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U.S. Housing and Urban Development Secretary Shaun Donovan announced HUD will provide nearly $56 million to help struggling homeowners in Minnesota through its Emergency Homeowners Loan Program (EHLP). The Dodd-Frank Wall Street Reform and Consumer Protection Act, signed into law by President Obama in July, authorizes HUD to administer a $1 billion Emergency Homeowners Loan Program, to provide assistance – for up to 24 months -- to homeowners who have experienced a substantial reduction in income due to involuntary unemployment, underemployment, or a medical condition and are at-risk of foreclosure. HUD will assist borrowers in 32 states and Puerto Rico not otherwise funded by Treasury's Hardest Hit Housing Fund program, based on the state's relative share of unemployed homeowners. It is HUD's intention for the program to begin taking applications from eligible homeowners by the end of the year.

"The Emergency Homeowner Loan Program will provide limited and targeted assistance to help working families get back on their feet and keep their home while they look for work," said Secretary Donovan. "In crafting this new loan program, HUD built on the lessons learned from Treasury's Hardest Hit initiative to design and implement a program to assist struggling unemployed homeowners avoid preventable foreclosures. Together these two initiatives represent a combined $8.6 billion investment to help struggling borrowers and in doing so further contribute to the Obama Administration's efforts to stabilize housing markets and communities across the country."

"The loan program announced today is essential in rebuilding and revitalizing communities in Minnesota that are suffering from the devastating effects of foreclosure," said Rep. Keith Ellison. "With the federal government's help, potentially thousands of Minnesota families will be able to keep their homes."

Who Will Be Helped
The program will complement existing Administration efforts to assist struggling homeowners – including the Home Affordable Modification and Hardest Hit Fund initiative administered by the U.S. Treasury Department. Under the EHLP:

1) the borrower must be at least three month delinquent in their payments and have a reasonable likelihood of being able to resume repayment of their mortgage payments and related housing expenses within two years.
2) the property must be the principle residence of the borrower, and eligible borrowers may not own a second home
3) the borrower must have suffered at least a 15 percent reduction in income and have been able to afford their mortgage payments prior to the event that triggered the loss income.

How They Will Be Helped
The HUD Emergency Homeowners Loan Program will offer a forgivable, deferred payment "bridge loan" (zero percent interest, non-recourse, subordinate loans) for up to $50,000 to assist eligible borrowers with their mortgage arrearages and payments on their for mortgage principal, interest, mortgage insurance premiums, taxes and hazard insurance for up to 24 months.

There will be a dual delivery approach for program administration. The first approach will delegate some of the program's administrative functions to a designated third party. The second approach will enable state housing finance agencies (HFAs) that operate substantially similar programs to engage in relief efforts on behalf of residents of their state:

• Delegated approach: HUD will delegate key program administration functions to NeighborWorks® America – an experienced and highly regarded national network of affiliated housing counseling agencies. Under the program, nonprofit housing counselors who are part of the National Foreclosure Mitigation Counseling Program administered by NeighborWorks® America will coordinate intake counseling, document preparation and outreach functions. HUD will also use it delegation authority to contract with an experienced entity to provide loan servicing and fiscal control functions such as collecting payments from homeowners, distributing payments to servicers, and managing loan balances.

• Substantially similar state law approach: State HFAs that operate loan assistance programs that are determined by HUD to be substantially similar to the EHLP will receive allocations to fund emergency loans for borrowers in their states as well as payments to cover the administrative costs of performing the intake and housing counseling and fiscal agent functions (described above) directly or indirectly through subcontracts with third parties.