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# TECHNICAL BRIEFS

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## Homeowner's Emergency Mortgage Assistance Program (HEMAP)

During the 1970s and early 1980s, the U.S. economy experienced stagflation, with rising unemployment and inflation. Pennsylvania, like most states, faced a deep recession, and mortgage rates were on the rise. Many residents were unable to make mortgage payments and lost their homes to foreclosure. In response to the downturn in the economy and the increasing number of mortgage foreclosures, the Pennsylvania General Assembly passed Act 91 in December 1983, which established the Homeowner's Emergency Mortgage Assistance Program (HEMAP).

HEMAP's purpose is to prevent residential mortgage foreclosures that result from defaults in mortgage payments caused by circumstances beyond a homeowner's control. The program, administered by the Pennsylvania Housing Finance Agency (PHFA), brings residential mortgage loans and real estate taxes current by providing subordinate loans. Once a borrower is 60 days delinquent on his or her mortgage, a lender may send an Act 91 notice to begin the foreclosure process. The notice informs the borrower about HEMAP and indicates that in order to apply for a HEMAP loan, he or she must meet with an approved counseling agency within 30 days. The borrower is granted a temporary stay of foreclosure on the mortgage through the application process, during which time the lender is not permitted to continue with mortgage foreclosure proceedings.

The funding for the program comes from HEMAP loan repayments and state appropriations. In recent years, the amount coming into the fund through loan repayments has been approximately 74 percent of the amount of the loans disbursed. Since its inception, the program has received over \$200 million in state appropriations. The majority of HEMAP's funding came from the first 15 years of the program, during which time \$189 million was appropriated. (During this time, HEMAP had a surplus of \$12 million that was returned to the state.) A major challenge of the program has been to ensure that sufficient funds are appropriated each year. From fiscal year 1999 through 2004, no appropriations were made. In the last three fiscal years, \$23 million has been

appropriated. In addition to the appropriations for HEMAP, a total of \$12 million in Temporary Assistance for Needy Families (TANF) funds has been used to make HEMAP loans to income-eligible borrowers who are delinquent on mortgage payments.

Since its start through August 2006, the program received 145,500 loan applications and assisted 37,100 homeowners. During this time, PHFA has granted over \$384 million in loan disbursements. In addition, 73 percent of the loans made are performing. HEMAP loan volume parallels population density throughout the state. The highest volume areas for HEMAP loans are in Philadelphia and Pittsburgh. North-eastern Pennsylvania has the third highest volume.

HEMAP has 36 full-time employees and three part-time employees who administer all aspects of the program. For fiscal year 2007, it will cost approximately \$4.4 million to run the program.

According to HEMAP director Daryl Rotz, HEMAP is the only program of its kind in the United States. Rotz noted that during the last few years, several housing agencies from other states have contacted PHFA about the structure of the program. A few agencies have created mortgage assistance programs that contain elements of HEMAP, although no agency has completely replicated the HEMAP structure.

Today, many Pennsylvania residents continue to encounter circumstances that make it difficult to pay their mortgages, and Pennsylvania has one of the highest residential mortgage foreclosure rates in the country. According to the Mortgage Bankers Association, as of June 30, 2006, Pennsylvania ranked eighth nationally in total foreclosure inventory, at 1.54 percent. The foreclosure rate was 0.65 percent for prime mortgages and 5.33 percent for subprime mortgages, the ninth and 11th highest in the nation, respectively. HEMAP provides loans to borrowers who are at risk of foreclosure due to circumstances beyond their control and enables them to stay in their homes.

Purpose	<p>The program prevents residential mortgage foreclosures that result from defaults in mortgage payments caused by circumstances beyond a homeowner's control. Circumstances beyond a homeowner's control include but are not limited to:</p> <ul style="list-style-type: none"> <li>• Loss of employment due to layoff, strike, or plant closing,</li> <li>• A serious medical condition,</li> <li>• Death or disability of another person who contributed to household income,</li> <li>• Divorce or legal separation.</li> </ul> <p>For more information about circumstances beyond a homeowner's control, contact PHFA.</p>
Loan size	All loans are limited to 24 months or to a maximum of \$60,000.
Disbursement	The program disburses continuing and noncontinuing loans. With a continuing loan, the mortgage is brought current, and HEMAP subsidizes the monthly mortgage payment to the lender. With a noncontinuing loan, the mortgage is brought current, and the homeowner is responsible for making all subsequent monthly mortgage payments to the lender along with a monthly payment to HEMAP.
Collateral	The HEMAP loan is recorded as a lien against the property. PHFA will not assume less than a third lien position.
Eligibility	An applicant must be the owner and mortgagor of a one- or-two family residence in Pennsylvania, be suffering from a financial hardship through a circumstance beyond his or her control, and demonstrate a reasonable prospect of being able to resume regular mortgage payments within 24 months. In addition, the applicant must have had a favorable mortgage credit history over the previous five years, with the exception of the current mortgage delinquency. FHA Title II borrowers are not eligible.
Application requirements	Participants are eligible to apply for HEMAP when they are 60 days delinquent on a mortgage payment and receive an Act 91 notice. To apply for the loan, a homeowner must meet face-to-face with a HEMAP-approved counseling agency within 30 days of receiving an Act 91 notice. After the meeting, the counseling agency has 30 days to provide a loan application signed by the applicant and all other necessary documentation to PHFA for review. PHFA has 60 days to review the loan application and approve or deny the loan. The borrower is granted a temporary stay of foreclosure on the mortgage through the application process.
Counseling agencies	HEMAP-approved counseling agencies are listed on PHFA's website: <a href="http://www.phfa.org/applications/counseling_agencies.aspx">http://www.phfa.org/applications/counseling_agencies.aspx</a>
Income limits	There are no income restrictions for borrowers who wish to participate in this program.
Repayment	There is no set repayment term. It is determined by the amount the borrower is able to repay. HEMAP recipients are required to pay up to 40 percent of their net monthly income toward their total housing expense. The total housing expense includes mortgage payments, escrows for taxes and insurance, and utilities. The minimum monthly payment is \$25.00. Loans are evaluated annually to determine if the payment schedule should be modified.
Interest	The interest rate is 9 percent. Interest cannot accrue to an amount greater than the principal. In addition, if the borrower is repaying the minimum amount of \$25, this repayment will apply directly to the principal and interest will not accrue.
Funding	The program is funded by state appropriations and loan repayments.
Program performance	Since its inception through August 2006, the program received 145,500 loan applications and assisted 37,100 homeowners. PHFA has granted over \$384 million in loan disbursements, of which nearly \$214 million has been repaid (principal and interest combined). Currently, the average HEMAP loan is \$10,500. Approximately 73 percent of loans are performing; PHFA has written off 10,100 loans (slightly less than \$107 million in principal and interest payments).
Program information	Contact Daryl Rotz, Director of HEMAP at PHFA, 211 North Front Street, Harrisburg, PA 17101; (717) 780-3930; <a href="mailto:drotz@phfa.org">drotz@phfa.org</a> . For technical questions, contact John Goryl, Associate Counsel for the Legal Division at PHFA, 211 North Front Street, Harrisburg, PA 17101; (717) 780-3880; <a href="mailto:jgoryl@phfa.org">jgoryl@phfa.org</a> . Website: <a href="http://phfa.org/consumers/homeowners/hemap.aspx">http://phfa.org/consumers/homeowners/hemap.aspx</a>
Additional resources	Technical assistance is available through the Regional Housing Legal Services' HEMAP Help Center, a website that provides homeowners with feedback on their applications before they meet with HEMAP-approved counselors. The website also provides information about the program and the HEMAP application so that homeowners are better prepared for their meetings with the counselors. The HEMAP Help Center is not a substitute for meeting and filing an application with a HEMAP-approved counseling agency. Website: <a href="http://www.hemap.org/hemap/html/index.aspx">http://www.hemap.org/hemap/html/index.aspx</a>

For more information, please contact Erin Mierzwa, Community Development Specialist, Federal Reserve Bank of Philadelphia, 10 Independence Mall, Philadelphia, PA 19106; (215) 574-6641; [erin.mierzwa@phil.frb.org](mailto:erin.mierzwa@phil.frb.org); website: <http://www.philadelphiafed.org/cca/index.html>