



**National
Foreclosure
Mitigation
Counseling
Program**

National Foreclosure Mitigation Counseling Program

Congressional Update

September 13, 2011



Contents

Executive Summary.....	3
Introduction	5
Funding Summary	5
Counseling Services Grants	6
Legal Assistance Grants	7
Partnering to Facilitate Foreclosure Counseling	9
Alignment of the NFMC and Making Home Affordable Programs	9
HOPE LoanPort.....	10
Attracting Private Grant Funds to Support Foreclosure Mitigation	10
Urban Institute Evaluation of Program Effectiveness	10
Counselor Training and Information Sharing.....	11
Training.....	11
Information-Sharing Tools.....	12
Foreclosure Counseling by Geographic Area and by Homeowner and Loan Characteristics.....	13
Counseling Provided by Geographic Areas.....	13
Homeowner Characteristics.....	15
Reasons for Default and Clients' Loan Characteristics.....	20
Counseling Successes and Challenges.....	23
Counseling Successes	23
Trends in Reported Successes.....	24
Counseling Challenges.....	25
Trends in Reported Challenges	26
Quality Control and Compliance.....	27
Conclusion	27
Appendix Contents	28

Executive Summary

In a little more than three years, the National Foreclosure Mitigation Counseling (NFMC) Program has served 1.2 million at-risk homeowners across the country and helped to strengthen the nation's foreclosure counseling capacity.

Since December 2007, Congress has made five appropriations totaling \$539.87 million to fund the NFMC Program. NeighborWorks® America (as authorized by the Neighborhood Reinvestment Corporation Act, 42 U.S.C. 8101-8107) was appointed to administer the NFMC Program, and submits this report to Congress to provide an update on its status.

Funding Summary

As of June 30, 2011, NeighborWorks has awarded \$508.4 million in grants to 179 HUD-approved housing counseling intermediaries, state housing finance agencies, and NeighborWorks organizations to fund foreclosure counseling and legal assistance to at-risk homeowners. Grant awards include:

- \$483.3 million for foreclosure mitigation counseling services
- \$25.1 million for legal assistance to homeowners

Congress has also allocated \$19 million to be used by NeighborWorks for counselor training and other capacity-building activities.

Highlights of Program Results

The most recent (fifth) appropriation was made in April 2011, and grants of those funds were awarded in June 2011. This report covers results of funding rounds 1 through 4 only. Based on program data as of June 30, 2011, the following are highlights of NFMC Program achievements:

- The NFMC Program has served a total of **1,168,062 homeowners** in all 50 states, the District of Columbia, and the U.S. territories.
- Mortgage-related **legal assistance** has been provided to **32,851 homeowners**. As specified by Congress, legal assistance is targeted to households located in the metropolitan statistical areas with the highest level of need based on home mortgage foreclosure rates.
- NeighborWorks used the NFMC Program's dedicated training funds to help foreclosure intervention counselors enhance their skills by providing classroom training **scholarships to 9,646 housing counselors**, and creating three **online training courses for which 6,300 certificates of completion** were issued.
- The NFMC Program **strengthened housing counseling organizations and enhanced their capacity** through grant funds that helped them create a more efficient counseling process, communicate more effectively with mortgage servicers, and make other operational improvements.

An independent third-party evaluation of NFMC Program outcomes (through 2010) conducted by the Urban Institute found that:

- NFMC clients who received loan modifications **reduced their monthly mortgage payments by, on average, \$267 more** than they would have without NFMC counseling – which represents **more than \$560 million in annual savings** to NFMC-counseled homeowners.
- Counseled homeowners were **1.7 times more likely to mitigate a serious delinquency or foreclosure action** than if they had not received NFMC counseling.
- Homeowners who obtained a loan modification that allowed them to cure an existing serious delinquency or in-progress foreclosure were **much more likely to remain current on their mortgage** if their loan modification was obtained with help from NFMC Program counseling than homeowners in similar situations who did not receive NFMC counseling.

Supporting the Making Home Affordable Program

NeighborWorks modified the NFMC Program guidelines to include counseling in support of the Home Affordable Modification Program (HAMP) component of the Making Home Affordable (MHA) program. Homeowners who receive a HAMP trial loan modification but have a debt-to-income ratio of 55 percent or higher must agree to obtain budget and debt counseling from a HUD-approved or NFMC-participating housing counseling agency. As of June 30, 2011, more than 7,230 homeowners with HAMP trial modifications had received NFMC Program-funded counseling designed to help them reduce their debt ratios.

Program Trends

The largest share of foreclosure mitigation counseling provided by the NFMC Program has gone to assist struggling homeowners in the states hardest hit by delinquencies and foreclosures, such as California and Florida. Minority and low-income homeowners and neighborhoods, which have been disproportionately impacted by the foreclosure crisis, are well-served by the NFMC Program: 31 percent of NFMC Program clients were identified as racial minority homeowners, 20 percent were of Hispanic origin, and 66 percent were classified as low income.

Mortgage terms typically are becoming more sustainable, with more fixed-rate mortgages and lower interest rates. The percentage of clients that reported having fixed-rate mortgages with interest rates below 8 percent increased from 30 percent in October 2008 to above 53 percent in June 2011. Yet it is no surprise in a weak employment market that income loss or reduction remains the primary challenge reported by NFMC counselors in helping clients mitigate foreclosures. Many clients face affordability challenges even without a loss of income: when they enter counseling, 38 percent of NFMC Program clients are spending half or more of their income on their monthly mortgage payments for principal, interest, taxes, and insurance (PITI), and 19 percent are spending more than 75 percent of their income on PITI.

Counseling Successes and Challenges

Periodic program reports from grantees help to identify common successes and challenges in foreclosure mitigation counseling. Grantees have reported high levels of success related to creating a more efficient counseling process to deal with the high demand for services, improving specific methods of foreclosure counseling, and, to a lesser extent, communicating with servicers.

With the mortgage foreclosure crisis into its fifth year, it appears that servicers continue to struggle with the volume of delinquencies. NFMC counselors report that their greatest challenges other than client resources relate to difficulty in communicating with servicers, obtaining a timely response from them, or getting them to engage in negotiations. Challenges involving *Efficient and Timely Communication with Servicers* have increased steadily, making it the most-reported type of challenge in the past seven reporting periods. This category garnered 31 percent of all responses in the first reporting period, but grew to 49 percent of all responses in the tenth reporting period – suggesting that this problem persists unabated and is impairing counselors’ ability to manage caseloads and help their clients achieve a final outcome.

Conclusion

As the nation’s foreclosure crisis persists, the NFMC Program continues to help homeowners facing foreclosure to find the best solution for their situation. For those able to stay in their homes, NFMC Program clients have experienced greater reductions in their monthly payments and lower redefault rates than other homeowners. The NFMC Program has matured and evolved to meet changing needs – for example, by adapting to support the Making Home Affordable program.

Overall, 1.2 million at-risk homeowners have been assisted by the NFMC Program, with services most heavily provided in the states hardest hit by foreclosures, and to at-risk minority and low-income homeowners. Counselors across the country continue to provide foreclosure mitigation assistance to homeowners with the latest grant funds awarded earlier this year.

Introduction

Congress created the National Foreclosure Mitigation Counseling (NFMC) Program to address the mortgage foreclosure crisis by providing homeowner counseling and strengthening the nation's counseling capacity. The NFMC Program was created by the Consolidated Appropriations Act of 2008 (P.L. 110-161) in December 2007, and is now a \$539.87 million program. The legislation named NeighborWorks America (as authorized by the Neighborhood Reinvestment Corporation Act, 42 U.S.C. 8101-8107) to administer the program. NeighborWorks America submits this report to Congress to update its members on the status of the NFMC Program.

From February 26, 2008 through June 30, 2011, the NFMC Program:

- Provided foreclosure prevention counseling to **1,168,062 homeowners** in all 50 states, the District of Columbia, and the U.S. territories.
- Helped homeowners receive loan modifications that **reduced their monthly mortgage payments by an average of \$267 more** than they would have obtained without NFMC counseling, representing **more than \$560 million in annual savings to NFMC-counseled homeowners** (based on third-party program evaluation conducted by the Urban Institute, discussed in more detail later in this report).
- Awarded **\$508.4 million in grants** to 179 HUD-approved housing counseling intermediaries, state housing finance agencies, and NeighborWorks organizations to fund foreclosure counseling and legal assistance to at-risk homeowners.
- Funded mortgage-related **legal assistance to more than 32,800 homeowners**.
- Helped foreclosure intervention counselors enhance their skills by providing classroom training **scholarships to 9,646 housing counselors**, and creating **three online training courses for which 6,300 certificates of completion were issued**.
- **Strengthened housing counseling organizations and enhanced their capacity** through grant funds that helped them create a more efficient counseling process, communicate more effectively with mortgage servicers, and make other operational improvements.

This report provides details on how NFMC Program funding was used for counseling services, training, legal assistance, and program-related support. It shows the use of program funds by geographic areas and by client race/ethnicity and Hispanic origin, income, and mortgage type. The results of the Urban Institute's third-party analysis provide insight regarding the program's outcomes, and the successes and challenges reported by grantees are discussed. Finally, several client stories illustrate how the NFMC Program has successfully assisted at-risk homeowners.

This report format varies from earlier versions and is streamlined to discuss significant information and data on the NFMC Program. Additional information and more detailed data analysis can be found in the separate Appendix document, which is described at the end of this report and available on the NeighborWorks website at: <http://www.nw.org/network/nfmcp/documents/2011CRAppendix.pdf>.

Funding Summary

As of June 30, 2011, there were five congressional appropriations to fund the NFMC Program, with five corresponding funding rounds administered by NeighborWorks:

- **Round 1:** The original legislation that created the NFMC Program appropriated \$180 million to the effort. NeighborWorks awarded \$130.4 million of these funds to 130 applicants on February 24, 2008, and held the balance to be awarded once performance and need were assessed.
- **Round 2:** On July 30, 2008, the Housing and Economic Recovery Act of 2008 (P.L. 110-289) appropriated \$180 million to the NFMC Program, including \$30 million for legal assistance. On December 3, 2008, \$137.8

million of these funds, in addition to un-awarded Round 1 monies, was awarded to 134 applicants for counseling efforts, and \$25.1 million in legal assistance funds was awarded to 54 applicants.

- **Round 3:** On March 11, 2009, the Omnibus Appropriations Act of 2009 (P.L. 111-8) allocated \$50 million to the program. These funds were awarded to 122 applicants on October 1, 2009 in addition to \$8.7 million in recaptured unspent funds from Round 1.
- **Round 4:** On December 16, 2009, the Consolidated Appropriations Act of 2010 (P.L. 111-117) provided an additional \$65 million to the program. These funds, in addition to \$3.6 million carried forward from previous grant rounds, were awarded to 131 applicants on April 16, 2010.
- **Round 5:** Effective April 15, 2011, the Department of Defense and Full Year Continuing Appropriations Act, 2011 (P.L. 112-10) appropriated \$64.87 million to the NFMC Program (funded at the FY 2010 level less 0.2 percent). With this appropriation and carryover from previous rounds, NeighborWorks awarded \$67.7 million to 138 applicants on June 7, 2011.

This report covers only funding Rounds 1 through 4 as of June 30, 2011, except as otherwise indicated.

Through five funding rounds, the NFMC Program has awarded \$508.4 million to 179 HUD-approved housing counseling intermediaries, state housing finance agencies, and NeighborWorks organizations to provide foreclosure counseling and legal assistance to the nation’s homeowners. Some grantee organizations allocate their funding to subgrantees, which are subject to the same compliance and reporting requirements as the primary grantees.

The following sections provide information about the use of NFMC Program funds in Rounds 1 through 4. Additional details are available in the Appendix.

Counseling Services Grants

The details of awards to counseling grantees by organization type are shown in Table 1.

Table 1: Counseling Services Grant Requests and Awards in Funding Rounds 1 through 5

	Number Funded	Amount Requested	Amount Awarded
Intermediaries	21	\$741.8 million	\$282.9 million
State Housing Finance Agencies	40	\$306.7 million	\$155.2 million
NeighborWorks Organizations	118	\$101.1 million	\$45.2 million
Totals	179	\$1,149.6 million	\$483.3 million

Source: NFMC Program reported data

Counseling services provided with NFMC Program funds are categorized by “level” depending on the counseling activities involved. For example, a basic-level counseling session (referred to as Level One) typically includes helping the client develop a budget and action plan to avoid foreclosure, with the client then executing the plan. Advanced-level counseling (referred to as Level Two) generally provides hands-on assistance to help the client meet the goals in the action plan.

Because individual NFMC Program clients may receive one or both levels of counseling services, and to account for cost differences in providing different service levels, they are tracked separately and referred to as “units” of produced counseling. A separate level designation (Level Four) was established for NFMC counseling related to HAMP trial modifications to facilitate compliance with the MHA program’s counseling and reporting requirements.

Overall, the NFMC Program is projected to provide 1,744,557 units of foreclosure counseling through five funding rounds: 459,128 in the first round, 587,653 in the second, 192,274 in the third, 234,728 in the fourth, and 270,774 in the fifth. This report describes counseling delivery through Round 4 only. Table 2 shows the totals.

The total number of counseling units provided is larger than the number of individual clients/homeowners served because many clients received more than one level of counseling. The 1,168,062 homeowners who received foreclosure mitigation counseling through the NFMC Program as of June 30, 2011 received 1,443,683 units of counseling, or 98 percent of awarded units.

Client Story:

Elizabeth and Greg – Grays Harbor County, Washington

Elizabeth and Greg own an excavation business that works on new construction projects, but when the housing market started to decline, so did the demand for their services. As their income fell, they got behind on their mortgage payments. They tried to work with their loan servicer, to no avail. “Every time we tried to make the effort to talk to them, they just shut down and the interest rate kept going up,” says Elizabeth.

Eventually they were connected to NeighborWorks of Grays Harbor County, a NFMC Program subgrantee of the Washington State Housing Finance Commission. A counselor helped them get a loan modification. “She was so helpful,” says Elizabeth. “She called the mortgage company and got us back on track.” Their interest rate is now around 5 percent, down from more than 12 percent. Business has started to pick up, and they are making their payments on time.

Table 2: Total NFMC Counseling Units Awarded and Delivered in Rounds 1 through 4

	Counseling Units
Awarded	1,471,222
Delivered	1,443,683*
Goal Achieved	98%

Source: NFMC Program reported data
* Includes 9,401 units related to HAMP

Additional information on the delivery of counseling units is provided in the Appendix.

Legal Assistance Grants

The Housing and Economic Recovery Act of 2008 (P.L. 110-289) appropriated \$30 million specifically to fund legal assistance for NFMC Program clients with issues related to foreclosure, delinquency, or short sale that cannot be handled by their counselor. Legal assistance awards totaling \$25.1 million were announced in December 2008, enabling 54 grantees to serve a projected total of more than 45,000 households. Table 3 summarizes legal assistance grantees and funding by organization type.

Table 3: Legal Assistance Applicants and Grants Awarded

	Number Funded	Amount Requested	Amount Awarded
Intermediaries	6	\$10.1 million	\$10.1 million
State Housing Finance Agencies	23	\$10.1 million	\$10.1 million
NeighborWorks Organizations	25	\$5.3 million	\$4.9 million
Totals	54	\$25.5 million	\$25.1 million

Source: NFMC Program reported data

As of June 30, 2011, 73 percent of the Legal Assistance program’s goal to serve 45,000 at-risk homeowners had been achieved, with more than 32,800 clients receiving legal services. As required by law, the criteria for legal assistance grants gave priority consideration to the metropolitan statistical areas with the highest level of need based on home mortgage foreclosure rates. The ten states in which the most homeowners have been served with NFMC Program legal assistance are shown in Table 4.

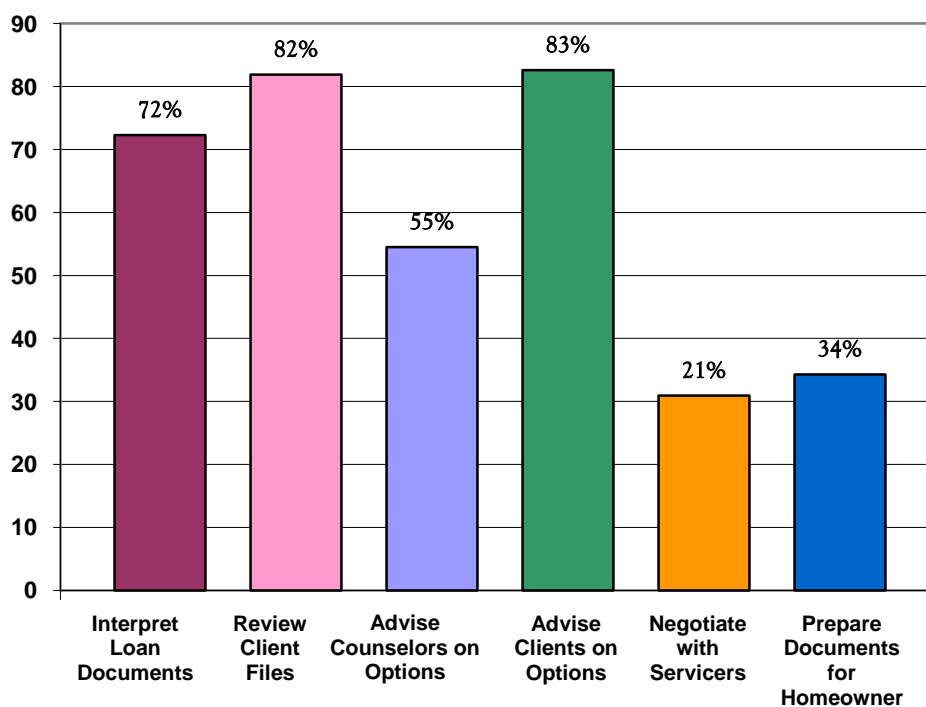
Table 4: Top Ten States for NFMC Program Legal Assistance Funds

State	Legal Assistance Clients Reported
California	8,560
Ohio	3,656
Florida	2,987
Pennsylvania	2,742
South Carolina	1,935
Georgia	1,899
Maryland	1,569
New York	1,343
North Carolina	976
Nevada	957

Source: NFMC Program reported data

Clients who are referred for legal assistance may receive a variety of services depending on their specific needs. Most typically, NFMC Program legal assistance involves the attorney directly advising a client on foreclosure options (83%) after reviewing the client’s case file (82%). Other legal services most commonly provided are interpreting loan documents, advising counselors on the client’s options, negotiating with mortgage servicers on the client’s behalf, and preparing documents for the homeowner. On average, a client referred for legal assistance receives 3.2 hours of billable time. Figure 1 shows the percentage of clients receiving common services.

Figure 1: NFMC Program Legal Assistance Services Received by Clients



Source: NFMC Program reported data

Note: Because clients can receive more than one service, the percentages of clients receiving services total more than 100 percent.

The Legal Assistance program's initial grant period was January 1, 2009 through December 31, 2009. Twenty-seven grantees continue to perform in an extension period. Unused grant funds were de-obligated and recaptured, which resulted in awards of additional funds to grantees that had expended their initial awards. As of June 30, 2011, 13 grantees had requested and received \$4.1 million in reallocated legal assistance funds to continue serving homeowners in need.

Additional information about the delivery of legal assistance to homeowners is provided in the Appendix.

Partnering to Facilitate Foreclosure Counseling

The NFMC Program complements other federal foreclosure prevention programs, leverages established housing counseling networks, and has been supplemented with private grant dollars.

Alignment of the NFMC and Making Home Affordable Programs

NeighborWorks has worked closely with the U.S. Department of the Treasury and Department of Housing and Urban Development to leverage NFMC counseling services in support of the HAMP component of the MHA program. Homeowners who receive a HAMP trial loan modification but have a debt-to-income ratio of 55 percent or higher must agree to obtain budget and debt counseling from a HUD-approved or NFMC-participating housing counseling agency. MHA does not allocate funds for counseling, but NeighborWorks modified the NFMC Program rules so grantees can use some of their funding to support HAMP-related counseling.

Because of specific requirements for HAMP, a new counseling level was created for services provided with NFMC funding. As of June 30, 2011, 7,230 homeowners with MHA trial modifications had received 9,401 units of counseling to help them reduce their debt ratios. Counselors typically work with these borrowers to create an action plan that includes steps and a timeline to eliminate unnecessary debt, minimize expenses, increase income, and create savings.

Additional information on the counseling provided to HAMP participants through NFMC funding is provided in the Appendix.

HOPE LoanPort

NeighborWorks has been an active participant in the piloting and roll-out of HOPE LoanPort™ (www.hopeloanportal.org), a Web-based utility that allows housing counselors to submit complete loan modification packages (including for HAMP modifications) and information for other workout solutions to participating mortgage servicers. This application is a unique convergence of housing counselors with mortgage servicers, investors, and insurers. NFMC counselors are encouraged to use HOPE LoanPort to help mitigate common documentation issues between homeowners and servicers.

Through standardization and transparency in the process of applying for modifications and other workout solutions, HOPE LoanPort was designed to shorten timelines for servicer decision-making and greatly reduce uncertainty surrounding application statuses and reasons for denial. The portal also helps counselors track clients' documents and provides real-time status updates from participating mortgage servicers.

Having completed its first year of operation, HOPE LoanPort is now used by 2,700 housing counselors representing more than 600 organizations in all 50 states, the District of Columbia, and Puerto Rico (information from the HOPE LoanPort website).

Attracting Private Grant Funds to Support Foreclosure Mitigation

To facilitate the communication between counselors and servicers, NeighborWorks America secured grant support from The Rockefeller Foundation to provide document scanners to grantees and subgrantees that did not have them. More than 500 scanners were awarded and distributed in 2010.

Scanners enable counseling agencies to submit their clients' loan modification documents to servicers electronically. This approach increases efficiency, creates a record of when documents were submitted to servicers, helps to ensure that servicers' documentation requirements are met, and supports timely responses from servicers on the applications.

Urban Institute Evaluation of Program Effectiveness

NeighborWorks competitively awarded a contract to the Urban Institute to conduct a multi-year evaluation of the NFMC Program design and the impact of foreclosure counseling on the likelihood of foreclosure. The Urban Institute's previous two reports were provided to Congress as appendices to earlier NFMC Program Congressional reports, which can be found at http://nw.org/network/nfmcp/congressional_reports.asp.

In its latest report, released in December 2010 (available at http://www.nw.org/network/foreclosure/nfmcp/UI_NFMC_2010Report.asp), the Urban Institute updates its previous analyses to include homeowners receiving NFMC Program counseling in 2009. The analysis is based on a representative sample of close to 180,000 mortgage loans and analyzes the NFMC Program's performance through December 2009 to determine whether it helped counseled homeowners cure an existing foreclosure, receive loan modifications that resulted in lower monthly payments than they would have otherwise received without counseling, and/or sustain loan modifications that cured a default or pending foreclosure.

This evaluation of program effects indicates that the initial answer to these questions is "Yes":

- The NFMC Program was effective at helping homeowners mitigate a foreclosure in process. During the first two years of the program, the relative odds of counseled homeowners curing their foreclosure were 1.7 times greater than if they had not received NFMC Program counseling.

- Loan modifications received by NFMC Program clients resulted in significantly lower monthly mortgage payments than would have been received without the help of the program. On average, the Urban Institute estimated that NFMC Program clients who received loan modifications in the first two program years reduced their monthly payments by \$267 more than they would have without NFMC Program counseling – this represents more than \$560 million in total annual savings to NFMC-counseled homeowners.
- The redefault rate for homeowners counseled through the NFMC Program was better than that for homeowners who did not receive NFMC counseling. The Urban Institute report estimated that, for a typical group of NFMC clients, 64 percent of those who received a default-curing mortgage modification remained out of serious delinquency or foreclosure after eight months, compared with just 51 percent that would have remained current without NFMC counseling.
- Homeowners receiving loan modifications were much more likely to cure their defaults if they received counseling before the re-working of their loans. The sustainability of modifications received by NFMC clients after starting counseling was greater than that of homeowners who got modifications without counseling, not only because counseled homeowners received larger monthly payment reductions, but also because they benefitted from counseling in other ways, such as through assistance with financial management. For clients counseled in 2008 and outcomes reported through 2009, the relative odds of bringing their loans current were 53 percent higher if they received pre-modification counseling than if they did not.

Client Story:

Kimbie – Cedar Falls, Iowa



Kimbie is a single, disabled mother of seven children. Her youngest son has cystic fibrosis. Her lender stopped forwarding her homeowners insurance payments to her insurance company and insisted that she purchase insurance directly from them at an increased price. Her monthly payment jumped from \$445 to \$995 and she was facing foreclosure. “I tried to talk to the lender,” she explains, “but it was like talking to a brick wall.”

She was referred to Operation Threshold, an NFMC Program subgrantee of the Iowa Finance Authority. “Without them, I would have been homeless because they knew things I didn’t,” says Kimbie. The counselor and Kimbie submitted and resubmitted the paperwork, and finally the lender agreed to a modification. Kimbie’s monthly mortgage payment is now \$379 at 2.75 percent interest. “Without [the counselor], I just don’t know what I would have done,” Kimbie commented.

Overall, the Urban Institute’s ongoing analysis of the NFMC Program suggests that the program is having its intended effect of helping homeowners facing loss of their homes through foreclosure, and that the effects are strong and consistent through the second program year.

Counselor Training and Information Sharing

The NFMC Program appropriations to date include \$19 million dedicated for training to build the nation’s capacity to assist homeowners through mortgage foreclosure and default mitigation counseling. The training opportunities made possible by that funding, supplemented by online information-sharing tools provided as part of the NFMC Program–related support, are strengthening counselors’ abilities to help their clients.

Training

Thousands of counselors look to NeighborWorks America every year for training in homeownership, financial education, community lending, and post-purchase counseling. The NFMC Program training funds are utilized to expand NeighborWorks’ foreclosure-related training opportunities, offer additional regional and local training opportunities, increase the number of courses available at these events, provide scholarships to housing counselors to attend training events, and develop subsidized online courses that counselors and staff can complete at their convenience.

As of June 30, 2011, 9,646 scholarships have been provided for classroom training to housing counselors through the NFMC Program, and 6,300 certificates of completion have been earned for three online courses created with NFMC Program training funds.

Since the NFMC Program's commencement, its training funds have enabled NeighborWorks to provide housing counselors with scholarships to:

- 14 NeighborWorks Training Institutes
- 26 regional multi-course placed-based trainings
- 90 custom place-based trainings conducted in partnership with HUD-approved housing counseling intermediaries and/or state housing finance agencies

These training opportunities have occurred in 39 states, with attendees from all 50 states.

The three e-learning courses that were created with NFMC Program funding have also assisted counselors meet the demands of their jobs. The courses – *Foreclosure Basics*, *Understanding and Applying Foreclosure Intervention and Loss Mitigation Tools*, and *Using Effective Practices to Improve the Health of Your Foreclosure Counseling Program* – are available free of charge to staff of NeighborWorks organizations, HUD-approved housing counseling intermediaries and their subgrantees, state housing finance agencies and their subgrantees, HUD-approved housing counseling agencies, states and municipalities, and select nonprofits. Course participants must successfully complete an exam at the end of the online course to receive a certificate of completion.

Information on eligibility for NFMC Program training scholarships; previous training events, locations, and scholarships provided; and evaluations of the NFMC Program training activities can be found in the Appendix.

Information-Sharing Tools

NeighborWorks provides a private website for the NFMC Program (www.nfmcmembers.org) that helps counselors share information, receive updates on foreclosure-related matters, and provide feedback.

A key component of the site is a message board that allows counselors to conduct discussions with their peers. The conversations mainly pertain to how to communicate with servicers and suggestions for assisting clients that have been denied loan modifications. Discussions on counseling delivery models and when to utilize workout options other than modifications and refinances are also common.

The website has also provided an efficient way to tap into counselors' knowledge about consumers and to make sure that critical updates reach them quickly. For example, in recent months the site has been used to:

- Solicit counselor feedback on a draft of the U.S. Department of the Treasury's "Know Before You Owe" home mortgage disclosure form.
- Notify counselors of a major mortgage servicer's webinar designed to help them assist their clients with that servicer.
- Distributed information and materials on HUD's Emergency Homeowners' Loan Program (EHLPP).

As of June 30, 2011, the NFMC website had 6,247 active users. The message board had hosted 814 conversations with 6,114 comments posted.

Foreclosure Counseling by Geographic Area and by Homeowner and Loan Characteristics

NFMC Program data reported by grantees provides insights into geographic areas served and homeowner and loan characteristics; reasons for default.

Counseling Provided by Geographic Areas

The NFMC Program has provided foreclosure mitigation counseling to homeowners in all 50 states and the U.S. territories. The largest numbers and percentages of counseling units were provided to at-risk homeowners in the two states with the highest percentages of the nation's mortgage foreclosures and serious delinquencies: California and Florida. Counseling provided to Florida homeowners through the NFMC Program is somewhat lower than the state's percentage of foreclosures because many of Florida's delinquencies and foreclosures are on investment properties; only owner-occupants are eligible for NFMC counseling.

Table 5 shows the details of counseling delivered in each state or territory and the percentages of national serious delinquencies and foreclosures for the corresponding areas.

Table 5: States and Territories Ranked by Percentage of NFMC Program Counseling Delivered, with State's or Territory's Percentages of National Delinquencies and Foreclosures

State or Territory	Number of Units Delivered	Percentage of Total Units Delivered	Percentage of National Serious Delinquencies (as of 3/31/11)	Percentage of National Foreclosures (as of 3/31/11)
California	237,976	16.5%	14.22%	11.45%
Florida	108,910	7.5%	17.51%	23.71%
Ohio	92,694	6.4%	3.47%	3.64%
Illinois	76,596	5.3%	5.05%	5.83%
Pennsylvania	65,447	4.5%	2.80%	2.66%
Michigan	61,770	4.3%	2.91%	2.46%
Georgia	59,770	4.1%	3.70%	2.81%
North Carolina	54,085	3.7%	2.37%	2.01%
Maryland	52,173	3.6%	2.49%	1.89%
Arizona	48,919	3.4%	2.81%	2.67%
Minnesota	45,943	3.2%	1.23%	1.27%
New York	45,649	3.2%	5.15%	5.39%
Texas	44,887	3.1%	4.13%	2.97%
Massachusetts	33,172	2.3%	1.57%	1.36%
South Carolina	30,662	2.1%	1.35%	1.36%
New Jersey	28,580	2.0%	3.99%	4.92%
Missouri	28,559	2.0%	1.18%	0.90%
Virginia	26,635	1.8%	1.79%	1.46%
Colorado	25,759	1.8%	1.27%	1.17%
Tennessee	25,563	1.8%	1.58%	1.15%
Nevada	23,895	1.7%	2.27%	2.37%
Indiana	23,823	1.7%	1.93%	2.03%
Washington	18,289	1.3%	2.16%	1.80%

State or Territory	Number of Units Delivered	Percentage of Total Units Delivered	Percentage of National Serious Delinquencies (as of 3/31/11)	Percentage of National Foreclosures (as of 3/31/11)
Wisconsin	17,445	1.2%	1.18%	1.30%
Kentucky	16,633	1.2%	0.81%	0.84%
Connecticut	15,212	1.1%	1.14%	1.16%
Mississippi	13,319	0.9%	0.58%	0.44%
Iowa	12,634	0.9%	0.49%	0.55%
Oregon	11,015	0.8%	1.05%	1.06%
Alabama	10,272	0.7%	0.97%	0.66%
Rhode Island	8,884	0.6%	0.32%	0.31%
Louisiana	8,506	0.6%	1.00%	0.98%
Delaware	6,068	0.4%	0.34%	0.36%
Puerto Rico	6,043	0.4%	N/A	N/A
Oklahoma	5,532	0.4%	0.70%	0.73%
Utah	5,033	0.3%	0.74%	0.64%
New Mexico	4,964	0.3%	0.47%	0.51%
Montana	4,512	0.3%	0.14%	0.14%
Kansas	4,380	0.3%	0.45%	0.42%
Arkansas	4,083	0.3%	0.45%	0.37%
Idaho	3,861	0.3%	0.42%	0.43%
District of Columbia	3,472	0.2%	0.16%	0.15%
New Hampshire	3,426	0.2%	0.28%	0.25%
Maine	3,313	0.2%	0.32%	0.38%
South Dakota	3,250	0.2%	0.07%	0.07%
Hawaii	3,239	0.2%	0.33%	0.38%
Nebraska	2,787	0.2%	0.21%	0.18%
West Virginia	2,433	0.2%	0.18%	0.15%
Alaska	1,280	0.1%	0.06%	0.05%
Vermont	1,056	0.1%	0.10%	0.12%
Wyoming	707	0.0%	0.07%	0.05%
North Dakota	523	0.0%	0.03%	0.03%
Virgin Islands	32	0.0%	N/A	N/A
Guam	11	0.0%	N/A	N/A
American Samoa	1	0.0%	N/A	N/A
No. Mariana Islands	1	0.0%	N/A	N/A
Totals	1,443,683	100%	100%	100%

Sources: Mortgage Bankers Association National Delinquency Survey Q1 2011 (as of 3/31/2011) and NFMCC Program reported data (as of 6/30/2011)

Note: "Seriously Delinquent" is defined as 90 days or more delinquent.

Additional analysis of NFMCC Program penetration into states based on their foreclosure and delinquency rates, and state rankings based on other data points – such as race/ethnicity and Hispanic origin, primary reason for default, loan status, and loan type – are provided in the Appendix.

Of the total 1,443,683 units of counseling delivered through the NFMC Program, 1,316,712 units (91%) have been delivered in metropolitan statistical areas and 126,971 (9%) units have been delivered in rural areas. Tables 6 and 7 show the 15 MSAs and 10 rural areas by state where the most counseling units were provided.

Lists of counseling units delivered to all MSAs and rural areas of states are provided in the Appendix.

Table 6: Top 15 MSAs for NFMC Counseling Units

Metropolitan Statistical Area	Counseling Units Delivered
Chicago-Naperville-Joliet, IL-IN-WI	69,774
Los Angeles-Long Beach-Santa Ana, CA	61,325
New York-Northern New Jersey-Long Island, NY-NJ-PA	52,452
Washington-Arlington-Alexandria, DC-VA-MD-WV	47,782
Atlanta-Sandy Springs-Marietta, GA	43,037
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	42,065
Riverside-San Bernardino-Ontario, CA	40,134
Miami-Fort Lauderdale-Pompano Beach, FL	39,392
Detroit-Warren-Livonia, MI	35,888
Phoenix-Mesa-Scottsdale, AZ	35,520
Minneapolis-St. Paul-Bloomington, MN-WI	33,473
Cleveland-Elyria-Mentor, OH	28,045
San Francisco-Oakland-Fremont, CA	27,879
San Diego-Carlsbad-San Marcos, CA	26,435
Boston-Cambridge-Quincy, MA-NH	19,681

Source: NFMC Program reported data

Table 7: Top Ten States for Delivery of NFMC Counseling Units in Rural Areas

State	Counseling Units Delivered to Rural Areas
North Carolina	11,835
Ohio	8,808
Minnesota	8,741
Pennsylvania	7,200
Puerto Rico	6,040
Michigan	6,033
Georgia	5,867
South Carolina	4,796
Mississippi	4,625
Indiana	4,265

Source: NFMC Program reported data

Homeowner Characteristics

The most prevalent household type of NFMC Program clients is married homeowners with dependents (38 percent). Twenty percent of clients reported being single adults, and 16 percent reported being married without dependents. Details are shown in Table 8.

Table 8: Household Type

Household Type	Percent
Married with dependents	38%
Single adult	20%
Married without dependents	16%
Female-headed single-parent household	13%
Male-headed single-parent household	4%
Two or more unrelated adults	3%
Other	7%

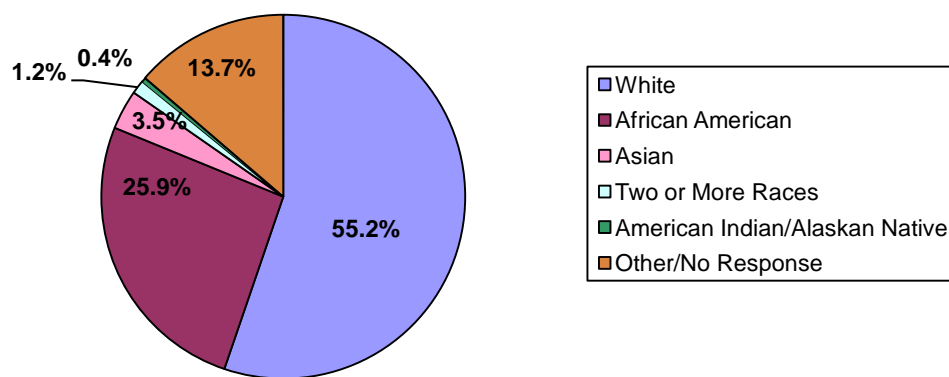
Source: NFMC Program reported data

Women continue to represent just over half (51 percent) of all reported NFMC Program clients. Of these, 49 percent identified their household type as either single adult or female-headed single-parent household. Forty-three percent of married clients without dependents were over the age of 55, and 13 percent were over 65.

NFMC Program grantees track and report clients' race and ethnicity. The federal government considers race and Hispanic origin to be two separate and distinct concepts, and Hispanics may be of any race. Although NFMC Program data is tracked according to the federal guideline, previous congressional reports included "Hispanic" as a race/ethnicity. In this report and going forward, "race" and "Hispanic origin" are reported separately.

Whites represent 55 percent of all NFMC Program clients, African Americans account for 26 percent, Asians comprise nearly 4 percent, 1 percent of clients are other minorities, and just over 1 percent reported being two or more races. Less than 1 percent of clients are American Indian/Alaskan Natives, and nearly 14 percent reported some other race/ethnicity or chose not to respond. Figure 2 provides the distribution of NFMC Program clients by race/ethnicity and Figure 3 compares the distribution of program participants with all homeowners.

Figure 2: Race/Ethnicity of NFMC Program Clients

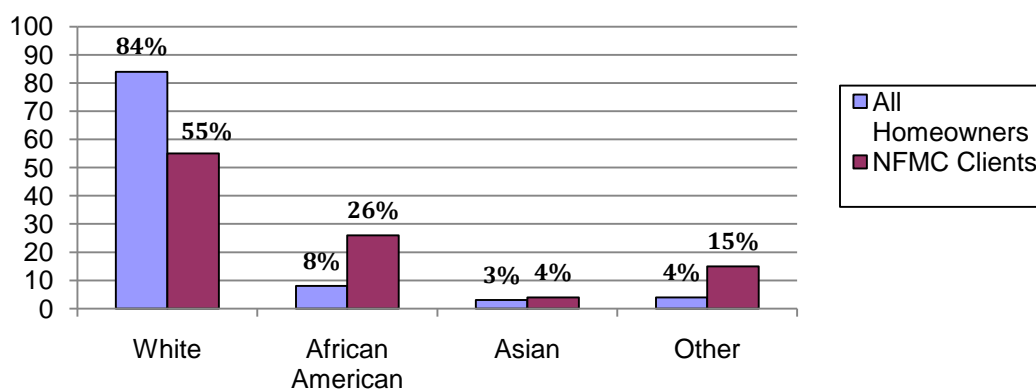


Source: NFMC Program reported data

Since its inception, the NFMC Program has served African Americans and people of Hispanic origin in greater proportions than their corresponding percentages of all U.S. homeowners. As shown in Figure 3, most U.S. homeowners (84 percent) are white, the largest racial group seeking NFMC Program counseling, at 55 percent, but 26 percent of program clients are African American, compared with 8 percent of all homeowners.

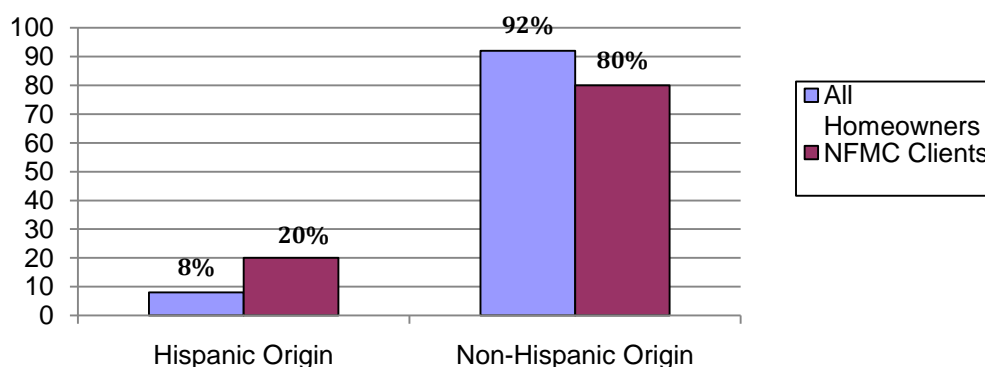
Twenty percent of clients are of Hispanic origin, compared with 8 percent of all homeowners (Figure 4).

Figure 3: Percentages by Race/Ethnicity of All U.S. Homeowners and NFMC Program Clients



Sources: American Community Survey 2005–2009 (U.S. Census Bureau) and NFMC Program reported data

Figure 4: Percentages by Hispanic or Non-Hispanic Origin of of All U.S. Homeowners and NFMC Program Clients



Sources: American Community Survey 2005–2009 (U.S. Census Bureau) and NFMC Program reported data

NeighborWorks America is committed to ensuring that the nation’s minority and low-income homeowners and neighborhoods, which have been disproportionately impacted by the foreclosure crisis, are served by the NFMC Program.

Nationwide, 31 percent of NFMC Program services were provided to racial minority homeowners, and 20 percent of services went to clients of Hispanic origin. Twenty-two percent of services went to residents of ZIP codes where the majority of residents are minority, and 7 percent of services were provided in Hispanic-majority ZIP Codes.

Client Story:
Patricia and James – Springfield, Massachusetts

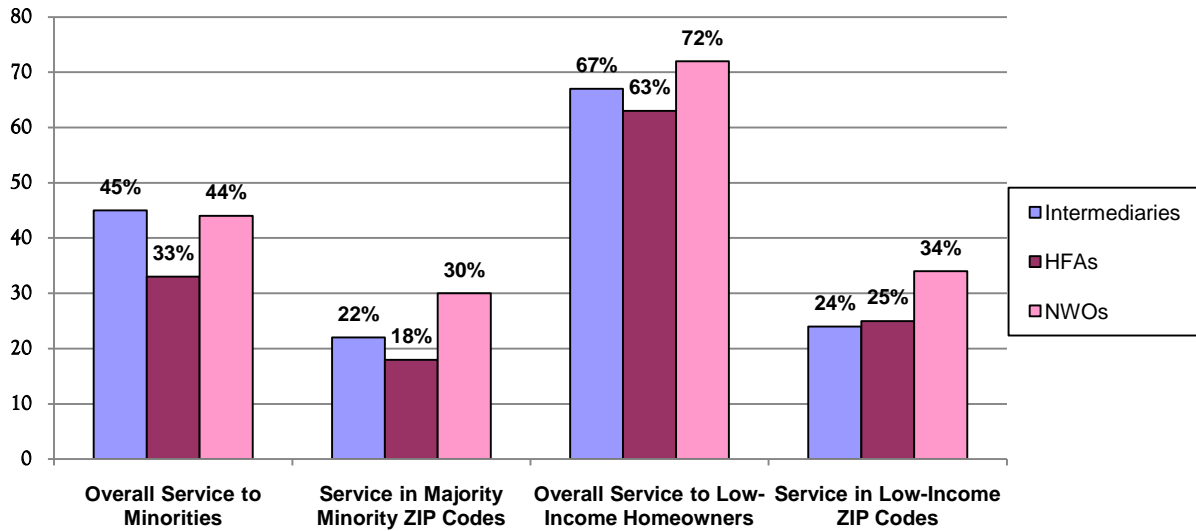


A few short years ago, Patricia and James had almost paid off the mortgage on their home. At the height of the housing market boom, they decided to refinance to get some cash and pay off a few bills. Everything was going fine until James was laid off from his job. Soon, they were barely able to keep up the payments. Patricia and James tried to work with their lender, but they were told there was no program to help them because they were not actually behind on the payments.

Eventually they were referred to Springfield (Massachusetts) Neighborhood Housing Services, a NFMC Program grantee. The counselor explained the process, helped them work out a budget, and they put together a plan. “He was like a miracle worker,” Patricia said. It took ten months to work out a loan modification, but finally the lender agreed to lower the mortgage interest rate from 12.5 percent to 7.6 percent, reducing the monthly payment from \$1,200 to \$1,028. The savings gives Patricia and James enough breathing room to keep up.

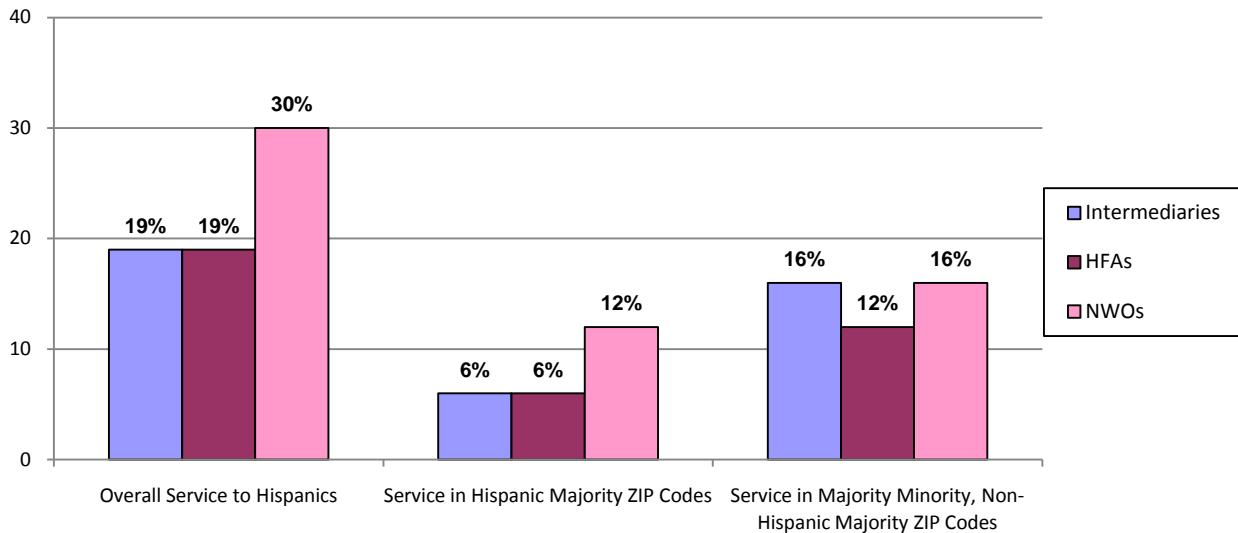
Low-income homeowners received 66 percent of the NFMC services. Twenty-five percent of the program counseling was delivered to homeowners living in ZIP codes with the majority of residents making less than 80 percent of area median income (AMI). Figures 5 and 6 show details of program services provided, by grantee type, to low-income, Hispanic, and minority homeowners and ZIP Codes.

Figure 5: NFMC Program Service to Low-Income and Minority Homeowners and ZIP Codes by Grantee Type



Source: NFMC Program reported data

Figure 6: NFMC Program Service to Clients of Hispanic Origin, Residents of Hispanic Majority ZIP Codes, and Residents of ZIP Codes with a Racial Minority Majority but Not a Hispanic Majority, by Grantee Type

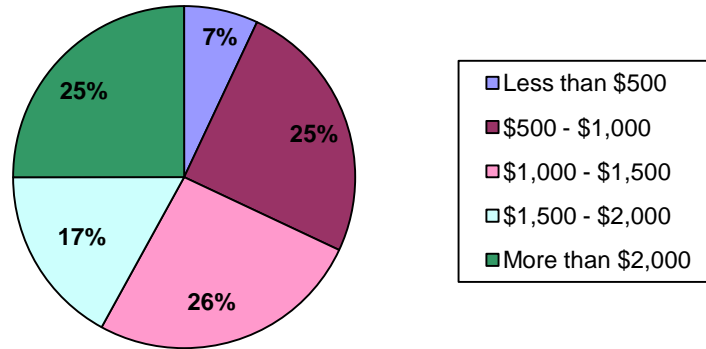


Source: NFMC Program reported data

Additional data on NFMC Program services provided to minority, Hispanic, and low-income homeowners is provided in the Appendix.

Clients' monthly PITI payments at the time they enter counseling range from less than \$500 to more than \$2,000, with more than 26 percent of NFMC Program clients at the top end of the range (Figure 7).

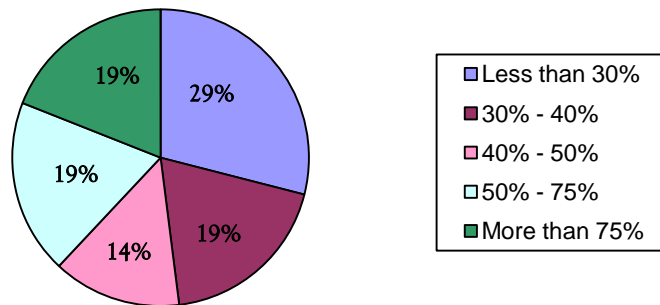
Figure 7: Monthly Mortgage Payments of NFMC Program Clients



Source: NFMC Program reported data

A deeper analysis of mortgage affordability (Figure 8) shows that 38 percent of NFMC Program clients are spending half or more of their income on their monthly payments. Nineteen percent bear a very heavy housing cost burden, spending 75 percent or more of their income on PITI.

Figure 8: Clients' Percent of Income Paid to PITI



Source: NFMC Program reported data

As shown in Table 9, the majority of NFMC Program clients in all race/ethnicity categories have household incomes of 80 percent or less of AMI. Among clients with the lowest household incomes - less than 50 percent of AMI - the largest group was African Americans at 52 percent, followed by Hispanics at 41 percent.

Table 9: Program Clients by Race/Ethnicity and Hispanic Origin, and Household Income

Race/Ethnicity and Hispanic Origin	Less than 50% of AMI	50-79% of AMI	80-100% of AMI	More than 100% of AMI
White	36.8%	26.7%	16.3%	20.2%
African American	52.2%	23.5%	12.6%	11.6%
Asian	33.7%	24.6%	17.2%	24.5%
Two or More Races	38.9%	28.6%	15.1%	17.3%
Other	37.2%	26.4%	15.3%	21.2%
Chose Not to Respond	37.8%	26.5%	14.7%	21.1%
Hispanic Origin	41.3%	27.1%	15.4%	16.1%

Source: NFMC Program reported data

Reasons for Default and Clients' Loan Characteristics

A reduction in or loss of income continues to be the primary reason for facing foreclosure reported by the majority of clients (60 percent). Just under 4 percent reported facing foreclosure due to an increase in their loan payment. Table 10 provides details.

Table 10: Primary Reason for Default

Primary Reason for Default	Percentage as of June 2011
Reduction in income	37%
Loss of income	23%
Medical issues	6%
Poor budget management skills	5%
Increase in loan payment	4%
Increase in expense	4%
Divorce/separation	4%
Death of family member	2%
Business venture failed	1%
Other	14%

Source: NFMC Program reported data

Client Story:

Marie-Anne and Edward - Hawaii (Big Island)

Marie-Anne and her husband, Edward, worked hard to make a life for themselves and their three children. Marie-Anne ran a second-hand store and Edward worked for a local bakery. Marie-Anne made the difficult decision to close her store after being notified that the rent was about to double. "I would have been making nothing," she explains, "working just to pay the rent." Surviving on Edward's salary alone was difficult, but the family got by until Edward's employer cut his work hours. They were very careful with their money, but it was impossible to keep up with their bills, including the mortgage. They contacted their lender, but were told they did not qualify for any relief.

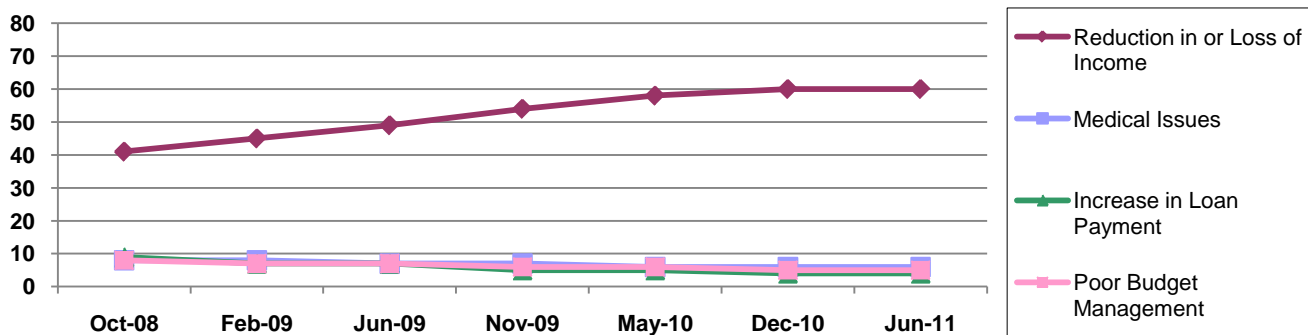
Then the couple met with one of Marie-Anne's former customers named Hana, a housing counselor at the Hawaii Homeownership Center. Hana embarked on about a year and a half of complicated negotiations, and finally was able to work out a loan modification that dropped the monthly payment from \$1,800 to \$1,250. The interest rate of 5.25 percent was reduced to 2 percent for the first six years of a new 34-year mortgage, increasing slightly over time to no more than 4 percent.

"If Hana hadn't been there to help us through it, and keep us calm, I don't know if we would have made it through it," says Marie-Anne. The couple believes the worst is behind them. Edward's hours have increased a bit, and Marie-Anne is building a home-based business so she can care for the children after school. Marie-Anne says they continue to be frugal to make things work. "We are not people that spend a lot of money," she says. "We made a commitment to pay our mortgage and we intend to uphold that commitment."

A trending analysis of this data over the course of the program (Figure 9) shows how the percentage of clients reporting a reduction in or loss of income has increased significantly, from 41 percent in October 2008 to 60 percent in June 2011.

This upward trend parallels the increase in the U.S. unemployment rate from 6.6 percent in October 2008 to a high of 10.1 percent in October 2009; the rate has hovered around 9 percent or higher in 2011 (U.S. Bureau of Labor Statistics).

Figure 9: Trending Analysis of Primary Reason for Default

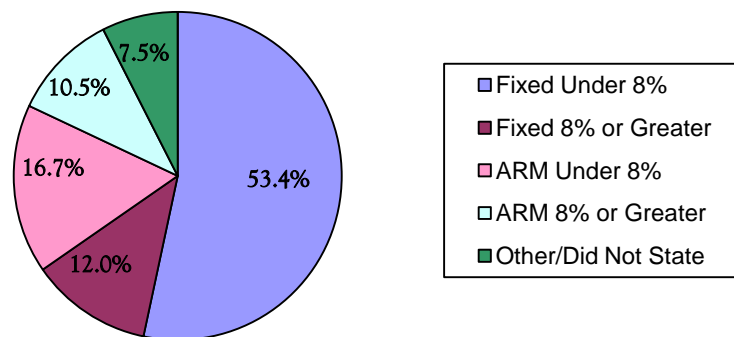


Source: NFMCC Program reported data

Sixty-five percent of NFMCC Program clients now report holding fixed-rate mortgages. For the first time in the program, more than half of all clients – 53 percent – report holding fixed-rate mortgages with interest rates below 8 percent, the most desirable mortgage product on the market. While only 13 percent of mortgages nationwide are adjustable rate mortgages (ARMs) (as of March 2011, Mortgage Bankers Association), just over 27 percent of NFMCC Program clients reported holding them, and 10.5 percent of clients report holding an ARM with an interest rate above 8 percent.

Figure 10 shows the breakdown of NFMCC clients’ mortgage types.

Figure 10: NFMCC Clients’ Loan Type

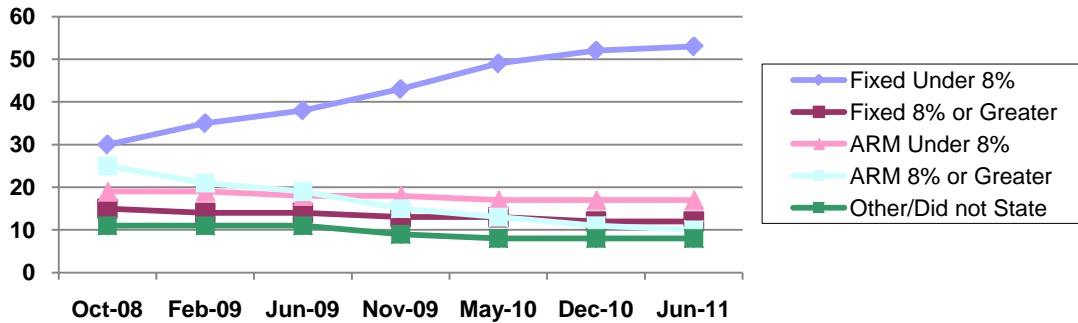


Source: NFMCC Program Reported Data

Figure 11 shows how the loan types held by NFMCC Program clients have changed over the course of the program: the percentage of clients that reported having fixed-rate mortgages with interest rates below 8 percent increased from 30 percent in October 2008 to above 53 percent in June 2011. Having so many homeowners seeking assistance

despite the trend to more affordable mortgages suggests that high unemployment rates continue to threaten homeowners' ability to make their payments.

Figure 11: Loan Type over Course of NFMC Program



Source: NFMC Program reported data

Across the board, the majority of NFMC Program clients report the primary reason they are in default or facing foreclosure is either a reduction in or loss of income. Table 11 shows clients' primary reason for default correlated with loan type. A reduction in or loss of income are the most common reasons clients with all types of loans are facing default and/or foreclosure, but this percentage is higher for those holding fixed-rate mortgages with interest rates at or below 8 percent than for clients holding ARMs with interest rates of 8 percent or more. This could be because 12 percent of clients holding ARMs with interest rates of 8 percent or higher reported the primary reason they were in default was an increase in their loan payment – a much higher percentage than clients with other loan types.

Table 11: Primary Reason for Default by Loan Type

	Fixed Under 8%	Fixed 8% or Greater	ARM Under 8%	ARM 8% or Greater	Other	Client did not Disclose
Reduction in income	39.9%	34.2%	38.1%	29.4%	27.0%	37.6%
Loss of income	25.0%	24.5%	21.1%	20.9%	13.6%	19.3%
Poor budget management skills	5.3%	5.9%	4.3%	4.9%	7.1%	8.2%
Medical issues	6.2%	8.5%	4.4%	6.7%	6.6%	6.4%
Increase in expense	3.7%	5.2%	3.6%	4.4%	5.4%	5.1%
Divorce/Separation	4.1%	3.7%	2.9%	2.9%	3.6%	3.3%
Death of family member	1.4%	2.1%	1.3%	1.7%	1.6%	1.6%
Business venture Failed	1.1%	1.2%	1.3%	1.4%	1.5%	1.1%
Increase in loan payment	1.5%	2.5%	6.6%	12.4%	5.8%	2.4%
Other	11.8%	12.0%	16.4%	15.3%	27.7%	14.9%

Source: NFMC Program reported data

A slim majority of NFMC Program clients (50.8 percent) continues to be less than 60 days late on their mortgage when they seek assistance; just under 32 percent were current. The percentage of clients more than 120 days delinquent increased to 25.7 percent, up from 22 percent in January 2010. Table 12 shows clients' loan status at the time of counseling intake.

Table 12: Loan Status at Intake

Loan Status	Percent
Current	31.9%
30-60 Days Late	18.9%
61-90 Days Late	13.9%
91-120 Days Late	9.6%
121+ Days Late	25.7%

Source: NFMC Program reported data

Additional data on clients counseled through the NFMC Program can be found in the Appendix.

Counseling Successes and Challenges

As part of their quarterly reports, NFMC Program grantees are asked to describe the key successes and challenges they face in operating a foreclosure counseling program. In total, grantees reported 2,945 successes and 2,982 challenges over the ten program reporting periods from January 1, 2008 to February 1, 2011.

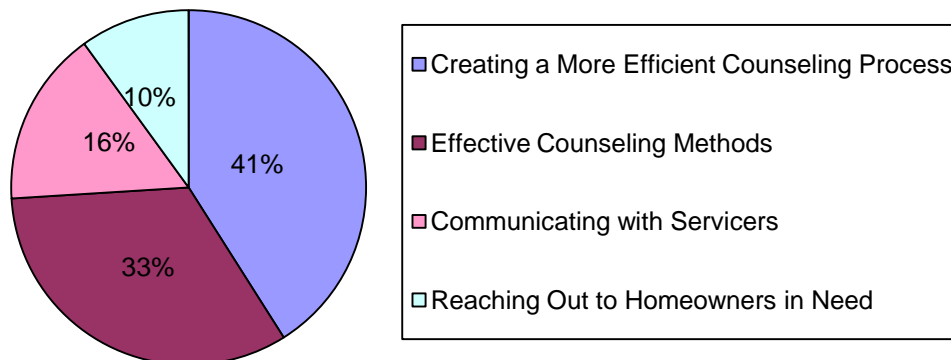
Counseling Successes

Grantees can identify and describe any success in their quarterly reports, so responses are diverse. All reported successes were organized into four broad categories:

- Creating a More Efficient Counseling Process
- Using Specific Effective Counseling Methods
- Communicating with Servicers
- Reaching Out to Homeowners in Need

The greatest number of reported successes (41 percent) involved creating a more efficient counseling process to deal with the high demand for services. Successes with specific methods of foreclosure counseling were also common, accounting for 33 percent of all successes reported. A smaller portion of reported successes pertained to communicating with servicers (16%) and conducting client outreach (10%). Figure 12 shows the breakdown.

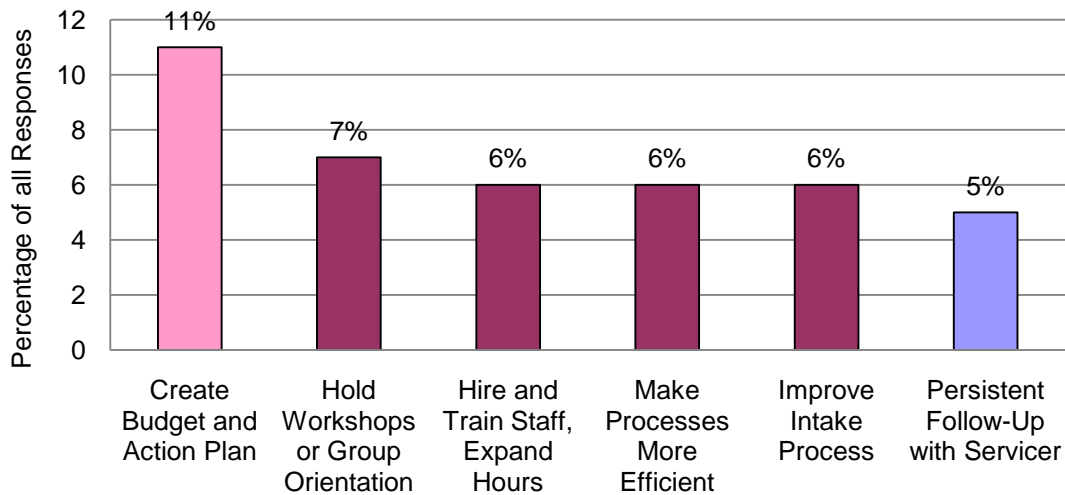
Figure 12: Reported Counseling Successes by Category



Source: NFMC Program reported data

Within each of the four broad categories, grantee responses were organized according to more specific themes. For instance, responses in the “Client Outreach” category were organized into themes such as targeting outreach to homeowners who are delinquent in their mortgages. Overall, helping clients create a budget and action plan was the most-reported specific success, comprising 11 percent of all reported successes. Notably, the next four most-reported specific successes pertained to creating a more efficient counseling process: holding foreclosure workshops and group orientations (7% of all responses), increasing capacity by hiring and training staff (6%), improving the client intake process (6%), and implementing more efficient organizational methods (6%). Figure 13 provides the details.

Figure 13: Specific Success Types Reported



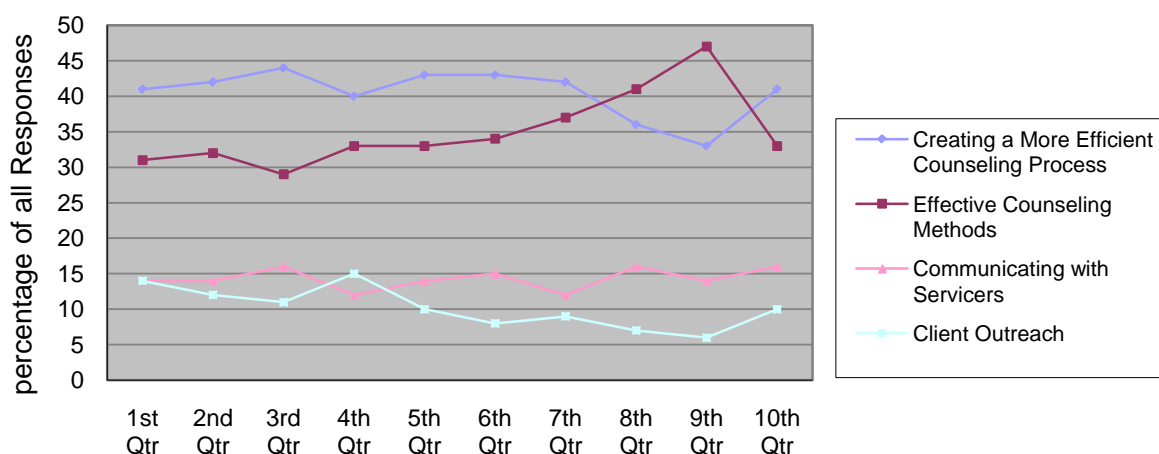
Source: NFMC Program reported data

Trends in Reported Successes

Over the ten reporting periods captured here, the proportion of successes in each of the four categories revealed several notable trends (Figure 14).

- *Creating a More Efficient Counseling Process* was the most-reported category of success in the first seven reporting periods, but fell to second most-reported in periods eight and nine, before returning to the most-reported in the tenth period. This movement suggests that counseling agencies have somewhat maximized the benefit of this success and moved on to improving other areas of their foreclosure counseling programs.
- Simultaneously, reported successes pertaining to *Effective Counseling Methods* experienced a 16 percent rise over the first nine reporting periods of the program before decreasing sharply in the tenth reporting period. The steady increase in the first nine periods indicates that as the foreclosure crisis wears on, counselors are responding with new and innovative practices to assist homeowners in need.
- Successes related to *Client Outreach* have experienced a noticeable fluctuation since the first reporting period, ranging from 15 percent of all responses in the fourth reporting period to just 6 percent in the ninth reporting period. In the tenth and final reporting period included here, client outreach comprised 10 percent of all successes reported.

Figure 14: Trends In Successful Strategies by Category



Source: NFMC Program reported data

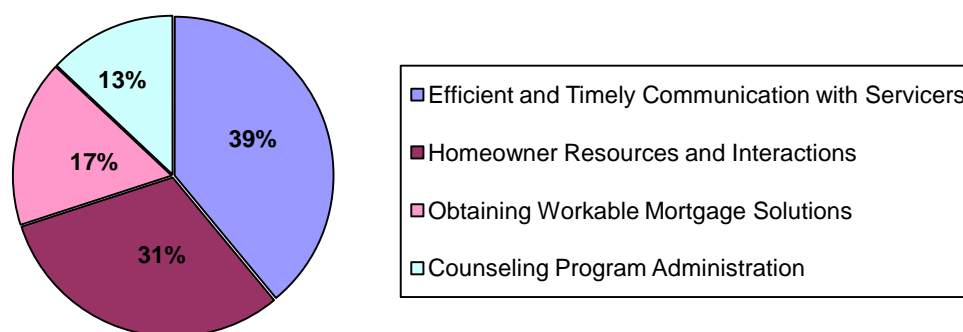
Counseling Challenges

Grantees can identify and describe any challenge in their quarterly reports, which leads to a wide variety of responses. All 2,982 reported challenges were organized into four broad categories:

- Efficient and Timely Communication with Lenders and Servicers
- Obtaining Workable Mortgage Solutions from Servicers for Homeowners
- Homeowner Resources and Interactions
- Counseling Program Administration

The most frequently reported type of challenge pertained to efficient and timely communication with servicers, which comprised 39 percent of all responses. Challenges related to homeowners' resources and counselors' interactions with homeowners accounted for 31 percent of all responses. Proportionally fewer challenges involved obtaining workable mortgage solutions for homeowners (17%) and administering a foreclosure counseling program (13%). Details are shown in Figure 15.

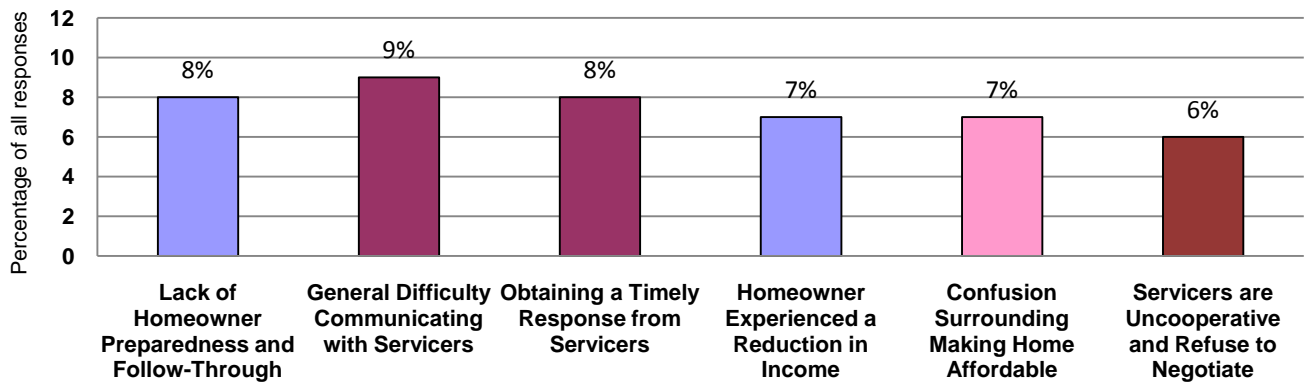
Figure 15: Challenges by Category



Source: NFMC Program Reported Data

Again, each of these four broad categories were organized into specific themes (Figure 16). For example, challenges in the broad category “Obtaining Workable Mortgage Solutions” were grouped into categories such as trouble getting assistance for borrowers who are not severely delinquent. Overall, the most commonly reported specific challenges were that communicating with servicers is difficult, homeowners are not prepared for counseling sessions or do not follow through with counselors, and getting a response from servicers takes a very long time. Each of these categories garnered at least 8 percent of all challenges reported. The other most reported challenges were that borrowers have suffered loss of income due to job loss or underemployment (7% of all responses), confusion surrounds the qualifications and requirements of the federal MHA program (7%), and servicers are uncooperative and refuse to negotiate (6%).

Figure 16: Most Commonly Reported Individual Challenges



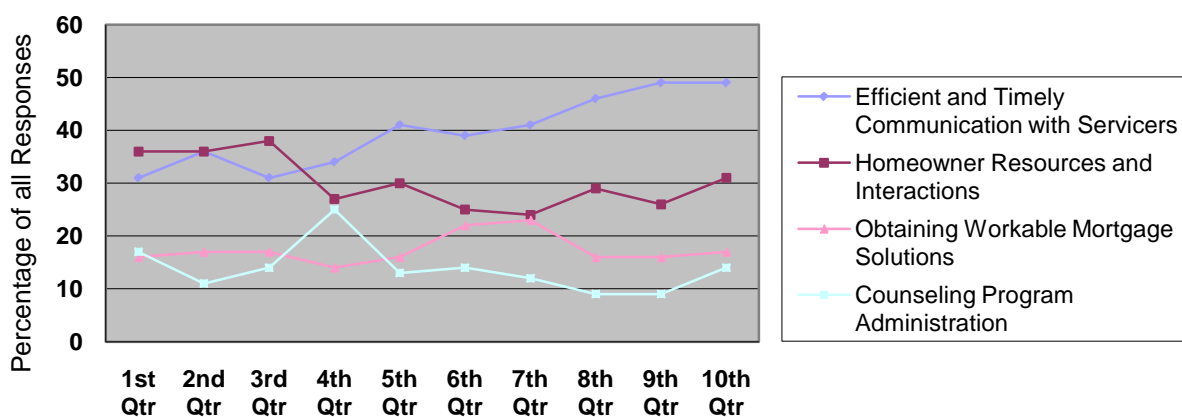
Source: NFMC Program reported data

Trends in Reported Challenges

The rank and proportion of each of the four broad categories of challenges have changed notably over the ten reporting periods of the NFMC Program (Figure 17).

- Challenges involving *Efficient and Timely Communication with Servicers* have increased steadily, making it the most-reported type of challenge in the past seven reporting periods. This category garnered 31 percent of all responses in the first reporting period, but grew to 49 percent of all responses in the tenth reporting period – suggesting that this problem persists unabated and is impairing counselors’ ability to manage caseloads and help their clients achieve a final outcome.
- *Homeowner Resources and Interactions* were the most-reported type of challenge in the program’s first three reporting periods, but slipped noticeably in the fourth reporting period and has remained the second most-reported challenge in the past seven reporting periods.
- Perhaps not surprisingly, challenges with *Counseling Program Administration* have declined – from 25 percent of all responses in the fourth reporting period to just 10 percent in the tenth period, signaling that grantees have overcome these challenges with improved processes and policies.

Figure 17: Trends In Challenges by Category



Source: NFM Program reported data

Quality Control and Compliance

NeighborWorks maintains vigorous quality control standards and grantee compliance requirements to ensure appropriate use of grant funds. Grantees must provide regular reports and are subject to compliance reviews by a third-party auditor and NeighborWorks America’s internal audit team. Reviews consider delivery of expected services and compliance with program guidelines. Funds not expended by grantees in the allocated time are de-obligated and/or recaptured and are made available for future funding rounds. Table 13 details the compliance reviews by grantee type and review type for funding Rounds 2 and 3.

Table 13: NFM Compliance Reviews, Funding Rounds 2 and 3

Grantee Type	On-Site Review	Remote Review	Total
HUD-approved intermediary	10	5	15
State housing finance agency	9	27	36
NeighborWorks organization	13	81	94
Subgrantee	48	82	130
Totals	80	195	275

Source: NFM Program

Conclusion

As the nation’s foreclosure crisis persists, the NFM Program continues to help homeowners facing foreclosure to find the best solution for their situation. For those able to stay in their homes, NFM Program clients have experienced greater reductions in their monthly payments and lower redefault rates than other homeowners.

Although mortgage terms typically are becoming more sustainable – with more fixed-rate mortgages and low interest rates – it is no surprise in a weak employment market that income loss or reduction remains the primary challenge reported by NFM counselors in helping clients mitigate foreclosures.

With the foreclosure crisis into its fifth year, it appears that servicers continue to struggle with the volume of defaults: NFM counselors report that their second greatest set of challenges is difficulty in communicating with servicers, obtaining a timely response from them, or getting them to engage in negotiations.

The NFMC Program has matured and evolved to meet changing needs, such as by adapting to support the Making Home Affordable program. Grantee organizations also have adjusted to the demanding environment: they are reporting high levels of success related to creating a more efficient counseling process to deal with the high demand for services, improving specific methods of foreclosure counseling, and, to a lesser extent, communicating with servicers.

Overall, more than 1.1 million at-risk homeowners have been assisted by the NFMC Program, with services most heavily provided in the states hardest hit by foreclosures, and to at-risk minority and low-income homeowners. Counselors across the country continue to provide foreclosure mitigation assistance to homeowners with the latest grant funds awarded earlier this year.

Appendix Contents

The Appendix is a separate document (available online only, at <http://www.nw.org/network/nfmcp/documents/2011CRAAppendix.pdf>) that provides additional information on the following topics:

- NFMC Program Counseling Production Summary
- Making Home Affordable and the NFMC Program
- Counselor Training
- Legal Assistance to NFMC Clients by States
- State-Level Details: Service Delivery and Homeowner Characteristics
- Counseling Delivery to MSAs and Rural Areas of States
- Service to Low-Income and Minority Homeowners
- Client Data
- Service Delivery Maps