Lessons Learned:

The Pandemic Mortgage Assistance Program

A REPORT BY PHILADELPHIA LEGAL ASSISTANCE

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EXECUTIVE SUMMARY

In late May of 2020, the Pennsylvania General Assembly directed $175 million of federal CARES Act funding to provide financial assistance to renters and homeowners facing financial hardship due to COVID-19. Of these funds, $25 million was set aside for mortgage assistance. Unfortunately, despite hundreds of thousands of Pennsylvanians desperate to avoid foreclosure, Pennsylvania spent only forty percent of the allocated funds by the November 30 deadline.

Philadelphia Legal Assistance was on the front lines when it came to the rollout of COVID housing assistance programs in Philadelphia. Our experience fielding hundreds of calls from homeowners trying to navigate an overly burdensome and complicated application process has given us unique insights into the reasons that Pennsylvania's pandemic mortgage assistance program was not more successful. This report describes the primary reasons for the inability of the program to reach more homeowners in crisis. In particular, the following features contributed to the limited impact of the Pandemic Mortgage Assistance Program, or PMAP.

Exclusion of Borrowers in Forbearance

In implementing the Pandemic Mortgage Assistance Program (PMAP), the Pennsylvania Housing Finance Agency initially excluded borrowers who were "in forbearance" with their mortgage companies from eligibility. Even though a forbearance provides a homeowner with a temporary reprieve from tendering mortgage payments due to a loss of income, it does not forgive the missed payments. These missed payments remain due and unpaid and must be repaid to avoid foreclosure when the forbearance period ends. The exclusion of borrowers in forbearance from receiving mortgage assistance left approximately half of Pennsylvania homeowners facing a COVID hardship at risk of losing their home through foreclosure.

Unreasonably Narrow Eligibility Requirements

PMAP capped the amount of assistance at $1,000 per month, an unreasonably low level given the realities of the market. With a median home price in Philadelphia of $224,600 (and a corresponding monthly mortgage payment of more than $1,000 for principal and interest alone, not including escrow), the cap on monthly assistance prevented many struggling Philadelphians from accessing the full extent of the help they needed. PMAP also initially required lenders to waive amounts in excess of the $1,000 cap as a condition of participating in the program. As a result, many lenders simply refused to participate in the program when a borrower's monthly payment was greater than $1000. Similarly, PMAP's narrow focus on proving a reduction in earnings as the sole criteria for demonstrating a financial hardship from COVID resulted in the exclusion of many homeowners who were facing severe hardship as a result of the pandemic.

Onerous Verification Requirements

In order to receive assistance, homeowners were required to verify the existence of their COVID hardship by either (1) verifying that they were receiving unemployment compensation, or (2) verifying that they had lost at least 30% of their earned income since March 1, 2020. With businesses across the state shuttered and applicants stuck at home without the ability to access necessary documentation (even assuming such documentation existed), the verification required by the program was often impossible to come by. The lack of any rule allowing homeowners to self-certify their income meant that thousands of borrowers who were in fact eligible were unable to receive assistance.

Program Requirements that were Incompatible with Mortgage Servicers' Accounting Systems

A homeowner's ability to receive assistance from PMAP was dependent on their mortgage company's willingness and ability to participate, as the program required funds to be distributed to the mortgage company. Unfortunately, the involvement of the mortgage servicer often created additional barriers that prevented struggling homeowners from accessing assistance. Several servicers initially refused to participate in the program at all. In other instances, certain PMAP program requirements were simply incompatible with large mortgage servicers' accounting systems in ways that could not be resolved without extensive involvement by an advocate.

INTRODUCTION

In March, as the COVID crisis hit and communities across the globe shut down, Congress passed the CARES Act, which, among other things, provided $3.9 billion in assistance to Pennsylvania for COVID-related spending. In late May of 2020, the Pennsylvania General Assembly directed $25 million of the CARES funding to provide financial assistance to homeowners facing financial hardship due to COVID.[1]

The COVID pandemic has ravaged communities throughout Pennsylvania and the United States, bringing millions of families to the brink of financial ruin. Millions of homeowners have fallen behind on their mortgage payments and face foreclosure and the loss of their homes when the moratorium on foreclosures for federally backed mortgages expires. As recently as the last week of January, 2021, nearly 350,000 homeowners in Pennsylvania reported that they were behind on their mortgage payments.[2]

Unfortunately, despite there being hundreds of thousands of Pennsylvanians desperate to avoid foreclosure, Pennsylvania spent only forty percent of the allocated funds by the November 30 deadline.

The Consumer Housing Unit at Philadelphia Legal Assistance (PLA) was on the front lines when it came to the rollout of COVID housing assistance programs in Philadelphia as the operator of the Save Your Home Philly Hotline. The Hotline served as the central point of contact for homeowners in Philadelphia who needed assistance applying for the Pandemic Mortgage Assistance Program (PMAP). Between July and November of 2020, we helped hundreds of Philadelphians navigate the process of seeking mortgage assistance.

Our experience over the past year has given us unique insights into the reasons that Pennsylvania's mortgage assistance program was unable to assist many homeowners desperate for help.

Ultimately, a confluence of multiple factors are responsible PMAP's limited impact. This report describes the primary barriers to the program's success.

PANDEMIC MORTGAGE ASSISTANCE PROGRAM

The Pandemic Mortgage Assistance Program, or PMAP, was the homeowner assistance program established by Pennsylvania's Act 24 of 2020. This program was created to provide grants to homeowners having difficulty paying their mortgage due to loss of employment related to COVID. PMAP ultimately spent just 40% of the $25 million dollars set aside for mortgage assistance, despite the fact that hundreds of thousands of homeowners in Pennsylvania remain behind on their mortgages. During the same week that PMAP ended, more than 550,000 Pennsylvanians reported being behind on their mortgage.[3] PMAP ultimately provided financial assistance to just over 2,000 households and returned approximately $15 million to the Commonwealth unspent.[4]

Barriers Related to Eligibility Criteria

Exclusion of Borrowers in Forbearance

Based on PLA's experience fielding calls from struggling borrowers, one of the primary reasons for PMAP's limited impact was the initial decision to exclude borrowers in forbearance from eligibility for the program.

Most borrowers who have fallen behind on their mortgage payments as a result of COVID are eligible to have their mortgage company temporarily suspend attempts to collect overdue payments. This is known as a "forbearance". The federal CARES Act provided that any borrower with a federally-backed mortgage may obtain up to twelve months of forbearance if they are experiencing a hardship due to the COVID pandemic. Nationwide, approximately 2.7 million borrowers are currently in forbearance, including approximately ten percent of all FHA and VA insured loans.[5] In Pennsylvania, more than sixteen percent of FHA-insured loans were delinquent as of the end of January 2021, and more than half of those borrowers (more than 30,000) were in a forbearance.[6] However, a forbearance merely provides a temporary reprieve from collection efforts. It does not forgive the missed payments, which remain due and unpaid and must be repaid to avoid foreclosure when the forbearance period ends.

In implementing PMAP, the Pennsylvania Housing Finance Agency narrowly interpreted the state authorizing legislation and determined that individuals who were "in forbearance" with their mortgage companies were not eligible for assistance. PHFA also designed the online application to weed out any applicants who were in a forbearance. Potential applicants were required to answer a series of screening questions. One of these questions asked whether the applicant was in forbearance. If the applicant selected "yes", a message appeared stating that they were ineligible for the program and prevented the individual from accessing the online application. The preliminary questions occurred before any applicant data was recorded in the application.

In mid-September 2020, approximately two months before the program ended, PHFA reconsidered their initial interpretation and determined that individuals in forbearance were in fact eligible for PMAP. Unfortunately, at that point it was already too late for many applicants who had unsuccessfully tried to access the program. It was also impossible to reach out to applicants who had been rejected at the initial screening stage because no identifying data had been collected from those applicants.

Narrow eligibility criteria excluded households facing severe hardship from COVID 19

The inability of homeowners who were not receiving unemployment compensation to self-certify their loss of income resulted in the denial of applications for PMAP from otherwise eligible homeowners.

In order to receive assistance, both homeowners and renters were required to verify the existence of their COVID hardship by either (1) verifying that they were receiving unemployment compensation, or (2) verifying that they had lost at least 30% of their earned income since March 1, 2020. With businesses across the state shuttered and applicants stuck at home without the ability to access necessary documentation (even assuming such documentation existed), the verification required by the program was often impossible to come by. The lack of any rule allowing homeowners to self-certify their income meant that thousands of borrowers who were in fact eligible were unable to receive assistance.

The requirement that applicants prove a reduction in earnings as the sole criteria for demonstrating a financial hardship from COVID 19 also meant that many homeowners who were facing severe financial hardship as a result of the pandemic could not receive assistance. PLA spoke with a number of homeowners who had not suffered an employment-related loss of income due to the pandemic, but instead had increased expenses that made it hard for them to make their mortgage payments. For example, several homeowners described financial strain due to the introduction of a childcare expenses when schools closed. While PMAP eligibility extended to applicants who had to stop working in order to care for their children at home, there was no provision for borrowers who faced increased childcare expenses while continuing to work.

Homeowners on fixed incomes facing financial hardship due to the pandemic also faced barriers to eligibility. Applicants who received disability income or social security income, for example, were considered ineligible for the program, even if they relied on the financial support of working family members who had suffered a loss of employment-related income. In one instance, a homeowner who received social security income relied on income from her son, who was employed and contributed regularly to the mortgage payments. When the homeowner's son lost his job due to the pandemic, the homeowner fell behind on the mortgage. PHFA determined the homeowner to be ineligible for PMAP because her son's income was not considered a part of the household. In instances such as this, households with non-traditional family structures faced more prevalent barriers to eligibility.

Finally, jobless applicants who faced difficulty securing new employment during the pandemic were not eligible for PMAP if their original job loss occurred before March 1, 2020. PLA spoke with numerous homeowners in this situation. Many of these homeowners had only recently experienced a job loss and were current on their mortgage as of March 1, 2020. Others were just a few payments behind when the pandemic hit. But for the pandemic, many of these homeowners would have been able to get back on their feet without assistance. Because of the pandemic, homeowners were unable to find work and instead fell further behind. In one such case, a homeowner had lost her primary job prior to the pandemic and was initially denied on that basis. PLA was able to appeal the denial on the basis that the homeowner, who had also driven for Lyft and Uber, had lost gig work income after March 1. But the ability of this homeowner to receive assistance depended entirely on the somewhat arbitrary date of the job loss, rather than the impact of the pandemic on the homeowner's ability to find work. In another case, a homeowner who had to leave his restaurant job to care for his sick spouse was unable to return to his position when the restaurant began functioning at a reduced capacity due to the pandemic. Because he left his position before the pandemic, he was considered ineligible for PMAP, even though the pandemic prevented him from returning to work

Barriers Related to Lender Participation

Rather than provide the funds to homeowners directly, PMAP distributed funds to the mortgage servicer. This meant that a homeowner's ability to receive assistance from PMAP was dependent on their mortgage company's willingness and ability to participate. Unfortunately, the involvement of the mortgage servicer often created additional barriers that prevented struggling homeowners from accessing assistance. Several servicers initially refused to participate in the program at all. In other instances, certain well-intentioned program requirements were incompatible with large mortgage servicers' accounting systems in ways that could not be resolved without extensive involvement by an advocate.

"Lender Verification Form"

PMAP required servicers to sign and return a "lender verification" form to PHFA by the program deadline of November 30, 2020. The form required servicers to certify that the mortgage information provided by the applicant was correct, and that the lender would agree to accept the funds from PMAP, apply them in the amounts and to the months listed on an attached invoice, and comply with the terms of the program in doing so. Servicers often felt that this additional step required approval from their legal departments before agreeing to accept the PMAP grant, creating additional delays. Although the lender verification form was itself a straightforward document, it was not always compatible with lenders' internal divisions of labor between customer assistance and legal review, nor was it compatible with the program's own deadlines for distributing funds. PLA assisted several homeowners who had been approved for PMAP, but who were ultimately unable to actually receive the assistance because of the amount of time it took for this post-approval document to go through their servicers' internal systems.

Although PHFA staff worked overtime to contact lenders regarding the lender verification, borrowers typically had to advocate for themselves directly with their mortgage

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servicer in order to try to get them to return the verification. Unfortunately, in many cases the servicers either never returned the verification at all, or didn't return it in time, and eligible homeowners lost out on desperately needed assistance.

$ 1000 Monthly Payment Cap

PMAP capped the amount of monthly payment assistance at $1,000 per month (including escrow for taxes and insurance). With a median home price in Philadelphia of $224,600 (and a corresponding monthly mortgage payment of more than $1,000 for principal and interest alone, not including escrow), the cap on monthly assistance prevented many struggling Philadelphians from accessing the help they needed.

PMAP also initially required lenders to waive amounts in excess of the $1,000 cap as a condition of participating in the program. As a result, many lenders refused to accept PMAP assistance for any applicant with monthly payments greater than $1000. In one instance, a client that PLA helped apply for PMAP would have had a remaining balance of less than $100 dollars for each past due month after PMAP was applied, but was informed by her lender that they would not be able to accept the funds. Indeed, Wells Fargo initially refused to participate in PMAP at all for this reason. Although Wells Fargo eventually walked back their refusal to participate, other lenders did not make this same public assurance.

The monthly payment cap, combined with the requirement that PMAP assistance be applied to particular months, was also incompatible with most servicers' accounting systems, even when the borrower was otherwise eligible in every way for the program. For borrowers with monthly payments greater than $1000 per month, this restriction on the payment cap meant that if the mortgage servicer applied the funds from PMAP as required by the program, there would be an unsatisfied balance for each month to which PMAP funds were applied. Many mortgage servicers provided feedback that, using their normal accounting tools, they were simply not able to apply simultaneous incomplete payments to multiple past due months.

PHFA eventually eliminated the requirement that lenders waive borrowers' obligation to make payments in excess of the cap. Even then, however, the payment cap continued to limit lender participation in the program. When receiving and applying payments, it is standard practice among mortgage servicers to apply amounts equal to a full monthly payment to the oldest payment date, and to hold any remaining funds in "suspense". PMAP program rules were incompatible with this standard accounting practice. As a work-around, applicants for PMAP with monthly payments greater than $1,000 had to arrange to have the servicer hold the full grant amount in suspense, to be applied to the borrower's account balance only after the borrower paid any amounts in excess of the cap. As one might imagine, this process was complicated and cumbersome, and generally required the involvement of an advocate in order to be successful.

Restriction on lenders applying funds from PMAP to any months before March 2020

PMAP prohibited mortgage servicers from applying funds to any monthly payments due and payable before March 2020. This restriction existed in part to create a check on the servicer side to make sure that applicants for PMAP only received funds for mortgage payments that were delinquent due to the effects of the pandemic. However, many applicants for PMAP who may have missed payments before March 2020 for other reasons were further prevented from catching up on their mortgage payments or finding a new job due to the labor market conditions created by COVID. With the help of an advocate, a number of homeowners were able to successfully get approved for a PMAP grant despite the existence of missed payments before March 2020, if they were able to show a loss of earnings after March 1, 2020.

However, when this pool of applicants was approved for PMAP, the requirement that mortgage servicers only apply funds to months after March 1, 2020 created a dilemma for the servicers. Most mortgage servicers use an accounting system that requires them to apply any payments made to the earliest unpaid month on a borrower's account. In these cases, servicers often expressed that they were not able or willing to sign a verification form stating they would apply the PMAP grant only to months after March 2020. As a result, many servicers either refused or were unable to return the verification form, and struggling borrowers who had previously been approved for assistance were unable to actually receive it.

Accessibility and Application Barriers

Requirement that homeowners return a "homeowner acknowledgment" form before post-approval process for lender would begin

As a final step prior to releasing funds, PMAP required that homeowners sign and return a document called the "homeowner acknowledgment". However, PHFA did not send the homeowner acknowledgment to the applicant until the lender returned the lender verification. The resulting delays meant that many eligible homeowners were unable to receive assistance, despite having been previously approved.

Limited Assistance for Non-English Speakers

PMAP did not include an online application in any language besides English. The lack of support for Spanish-speaking homeowners was concerning because the pandemic has hit Latinx homeowners particularly hard.

Access to Technology

Applicants for PMAP who lacked access to computers, scanners, copiers and printers, had difficulty submitting complete applications and experienced long delays in the review of their applications. The online application required the use of a computer to complete.

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Applicants who tried to complete the online PMAP application on a phone or mobile device received an error message when they tried to navigate from one page to the next and were unable to proceed. The online application also required that all supporting documents be submitted in pdf format. This was problematic as many applicants who did not have access to a printer or scanner had instead captured photos of their supporting documents using a cellphone. Many struggled to convert these photos into pdf format so that they could be uploaded to the application.

The online PMAP application also required applicants to download, print, sign, and upload an authorization form. There was no option to sign and submit this document electronically. This step was very difficult for applicants who did not have access to a printer. Several applicants found the online application too difficult to complete and opted to apply for PMAP by mail instead, causing a major delay in the approval process.

CONCLUSION

Despite the barriers described above, advocates throughout Philadelphia were able to assist hundreds of Philadelphians in obtaining much-needed housing assistance. Paralegals at PLA directly assisted or supported over one hundred homeowners (and provided advice to many more), resulting in at least $179,000 in PMAP assistance, or approximately one in every 15 dollars spent by PMAP in Philadelphia County. Paralegals on the Save Your Home Philly Hotline also played a crucial role providing information and advice to homeowners during a time when virtually no one else was answering the phone. Our outreach efforts and the information we provided on the Save Your Home Philly Hotline contributed to making Philadelphia the top county in the Commonwealth in terms of per capita grant funds disbursed by PMAP.

We are proud of our work and we know that many homeowners in Philadelphia were only able to access assistance because of our involvement. Unfortunately, in far too many cases, the barriers to participation were simply too high, and thousands of struggling homeowners were unable to access the help they needed.

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Endnotes

1 PA Act 24 of 2020, Section 190-C (May 29, 2020)

2 U.S. Census Bureau, Weekly Household Pulse Survey, Week 23 (January 20 – February 1), available at https://www.census.gov/data/tables/2021/demo/hhp/hhp23.html.

3 U.S. Census Bureau, Weekly Household Pulse Survey, Week 20 (November 25 – December 7), available at https://www.census.gov/data/tables/2020/demo/hhp/hhp20.html

4 https://www.phfa.org/forms/pacares/reports/pmap-data-county-dec.pdf

5https://www.blackknightinc.com/blog-posts/slow-and-steady-improvement-in-forbearances-continues-despite-weekly-increase/

6 Data from U.S. Department of Housing and Urban Development's Neighborhood Watch, Early Warning System, available at https://entp.hud.gov/sfnw/public/

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