

# Homeowner Assistance Fund

## Cross References

- Rev. Proc. 2021-47

The Homeowner Assistance Fund (HAF) was established under the American Rescue Plan Act of 2021 to mitigate financial hardships associated with the COVID-19 pandemic. The HAF provides funds for the purpose of paying certain expenses to prevent homeowner mortgage delinquencies, defaults, foreclosures, loss of utilities or home energy services, and displacements of homeowners experiencing financial hardship after January 21, 2020.

HAF funds may be used for the following qualified expenses.

- Mortgage payment assistance,
- Financial assistance to allow a homeowner to reinstate a mortgage or to pay other housing related costs related to a period of forbearance, delinquency, or default,
- Principal reduction,
- Facilitating interest rate reductions, and
- Payment assistance for:
  - a) Utilities, including electric, gas, home energy, and water,
  - b) Internet service, including broad band internet access service,
  - c) Homeowner's insurance, flood insurance, and mortgage insurance, and
  - d) Homeowner's association, condominium association fees, or common charges.

In addition the law provides that HAF funds may be used for any other assistance to promote housing stability for homeowners, including preventing mortgage delinquency, default, foreclosure, post-foreclosure eviction of a homeowner, or the loss of utility or home energy services.

IRC section 139(a) excludes from gross income amounts received by an individual as a qualified disaster relief payment. A qualified disaster relief payment includes any amount paid to or for the benefit of an individual if such amount is paid by a federal, state, or local government, or agency or instrumentality thereof, in connection with a qualified disaster in order to promote the general welfare, but only to the extent any expense compensated by such payment is not otherwise compensated for by insurance or otherwise. No deduction or credit is allowed to the person for whose benefit the payment is made to the extent the amount is excluded from taxable income under IRC section 139.

The COVID-19 pandemic was declared a national emergency beginning March 1, 2020. As of April 17, 2020, the President had declared the COVID-19 pandemic a disaster warranting assistance under the Robert T. Stafford Disaster Relief and Emergency Assistance Act in all 50 states, the District of Columbia, and the United States territories, with an incident date beginning January 20, 2020, and continuing. As a result, a payment made under the HAF fund to a homeowner or for the benefit of a homeowner is a qualified

disaster relief payment under IRC section 139 and is not included in the homeowner's gross income.

Rev. Proc. 2021-47 provides an optional safe harbor method for a homeowner to compute his/her itemized deductions for mortgage interest and real estate taxes when in the same year the homeowner receives or benefits from HAF payments, but also uses his/her own funds to pay a portion of mortgage interest and/or real estate taxes.

The safe harbor allows the homeowner to first allocate the HAF payments to qualified expenses that are not mortgage interest or real estate taxes before allocating the remaining portion of the HAF payments to mortgage interest or real estate taxes. For tax years beginning on or after January 1, 2021, and before January 1, 2026, a homeowner may deduct as qualified mortgage interest or qualified real estate taxes the lesser of:

- a) The sum of all payments the homeowner actually makes from the homeowner's own sources during the tax year to the mortgage servicer, or
- b) The sum of amounts shown on Form 1098, *Mortgage Interest Statement*, for qualified housing payment expenses.

The revenue procedure also explains that HAF money paid directly to a mortgage provider on behalf of a homeowner should not be included on the Form 1098. In contrast, mortgage insurance premiums treated as interest are reported on a Form 1098 without regard to the source of the payment. See Rev. Proc. 2021-47 for more details.