Implementation Rules and Eligibility Criteria for American Recovery and Reinvestment Act (ARRA) Expansion of the DoD Homeowners Assistance Program (HAP)

The overall goal of the HAP is to minimize the amount of financial harm, risk of foreclosure, credit damage, or bankruptcy experienced by servicemembers and DOD civilian beneficiaries when they are compelled to move in an unprecedented real estate market as a result of their service to the United States. In that vein, the following policies provide a solid basis for determining eligibility for the ARRA HAP expansion and ensure this effort is managed efficiently and successfully.

- **The Department will ensure, as a top priority, that sufficient funds are reserved from within the the $555M appropriated for the expanded HAP to pay claims from qualifying Wounded Warriors who relocate for medical treatment or medical retirement due to their disability and surviving spouse homeowners.**

- **As the second priority category, the new policy will expand the HAP BRAC benefit by removing the requirement that the homeowner show that the BRAC closure or realignment action was the cause of the drop in the value of the home.**

- **The Department is also creating a temporary benefit for qualifying Permanent Change of Station (PCS) moves**

- **In all cases, the benefit is for a primary residence only, and the benefit may only be used once.**

- **Use Purchase Price as the Prior Fair Market Value (PFMV) for all beneficiaries, including BRAC**
    - Current Policy: PFMV is determined at the date of the BRAC announcement.

    - Description of Change: The BRAC announcement date is not relevant to many new HAP beneficiaries. The best equivalent PFMV is to use the purchase price of the home. For BRAC and PCS moves, the home must have been purchased prior to July 1, 2006.

    - Outcome: Avoids unnecessary claim costs because BRAC announcement date was near the peak of housing market and BRAC announcement date is no longer relevant.

- **Set the allowable Private Sale reimbursement to 90% of Prior Fair Market Value for BRAC (non-causation) and PCS move beneficiaries**
  - Current Policy: Prior HAP allows for 95% Private Sale reimbursement

  - Description of Change: Losses on private sales will be reimbursed at 95% of PFMV for Wounded Warriors and Surviving Spouses, as well as BRAC communities that can prove causation. It will be reduced to 90% of PFMV for all other beneficiaries.

  - Outcome: Communities that can show BRAC causation have an incentive to do so; reduces per-claim costs for BRAC (non-causation) and PCS moves; maximizes assistance to the fullest extent for Wounded Warriors and Surviving Spouses, and makes overall policy consistent with 10% individual loss eligibility threshold.

- **Government acquisition (or mortgage payoff) will be 75% of PFMV for all beneficiaries (except Wounded Warriors/civilians and surviving spouses) who have made reasonable efforts to market their home and cannot sell under reasonable terms and conditions. Wounded Warriors, wounded civilians, and surviving spouses who cannot sell under reasonable terms and conditions will receive 90% of PFMV.**

  - Current Policy: Government acquisition is 75% of Prior Fair Market Value. There is no standard level of effort a homeowner must make before the government acquires a home or pays off the outstanding mortgage.

  - Description of Change: While statute allows purchase up to 90%, current policy limits government acquisition to 75% of PFMV. Only wounded warriors, wounded civilians, and surviving spouses would receive the full 90% of PFMV for government acquisition of their houses. As previously noted, losses from private sales will be reimbursed up to 95% of PFMV for wounded warriors, wounded civilians, and surviving spouses. These changes also strengthen current policy by specifying government acquisition is allowed only if applicant is not able to sell home after 120 days of marketing it at a price level deemed appropriate for its local market circumstances by the US Army Corps of Engineers, and therefore the applicant is in danger of foreclosure.

  - Outcome: Prior HAP experience with government acquisition of homes has shown significant maintenance costs from acquired homes and resulted in reduced HAP resources being available to pay other applicant claims. Incentives have been built into the existing HAP program over time to favor private sales rather than government acquisition. Strengthening current policy discourages government purchase of homes and costly carrying expenses. It also allows HAP resources to go further and assist more applicants.

- **Set both the Local Market Decline Eligibility Threshold and Individual Loss Threshold at 10% for BRAC and PCS claims.**
    - Current Practice: A BRAC community qualified for a HAP benefit if their local market showed at least a 5% housing market decline and also if that 5% or greater decline could be causally linked to the BRAC announcement. Individuals also have to experience a 5% loss on the sale of their home when measured against the PFMV.
    - Description of Change: For a person to qualify under the new rule, not only would the individual need to personally experience a 10% loss between the purchase price and sale price of their home, but the home must also be in a housing market area that has also suffered a 10% or greater decline. The smallest unit of analysis for a housing market area will be the county in which the home sale occurred.
    - Outcome: Focuses limited resources on the hardest-hit real estate markets. Most installations are in locations that have not suffered a 10% or higher decline from peak 2006 levels.
- **Cap the Maximum Home Purchase Price as an eligibility threshold**
    - Current Policy: There is no maximum home value established for a beneficiary receiving a HAP benefit.
    - Description of Change: Links the maximum cap to the 2009 Fannie Mae/Freddie Mac Conforming Loan Limits (as amended by the ARRA of 2009), which range from $417,000 to $729,750 (depending on county or Metropolitan Statistical Area). The 2009 Conforming Loan Limits would apply to all homes in the program from FY 2006 to FY 2012.
    - Outcome: Prevents taxpayers from 'bailing out' million-dollar homes, but is adjusted by region to account for cost variations.
- **Commuting Distance: 50 miles.**
    - Current Policy: Current HAP policy is to provide assistance only when a BRAC directed move requires an applicant to move outside the normal and reasonable commuting distance of 50 miles. There was no change to this policy.

- **Claims Processing**

  - Current Policy: Under the prior BRAC HAP where causation was established, claims were processed in the order they were received.

  - Description of Change: Wounded Warriors and surviving spouses will receive priority processing for losses that meet the criteria listed above in connection with moves that result from a death, illness or injury on deployment on or after September 11, 2001.

  - For BRAC or PCS moves, the ARRA requires that home must have been purchased before July 1, 2006.

  - For BRAC moves to be eligible, the property must be sold by September 30, 2012.

  - For PCS claims to be eligible, the home sale must result from PCS orders issued on or before December 31, 2009, and the application must be recieved by March 31, 2010.

  - Outcome: These policies are designed to ensure that regardless of when a claim arrives, there will be sufficient resources available for Wounded Warrior, wounded civilian, and Surviving Spouse claims, as well as for BRAC claims (most of which will occur in FY 2010 and FY 2011).

- **Pay PCS claims for home sales resulting from PCS orders issued by December 31, 2009, or until available ARRA resources are depleted.**

  - Outcome: Uses allowable statutory authority under the ARRA to set an end date for the PCS portion of expansion program based on projections of when the available funding will be depleted. The PCS home sale deadline will be reviewed as initial claims are processed and can be extended, if resources allow, based on a close monitoring of claims payment history.