

## TESTIMONY OF VERISE V. CAMPBELL

Good afternoon Mr. Chairman and members of the committee. Thank you for the opportunity to participate in today's hearing and appear before you regarding implementation and oversight of the Hardest Hit Fund.

For the record, my name is Verise Campbell. Since June of 2016 I have been the Chief Executive Officer for the Nevada Affordable Housing Assistance Corporation, also known as "NAHAC." NAHAC is the designated administrative Eligible Entity for the Nevada Hardest Hit Fund (NVHHF). The Nevada Housing Division (Housing Division), which is a Division of the Nevada Department of Business and Industry (Business and Industry), was designated by the United States Department of the Treasury ("Treasury") as the State Housing Finance Agency or "HFA." I was selected by the State of Nevada to restructure NAHAC after the organization experienced a series of operational issues and a decrease in production that will be discussed below in more detail.

### OVERVIEW

No state was hit harder than Nevada during the Great Recession and subsequent housing crisis, and the NVHHF has been instrumental in helping people save their homes and get back on their feet. In fact, countless homeowners have provided unsolicited thanks and poignant insight into how profoundly vital this assistance has been for them and their families.

*"This program saved my life; it saved my children's lives."*

*"I feel like the weight of the world has been lifted off of my shoulders!"*

*"We were under so much pressure; we didn't know what to do. We thought we were going to lose our home until we spoke to the Hardest Hit Fund."*

These are actual quotes from Nevada homeowners who would have had nowhere else to turn had this program not been available to them. Through the assistance provided by NAHAC and the Hardest Hit Fund dollars provided by the federal government, the lives of Nevada homeowners continue to be transformed for the better by enabling people to stay in their homes, and the Nevada housing market has been stabilized as a result.

Providing benefits to Nevada homeowners has not been without challenges. NAHAC acknowledges that there have been issues with its performance. The Special Inspector General for Troubled Asset Relief Program (SIGTARP) and Treasury released reports critical of NAHAC's operations and productivity. The most critical report was released in September 2016 by SIGTARP. The SIGTARP report alleged mismanagement, fraud, waste and abuse by NAHAC in the amount of \$8.2 million. However, subsequent Treasury audits for the same period found a significantly reduced amount of "unallowable" expenses; \$136,000 (not \$8.2 million). NAHAC immediately reimbursed the \$136,000 to Treasury. Nevertheless, changes had to be made if NAHAC was going to effectively serve Nevada homeowners.

## NEW MANAGEMENT AND NEW FOCUS

NAHAC made major changes to its organizational structure and operational guidelines, which have resulted in more transparency for the organization, better internal controls and more efficient systems. These changes contributed to better production and more households being served. NAHAC also received constructive input from Treasury, Nevada's Congressional delegation and Business and Industry and continues to solicit input from its community partners to make the assistance program available to more Nevadans and to more effectively assist them with their housing needs.

NAHAC had experienced high staff turnover. As a result, in 2014 there was a sharp decline in production, which continued through 2015. During this period, Business and Industry and the Housing Division expressed concerns to Treasury regarding NAHAC's operations and the lack of cooperation from NAHAC's Board of Directors. Subsequently, Treasury issued a critical Performance Memorandum to NAHAC, which prompted resignations of the majority of NAHAC's Board of Directors. Thus, began the re-organization of NAHAC. New management set about to remedy the problems identified internally and by Treasury and SIGTARP. Since June 2016, the change in direction from previous years has been significant. NAHAC has followed the recommendations of Treasury and the Housing Division to correct mistakes and make the program stronger, more efficient, more transparent and more effective in helping Nevada families keep their homes. The following is an overview of the steps NAHAC has taken to more effectively manage the aid to Nevada families.

**Organizational Changes** - In April 2016, NAHAC's bylaws were amended to operate NAHAC under Nevada's Open Meeting Laws, and to allow the State of Nevada and the Housing Division to provide direct oversight of Nevada's Hardest Hit Fund programs and operations as intended in the tri-party participation agreement between Treasury, NAHAC and the Housing Division. The Board of Directors now consists of two members from the Nevada Housing Division, one member from Business and Industry, and two independent members who have experience with real estate, housing, mortgage lending or other expertise related to mortgage assistance programs or sustainable housing.

NAHAC also terminated its Chief Executive Officer and I was appointed to take over that position. From my initial assessment of the organization, it was apparent NAHAC had ample opportunity to improve its ability to efficiently and effectively carry out its mission. There were challenges in the following key areas: staffing, management, systems and programs; all of which hampered the ability to readily identify qualified candidates for assistance and timely distribute funds to homeowners in need.

**Staffing and Internal Controls** - Under new management, NAHAC and the new Board of Directors acted decisively to realign operations and control administrative expenses. The organization currently operates with a significantly scaled-down workforce of ten (10) full-time employees, one (1) part-time employee, and six (6) temporary employees, compared to 19 full-time employees and no temporary staff in June 2016. In addition, staff was cross-trained to enable the organization to shift human capital resources based on need and demand. This has allowed for maximum cost efficiency without hiring and training additional staff as file volume fluctuates. Such cost control actions have brought the administrative budget in-line with Treasury's permitted administrative expenses, and NAHAC estimates that with the addition of the newly launched Down Payment Assistance Program, the administrative budget is likely to fall between 9 percent and 12 percent.

NAHAC also hired a local CPA firm, experienced with government compliance issues, to provide accounting and financial reporting services and to assist with compliance matters, including responding to inquiries and audits from Treasury and SIGTARP. As a result of NAHAC's past issues, NAHAC has been under constant audit by Treasury and the subject of multiple investigations by SIGTARP. NAHAC has done its best to be responsive given available staff and the deadlines imposed, while at the same time focusing on its obligations to assist Nevada homeowners.

**Systems** - Since June 2016, NAHAC began to operate as a leaner and more efficient, transparent, and homeowner-focused organization without compromising service. One of the first issues current management addressed was the homeowner application process and the system behind it. The original system could not adequately and accurately handle the volume of applicants necessary to achieve NAHAC's funding goals. After careful research into other systems adopted by successful HHF states, NAHAC implemented a new comprehensive document and case management portal system, the Nevada Mortgage Assistance System (NMAS). This system, modeled after California's highly successful portal system, was rolled out on July 3, 2017. One key benefit of NMAS is the system's capability to identify eligible homeowners much earlier in the application process. This saves valuable time and greatly reduces the possibility of human error. NMAS yielded immediate results and has been a key component in reducing the time for a homeowner to receive a decision from 60 to 90 days to the current timetable of 30 to 45 days once an application is submitted.

NAHAC also analyzed its front-end processes to identify cost savings and improvements in customer service, and launched its in-house call center on December 1, 2017. This has resulted in an immediate reduction in front-end related expenses, while at the same time increasing efficiency by streamlining and improving the first contact, intake, and application processes, and providing better customer service and direct management of these functions.

**Programs** - Ensuring that programs are relevant and current to address the evolving housing market is key to successfully meeting the needs of Nevada's struggling homeowners. Since June 2016, NAHAC has submitted program enhancements and received approval from Treasury on four separate occasions. These program enhancements have allowed NAHAC to assist more Nevada homeowners and distribute more HHF dollars where they are most needed. For example, NAHAC realized homeowners on a fixed income were having difficulty qualifying for current HHF programs. After reviewing other programs around the country and discussion with Treasury, NAHAC developed an affordability component to the Principal Reduction Program. This one change allowed NAHAC to further assist Nevada's aging and disabled homeowners.

The following four programs are available to aid existing homeowners who owe more than their home is worth, may be past due on their mortgage payments, and/or have experienced a job loss, underemployment, or other financial hardships.

1. Principal Reduction
2. Second Mortgage Reduction/Elimination
3. Unemployment Mortgage Assistance
4. Mortgage Reinstatement

A new Down Payment Assistance (DPA) Program – “*Hope Brings You Home*” was launched on May 1, 2018, allocating \$36 million to assist approximately 1,800 homebuyers in targeted distressed areas. The purpose of the DPA program is to prevent future foreclosures by assisting with the stabilization of housing prices in targeted areas. As a requirement implemented by Treasury, NAHAC evaluated five housing market distress indicators across the State of Nevada and identified 27 ZIP Codes that exceeded the statewide rate in at least four (4) out of the five (5) distressed housing market indicators. The five indicators are:

1. Delinquency
2. Real Estate Owned (REO) Sales
3. Short Sales
4. Negative Equity
5. Foreclosures

Please see NAHAC’s current list and description of all programs (**Attachment A**).

**Partnerships and Outreach** - Since June 2016, NAHAC has significantly increased its efforts to partner with lending institutions to achieve positive outcomes for Nevada homeowners. NAHAC regularly hosts and participates in roundtables and webinars, outreach events, and co-branded mailings with lending partners and Housing Counseling Agencies (HCAs).

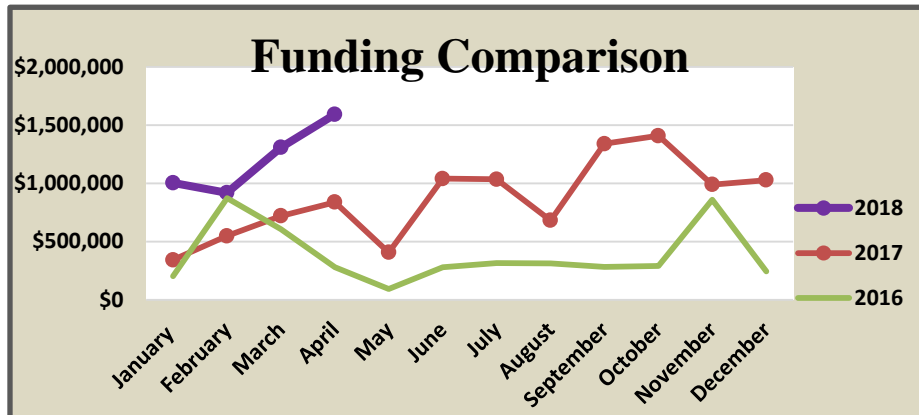
In March 2017 NAHAC’s Board of Directors approved the formation of the NAHAC HCA Council to provide outreach events and training on an ongoing basis year-round. Nevada’s top six HUD approved counseling agencies are members of the council, including:

1. Chicanos Por La Causa
2. Community Services of Nevada
3. Money Management International Inc. (Doing Business as “Financial Guidance Center”)
4. Navicore Solutions
5. Neighborhood Housing Services of Southern Nevada
6. Nevada Partners

NAHAC has been involved in numerous cases where homeowners were able to achieve assistance after NAHAC collaborated with a lender. These efforts have enabled NAHAC to build strong, mutually beneficial relationships with lending partners such as Wells Fargo Bank, Bank of America and Mr. Cooper (formerly NationStar Mortgage) that have furthered NAHAC’s mission to assist homeowners. NAHAC continues to foster these relationships and has future community outreach events scheduled. Overall top participating lenders of the NVHHF programs are: Bank of America, Wells Fargo, Mr. Cooper and JP Morgan Chase.

**Improved Performance** - Since June 2016, NAHAC has made significant strides to improve production, resulting in a year over year increase in assistance to Nevada homeowners, reduction of administrative expenses, and improvement in programs, outreach, and state-wide visibility and reporting.

In 2016, NAHAC distributed \$4,646,325 in assistance and helped approximately 100 households. In 2017, NAHAC provided assistance to approximately 232 households, resulting in \$10,381,931 in assistance, which is a 123 percent increase in funding and 132 percent increase in households (2016 versus 2017).



Since inception through April 2018, NAHAC has assisted approximately 5,823 households and disbursed \$108,284,483. Please see “**Total Funds Disbursed 2011-2018**” (Attachment B). NAHAC continues to trend upward in 2018. From January 2018 through April 2018, approximately \$4,824,784 in assistance has already been provided to 147 households.

The new DPA program has yielded over 100 reservations with over \$2 million committed in the first 10 days of operation. At its current production rate, all currently allocated DPA funds could be committed within the next 9 to 12 months. Due to the performance of the DPA program, monthly funding is expected to increase in excess of \$5 million a month once the DPA program is in full effect.

With approximately \$62 million remaining in program dollars, NAHAC must expend \$1.9 million monthly to ensure all dollars are expended by the program term date of December 31, 2020. A particular area of concern raised was the potential return of additional HHF dollars to Treasury at the end of 2018 due to not meeting subsequent utilization thresholds.<sup>1</sup> At the current rate of production, NAHAC estimates that no additional funds will be reverted. As it stands today, total monthly funding could increase to over \$5 million and the number of households served monthly to more than 230. The latest projections indicate all of NAHAC’s program dollars will be distributed to Nevadans in need prior to the December 2020 program end date.

### CONCLUSION

NVHHF has helped 5,823 Nevada households and that number continues to grow every day. Programs have been instituted to solve Nevada’s housing crisis with the assistance of Treasury, Business and Industry and the Housing Division. Systems are in place to make the assistance process better and faster to help struggling homeowners and stabilize neighborhoods. NAHAC has strong partnerships with housing counseling agencies and lending institutions to get the word out to help even more people. There were issues with the operation of NAHAC initially, but NAHAC has improved its organizational structure and its operations, resulting in better oversight, transparency and controls, and increased capacity to help more Nevada families. All of the expenses found to be unallowable by Treasury (\$136,000 not \$8.2 million) have been reimbursed, and new management is committed to efficiently and effectively utilize the remaining allocation of government funds to help more citizens of one of the hardest hit states stay in their homes and stabilize Nevada’s housing markets.

<sup>1</sup> In January 2018 NAHAC’s HHF allocation was reduced by \$6.66 million in Fifth Round Funding dollars (allocated in early 2016) due to failure to meet Treasury’s 2017 utilization threshold.