regarding the need for a modification in the Borrower's monthly mortgage payment, and pass along the information to the Fiscal Agent as outlined in Section 7 of the Program Guidelines (Exhibit 1).
7. Counseling Agency must report completed and submitted applications to NeighborWorks via the Document Collection System in order to be compensated for Level 5a counseling session. Counseling Agency will be able to export information from HLP that can then be uploaded into Document Collection System in order to minimize the manual entry of data into Document Collection System.

When reporting for Level 5a counseling activities, the following documents must be maintained in a Pre-Applicant file:

- **pre-applicant screening form;**
- **authorization form;**
- **combined Privacy Act and Tennessen Warning Notice;**
- **eligibility determination checklist;**
credit report(s); and,
- **hard copies of all the documentation provided by the Pre-Applicant.**

In addition, the files must contain any documentation provided by the Borrower when reporting a subsequent change in income.

“Level 5b” Counseling²: This counseling level occurs after an Approved Applicant had been notified of loan approval and has executed Program loan documents. At this stage the Counseling Agency clarifies with the Program borrower his or her responsibilities under the Program, and provides budget and debt counseling services. To qualify for a Level 5b payment (\$150), a counseling agency will be required to complete all six of the following steps:

1. Awarded Counseling Agencies will notify Approved Applicants by phone and by mail that they have been accepted into the Program and awarded a loan and the amount of their new monthly payment. Counseling Agency will advise the Approved Applicant that they will need to make an appointment with a HUD specified Title Company/Notary to sign a Mortgage and Note before HUD can begin to make payments on their behalf. The Counseling Agency will also encourage the Approved Applicant to schedule a time to hold the post-approval counseling session.
2. Counseling Agency must again review and reinforce the Program Borrower’s rights and responsibilities for the duration of the Borrower’s participation in the Program, including timely payment of the Borrower’s portion of the mortgage, annual recertification of income, and notification to the counseling agency if income increases to certain thresholds as calculated in HLP. The Counseling Agency will again communicate to the Borrower in writing the change in income levels at which each individual Borrower will need to notify the Counseling Agency for modification of monthly mortgage payments or for transition out of the Program.
3. Counseling Agency must identify other potential resources available that may be of assistance to the Borrower, including:
 - Food or clothing pantries;
 - Utility assistance or weatherization programs;
 - Physical and mental health resources, such as health programs, Medicaid and Medicare, maternal health, Children’s Health Insurance Program (CHIP), medical information lines, crisis intervention services, support groups, counseling, drug and alcohol intervention, and rehabilitation;
 - Employment supports, such as financial assistance, job training, transportation assistance, and education programs;
 - Support for older Americans and persons with disabilities, such as adult day care, congregate meals, Meals on Wheels, respite care, home health care, transportation, and homemaker services; and

² NOTE: A Borrower’s ongoing eligibility for assistance under the Program is not contingent upon his or her participation in post-approval counseling, and should not be described to the Borrower as such by the counseling agency.

- Support for children, youth and families, such as childcare, after school programs, Head Start, family resource centers, summer camps and recreation programs, mentoring, tutoring, and protective services.
4. Counseling Agency must develop a verified budget for the Borrower based on their submitted Pre-Applicant's expenses, debts, and available sources of income. The basis of the budget must be the counselor's review of documented evidence provided by the Borrower to establish true debt obligations (e.g., credit report), monthly expenses (e.g., monthly bills and banks statements) and spending patterns, and realistic opportunities for income (e.g., income tax returns and pay stubs). This documentation includes previously provided information (e.g. credit report) and new documentation provided at the time of the counseling session.
 5. Counseling Agency must develop a written Action Plan for follow up activities to be taken by the Borrower and review this Action Plan with the Borrower. The National Industry Standards for Foreclosure Intervention Counseling provide guidance on what should be included in an Action Plan (See Exhibit 5 and www.homeownershipstandards.org). When developing this action plan, it is expected that the counselor will do a comprehensive analysis of the Borrower's situation and recommend the best plan of action. The Action Plan should include specific goals and steps the Borrower will take in order to position the Borrower to be able to resume full mortgage payments by the Program's end. Action Plans are not generic plans or checklists that are the same for every Borrower; rather, they are individualized based upon the specific situation of each Borrower. Generic Action Plans are unacceptable under the Program.
 6. The Counseling Agency must report completed Level 5b counseling sessions to NeighborWorks via the Document Collection System in order to be compensated.

When reporting for Level 5b counseling activities, all three of these completed documents must be in Approved Applicant/ Borrowers file:

- **acknowledgement of explanation of program expectations;**
- **verified budget and accompanying documentation proving that income and expense/ debt obligations were verified; and, the Action Plan.**

“Level 5c” Counseling: This counseling level consists of the mandatory the Program 12-month recertification of Borrower eligibility under program income and principal residency requirements. To qualify for a Level 5c payment (\$200), a counseling agency will be required to complete all five of the following steps:

1. Counseling Agency will contact Borrower during the 11th month after receiving HUD approval of the Program loan in order to schedule and perform the annual recertification of program eligibility. The Counseling Agency will remind the Borrower that updated copies of the same documentation required for documenting income and residency for the application must be provided as part of the annual recertification. The Counseling Agency will review the documentation submitted by the Borrower in order to confirm the Borrower continues to: 1) reside in the property; and 2) meet the Program eligibility requirements for income. The Counseling Agency will notify the Borrower via telephone and certified mail of any deficiencies in the documentation provided Borrower and the Borrower will have five (5) business days from the date the Counseling Agency notified the Borrower to remedy the deficiencies. Any Borrower who fails to respond to the Counseling Agency's request within this timeframe will be found ineligible for continued assistance, and the Borrower's assistance will be terminated by the Fiscal Agent.
2. Based on its review, the Counseling Agency will determine the Borrower's continued eligibility. The recertification will categorize the Borrower in one of the three following options: 1) Borrower remains eligible for the Program at the same level of monthly assistance; 2) Borrower remains eligible for the Program, but at an adjusted level of monthly assistance; or 3) Borrower is no longer eligible for the Program. If the Counseling Agency determines the Borrower is no longer eligible, the Counseling Agency will notify the Borrower via certified mail of that determination including the reason for ineligibility. Borrowers may appeal the Counseling Agency's eligibility decision according to the procedures identified by Neighborworks. If the Borrower does not appeal the determination or the determination is upheld, the Fiscal Agent will begin the termination process.
3. The Counseling Agency will notify the Fiscal Agent of the recertification results via HOPE LoanPort.
4. The Counseling Agency must forward to the HUD Office of Housing any suspected instances of Borrowers failing to comply with the mandated reporting on income changes that may be discovered as part of the recertification process.

5. The Counseling Agency must report completed Level 5c counseling sessions to HOC via the Document Collection System in order to be compensated.

When reporting for Level 5c counseling activities, the following completed documents must be in Borrower file:

- **recertification determination checklist (NeighborWorks will provide); and,**
- **hard copies of all the updated documentation provided by the Borrower.**

“Level 5d” Counseling: This counseling level consists of transition counseling provided to Borrowers who remain unemployed or underemployed and unable to afford resuming full responsibility for monthly mortgage payments at the end of the Borrower’s approved assistance period. To qualify for a Level 5d payment (\$300), a counseling agency will be required to complete all seven of the following steps:

1. Counseling Agency must contact each Borrower within the final months of the borrower’s approved assistance period (within 3 months of the last scheduled month of assistance for that Borrower) to set-up a transition counseling session for those borrowers who remain unemployed or underemployed. The Counseling Agency will be provided information on Borrowers remaining in the Program from HLP.
2. Counseling Agency will work with each Borrower to explore other loss mitigation options, including refinance, loan modification, short sale, and/or Deed in Lieu of Foreclosure.
3. Counseling Agency must develop a revised “post- Program” budget for the borrower based on the Borrower’s representation of their true debt obligations, monthly expenses and spending patterns, and realistic opportunities for income.
4. Counseling Agency must develop a revised “post- Program” Action Plan with follow up activities to be taken by the Borrower and review this Action Plan with the Borrower. Action Plans are not generic plans or checklists that are the same for every Borrower; rather, they are individualized based upon the specific situation of each Borrower. Generic Action Plans are unacceptable under the Program.

5. Steps to obtain a solution outlined in the written Action Plan will be taken and documented using counseling notes that indicate date counseling occurred and progress against the Action Plan. This could include but is not limited to the activities listed below.
 - Draft and submit to the Borrower's servicer a hardship letter that describes the borrower's situation, reason for delinquency, factors that should be considered when developing a workout plan, and an estimate of the housing cost the Borrower can afford to pay.
 - Document an attempt to contact the servicer or lender and, 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. NeighborWorks posts contact information for servicers who have made such information available on the National Foreclosure Mitigation Counseling members' website so documentation of attempts to reach servicers can be easily captured.
 - Complete and submit application for local resource options including refinance programs or rescue funds.
 - Assist in situations where Borrower elects to pursue sale options.
6. Close-out documentation is completed. For purposes of this Program funding, "close-out documentation" refers to the documentation of steps taken under written action plans. All files need to contain a reason for close out and, if applicable, any documentation demonstrating solution.
7. The Counseling Agency must report completed Level 5d counseling sessions to the Minnesota Homeownership Center via the CounselorMax in order to be compensated.

When reporting for Level 5d counseling activities, all of these completed documents must be in Borrower file:

- **Revised "post-Program" budget;**
- **Revised "post-Program" Action Plan;**
- **Documentation of steps taken based on Action Plan; and,**
- **Close-out documentation.**