



## **NATIONAL FORECLOSURE MITIGATION COUNSELING PROGRAM GRANT APPLICATION EVALUATION PROCESS ROUND 4**

The grant evaluation process was consistent and fair.

- External reviewers were recruited to evaluate applications for funding. These external reviewers were either consultants or staff loaned from the U.S. Department of Housing and Urban Development or the Federal Deposit Insurance Corporation.
- Each application was evaluated by a review team consisting of 3 persons. The ratio of internal (NeighborWorks staff) to external reviewers was 2:1 for applications from NeighborWorks Organizations (NWOs) and 1:2 for applications from Intermediaries and State Housing Finance Agencies (HFAs). In addition, each review team was assigned a NeighborWorks staff team lead to synthesize reviewers' comments, facilitate discussion, and help the team arrive at a consensus around scoring decisions. The team lead did not score applications.
- To ensure that applications were scored using the same objective criteria, all reviewers and team leads were given a Reviewer's Manual which contained a scoring rubric and guidelines for determining final award amounts. All reviewers and team leads were required to participate in training before they reviewed applications to ensure they understood the rubric, the program design, and the scoring guidelines. Reviewers disclosed any potential conflicts of interest before they were assigned to a review team. Reviewers were not assigned to review applications for which they had either a stated or perceived conflict of interest.
- Each reviewer scored the applications independently. Then, each review team held a concurrence call where the reviewers discussed their scores and reached consensus on a score for each application.

Applicants requested a total of \$195,234,163 in NFMC Round 4, over three times the amount actually available to award. (As stated in the Funding Announcement, each applicant could request no more than \$8,910,000 and no less than \$50,000.) In order to keep Round 4 awards within the limits of available funding, final award amounts were determined using the following five steps. First, all applications were reviewed and scored. Second, NWO applications were separated from the HFA and Intermediary applications to ensure that NWOs – collectively – did not receive a disproportionate amount of the available funds. Third, each applicant's utilization rate of previous NFMC funding was calculated in order to categorize tiers according to current NFMC grant funding depletion. Priority consideration was given to applicants that are projected to spend down their available Round 2 and/or Round 3 funds sooner. Fourth, an across the board cut was applied to all recommended amounts. Finally, award caps and floors were applied.

### Step 1: Application Review and Scoring

- To calculate the recommended amount of counseling funds, the review team's consensus score was entered into a spreadsheet in which all scores were normalized on a 100-point scale to account for differences in the three application types: streamlined application, full application for returning Grantees, and full application for first time NFMC applicants. The review team's recommended funding amount was determined as follows:
  - If an applicant scored 41 or better, it was awarded counseling funds. If it scored between 41 and 50, it was recommended to receive 100% of its demonstrated experience or requested amount, whichever was less.
  - If the requested amount exceeded the demonstrated experience amount, for each additional point over 50 the applicant was recommended to receive additional counseling funds, up to the full requested amount which it could achieve if it received a normalized score of 100.
  - In addition, all applicants were recommended to receive 20% of their counseling award (as calculated above) in Program Related Support; and Intermediaries and HFAs were recommended to receive Operational Oversight at a rate of 7% for the first \$2.5 million in counseling funds and 5% thereafter.
- In order to assess any inadvertent biases in the application design or scoring process, NFMC undertook a comprehensive comparative analysis of applicants based on organization type, application type, assigned review team, and tenure in the NFMC Program. NFMC also examined anomalous situations in which low performing Grantees received high scores and vice versa. These analyses did not reveal significant unexplainable variations in scores.
- The review teams' recommended amounts totaled \$174,780,625 which was still far more than the \$63,005,328 available to be awarded in Round 4.

#### Step 2: Separation of NWOs move to post tier cut

- Per statute, NWOs collectively may receive up to 15% of available funds. However, the NWOs' total requested amount, total reviewer recommended amount, and post-tier cut grant amount indicated that NWOs were eligible for just 9% of all available funds – based on both their applications' merit and their need for funds. Accordingly, NWO applicants were separated from Intermediary and HFA applicants to ensure that this 91/9 ratio was maintained throughout the awards process.

#### Step 3: Consideration of Utilization Rate of Previous Funding

- The Round 4 grant term runs through December 31, 2010. Many applicants that were awarded funds in Rounds 2 and 3 have not yet expended those funds, while others have spent down all available funds and are in need of more. Efforts were made to prioritize funding to those organizations determined to be in greatest need of additional funds, based on when they were projected to run out of their Round 2 and/or Round 3 grant funds. A utilization rate for each applicant was calculated based on the assumption that the applicant would continue spending down their available counseling funds at a rate equal to the average of their highest three months of counseling work in the last 6 months. This calculation was based on the dollar value of delivered counseling production units as of January 31, 2010, according to the reported client intake dates.

- Each applicant was categorized in one of 13 tiers, according to the projected deletion date of all unspent previously-awarded NFMC funds. Applicants in each tier had their recommended award amounts reduced by a specific percentage. For example, applicants that were not projected to run out of their currently-available NFMC funding before the official end of the Round 4 period were placed in Tiers 12 and 13 and subjected to the highest percentage cut (96%).
- On March 18, 2010, NFMC re-evaluated the applicants' projected spend-down rates and determined that five organizations had exceeded their anticipated spend-down rate, and had entirely exhausted their previously-awarded NFMC funds. Three of those Grantees were moved to tier 1a and two were moved to Tier 1b.

<b>Tier</b>	<b>Applicants Who...</b>	<b>% of award recommended by review team</b>
1a	Have no NFMC funds now: have finished Rounds 1 and/or 2 and/or 3 with no recapture	100%
1b	Have no NFMC funds now: under any other scenario	83%
2	Will run out of NFMC funds <b>by March 31, 2010</b>	85%
3	Will run out of NFMC funds in <b>April 2010</b>	67%
4	Will run out of NFMC funds in <b>May 2010</b>	58%
5	Will run out of NFMC funds in <b>June 2010</b>	50%
6	Will run out of NFMC funds in <b>July 2010</b>	42%
7	Will run out of NFMC funds in <b>August 2010</b>	33%
8	Will run out of NFMC funds in <b>September 2010</b>	25%
9	Will run out of NFMC funds in <b>October 2010</b>	17%
10	Will run out of NFMC funds in <b>November 2010</b>	8%
11	Will run out of NFMC funds in <b>December 2010</b>	5%
<b>DECEMBER 31, 2010 - END OF OFFICIAL ROUND 4 GRANT PERIOD</b>		
12	Will run out of NFMC funds in <b>January 2011</b>	4%
13	Will run out of NFMC funds on or after <b>February 2011</b>	4%

Two examples are provided to help illustrate how this tiered system was applied:

***Tier Cut Example #1:*** Applicant A received an NFMC Round 3 counseling award that enabled them to provide \$75,000 worth of counseling. As of January 31, 2010, this applicant has performed \$55,000 of counseling since the Round 3 program began in June 2009, with \$20,000 remaining to be delivered under its Round 3 contract.

During the past six months, the applicant reported \$42,000 worth of counseling to the NFMC Data Collection System, as follows:

	<b>July '09</b>	<b>Aug '09</b>	<b>Sept '09</b>	<b>Oct '09</b>	<b>Nov '09</b>	<b>Dec '09</b>
Counseling provided in dollars each month (by intake date)	\$4,000	\$8,000	\$2,100	\$15,500	\$8,200	\$4,200

NFMC took the highest 3 months of production during the last 6 months (in this case, October, November, and December) and determined an average dollar value of work the applicant has the capacity to deliver each month. In this case, \$10,566 per month (\$31,700 divided by 3 months = \$10,566 per month). At a counseling spend-down rate of \$10,566 per month, this applicant would take 1.8 months (until March 2010) to finish its remaining Round 3 counseling units. This applicant would be placed in Tier 2 and would be preliminarily awarded 85% of the review team’s recommended amount.

***Tier Cut Example #2:*** Applicant B received awards in both NFMC Round 2 and Round 3, and has an outstanding \$45,000 worth of counseling work to perform under those contracts. During the past 6 months, the applicant has uploaded \$13,000 worth of counseling work into the NFMC Data Collection System, as follows:

	July '09	Aug '09	Sept '09	Oct '09	Nov '09	Dec '09
Counseling provided in dollars each month (by intake date)	\$1,000	\$4,500	\$1,800	\$3,500	\$2,200	\$0

NFMC took the highest 3 months of production during the last 6 months (in this case, August, October, and November) and determined an average dollar value of work the applicant has the capacity to deliver each month. In this case, \$3,400 per month (\$10,200 divided by 3 months = \$3,400 per month). At a counseling spend-down rate of \$3,400 per month, this applicant would take over 13 months to spend-down the remainder of its Round 2 and Round 3 counseling awards. This applicant would be placed in Tier 13 and would be preliminarily awarded just 4% of what the review team recommended.

- After this tiered cut approach was implemented, the resulting total projected grant awards totaled \$92,303,814 – still 142% of the amount of funds available to be awarded.

Step 4: Applied an Across-the-Board Cut

- In order to bring the Round 4 awards within the limits of funds available, all applicants’ funding amounts were further reduced by a standard across the board cut. For Intermediaries and HFAs, this was a 17% cut. For NWOs, this was a 34% cut. These across the board cuts resulted in a total recommended amount of \$75,343,072, which was still 120% of the available funds.

Step 5: Applied an Award Amount Cap and Floor

- Both a cap and a floor were placed on the counseling award amounts. Recognizing the extreme demand for these funds, the need to provide access to foreclosure counseling services across the county (particularly in areas of greatest need), the desire to mitigate risks associated with the concentration of funds with any one applicant, and to keep Round 4 Awards within the limits of available funds, a \$3.5 million cap was instituted for HFAs and Intermediaries, and a \$525,060 cap for NeighborWorks Organizations. A floor was placed on grants as well, in order to justify the cost/benefit of processing and monitoring the grant. Consequently, no Intermediary or HFA received less than \$50,000, and no NWO received less than \$25,000. The use of an award cap and floor brought the total recommended funding amounts within the limits of available funds.

Throughout the process, the same standards, criteria, and review process were used for both NeighborWorks Organizations and Intermediary/HFA applications. The process only varied when criteria for Intermediaries and HFAs were not relevant for NeighborWorks Organizations. The rubrics for the full applications were very similar – differing only by the questions related to oversight, quality control, and program administration that would be required by the additional function of an intermediary or housing finance agency as an applicant with sub-applicants. To compensate Intermediaries and HFAs for this additional function, those applicants were awarded an Operational Oversight budget line item. NeighborWorks Organizations are not eligible for the Operational Oversight funding.