



FINAL
National Foreclosure Mitigation Counseling Program
Funding Announcement
for Round 3 Funds

July 20, 2009



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NFMC Round 3 Funding Announcement

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Purpose of Funding

On March 11, 2009, President Barack Obama signed the Omnibus Appropriations Act of 2009 (Public Law 111-8) which appropriates \$50 million to NeighborWorks® America (NeighborWorks) for continuation of the National Foreclosure Mitigation Counseling (NFMC) Program (NFMC Round 3) originally authorized by the FY 2008 Consolidated Appropriations Act. Public Law 111-8 makes available funds for foreclosure intervention counseling, training, and expenses associated with administering the NFMC Program. This Funding Announcement outlines programmatic guidelines for the Foreclosure Counseling portion of this appropriation only.

With this Funding Announcement, NeighborWorks makes available at least \$45,200,000 in foreclosure intervention counseling funds. (See *Funding Available* on page 4.)

The expectation is that all NFMC Round 3 funds shall be expended by June 30, 2010. If existing NFMC Round 2 Grantees have sufficient funds to cover their counseling through this date, they are not encouraged to apply for NFMC Round 3 funds. Past performance of current or previous NFMC Grantees will be considered when determining Round 3 awards.

This appropriation is designed to support the provision of foreclosure intervention counseling services on a short-term basis by HUD-Approved Housing Counseling Intermediaries, State Housing Finance Agencies (HFAs) and NeighborWorks Organizations (NWOs). Because this is a short-term appropriation, funds will be targeted to Applicants with Demonstrated Experience in foreclosure intervention and loss mitigation counseling.

The performance period for these funds is July 1, 2009 – June 30, 2010.

The statute mandates that at least 51% of the awarded funds shall be prioritized for use in “areas of greatest need.” These are defined as areas experiencing a high rate of subprime lending, delinquent loans, and foreclosure starts (see Exhibit 1 for a list of these areas nationwide for Round 3). Grantees will use the funds to provide mortgage foreclosure intervention and loss mitigation counseling assistance primarily in defined areas of greatest need -- metropolitan statistical areas (MSAs) and rural areas with high rates of subprime defaults and foreclosures. Some of the grant funds may be utilized outside areas of greatest need.

Recipients of foreclosure intervention counseling must, by statute, be owner-occupants of single-family (one to four unit) properties with mortgages in default or in danger of default.

The program recognizes that a variety of strategies may be used to intervene in a default and prevent foreclosure. Eligible Applicants must have the ability to deliver foreclosure intervention counseling activities such as an analysis of the client's financial situation; an evaluation of the current value of the home that is subject to the mortgage; and a review of options such as the assumption or purchase of the mortgage by a non-federal third party, other restructuring and refinancing strategies, or the approval of a workout strategy by all interested parties. While the goal is to help homeowners retain their homes with a mortgage they can afford, in some instances the only way to successfully cure a default may be to sell the home. HUD-Approved Intermediaries and State HFAs must demonstrate the capacity to serve as an intermediary, including capacity to distribute funds, communicate with Sub-grantees or Branches, collect requisite data, and monitor quality and performance of each Sub-grantee or Branch.

It is expected that eligible Applicants will make every effort to receive reimbursement for counseling services from other sources to increase the sustainability of these services. NFMF Program funds are not meant to replace current or future fee-for-service arrangements between counseling agencies and servicers, lenders, or other interested parties.

The intent of the NFMF funding is to expand and supplement counseling opportunities available to American families facing delinquency and foreclosure. It is expected that counseling agencies will use best efforts to attempt to recover reimbursements for counseling services from investors or servicers whenever possible. NFMF grantees should not use NFMF funds in combination with servicer or investor reimbursements when doing so is in excess of the agency's actual cost of implementing its foreclosure program. Counseling agencies should keep a record of all reimbursements received.

NeighborWorks will continue to train foreclosure counselors across the country through a combination of weeklong training sessions at NeighborWorks® Training Institutes, regional multi-course foreclosure counseling courses, place-based trainings in partnership with HUD-approved Housing Counseling Intermediaries and State HFAs, and on-line e-learning courses. Scholarships have been made available to defray the cost of training.

Details about the National Foreclosure Mitigation Counseling Program, including the legislative language that governed the program development and frequently asked questions about the application and funding process, can be found at www.nw.org/nfmc. NeighborWorks® reserves the right to make exceptions to the guidelines set forth in this Funding Announcement under extraordinary circumstances.

Any questions about this program should be directed to 202-220-6314 or nfmc@nw.org.

Funding Available

With this Funding Announcement, NeighborWorks makes available at least \$45,200,000 in foreclosure intervention counseling funds. This consists of \$43,000,000 made available through P.L. 111-8 and \$2,200,000 in recaptured or de-obligated funds from NFMC Round 1.

These funds will be awarded through a competitive grant process. Of this \$45,200,000, at least \$23,052,000 (51%) will be targeted to areas of greatest need. NeighborWorks reserves the right to award more than \$45,200,000 in the event that conditions allow such to be possible. An example of such a condition would be if additional funds are available due to recapture or de-obligation of previously-awarded grant funds. Unexpended Round 1 funds may be recaptured or de-obligated in July of 2009. Such funds may be added to those awarded through Round 3, and could bring the amount eligible to be awarded up to \$58,000,000.

In the event that additional funds become available for NFMC in Fiscal Year 2009, NeighborWorks reserves the right to give priority to proposals that have been reviewed and accepted under Round 3.

Not more than 15% of the total funds awarded shall go directly to housing counseling agencies that are chartered members of the NeighborWorks network. These groups are specifically named as eligible Applicants in the authorizing legislation.

No one applicant can request more than 15% of the total pool of funding available. Therefore, using the \$58,000,000 amount as the estimate, the total award request cap is set at \$8,700,000 with a counseling award request cap of \$6,920,000.

Recognizing the extreme demand for these funds, the need to provide access to foreclosure counseling services across the country – particularly in areas of greatest need, and the cost of monitoring Grantees to ensure program compliance and effectiveness, no grant will be made for less than \$50,000. This translates into a counseling award request cap of \$39,370. Applicants that do not have the capacity to manage or spend down an award of this size before June 30, 2010 are not encouraged to apply for NFMC Round 3 funds.

Depending on total demand for available funding, NeighborWorks reserves the right to establish award limits during the grant review and award process that are below the request cap. NeighborWorks also reserves the right to award Applicants less than their full funding request. Award decisions will be based upon on a number of considerations, including (without limitation): (1) the recommendations and scores of grant reviewers with particular attention to the Applicant's demonstrated experience and capacity to deliver counseling services and/or manage multiple Sub-grantees and Branches; (2) the reasonableness of Applicant's counseling goals; (3) geographic diversity; (4) coverage in areas of greatest need and the overall portfolio of NFMC units of counseling by MSA or rural area; (5) total demand for funding from all Applicants; and (6) if applicable, prior performance on previous NFMC grants, including compliance and quality control findings and adherence to NFMC reporting requirements and deadlines. In making award decisions, NeighborWorks may rely on information not contained in Applicant's submitted application, including but not limited to Applicants' previously-submitted HUD Housing Counseling Agency Activity Reports (HUD 9902s), findings from HUD Housing Counseling performance reviews, financial audit reviews, and other available relevant information.

Definitions

- 1. Affiliate.** An Affiliate is a separately incorporated or organized Housing Counseling Agency connected with an Intermediary or State HFA for the purposes of its housing counseling program. To be eligible for a sub-grant an Affiliate must be: (1) Duly organized and existing as a nonprofit or public entity, (2) in good standing under the laws of the state of its organization, and (3) authorized to do business in the states where it proposes to provide housing counseling services.
- 2. Applicant.** “Applicant” refers to a HUD-Approved Housing Counseling Intermediary or State HFA, or NeighborWorks chartered members that are HUD-approved housing counseling agencies (HCA).
- 3. Branch.** “Branch” or “Branch Office” refers to an Applicant’s organizational and subordinate unit that is not separately incorporated or organized. A Branch or Branch Office must be in good standing under the laws of the state where it is authorized to do business and where it proposes to provide housing counseling services. A Branch or Branch Office cannot be an Applicant, Affiliate or Sub-grantee.
- 4. Demonstrated Experience.** “Demonstrated Experience” refers to an Applicant’s successful and recent track record in providing foreclosure intervention counseling services. Demonstrated Experience must be shown in order to qualify for funding. To qualify as having Demonstrated Experience, an Applicant that has not received previous NFMC funding must certify that it (and, if applicable, each of its Sub-grantees or Branches that will receive funding) has:
 - A. worked successfully with financial institutions and servicers, and with clients facing default, delinquency, and foreclosure; AND
 - B. documented counseling capacity, outreach capacity, past successful performance and positive outcomes with documented counseling plans (including post mortgage foreclosure mitigation counseling), loan workout agreements, and loan modification agreements; AND
 - C. certified that one of the following is true for EACH Sub-grantee, Branch, or NeighborWorks Organization that will receive NFMC funding either directly or through an Intermediary or HFA:
 - 1) Applicant provided foreclosure intervention counseling services that included documented Action Plans to at least 50 people during the past year or 20 people during the most recent quarter; OR
 - 2) 75 percent or more of Applicant’s service area is rural (see below for definitions), and the Applicant provided foreclosure intervention counseling services which included documented Action Plans to at least 25 people during the past year or 10 people during the most recent quarter; OR
 - 3) Applicant has provided foreclosure counseling services which include documented Action Plans to at least 12 people during the past year AND has at least one comprehensively trained and qualified foreclosure counselor on staff.

If the supervisor or counselors who achieved the outcomes in 4.C., above, are no longer on staff or volunteering, Applicants may be asked to explain how Branches or Sub-grantees will achieve goals related to this grant, including how they will recruit and train new staff or volunteers. NeighborWorks reserves the right to ask Grantees to provide documentation of their Demonstrated Experience and the Demonstrated Experience of any Sub-grantees or Branches as a condition of the award or at any point during the grant period or subsequent evaluation period.

Rural Definitions: When qualifying as “rural” for 4(c)(2) above, organizations must use one of the following three acceptable definitions:

A) USDA Rural Development Definition as outlined in 7CFR 3550.10: A rural area is:

- (1) Open country which is not part of or associated with an urban area.
- (2) Any town, village, city, or place, including the immediate adjacent densely settled area, which is not part of or associated with an urban area and which:
 - (a) Has a population not in excess of 10,000 if it is rural in character; or
 - (b) Has a population in excess of 10,000 but not in excess of 20,000, is not contained within a Metropolitan Statistical Area, and has a serious lack of mortgage credit for low- and moderate-income households as determined by the Secretary of Agriculture and the Secretary of HUD.
- (3) An area classified as a rural area prior to October 1, 1990, (even if within a Metropolitan Statistical Area), with a population exceeding 10,000, but not in excess of 25,000, which is rural in character, and has a serious lack of mortgage credit for low- and moderate-income families. This is effective through receipt of census data for the year 2000.

B) Any micropolitan area (defined as having population greater than 10,000 but less than 50,000 people)

C) Any county identified using Isserman typology that is designated as rural or mixed rural
Isserman typology map is included as Exhibit 2.

5. Grantee. “Grantee” refers to the Intermediaries, State HFAs, or housing counseling agencies that receive awards under this National Foreclosure Mitigation Counseling Program Funding Announcement.

6. Intermediary. “Intermediary” refers to a HUD-approved national or regional organization that provides housing counseling services through its Branches or Affiliates. Intermediaries must have received HUD-approval on or before August 7, 2009 (the application due date) to be considered for funding.

7. Housing Counseling Agency (HCA). For the purposes of this Funding Announcement, a HCA is a chartered member of NeighborWorks. These HCAs may apply for National Foreclosure Mitigation Counseling funds directly. All other local housing counseling organizations must apply through an Intermediary or State HFA.

8. State Housing Finance Agency (HFA). A State HFA is the unique public body, agency, or instrumentality created by a specific act of a state legislature and empowered to finance activities designed to provide housing and related facilities and services, for example through land acquisition, construction or rehabilitation, throughout a state. The term “state” includes the fifty states, Puerto Rico, the District of Columbia, Guam, the Commonwealth of the Northern Mariana Islands, American Samoa, and the U.S. Virgin Islands.

9. Sub-grantee. “Sub-grantee” refers to an organization to which the Grantee awards a sub-grant, and which is accountable to the Grantee for the use of the funds provided. A Sub-grantee may be separately incorporated or organized, but connected with an Intermediary or State HFA for purposes of responding to this Funding Announcement. Intermediaries and HFAs will be held responsible for ensuring that all Sub-grantees and Branches adhere to the standards set forth in this Funding Announcement and agree to oversee the quality of services and adequacy of record keeping for each.

Grantees must furnish a listing of Sub-grantees and Branches which includes the organization name, address, contact person name, e-mail, and telephone number before initial grant disbursement will be made. Grantees may amend their Sub-grantee list after awards are made by submitting a written request to NeighborWorks and such amendment will be approved at NeighborWorks’ sole discretion.

Funding Time Frame

The estimated schedule for NFMCC Round 3 funding for foreclosure intervention counseling follows. All dates are approximate and subject to change.

June 25 – 26, 2009	Eligible Applicant Briefings
July 20, 2009	Bidders’ Conferences
July 20, 2009	Applications available in GrantWorks.
August 7, 2009	Application deadline 8 PM EDT.
August 7, 2009 – September 30, 2009	Applications reviewed, ranked, and award recommendations made.
On or before September 30, 2009	Award announcements posted on www.nw.org/nfmc . Grant award letters and grant agreements distributed.
Rolling	Initial disbursements sent to Grantees, as Grant Agreements are ratified. No Round 3 funds will be disbursed until Grantee has completed its Round 2 obligations, if applicable.
Rolling	Client-level production is uploaded and draws are disbursed. Draws are not tied to quarterly reporting; however, grantees must be current with their quarterly reports in order for draws to occur.
November 1, 2009	First quarterly report required – reporting period July 1, 2009 to September 30, 2009.

February 1, 2010	Second quarterly report required – reporting period October 1, 2009 to December 31, 2009.
May 1, 2010	Third quarterly report required – reporting period January 1, 2010 to March 31, 2010.
August 1, 2010	Fourth and final quarterly report required – reporting period April 1, 2010 to June 30, 2010.
August 31, 2010	Grantees’ final programmatic & expenditure report due.
Ongoing until December 31, 2011	Grantees must comply with program evaluation requests.

Eligible Applicants

There are two categories of eligible Applicants, as follows:

- 1) **Intermediaries** that have been approved as Housing Counseling Intermediaries by HUD on or before August 7, 2009 (the application due date), and **State Housing Finance Agencies (State HFAs)**. Both Intermediaries and State HFAs must have Demonstrated Experience in delivering foreclosure intervention and loss mitigation counseling services (see Definitions, #4.) These Applicants’ foreclosure intervention counselors must **not** be loss mitigation/servicing staff working on behalf of a lender or mortgage finance program.

State HFA Applicants must submit evidence of their statutory authority to operate as a State HFA, to serve the entire state, and to apply for and subsequently use any funds received. Only one HFA per state shall receive an award through this program.

Applicants in this category will (a) apply for funds on behalf of a network of local housing counseling agencies that will deliver the delinquency and foreclosure intervention counseling services, (b) distribute grant funds to its own Branches that will deliver the services, or (c) provide direct foreclosure intervention counseling.

Entities wishing to apply to become a HUD-Approved Housing Counseling Intermediary should visit <http://www.hud.gov/offices/hsg/sfh/hcc/hccprof13.cfm> to learn about eligibility requirements and the approval process. (Please note that approval typically takes about two months and thus it may not be possible to complete the process in time to take advantage of this initial funding round.) Intermediaries must receive HUD-approval on or before August 7, 2009 at 8:00 PM EDT (the application due date) to be eligible to receive an award during this funding round.

Intermediaries and State HFAs must demonstrate the capacity to serve as an intermediary, including capacity to distribute funds, communicate with Sub-grantees or Branches, collect requisite data, and monitor quality, outcomes, and performance of each Sub-grantee or Branch.

Sub-grantees of Intermediaries and State HFAs are not required to be HUD-approved housing counseling agencies. However, Intermediaries or State HFAs that award sub-grants

to counseling agencies that are not HUD-approved must assure that the Sub-grantees meet or exceed the standards required for HUD approval. A current list of State HFAs and HUD-Approved Housing Counseling Intermediaries approved as of the date of this Funding Announcement can be found in Exhibit 3.

Intermediaries and State HFAs are permitted to add or remove Sub-grantees during the grant period with proper written notice and approval. However, they must formally request this of NeighborWorks. Adding Affiliates or Branches will not be accompanied by an automatic increase in the grant award. However, foreclosure counseling sessions completed by the added Sub-grantees can be counted towards the Applicants' goals.

- 2) **Existing chartered members of NeighborWorks that are housing counseling agencies (HCAs)**, and that have Demonstrated Experience in delivering foreclosure intervention and loss mitigation services. HCAs must obtain their NeighborWorks charter on or before August 7, 2009 at 8 PM EDT (the application due date) to be eligible. HCAs that are not members of the NeighborWorks network cannot apply directly but must instead apply through an Intermediary or State HFA as described in 1), above.

A note about affiliations with multiple Intermediaries and State HFAs.

State HFAs, HUD-Approved Housing Counseling Intermediaries, and Housing counseling organizations, including NeighborWorks Organizations, may elect to participate in this program through affiliation with multiple Intermediaries and State HFAs, but they must justify why this is critical in order to meet the demand for foreclosure prevention counseling in their service area. They must also demonstrate their capacity to track and report activity under multiple applications. In particular, they will have to demonstrate capacity to report client-level data with unique identifiers (including but not limited to client name, address, loan number and lender – see Exhibit 4) to prevent duplication of billing for the same client. They must also disclose their intent to apply under multiple applications to all Intermediaries or State HFAs with which they are Affiliated, and supply a breakdown of projected counseling sessions to be conducted under each application in writing.

NeighborWorks Organizations may contract out a portion of their awarded counseling units. NeighborWorks will permit NeighborWorks Organizations to contract with nonprofit organizations to provide foreclosure counseling, provided that such arrangements are made on a contractual basis, that no more than 50% of the awarded counseling units shall be contracted out, that the contractors meet or exceed minimum standards for designation as a HUD-approved housing counseling agency, and the NeighborWorks Organization agrees to sign a standard Representation and Warranty as part of their NFMC Grant Agreement.

Eligible Activities

No funds made available under the National Foreclosure Mitigation Counseling Program may be provided directly to lenders or homeowners to discharge outstanding mortgage balances or for any other direct debt reduction payments.

NFMC funds must support the costs of the overall foreclosure program. If the cost of the counseling process is less than NFMC funding, Grantees do not need to return excess funds; rather, they must allocate those funds to their overall foreclosure program.

There are three categories of eligible activities: (1) Counseling; (2) Program-Related Support; and (3) Operational Oversight (for Intermediaries and State HFAs only.) These are defined in greater detail below. While Applicants are encouraged to apply for what they believe they can use, NeighborWorks reserves the right to award less than the amount requested. When reductions in Counseling awards occur, proportional reductions in recommended Program-Related Support and Operational Oversight awards will be made as well.

1) Counseling – *All Applicants (HFAs, Intermediaries, and HCAs) are eligible.*

Counseling can include a range of activities depending on the client's financial situation and the severity of the mortgage delinquency. Many clients in the early stages of delinquency may benefit from brief counseling sessions that result in an Action Plan they can follow to get back on track and prevent foreclosure. More complex workouts, sometimes involving negotiations with mortgage lenders or servicers, require staff with additional expertise and will take longer to resolve. Recognizing this, NeighborWorks has developed a two-tiered structure for defining and estimating the cost of counseling activity, as described below. For the purpose of projecting counseling budgets, the value of Level One counseling has been set at \$150 and Level Two at \$300.

“Level One” Counseling: To qualify for a Level One payment (\$150), a counseling agency will be required to complete all four of the following steps:

1. Organization must conduct an intake including client name and address, basic demographic information, lender and loan information, and reason for delinquency. The National Industry Foreclosure Counseling Standards provide guidance on what should be included in an Intake Form (See Exhibit 5 of this document and www.nw.org/nfmc). It is recommended, but not required, that contact information for one additional person is collected at intake in the event that client moves or is otherwise unable to be reached following initial intake.
2. Organization shall collect a signed authorization form from the client or have other legally-permissible client authorization on record that will allow organization to (a) submit client-level information to the data collection system for this grant, (b) open files to be reviewed for program monitoring and compliance purposes, and (c) conduct follow-up with client related to program evaluation. Clients may opt-out of (c) above only, but proof of this opt-out must be retained in the client's file. Organization must also allow client access to its privacy policy statement. NeighborWorks will make a template authorization form available for Grantees to modify for their own use if they do not

already have such a form. Alternatively, Grantees may incorporate the language above into their existing authorization forms.

3. Organization must develop a budget for the client based on client's oral representation of their expenses, debts, and available sources of income.
4. Organization must develop a written Action Plan for follow up activities to be taken by the client and review this Action Plan with the client. The National Industry Foreclosure Counseling provide guidance on what should be included in an Action Plan (See Exhibit 5 and www.nw.org/nfmc). When developing this action plan, it is expected that the counselor will do a comprehensive analysis of the homeowner's situation and recommend the best plan of action. If the homeowner seeks counseling to determine whether they qualify for the *Making Home Affordable* Program, the counselor must work to determine the homeowner's eligibility before completing the Level One session. If the homeowner seeking counseling does not ask about the program, it is expected that the Level 1 session will include a screening for eligibility. Documentation that a screening occurred should be included in the Action Plan or client file.
5. Organization must determine and document if client is eligible for a *Making Home Affordable* Program refinance or modification.
 - *Refinance.* Organization must determine and document eligibility by asking client if: (a) client is the owner occupant of a one- to four-unit home; (b) client's loan is owned or guaranteed by Fannie Mae or Freddie Mac – counselor will verify this by checking the GSE's web look-up tools; (c) client is current on mortgage (client hasn't been more than 30 days late on mortgage payment in the last 12 months, or, if client has had the loan for less than 12 months, he/she has never missed a payment); (d) the amount client owes on the first mortgage is 125% or less of the house's current value; (e) client has income sufficient to support the new mortgage payments; and (f) the refinance improves the long-term affordability or stability of the loan.
 - *Modification.* Organization must determine and document eligibility by asking client if: (a) the mortgage loan is a first lien mortgage loan originated on or before January 1, 2009; (b) the mortgage has not been previously modified under the Home Affordable Modification Program (HAMP); (c) the mortgage loan is delinquent or default is reasonably foreseeable; (d) the property securing the mortgage loan is not vacant or condemned; (e) the mortgage loan is secured by a one- to four-unit property, one unit of which is the borrower's principal residence; (f) client's current monthly mortgage payment ratio is greater than 31%; and (g) the current unpaid principal balance of the mortgage is less than \$729,750 for a one-unit property, \$934,200 for a two-unit property; \$1,129,250 for a three-unit property; and \$1,403,400 for a four-unit property.

When billing for Level One activities, all 5 of these completed documents must be in client file: intake, authorization form, budget, Action Plan, and MHA eligibility determination. Intermediaries and State HFAs are responsible for ensuring proper documentation exists in client files at each of their Sub-grantee or Branch offices.

“Level Two” Counseling:

To qualify for a Level Two payment (\$300), a counseling agency will be required to complete the following four steps:

1. Engage in budget verification during which the counselor reviews documented evidence provided by the client to establish true debt obligations (e.g., credit report), monthly expenses (e.g., monthly bills and banks statements) and spending patterns, and realistic opportunities for income (e.g., returns and pay stubs).
2. If not already on file, organization shall collect a signed authorization form from the client or have other legally-permissible client authorization on record that will allow agency to (a) submit client-level information to the data collection system for this grant, (b) open files to be reviewed for program monitoring and compliance purposes, and (c) conduct follow-up with client related to program evaluation. Clients may opt-out of (c) above only, but proof of this opt-out must be retained in the client’s file. Organization must also allow client access to its privacy policy statement. NeighborWorks will make a template authorization form available for Grantees to modify for their own use if they do not already have such a form. Alternatively, Grantees may incorporate the language above into their existing authorization forms.
3. Steps to obtain a solution outlined in the written Action Plan are taken and documented using counseling notes that indicate date counseling occurred. This could include but is not limited to the following:
 - a. Draft and submit to the servicer a hardship letter that describes the client’s situation, reason for delinquency, factors that should be considered when developing a workout plan, and an estimate of the housing cost the client can afford to pay;
 - b. Document an attempt to contact the servicer or lender and, if a workout is possible, fill out and submit forms required by the servicer to move forward with a workout plan, loan modification or other available program. NeighborWorks will endeavor to post e-mail contact information for servicers who have made such information available on the www.nw.org/nfmc website so documentation of attempts to reach servicers is easily captured;
 - c. Complete and submit application for local resource options including refinance programs or rescue funds; and
 - d. Assist in situations where client elects to pursue sale options.
4. Close-out documentation is completed. For purposes of this grant, “close-out documentation” refers to the documentation of steps taken in #3 above in order to report this client as having received Level Two counseling. All files need to contain reason for close out and, if applicable, any documentation demonstrating solution. Client data may be uploaded into the data collection system before an outcome is reached, as long as close-out documentation for NFMC reporting purposes is in client file.

When billing for Level Two activities, all of these completed documents must be in client file: authorization form, verified budget, documentation of steps taken based upon Action Plan, and close-out documentation. Intermediaries and State HFAs are responsible for ensuring proper documentation exists in client files at each of their Sub-grantee or Branch offices.

Example: An Applicant projects that it will deliver 200 Level One Counseling sessions, and 125 Level Two Counseling sessions. The maximum Counseling award the Applicant may request is \$67,500 (200 x \$150 = \$30,000; and 125 x \$300 = \$37,500).

Note: Round 3 will not include a Level Three Counseling Designation. All clients previously reported as Level Three will now be considered twice – once at Level One and once at Level Two.

In the event that the dollar value for one or more counseling levels changes before the application due date, all eligible applicants will be notified and formulas will be changed in GrantWorks, the online grant application system.

2) Program-Related Support – All Applicants (State HFAs, Intermediaries & HCAs) are eligible.

Applicants will receive a flat 20% of their counseling request for Program-Related Support. If Applicant does not wish to use the full 20% on Program-Related Support, it can use these funds to provide additional NFMFC Program counseling. A plan for use of these funds, **including the estimated costs of major line-item budget items**, must be included with the application and it is expected that these funds shall be used to increase foreclosure program efficiencies. State HFAs and Intermediaries must pass through the full 20% to their Sub-grantees or Branches, *unless* they justify how retaining a portion of this support will have a timely and positive impact on the capacity of local Sub-grantees to conduct foreclosure mitigation counseling. If such a plan is submitted and justified, no more than 50% of the funds allocated under this section can be held at the Intermediary or State HFA level. These funds are not intended to cover administrative costs; rather, they are meant primarily to support direct costs associated, as much as possible, with increasing the effectiveness and efficiency of Sub-grantees' or Branches' ability to provide quality foreclosure counseling. Eligible uses of Program-Related Support include but are not limited to:

- Establishing a triage system that makes more effective and efficient use of counseling time so counselors are not scheduling and reserving time with clients seeking help with situations not related to mortgage and home foreclosure. Triage can also ensure that clients are better prepared for the counseling session – they have gathered documents and information, for example.
- Outreach to delinquent clients, especially in areas of greatest need. The earlier a delinquent homeowner reaches out for assistance, the more probable the success. Outreach strategies to encourage delinquent homeowners in Applicant's communities to come for assistance well before the foreclosure notice is received are encouraged.
- Group orientation and education sessions to help use counseling time more effectively. Registering attendees, preparing for and delivering these sessions are all eligible uses.
- Infrastructure development and communication.
- Improving Applicant capacity and infrastructure for tracking and reporting data.
- Costs related to hiring, orienting, and training new counseling staff.

- Purchasing or leasing equipment and software for counselors.
- Collecting data and preparing quarterly reports and draw requests.
- Quality control of the counseling function.

Applicants may contract out part or all of the activities proposed under Program-Related Support, but they will be asked to demonstrate that their subcontractors have the required experience and expertise.

Example: A State HFA applies for a \$3.5 million Counseling award. The HFA is eligible to receive \$700,000 in Program-Related Support. At least \$350,000 (50% of the \$700,000) must be passed through to the local Sub-grantees or Branches identified in the application.

3) Operational Oversight – *Only Intermediaries and State HFAs are eligible*

Intermediaries and State HFAs will also receive funding for Operational Oversight which would cover any quality control, day-to-day oversight and management of this grant award, and any improvements to systems and infrastructure required.

These funds are determined as follows: 7% of the first \$2.5 million requested under the Counseling category (or up to \$175,000), and 5% of any amount over \$2.5 million. If Applicant does not wish to use the full percentage on Operational Oversight, it can use these funds to provide additional NFMC Program counseling.

Example: An Intermediary applies for \$5 million under the Counseling category. Operational Oversight funds will be \$300,000 (\$175,000, or 7% of the first \$2.5 million in Counseling funds, plus \$125,000, or 5% of the second \$2.5 million in Counseling funds.)

Making Home Affordable/Post-Mitigation Counseling

In addition to the funding categories described above, the National Foreclosure Mitigation Program allows Grantees to use up to 30% of its Counseling Awards to fund “Level Four,” or post-mitigation, counseling.

Borrowers who qualify for *Making Home Affordable* loan modifications by having back end debt-to-income ratios at or above 55% will receive trial loan modifications from participating servicers and be referred by the servicers to a HUD-approved housing counseling agency or NFMC Program participating agency. A detailed protocol describing the required components of this counseling is found at http://www.hud.gov/offices/hsg/sfh/hcc/hcc_home.cfm.

If a borrower contacts a counseling agency for counseling without having received a *Making Home Affordable* trial loan modification and being referred by a servicer, and it is determined the borrower may be eligible for the loan modification program, the counselor will work with the borrower to submit an intake package to the servicer. This counseling must conform to Level Two counseling requirements, as established under the NFMC Program. If the borrower does receive the *Making Home Affordable* modification and is referred back to the counseling agency because the back end debt-to-income ratio is equal to or greater than 55%, the agency can also

provide the borrower with Level Four counseling, as described in the Counseling Protocol on HUD's website.

Level Four counseling will be valued at \$450. Because this Level Four will require at least two contacts with the borrower, NFMC Grantees will upload these clients at two points in time. After the first contact, the client can be reported as "Level 4a" at a value of \$300. Once a follow-up appointment has been completed, that client can be reported as "Level 4b" at a value of \$150.

Level Four Counseling constitutes the completion of the following:

Borrower has received a temporary loan modification through the "Making Home Affordable" program and is referred to counseling by a Server. The counseling must follow the Counseling Protocol available on HUD's web site at:

http://www.hud.gov/offices/hsg/sfh/hcc/hcc_home.cfm. The preliminary counseling session must include collection of the following (in addition to the client-level data points) to be reported to NFMC as Level Four:

Level 4a

- (1) Organization shall keep on file proof that client was referred to the agency with a trial Making Home Affordable loan modification for Level Four counseling. In many cases, this will be a copy of the trial loan medication agreement or the counseling agency referral letter from the servicer.
- (2) Organization shall collect a signed authorization form from the client or have other legally-permissible client authorization on record that will allow organization to (a) submit client-level information to the data collection system for this grant, (b) open files to be reviewed for program monitoring and compliance purposes and to share information among servicer, counselor, and program administrators and their agents, and (c) conduct follow-up with client related to program evaluation. Clients may opt-out of only (c) above, but proof of this opt-out must be retained in the client's file. Organization must also allow client access to its privacy policy statement.
- (3) Documentation of DTI: The counselor will verify income, debt, and expenses and calculate back end debt-to-income ratio. The back end DTI is the ratio of the borrower's total monthly debt payments to the borrower's Monthly Gross Income. A standard for calculating back end DTI is included in the Counseling Protocol.
- (4) Create Budget: Counselor will create a crisis budget (if necessary) and long-term budget using standard form and recalculate new back end debt-to-income ratio
- (5) Create Action Plan which includes a timeline to eliminate unnecessary debt, minimize expenses, increase income, and increase savings
- (6) Discuss terms of mortgage and how to stay current, even if/when rate resets. Explain incentive component and that redefaulting loans will be terminated from the program. A loan will be considered to have redefaulted when the borrower reaches a 90-day delinquency status under the MBA delinquency calculation. Note: in order to successfully complete the initial trial period (at minimum three payments at modified terms), a borrower must be current by the third payment.
- (7) Refer to job training or referral programs if applicable

- (8) Establish follow-up schedule with counselor, with at least one additional appointment, as required by action plan. It is expected that a borrower will notify their counselor if they have a significant change in circumstances.
- (9) Establish that budget (including analysis of actual income, debt and expenses) must be tracked over the course of counseling
- (10) The counselor must document each session, including the borrower's back end debt-to-income ratio and the borrower's willingness to continue/complete counseling

In order to report a client as having received Level 4a counseling, the following six documents must be in the file: proof of referral from servicer, authorization form, verified budget at intake, documentation of back end DTI, Action Plan, and date of follow-up meeting.

Level 4b

Level 4b can be reported when Level 4a client has completed one follow-up session and the following documents are in the file:

- (1) Documentation of DTI: The counselor will verify income, debt, and expenses and calculate back end debt-to-income ratio at time of follow-up appointment. The back end DTI is the ratio of the borrower's total monthly debt payments to the borrower's Monthly Gross Income. A standard for calculating back end DTI is included in the Counseling Protocol.
- (2) Documentation of borrower's ability to keep to crisis budget and/or long-term budget and progress against Action Plan developed during first visit
- (3) Status of borrower's payment on modified loan

In order to report a client as having received Level 4b counseling, the following four documents must be in the file: verified budget at time of second appointment, documentation of back end DTI at time of second appointment, progress against Action Plan and status of borrower's modified loan.

Handling of Duplicate Clients

Historically, the NFMC Program has not allowed payment for the same client to receive the same level of service more than once, and the Data Collection System which Grantees use to report their clients to NFMC screens for duplicate clients. The first agency to submit the client is the one that would receive credit for having counseled the client.

Feedback over the course of the program has shown that homeowners seek multiple foreclosure intervention counseling sessions from different counseling agencies most commonly due to:

- Dissatisfaction with initial workout offered
- Modification review takes too long
- Media and rumors - clients hear of new programs and think a different agency may have more up-to-date information
- Clients call city or state hotlines and are given the contact information for all housing counseling agencies in the area. Desperate borrowers contact all agencies.
- Re-default due to loss of income or job, divorce or new health issues
- Borrower fulfills special forbearance and comes back to get help with modification process

In response, NFMC has implemented a 5% waiver, permitting Grantees to use up to 5% of their expended Counseling Award to counsel these clients. The Data Collection System is

programmed to stop accepting uploads once a Grantee has counseled enough clients to total 95% of its Counseling Award. At this point, NFMC staff review the Grantee's uploaded records to determine the percentage of non-self-duplicate clients that have been rejected from the system, and will consider this when evaluating the Grantee's production for Grant Round closeout.

Match Requirement

Award recipients must match the funding they receive from the National Foreclosure Mitigation Counseling Program. Recognizing the limits of time and financial resources, match requirements are defined as follows:

- Applicants must provide a 20% match for \$500,000 or less in funding received from the National Foreclosure Mitigation Counseling Program. For funding in excess of \$500,000 the required match rate drops to 10%. For example, an Applicant applying for \$1 million in funds would be required to demonstrate a match of \$150,000 in cash and/or in-kind resources.
- Match can be cash or in-kind (e.g., staff time, office space, volunteer time, donated equipment, etc.).
- In-kind valuation will be considered consistent with requirements for other federal grant programs. Guidance is posted at www.nw.org/nfmc.
- Applicant match must be related to Applicants' foreclosure mitigation program. This program **must** include foreclosure intervention counseling, but may also include such activities as triage, outreach, or mortgage workout funding (both grants and loans), plus any administrative or overhead expenses associated with the program.
- Match need not be new resources generated for this grant program, but must be related to foreclosure counseling rather than the Applicant's general housing counseling program.
- Other federal funds, with the exception of Community Development Block Grant (CDBG) Funds, may not be counted toward match requirements. Examples of federal funds ineligible for use as match include (but are not limited to) other HUD Housing Counseling funds, NFMC Round 1 or Round 2 grant awards, NFMC Legal Assistance awards, HOME Funds, and grants awarded by NeighborWorks to its chartered members from Congressionally appropriated dollars.
- Funds used to match NFMC Round 1 or Round 2 grant awards, or NFMC Legal Assistance awards, may not be counted toward match requirements.
- Examples of funds that are eligible for match include (but are not limited to): fees received from servicers or lenders for providing foreclosure counseling to clients not counted under this program; funds received to capitalize mortgage rescue funds; Community Development Block Grant (CDBG) funds; foundation and corporate grants received for operating a foreclosure counseling and mitigation program; municipal, county, or state grants for operating a foreclosure counseling and mitigation program (as long as the funds do not have a federal source); contract income; and unrestricted funds or net assets dedicated towards the foreclosure program.

- The match “window,” or period within which the match must be expended or raised, extends from January 1, 2009 to June 30, 2010. Any expenditures related to the Applicants’ foreclosure mitigation program that occur between January 1, 2009 and the date award funds are received are eligible to be counted toward the match as long as they are not counted for match for NFMC Round 1, Round 2, or Legal Assistance Funds. Funds raised before this time period can be counted toward match as long as they will be expended during the time frame January 1, 2009 – June 30, 2010.
- Applicants need not have all the match committed at the time of application, but can include funds they expect to raise during the year and any qualifying funds they have expended since January 1, 2009. Once grant funds are awarded, draws will be contingent upon Grantees’ ability to demonstrate at least the amount of match proportional to the draw amount, including the initial disbursement, has been committed or expended.
- The match requirement may be waived for counseling delivered in areas where either the local poverty rate or the local unemployment rate is greater than 150% of the national rate. When requesting waivers, Applicants must use data that is no older than 2007. Applicants can find unemployment rates from the Bureau of Labor Statistics at www.bls.gov/lau/#data and poverty rates from the U.S. Census Bureau at www.census.gov/hhes/www/saipe/county.html.

Waivers will be granted on a county-by-county basis for counties that have rates of poverty or unemployment greater than 150% of the national rate. In the event that a service area is *smaller* than the county, applicants may apply for a match waiver for the smaller geographic area. The applicant must have a physical presence (such as an office) in the area for which the waiver is requested and must state their estimated counseling volume in that area. Match waiver decisions will consider the volume of counseling expected by the applicant in that county or area compared to their Total Counseling Goals. Waivers will be granted proportionately and will be detailed in the Grant Agreement. If you are requesting a match waiver for a service area smaller than county level, you must fill out the excel spreadsheet titled “Match Waiver Request – smaller than County Level” under the “For All Eligible Applicants” section of www.nw.org/nfmc and e-mail it to nfmc@nw.org before 8PM EDT on August 7, 2009.

Draw Schedule

If Grantees received NFMC Round 2 funds (announced in December 2008), they must meet 100% of their production goals within the agreed-upon variances, have spent down 100% of their Counseling Award, and have completed the final reporting requirements for Round 2 funds before Round 3 funds will be disbursed.

See Exhibit 6 of the Funding Announcement for a complete explanation of NFMC Round 3 draw release guidelines.

The draw schedule is designed to provide Applicants with sufficient up-front funds to strengthen their counseling capacity, while linking future draws to achievement of counseling goals.

NeighborWorks reserves the right to adjust individual Grantees’ draw schedules and amounts at its sole discretion if funds are being expended more slowly than projected, or if

audit reviews provide reason for a more conservative draw schedule to be implemented.

Grantees will receive 35% of the Counseling award and 35% of the Operational Oversight award, as well as 70% of the Program-Related Support award following execution of the grant agreement and related start-up documents.

When Grantees can demonstrate that they have counseled enough clients to total 25% of their Counseling Award dollar amount, they can request a second draw. This draw will be equal to 30% of the Counseling award, 30% of the Operational Oversight award and 15% of the Program-Related Support award.

When Grantees can demonstrate that they have counseled enough clients to total 60% of their Counseling Award dollar amount, they can request a third draw. This draw will be equal to 30% of the Counseling award, 30% of the Operational Oversight awards and the remaining 15% of the Program Related Support award.

The final 5% of the Counseling award and Operational Oversight award can be drawn after Grantees have counseled enough clients to total 100% of their Counseling award dollar amount. Half (2.5%) will be disbursed upon completion of the final report and half (2.5%) upon completion of all the organization's obligations related to the program evaluation.

The benefit of this draw schedule is that it can occur more rapidly than a set quarterly schedule in the event that Grantees experience (and respond to) high counseling demand. It is tied to production, not to the calendar. However, after the first draw, Grantees will not be permitted to make additional draws unless they are current on their quarterly programmatic and expenditure reports, can demonstrate proportionate match funds have been expended or committed, and are in compliance with all terms of the Grant Agreement.

As part of the application, Applicants will be required to project counseling goals by level and by geographic area. Depending on the amount of funds they receive, Applicants may need to amend these goals following the grant award, and these new goals will be included in their Grant Agreements. If, in NeighborWorks' sole determination, Grantees do not show substantial progress towards meeting their counseling goals in their reports filed at the end of each quarter, NeighborWorks reserves the right to recapture or de-obligate funds.

See page 19 (next page) for a sample Draw Schedule.

DRAW SCHEDULE EXAMPLE

Example: A State HFA is awarded a grant of \$3.425 million. \$2.7 million is awarded in Counseling funds (based on a projected 6,000 Level One counseling sessions, 2,000 Level Two counseling sessions, and 4,000 Level Three counseling sessions). The HFA is awarded \$540,000 in Program-Related Support, and \$185,000 for Operational Oversight. The draw schedule would be as follows:

Draw 1 total: \$1,387,750:

\$945,000 (35% x \$2.7 million) (Counseling)
\$ 64,750 (35% x \$185,000) (Operational Oversight)
\$378,000 (70% x \$540,000) (Program-Related Support)

Draw 2 total: \$946,500:

\$810,000 (30% x \$2.7 million) (Counseling)
\$ 55,500 (30% x \$185,000) (Operational Oversight)
\$ 81,000 (15% x \$540,000) (Program-Related Support)

Draw 2 requires that the HFA demonstrate it has counseled enough clients to total 25% of its total counseling award (\$675,000) within the allowable variances as stipulated in the Grant Agreement

In addition, the HFA must complete any quarterly reports that are due before the draw can occur and show evidence of proportional match funds expended or committed, and be in compliance with all terms of the program and Grant Agreement.

Draw 3 total: \$946,500:

\$810,000 (30% x \$2.7 million) (Counseling)
\$ 55,500 (30% x \$185,000) (Operational Oversight)
\$ 81,000 (15% x \$540,000) (Program-Related Support)

Draw 3 requires that the HFA demonstrate it has counseled enough clients to total 60% of its total counseling award (\$1,620,000), within the allowable variances as stipulated in the Grant Agreement

In addition, the HFA must complete any quarterly reports that are due before the draw can occur and show evidence of proportional match funds expended or committed, and be in compliance with all terms of the program and Grant Agreement.

Final Draws: The HFA must have counseled enough clients to total 100% of its total counseling award (\$2.7 million) within the allowable variances stipulated in the Grant Agreement. Half of the remaining \$144,250 (\$72,125) will be disbursed after final report is completed and the remainder (\$72,125) will be disbursed after organization has completed its obligations related to the program evaluation.

Other Program Requirements

- Applicants must agree to have clients reported under this program sign an authorization form or have other legally-permissible client authorization on record that will allow agency to (a.) submit client-level information to the data collection system for this grant, (b.) open files to be reviewed for program monitoring and compliance purposes, and (c.) conduct follow-up with client related to program evaluation. Clients may opt out of (c.) above, but proof of such opt-out needs to be retained in the client's file. Organization must also allow client access to

its privacy policy statement. The National Foreclosure Mitigation Counseling Program will provide template language for such an authorization form which can be used at the option of the Grantee. Alternatively, Grantees may incorporate the language above into their existing authorization forms.

- Applicants must be in good standing under the laws of the state in which they operate.
- Applicants must be authorized to do business in the states where they propose to provide counseling services.
- State HFA Applicants must have statutory authority to serve the entire state. No more than one HFA per state will receive an award.
- Counseling offices and services must be accessible to persons with disabilities, as well as to homeowners needing translation services (depending on market area).
- To ensure no financial barriers would prohibit clients from receiving foreclosure mitigation counseling services, Applicants and their Sub-grantees and Branches agree not to charge fees (service fees, membership fees or otherwise) to clients in exchange for foreclosure counseling services.
- Staff and volunteers who provide foreclosure intervention counseling under NFMC shall have no conflict(s) of interest due to relationships with servicers, real estate agencies, mortgage lenders, and/or other entities (including itself) that may stand to benefit from particular counseling outcomes.
- If Intermediaries or State HFAs are including non-HUD-approved housing counseling agencies as Sub-grantees under this Funding Announcement, they must certify that the these Sub-grantees meet or exceed HUD's housing counseling approval requirements and will monitor to ensure this is true.
- HUD-Approved Intermediaries and State HFAs must demonstrate the capacity to serve as an intermediary, including capacity to distribute funds, communicate with Sub-grantees or Branches, collect requisite data, and monitor quality, performance, and outcomes of each Sub-grantee or Branch. Each Intermediary or State HFA is responsible for ensuring their Sub-grantees or Branches meet quality counseling standards and must maintain on file in its offices (a) any multiple applicant disclosure letters received by Sub-grantees or Branches that are applying through multiple intermediaries and/or StateHFAs and (b) signed certification forms from page 1 of the Grant Application for each of its Sub-grantees.
- Intermediaries and State HFAs must disburse the majority of the funds received with each draw to their Sub-grantees or Branches within 30 days of receipt. If counselors at Branch offices are employees of the Applicant corporation, a separate account does not need to be established for each Branch, but Grantee should be able to demonstrate in quarterly reports that the funds were allocated and expended at the Branches indicated in their original application. Otherwise, quarterly reports should clearly demonstrate that the Grantee has disbursed funds in accordance with this provision.
- Intermediaries and State HFAs that have received Housing Counseling grants from HUD in the past must be in good standing with HUD.
- Applicants must demonstrate capacity to obtain, track, and report household level data, including (without limitation) name, address, loan number, and the originating financial

institution. This is essential to avoid payment for duplicate counseling services provided to the same client and to evaluate program effectiveness. Exhibit 4 lists data points that will be collected with each draw request. Applicants must also have the capacity to collect, aggregate and report overall program and production data.

- It is preferable that Applicants currently employ one of three client data management systems: CounselorMax, Home Counselor Online, or Nstep. If Applicants are not using one of these three, they must be using a system that can supply required client level and aggregate data.
- NeighborWorks will not permit discrimination by Grantees against clients on the basis of their gender, race, color, religion, national origin, ancestry, creed, pregnancy, marital or parental status, familial status, sexual orientation, or physical, mental, emotional or learning disability.
- Applicants must have completed an independent audit within six months of the completion of their most recent fiscal year, and must submit their most recent audit with their application, unless NeighborWorks has the most recent audit on file from a previous application. Audits should be less than two years old. NeighborWorks will send e-mails to Grantees that do not need to submit an audit with their Round 3 application. Chartered members of the NeighborWorks network already have their audits reviewed and on file with the Organizational Assessment Division and are therefore not required to submit again for this funding opportunity.

Post-Award Requirements

- Grantees must certify that they will adhere to the National Industry Standards Code of Ethics and Conduct, and, as appropriate for the level(s) of counseling they plan to provide, offer the Minimum Standard Activities for Foreclosure Intervention and Default Counseling (see Exhibit 5). Grantees are encouraged to formally adopt these standards.
- Quarterly Reports:
 - Quarterly reports must be filed on aggregate activity towards overall goals established under the grant award as will be specified in the Grant Agreement. While draw requests can occur outside of the quarterly report schedule identified in this Funding Announcement, Grantees must be up-to-date on quarterly reporting in order to obtain the next draw. Quarterly reports will include (but not be limited to) progress against aggregate counseling goals, provision of client level data, and tracking of expenditures to date.
 - Reports will also include a narrative section on overall program activities, on successes and challenges encountered in helping clients avoid foreclosure or mitigate losses, and efforts to ensure the affordability of mortgages when clients retain their homes.
 - All Grantees will maintain a separate budget for their foreclosure program, and all National Foreclosure Mitigation Counseling funding will be used to fund Grantees' foreclosure counseling program and related expenses. Intermediaries and State HFAs are responsible for monitoring the expenditure reports of its Sub-grantees or

Branches. In the final report, all Grantees will report on expenditure of NFMC funds. Intermediaries and State HFAs will report in the aggregate for its Sub-grantees or Branches but should collect and maintain on file expenditure reports from Sub-grantees and Branches and be able to furnish such during the course of the National Foreclosure Mitigation Counseling program's planned quality control and compliance measures.

- Grantees must also comply with a separate evaluation of National Foreclosure Mitigation Counseling Program activity and client outcomes, which may occur up to December 31, 2011.
- Grantees must comply with third-party quality control and compliance measures which may include site visits, file audits, and other measures to ensure compliance with requirements set forth in this Funding Announcement and terms of the Grant Agreement.

All award decisions are final; however, if Applicants request a debriefing meeting in writing within 45 days of award announcements, NeighborWorks shall grant a meeting to discuss Applicant's application.

Application Summary

The application must be completed online, using NeighborWorks' GrantWorks system. No paper applications will be accepted. The application will utilize short answer sections, charts, and templates to help expedite the application process.

The full application will be made available in GrantWorks on or before July 20, 2009, and will be due August 7, 2009, at 8:00PM EDT. No late applications will be accepted under any circumstance.

Although Applicants will not be able to initiate an application in GrantWorks until the application is available on or before July 20, 2009, the application questions are currently posted on www.nw.org/nfmc. NeighborWorks has posted these questions in an effort to ensure Applicants have as much time as possible to compile information required to be completed in the Grant Application.

While every effort has been made to write application questions clearly, NeighborWorks reserves the right to not score questions if responses indicate they were highly confusing to Applicants, and as a result were not helpful for scoring purposes.

Streamlined Application

Previous NFMC Grantees may complete a streamlined application if they meet either of the following criteria:

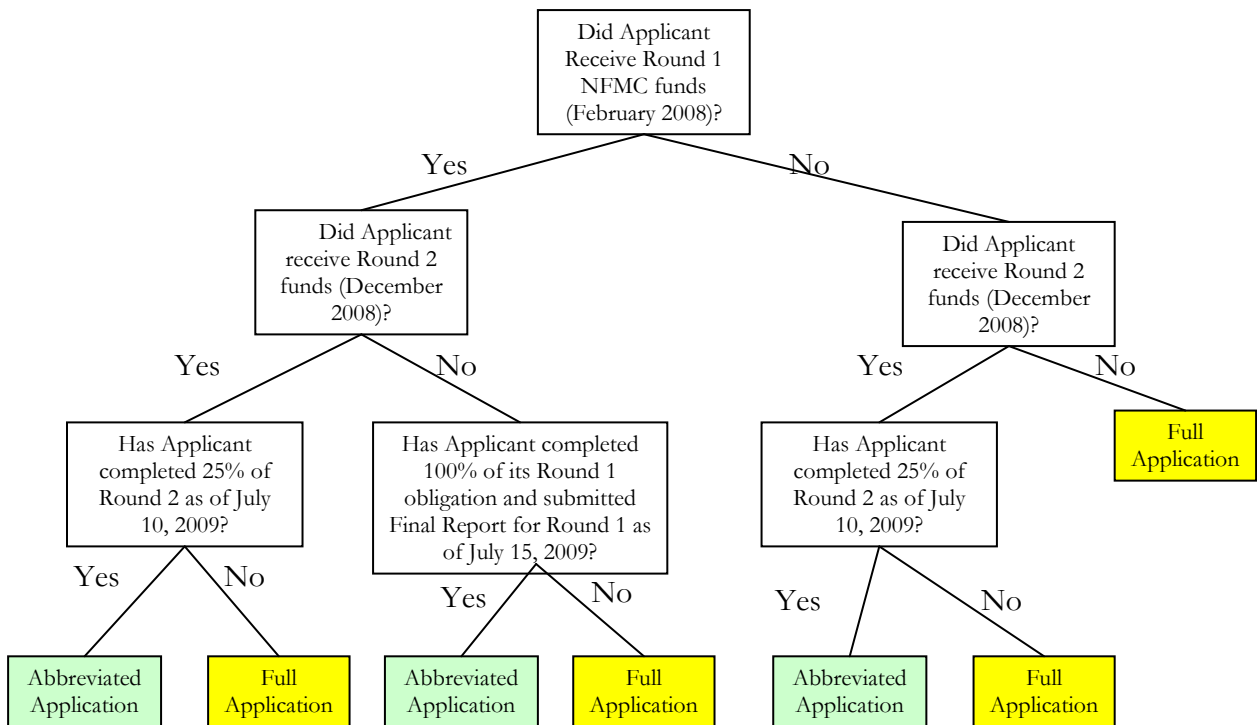
- (a) Grantee received Round 2 funds and has accounted for at least 25% of its Counseling Award (in dollars, not units) by July 10, 2009 (as determined by uploads into the NFMC Data Collection System), or

- (b) Grantee received Round 1 funds *only*, has accounted for 100% of its Counseling Award (as determined by uploads into the NFMC Data Collection System) and submitted a complete Round 1 Final Report by July 15, 2009.

Applicants that are first time applicants or do not meet either of the criteria above will be required to complete the full NFMC Grant Application.

The following Decision Tree will help Applicants decide which application they are qualified to submit. Applicants will not be required to determine for themselves which application to submit. When Applicants log on to GrantWorks to initiate an application, the appropriate application will have previously been assigned. If the Applicant believes it qualifies for the streamlined application but was assigned the full application in GrantWorks, please contact nfmc@nw.org or call 202-220-6314 as soon as possible.

NFMC Round 3 Application



The expectation is that all NFMC Round 3 funds shall be expended by June 30, 2010. If existing NFMC Grantees have sufficient funds to cover their counseling through this date, they are not encouraged to apply for NFMC Round 3 funds. Applicants that do not have the capacity to manage or spend down an award of \$50,000 or more during this timeframe are not encouraged to apply for NFMC Round 3 funds. Past performance of current or previous NFMC Grantees as well as projected and actual service to areas of greatest need will be considered when determining Round 3 awards.

Application Guide and Point Allocations

A comprehensive Application Guide and Guidance on point allocations will be published on www.nw.org/nfmc on or before July 20, 2009. It is highly recommended that Grantees refer to the Application Guide as they complete the application, as it will include information about what sort of detail should be included in responses to application questions.

Exhibit 1: Areas of Greatest Need

AREAS OF GREATEST NEED – NPMC ROUND 3

Determination of Areas of Greatest Need

Four criteria were used to determine areas of greatest need:

1. Number of delinquent non-prime loans (30-90 days)
2. Percent of non-prime loans delinquent (30-90 days)
3. Percent of non-prime loans in foreclosure process or REO, and
4. Percent of loans that are subprime.

Metropolitan and micropolitan areas were separately ranked in each of the four categories. Every metropolitan area that was in the top quintile for at least one of the criteria was considered an area of greatest need. For rural areas, states where half or more of the micropolitan areas met at least one criterion were considered areas of greatest need.

The database from which criteria 1, 2, and 3 above were drawn consisted of LoanPerformance.com data provided through the Board of Governors of the Federal Reserve. This database is a snapshot of all securitized subprime (B & C paper) and Alt-A loans from 363 metropolitan and 577 micropolitan areas as of December 31, 2008. These data take into account owner-occupancy.

Home Mortgage Disclosure Act (HMDA) data were used for the fourth criterion to determine the portion of loans in an area that were considered “high cost” or “subprime.” High cost loans are defined as loans whose rates are three or more percentage points higher than a benchmark rate; these loans are what are typically referred to as “subprime.” Each metropolitan area was ranked by the percentage of owner-occupied home loans for any purpose that was subprime. For rural areas, the data were taken from the counties that comprise the micropolitan area.

MSAs defined as Areas of Greatest Need

All the MSAs below are defined as areas of greatest need. Below are MSAs that fell into the worst quintile in at least 1 of the 4 Area of Greatest Need criteria.

Metropolitan Statistical Area	State Code
Anniston-Oxford	AL
Birmingham-Hoover	AL
Decatur	AL
Dothan	AL
Florence-Muscle Shoals	AL

Gadsden	AL
Mobile	AL
Montgomery	AL
Tuscaloosa	AL
Jonesboro	AR
Pine Bluff	AR
Texarkana	AR-TX
Fort Smith	AR-OK
Lake Havasu City-Kingman	AZ
Phoenix-Mesa-Scottsdale	AZ
Tucson	AZ
Bakersfield	CA
El Centro	CA
Fresno	CA
Los Angeles-Long Beach-Santa Ana	CA
Madera	CA
Merced	CA
Modesto	CA
Oxnard-Thousand Oaks-Ventura	CA
Riverside-San Bernardino-Ontario	CA
Sacramento--Arden-Arcade--Roseville	CA
Salinas	CA
San Diego-Carlsbad-San Marcos	CA
San Francisco-Oakland-Fremont	CA
San Jose-Sunnyvale-Santa Clara	CA
Stockton	CA
Vallejo-Fairfield	CA

Visalia-Porterville	CA
Yuba City	CA
Denver-Aurora	CO
Bridgeport-Stamford-Norwalk	CT
Hartford-West Hartford-East Hartford	CT
New Haven-Milford	CT
Washington-Arlington-Alexandria	DC-VA-MD-WV
Bradenton-Sarasota-Venice	FL
Cape Coral-Fort Myers	FL
Deltona-Daytona Beach-Ormond Beach	FL
Fort Walton Beach-Crestview-Destin	FL
Jacksonville	FL
Lakeland-Winter Haven	FL
Miami-Fort Lauderdale-Pompano Beach	FL
Naples-Marco Island	FL
Ocala	FL
Orlando-Kissimmee	FL
Palm Bay-Melbourne-Titusville	FL
Palm Coast	FL
Port St. Lucie	FL
Punta Gorda	FL
Sebastian-Vero Beach	FL
Tampa-St. Petersburg-Clearwater	FL
Albany	GA
Atlanta-Sandy Springs-Marietta	GA
Brunswick	GA
Dalton	GA

Hinesville-Fort Stewart	GA
Macon	GA
Rome	GA
Savannah	GA
Valdosta	GA
Columbus	GA-AL
Des Moines-West Des Moines	IA
Dubuque	IA
Sioux City	IA-NE-SD
Danville	IL
Decatur	IL
Kankakee-Bradley	IL
Rockford	IL
Chicago-Naperville-Joliet	IL-IN-WI
Anderson	IN
Columbus	IN
Indianapolis-Carmel	IN
Kokomo	IN
Michigan City-La Porte	IN
Terre Haute	IN
Elizabethtown	KY
Louisville/Jefferson County	KY-IN
Alexandria	LA
Baton Rouge	LA
Houma-Bayou Cane-Thibodaux	LA
Lafayette	LA
Lake Charles	LA

Monroe	LA
New Orleans-Metairie-Kenner	LA
Shreveport-Bossier City	LA
Barnstable Town	MA
Pittsfield	MA
Springfield	MA
Worcester	MA
Boston-Cambridge-Quincy	MA-NH
Baltimore-Towson	MD
Salisbury	MD
Cumberland	MD-WV
Bangor	ME
Lewiston-Auburn	ME
Battle Creek	MI
Bay City	MI
Detroit-Warren-Livonia	MI
Flint	MI
Grand Rapids-Wyoming	MI
Jackson	MI
Lansing-East Lansing	MI
Monroe	MI
Muskegon-Norton Shores	MI
Niles-Benton Harbor	MI
Saginaw-Saginaw Township North	MI
St. Cloud	MN
Minneapolis-St. Paul-Bloomington	MN-WI
Jefferson City	MO

Joplin	MO
St. Louis	MO-IL
Kansas City	MO-KS
St. Joseph	MO-KS
Gulfport-Biloxi	MS
Hattiesburg	MS
Jackson	MS
Pascagoula	MS
Burlington	NC
Durham	NC
Goldsboro	NC
Greensboro-High Point	NC
Greenville	NC
Hickory-Lenoir-Morganton	NC
Rocky Mount	NC
Winston-Salem	NC
Charlotte-Gastonia-Concord	NC-SC
Atlantic City-Hammonton	NJ
Ocean City	NJ
Vineland-Millville-Bridgeton	NJ
Las Vegas-Paradise	NV
Reno-Sparks	NV
Glens Falls	NY
Poughkeepsie-Newburgh-Middletown	NY
Utica-Rome	NY
New York-Northern New Jersey-Long Island	NY-NJ-PA
Akron	OH

Canton-Massillon	OH
Cleveland-Elyria-Mentor	OH
Columbus	OH
Dayton	OH
Lima	OH
Sandusky	OH
Toledo	OH
Cincinnati-Middletown	OH-KY-IN
Youngstown-Warren-Boardman	OH-PA
Oklahoma City	OK
Portland-Vancouver-Beaverton	OR-WA
Altoona	PA
Pittsburgh	PA
Allentown-Bethlehem-Easton	PA-NJ
Philadelphia-Camden-Wilmington	PA-NJ-DE-MD
Providence-New Bedford-Fall River	RI-MA
Anderson	SC
Florence	SC
Sumter	SC
Cleveland	TN
Jackson	TN
Morristown	TN
Nashville-Davidson--Murfreesboro--Franklin	TN
Chattanooga	TN-GA
Memphis	TN-MS-AR
Kingsport-Bristol-Bristol	TN-VA
Austin-Round Rock	TX

Beaumont-Port Arthur	TX
Brownsville-Harlingen	TX
Dallas-Fort Worth-Arlington	TX
El Paso	TX
Houston-Sugar Land-Baytown	TX
Laredo	TX
Longview	TX
McAllen-Edinburg-Mission	TX
Midland	TX
Odessa	TX
San Antonio	TX
Sherman-Denison	TX
Waco	TX
Salt Lake City	UT
St. George	UT
Danville	VA
Richmond	VA
Virginia Beach-Norfolk-Newport News	VA-NC
Winchester	VA-WV
Seattle-Tacoma-Bellevue	WA
Appleton	WI
Eau Claire	WI
Fond du Lac	WI
Green Bay	WI
Janesville	WI
Madison	WI
Milwaukee-Waukesha-West Allis	WI

Oshkosh-Neenah	WI
Racine	WI
Sheboygan	WI
Morgantown	WV
Weirton-Steubenville	WV-OH

Rural Areas of Greatest Need

Rural areas of the states listed below are defined as areas of greatest need. These are the state where half or more of the micropolitan areas fell into the worst quintile in at least 1 of the 4 Area of Greatest Need criteria.

Alabama	Michigan
Arizona	Minnesota
Arkansas	Mississippi
California	Nevada
Connecticut	New Hampshire
Delaware	North Carolina
Florida	Ohio
Georgia	South Carolina
Hawaii	Tennessee
Illionois	Vermont
Indiana	Virginia
Iowa	Washington
Kentucky	West Virginia
Louisiana	Wisconsin
Maine	
Maryland	

Exhibit 2: Isserman Typology Designating Counties as Rural or Mixed Rural

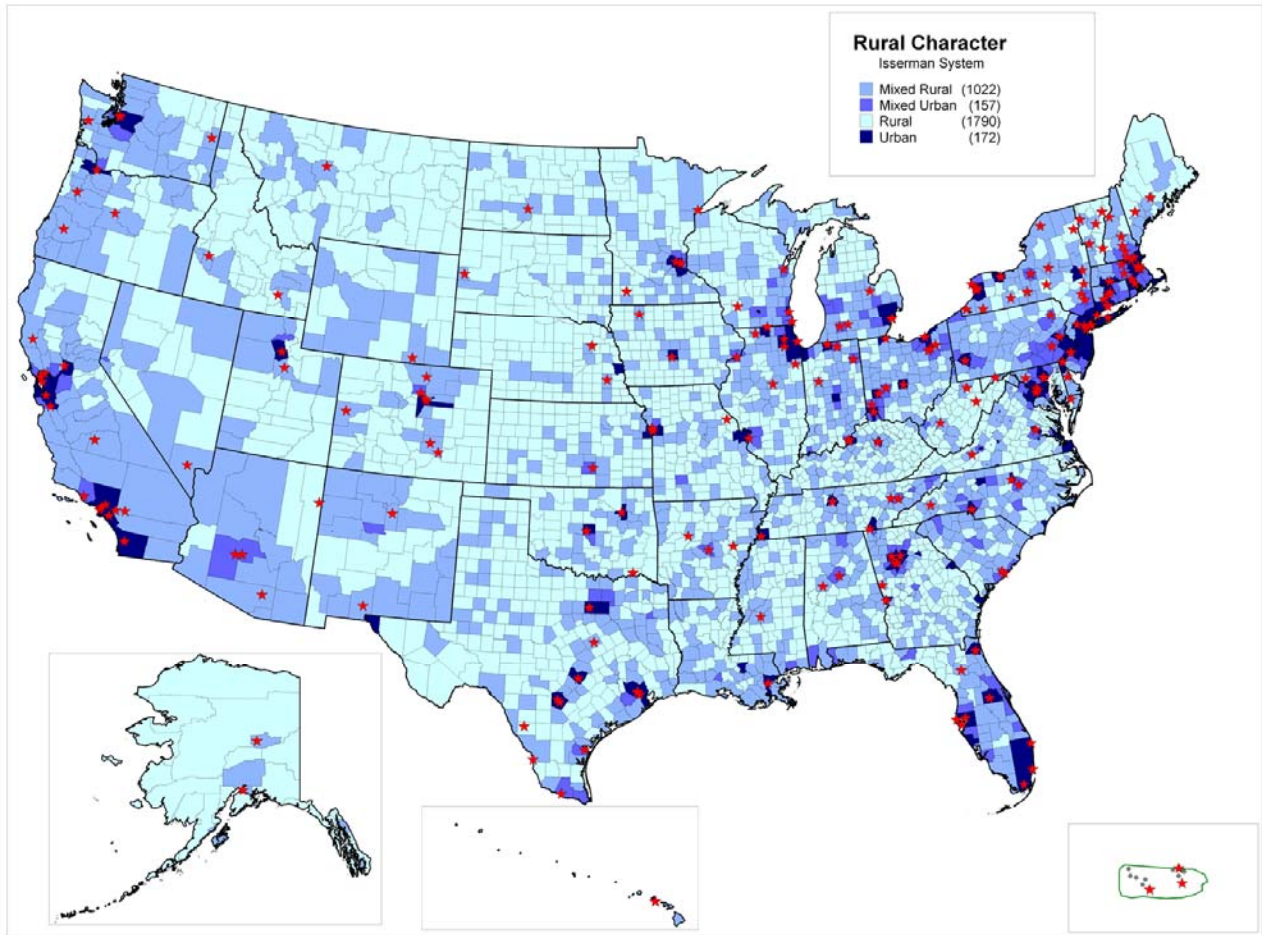


Exhibit 3: HUD-Approved Housing Counseling Intermediaries and State Housing Finance Agencies as of June 26, 2009. Note: These entities are not automatically qualified agencies by virtue of their names appearing on these lists; rather, they are eligible if their names appear on these lists AND they meet the eligibility criteria outlined in this Funding Announcement.

HUD-APPROVED HOUSING COUNSELING INTERMEDIARIES

Agency Name	City	State
ACORN HOUSING CORPORATION	Philadelphia	PA
CATHOLIC CHARITIES USA	Alexandria	VA
CITIZENS' HOUSING AND PLANNING ASSOCIATION, INC.	Boston	MA
CONSUMER CREDIT COUNSELING OF GREATER ATLANTA	Atlanta	GA
HOMEFREE - U S A	Washington	DC
HOMEOWNERSHIP PRESERVATION FOUNDATION	Minneapolis	MN
HOUSING PARTNERSHIP NETWORK	Boston	MA
MISSION OF PEACE	Flint	MI
MISSISSIPPI HOMEBUYER EDUCATION CENTER- INITIATIVE	Jackson	MS
MON VALLEY INITIATIVE	Homestead	PA
MONEY MANAGEMENT INTERNATIONAL INC.	Houston	TX
NATIONAL ASSOCIATION OF REAL ESTATE BROKERS- INVESTMENT DIVISION, INC	Oakland	CA
NATIONAL COMMUNITY REINVESTMENT COALITION	Washington	DC
NATIONAL COUNCIL OF LA RAZA	Washington	DC
NATIONAL COUNCIL ON THE AGING	Washington	DC
NATIONAL FEDERATION OF COMMUNITY DEVELOPMENT CREDIT UNIONS	New York	NY
NATIONAL FOUNDATION FOR CREDIT COUNSELING, INC.	Silver Spring	MD
NATIONAL URBAN LEAGUE	New York	NY
NEIGHBORHOOD ASSISTANCE CORPORATION OF AMERICA	Jamaica Plain	MA
NEIGHBORHOOD REINVESTMENT CORPORATION	Washington	DC
NUEVA ESPERANZA	Philadelphia	PA
RURAL COMMUNITY ASSISTANCE CORPORATION	West Sacramento	CA
STRUCTURED EMPLOYMENT ECONOMIC DEVELOPMENT CO	New York	NY
WEST TENNESSEE LEGAL SERVICES, INCORPORATED	Jackson	TN

State Housing Finance Agencies (HFA)

Alabama Housing Finance Authority
Alaska Housing Finance Corporation
Arizona Department of Housing/Arizona Housing Finance Authority
Arkansas Development Finance Authority
California Housing Finance Agency
Colorado Housing and Finance Authority
Connecticut Housing Finance Authority
Delaware State Housing Authority
District of Columbia Housing Finance Agency
Florida Housing Finance Corporation
Georgia Department of Community Affairs/Georgia Housing and Finance Authority
Hawaii Housing Finance and Development Corporation
Idaho Housing and Finance Association
Illinois Housing Development Authority
Indiana Housing and Community Development Authority
Iowa Finance Authority
Kansas Housing Resources Corporation
Kentucky Housing Corporation
Louisiana Housing Finance Agency
MaineHousing
Maryland Department of Housing and Community Development
MassHousing
Michigan State Housing Development Authority
Minnesota Housing
Mississippi Home Corporation
Missouri Housing Development Commission
Montana Board of Housing/Housing Division
Nebraska Investment Finance Authority
Nevada Housing Division
New Hampshire Housing Finance Authority
New Jersey Housing and Mortgage Finance Agency
New Mexico Mortgage Finance Authority
New York City Housing Development Corporation
New York State Division of Housing and Community Renewal
New York State Housing Finance Agency/State of New York Mortgage Agency
North Carolina Housing Finance Agency
North Dakota Housing Finance Agency
Ohio Housing Finance Agency
Oklahoma Housing Finance Agency
Oregon Housing and Community Services
Pennsylvania Housing Finance Agency
Puerto Rico Housing Finance Authority
Rhode Island Housing
South Carolina State Housing Finance and Development Authority
South Dakota Housing Development Authority
Tennessee Housing Development Agency
Texas Department of Housing and Community Affairs
Utah Housing Corporation
Vermont Housing Finance Agency

Virgin Islands Housing Finance Authority
Virginia Housing Development Authority
Washington State Housing Finance Commission
West Virginia Housing Development Fund
Wisconsin Housing and Economic Development Authority
Wyoming Community Development Authority

Exhibit 4: Client level data and Quarterly Reporting Requirements

The following data points will be collected for each draw request. If, upon implementation of the National Foreclosure Mitigation Counseling program, it is realized that certain data points are problematic or not able to be transferred in the manner they were designed by a significant number of Grantees, we will notify all Grantees and expect such details to be noted in client files rather than submitted electronically.

NFMC Data Points for Round 3 Grantees (those in Yellow are chances that have been made since the Round 2 Funding Announcement was published).

Data Point	Description	Values	Required?
1	Branch ID	Sub grantee identifier (defined by Grantee)	Yes
2	Client Unique Identifier	Client's ID (defined by Grantee)	Yes
3	Counseling Level	1, 2, 4a,4b	Yes
4	Counseling Intake Date	Date	Yes
5	Counseling Mode		No
		phone	
		face to face	
		Internet	
		video conference	
		other	
6	First Name		Yes
7	Last Name		Yes
8	Age		Partially
9	Race		Yes
		American Indian or Alaskan Native	
		Asian	
		Black or African American	
		Native Hawaiian or Other Pacific Islander	
		White	
		American Indian or Alaskan Native and White	
		Asian and White	
		Black or African-American and White	
		American Indian or Alaskan Native and Black or African American	
		Other	
		Chose not to respond	
10	Ethnicity		Yes
		No	
		Yes	
		Chose not to respond	
11	Gender	Female/Male	Yes
12	Head of Household		Partially
		Single adult	
		Female-headed single parent household	
		Male-headed single parent household	
		Married without dependents	
		Married with dependents	
		Two or more unrelated adults	
		Other	

13	Household Family Income	Annual gross income	Yes
14	Household Income Category (% of AMI)		Partially
		less than 50% of Area Median Income (AMI)	
		50 – 79% of AMI	
		80 - 100% of AMI	
		greater than 100% AMI	
15	House Number	House or Unit number of property	Yes
16	Street	Street name of property.	Yes
17	City	The actual city location of the property.	Yes
18	State	Two digit state (or U.S. territory) code of property	Yes
19	Zip	Five digit ZIP code of property.	Yes
20	Total Individual Counseling Hours Received	Sum of all foreclosure related one-on-one counseling provided to the client.	Yes
21	Total Group Education Hours Received	Sum of all foreclosure related group education provided to the client.	Yes
22	Name of Originating Lender	Name of lender originating the primary or foreclosure problem loan for client	No
23	FDIC/NCUA # or Originating Mortgage Co.	If the originating lender is FDIC insured, use their FDIC number.	No
24	Original loan Number	Loan number of foreclosure related problem loan.	No
25	Current Servicer	Name of current servicer the primary or foreclosure problem loan for client	Yes
26	FDIC/NCUA # or Current Servicer name	If the servicer is FDIC insured, use their FDIC number.	No
27	Loan Number Assigned by Current Servicer	Loan number of foreclosure related problem loan.	Partially
28	Credit Score	Credit score at intake for foreclosure counseling.	Partially
29	If No Credit Score		
		Client refused to authorize credit report pull	
		NFMC Counseling Organization analyzed credit report that did not contain score	
		NFMC Counseling Organization does not analyze credit report for this level of service	
		NFMC Counseling Organization does not have relationship with credit reporting bureau	
		Foreclosure expected within 14 days	
30	Source of Credit Score		Partially
		TransUnion	
		Equifax	
		Experian	
		Tri-merge	
31	PITI at Intake	Total (all loans and escrows) principal, interest, taxes and insurance paid by customer at intake.	Yes
32	Which loan are you reporting?		Yes
		First	

		Second	
33	If first, does homeowner have a second loan?		*Yes if 32 is "First"
		No	
		Yes	
34	Type of Loan at Intake		Yes
		Fixed rate currently under 8%	
		Fixed rate currently 8% or greater	
		ARM currently under 8%	
		ARM currently at 8% or greater	
		Fixed rate currently under 8% as a result of loan modification in last six months	
		Fixed rate currently 8% or greater as a result of loan modification in last six months	
		ARM currently under 8% as a result of loan modification in last six months	
		ARM currently at 8% or greater as a result of loan modification in last six months	
		Client did not disclose	
35	Interest Only Loan	Yes/No	Yes
36	Hybrid ARM	Yes/No	Y, if data point 34, Loan Product Type is ARM
37	Option ARM	Yes/No	Y, if data point 34, Loan Product Type is ARM
38	FHA or VA Insured Loan	Yes/No	Yes
39	Privately Held Loan	Yes/No	No
40	Has Interest Rate Reset on ARM loan	Yes/No	Y, if data point 34, Loan Product Type is ARM
41	Primary Reason for Default		Yes
		Reduction in income	
		Poor budget management skills	
		Loss of income	
		Medical issues	
		Increase in expenses	
		Divorce/separation	
		Death of family member	
		Business venture failed	
		Increase in loan payment	
		Other	
		Not in Default	
42	Loan Status at First Contact		Yes
		Current	
		30-60 days late	
		61-90 days late	
		91-120 days late	
		121+ days late	

43	Counseling Outcome		No
		Initiated forbearance agreement/repayment plan	
		Executed a deed-in-lieu	
		Mortgage foreclosed	
		Received second mortgage	
		Other	
		Counseled and referred to another social service or emergency assistance agency	
		Obtained partial claim loan from FHA lender	
		Bankruptcy	
		Counseled and referred for legal assistance	
		Withdrew from counseling	
		Currently in negotiation with servicer; outcome unknown	
		Referred homeowner to servicer with action plan and no further counseling activity; outcome unknown	
		Foreclosure put on hold or in moratorium; final outcome unknown	
		Brought mortgage current with rescue funds	
		Brought mortgage current (without rescue funds)	
		Mortgage refinanced into FHA product	
		Mortgage refinanced (non-FHA product)	
		Mortgage modified with PITI less than or equal to 38% & at least 5 year fixed rate	
		Mortgage modified with PITI greater than 38% or interest rate fixed for less than 5 years and appears to be sustainable	
		Mortgage modified with PITI greater than 38% or interest rate fixed for less than 5 years and appears not to be sustainable	
		Homeowner(s) sold property (not short sale)	
		Pre-foreclosure sale/short sale	
		Counseled on debt management or referred to debt management agency	
		Home lost due to tax sale or condemnation	
44	Counseling Outcome Date	Enter the date of reported outcome	*Yes if Outcome (Point 43) is reported
45	Back End Debt-to-Income Ratio	Enter the Back End Debt to Income Ratio (as a floating Point number, such as 36.5) Ratio must be greater than equal to zero.	*Yes if Counseling Level is 4a or 4b

Key

Not required: NFMC requests that you submit this information if it is known. The Outcome data, mode of counseling, and credit score information are particularly crucial to the evaluation of this program. Please make a point to report these data as much as possible. **Note: For counseling outcomes, If you've heard back from the servicer that they have agreed upon outcome, enter that outcome even if official bank documentation has not been received.**

Always required. Records with any of these fields left blank will not be accepted in to the data collection system

Partially required - There are 6 data points that are Partially Required. This means that 3 of the 6 data points must be filled out for the client to be accepted into the DCS. Because this is a new feature, most Client Management Systems will not check for this in audit reporting. Please be aware of this and manually check records before attempting to upload.

National Foreclosure Mitigation Counseling Program Quarterly Reporting Requirements

NFMC Round 2 (Subject to change – last updated 6/18/2009)

Aggregate Client Information

1. Number of clients reported to NFMC during the reporting period.
 - a. Total # of NFMC borrowers serviced during the reporting period: ___(#)___
 - b. Total # of NFMC units of counseling delivered by level:
 Level 1 ___(#)___ Level 2 ___(#)___ Level 3 ___(#)___
 - c. Do levels differ by more than 50% from those agreed to in your Grant Agreement?
 ___(Yes/No)___

If yes, please explain why:

2. Number of clients served during the reporting period that achieved each of the following outcomes:

Outcome
Initiated Forbearance Agreement/Repayment Plan
Executed a Deed-in-Lieu
Mortgage Foreclosed
Received Second Mortgage
Counseled and referred to another social service or emergency assistance agency
Obtained partial claim loan from FHA lender
Bankruptcy
Counseled and referred for legal assistance
Withdrew from counseling
Currently in negotiation with servicer; outcome unknown
Referred homeowner to servicer with action plan and no further counseling activity; outcome unknown
Foreclosure put on hold or in moratorium; final outcome unknown
Brought mortgage current with rescue funds

Brought mortgage current (without rescue funds)
Mortgage refinanced into FHA product
Mortgage refinanced (non-FHA product)
Mortgage modified with PITI less than or equal to 38% of gross monthly income with at least a 5 year fixed rate
Mortgage modified with PITI greater than 38% of gross monthly income or interest rate fixed for less than 5 years and appears to be sustainable
Mortgage modified with PITI greater than 38% of gross monthly income or interest rate fixed for less than 5 years and appears not to be sustainable
Homeowner(s) sold property (not short sale)
Pre-foreclosure sale/short sale
Counseled on debt management or referred to debt management agency
Home lost due to tax sale or condemnation
Ending counseling after level 1--outcome unknown
Other

3. Number of counseling units that were provided via the following modes during the reporting period:

Outcome
Phone
Face-to-Face
Internet
Video Conferencing
Other

Foreclosure Counselor Capacity

- How many previously employed Staff or volunteers were retrained or reassigned to be foreclosure counselors during the reporting period?
- How many new counselors or volunteers were put into service during the reporting period?
- How many foreclosure counselors received additional foreclosure related training during the reporting period?

Progress on overall program activities

- Did you meet or exceed your quarterly production goals for this quarter as outlined in Exhibit B to your grant agreement? __ (Yes/No) __

If no, please explain factors that inhibited you from reaching your goal:

8. Please estimate the percentage of program-related support funds used for the following activities:

Activity	% of funds used for that activity
Establishing a triage system that makes more effective and efficient use of counseling time	
Outreach to delinquent borrowers	
Group orientation and education sessions to help use counseling time more effectively	
Infrastructure development and communication	
Improving applicant capacity and infrastructure for tracking and reporting data	
Costs related to hiring, orienting, and training new counseling staff	
Purchasing or leasing equipment and software for new counselors	
Collecting data and preparing quarterly reports and draw requests	
Quality control of the counseling	
Other, please specify: _____	

9. Please describe progress against your Operational Oversight plan, as outlined in your grant application.

The legislation enabling these funds requires that we collect the following information:

10. Please name and describe a few key factors or strategies that contributed to the successes you encountered in helping clients avoid foreclosure, mitigate losses, or ensure the affordability of mortgages when clients retain their homes and *estimate* the percentage of clients for whom each strategy has been successful. If you see clients under the *Making Home Affordable Program*, please include at least one strategy pertinent to that program.

Brief Description of Strategy	What was most important in making this a successful strategy?	% of clients for whom this strategy has been successful	What types of borrowers and types of loans were typically helped with this strategy?	Is this a MHA-Specific Success?

11. Please name and describe a few key challenges encountered in helping clients avoid foreclosure, mitigate losses, or ensure the affordability of mortgages when clients retain their homes. If you see clients under the *Making Home Affordable Program*, please include at least one challenge pertinent to that program.

Brief Description of Challenge:	How did this challenge affect your organization's ability to achieve successful outcomes?	% of clients for whom this challenge has been a factor	What factors, if any, helped your organization overcome this challenge?	What changes, if they were made, could help overcome this challenge in the future?	Is this a MHA-Specific Challenge?

Success Stories

12. Please provide the name and contact information of **two** people that received services as a result of NFMC funds who is willing to be contacted to discuss their situation and possibly be highlighted in future NFMC reports, with their approval.

Borrower #1:

Borrower's Name
Borrower's phone number
Borrower's e-mail
Borrower's current address
Gender
Race/ Ethnicity
Marital status
Age
How they heard of your services
Information about their mortgage situation (i.e type of loan, delinquency status at time of contact, etc.)
Level of counseling received:
Resolution
How resolution was reached:
Other relevant information describing the borrower's situation:

Borrower #2:

Borrower's Name
Borrower's phone number
Borrower's e-mail
Borrower's current address
Gender
Race/ Ethnicity
Marital status
Age
How they heard of your services
Information about their mortgage situation (i.e type of loan, delinquency status at time of contact, etc.)
Level of counseling received:
Resolution
How resolution was reached:
Other relevant information describing the borrower's situation:

Compliance

13. Are you/are your sub-grantees or branches in compliance with all terms and conditions of the grant agreement and funding announcement, including OMB Circulars?

If no, how will you remedy during the upcoming quarter?

Languages

14. Please note the languages of which you and/or your sub grantees offer counseling services. Note how many counselors provide services for each language. Note: It is not necessary to put a 0 (zero) value for languages which no services are provided.

Language	Number of Counselors
English	
African languages	
American Sign Language	
Arabic	
Armenian	
Cantonese	
Chinese	
French (incl. Patois, Cajun)	
French Creole	
German	
Greek	
Gujarathi	
Hebrew	
Hindi	
Hungarian	
Italian	
Japanese	
Korean	
Laotian	
Miao, Hmong	
Mandarin	
Mon-Khmer, Cambodian	
Navajo	
Other Native North American languages	
Other Slavic languages	
Panjabi	
Persian	
Polish	
Portuguese or Portuguese Creole	
Russian	
Spanish	
Serbo-Croatian	
Tagalog	
Thai	
Urdu	
Vietnamese	
Yiddish	
Other	

Making Home Affordable

15. What is the approximate percentage of your clients during the past quarter that were seeking assistance with the Homeowner Affordability and Stability Plan, or *Making Home Affordable*, prior to receiving a work-out?
16. What is the approximate percentage of your clients during the past quarter that received a *Making Home Affordable* trial modification and a servicer referral to you because their back-end Debt-to-Income ratio was equal to or greater than 55%?

Expenditures

Reminder: at the end of the grant term, you will need to have an expenditure report for each grantee on file which demonstrates that funds received through this program have been expended on the foreclosure counseling program of applicant and/or sub-grantees and branches.

Legal Assistance Questions (only required if Grantee received Legal Assistance Funds in Round 2)

- 17a. Total number of legal assistance clients / households reported during this quarter:
- 17 b. What percent of NFMC Program counseling clients did you refer for NFMC Program legal assistance:
- 17 c. Did the amount you reported differ by more than 50% of the number of legal assistance clients stipulated in your Grant Agreement?

If Yes, please explain why legal assistance client count differed by more than 50%

18. Dollars Spent on Legal Assistance

- Your total legal assistance grant value: \$
- * How much have you spent on primary legal assistance (cumulative in program round)? \$
- * What is your average cost per client for legal assistance? \$

19. Please name and describe a few key factors or strategies that contributed to the successes your legal staff or contracting entity encountered in helping legal assistance clients avoid foreclosure, mitigate losses, or ensure the affordability of mortgages when clients retain their homes and estimate the percentage of clients for whom each strategy has been successful.

Brief description of strategy	Most important in making strategy successful	Percent of clients strategy was successful	Types of borrowers or loans helped by strategy
-------------------------------	--	--	--

20. Please name and describe a few key challenges your legal staff or contracting legal entity encountered in helping legal assistance clients avoid foreclosure, mitigate losses, or ensure the affordability of mortgages when clients retain their homes.

Brief description of challenge	How did challenge affect organization	Percent of clients challenge was a factor	Factors which helped organization overcome	What changed could help in the future
--------------------------------	---------------------------------------	---	--	---------------------------------------

21. Did you refer legal assistance clients to any external legal entities?

22. If you did any referrals to external entities, please list each entity:

23. What percentage of billable interaction with your legal staff or contracting legal entity was conducted with counselors as opposed to clients?

24. How many clients were you not able to assist using NFMC funds because of the civil litigation restriction?

What issues did those clients face?

Exhibit 5: National Industry Foreclosure Counseling Standards

National Industry Standards for Homeownership Counseling – Foreclosure Intervention Specialty

National Industry Foreclosure Counseling Standards

The National Industry Standards for Homeownership Education and Counseling allow organizations and homeownership professionals to demonstrate that all clients receive consistent, quality service in homeownership education and counseling. The standards create a level of consistency in the industry and add to the professionalism of homeownership educators and counselors.

As the link between sustainable homeownership and counseling/education becomes increasingly clear, now more than ever the housing industry recognizes the need to ensure high quality education and counseling for households throughout the country. Seizing on the ever-changing market conditions, in 2005 a National Advisory Council (see Exhibit C for a list of member organizations) collaborated with other industry partners such as homeownership professionals; non-profit executive directors; local, state and national housing counseling organizations; financial institutions, mortgage insurance institutions, GSEs¹ and government entities to develop National Homeownership Industry Standards (including benchmark recommendations) and National Industry Code of Ethics and Conduct for Homeownership Professionals.

Organizations, counselors and educators are encouraged to endorse and adopt the voluntary National Industry Standards and National Industry Code of Ethics and Conduct. These standards are a critical first step in evolving efforts to professionalize and elevate the visibility of the homeownership education and counseling industry.

How to Utilize National Industry Foreclosure Counseling Standards

Organizations Providing Foreclosure Intervention Counseling: Organizations providing services in the highly-specialized area of foreclosure intervention counseling are encouraged to endorse and adopt the National Industry Standards for Homeownership Counseling-Foreclosure Intervention Specialty and sign the National Industry Code of Ethics and Conduct. At a minimum, organizations should integrate the recommended benchmarks from the National Industry Foreclosure Counseling Standards into their everyday business operations. Organizations and individual counselors are encouraged to strive to exceed the benchmarks.

The National Industry Foreclosure Counseling Standards are integral to the National Industry Standards for Homeownership Education and Counseling and the National Industry Code of Ethics and Conduct. The Foreclosure Counseling Standards are integrated into the National Industry Standards for Homeownership Education and Counseling as an added specialty that counseling organizations can adopt, based on service delivery. For example, if an organization provides comprehensive services including pre-purchase education, counseling and foreclosure intervention, they will be encouraged to adopt the standards in all three categories (homeownership education, homeownership counseling, foreclosure counseling). For those organizations that only provide foreclosure intervention counseling, this affords the opportunity to

¹ GSE is an acronym for government-sponsored enterprise.

National Industry Standards for Homeownership Counseling – Foreclosure Intervention Specialty

adopt the National Foreclosure Counseling Standards directly related to that specialty, along with signing the National Industry Code of Ethics and Conduct.

Many organizations that currently provide foreclosure intervention counseling may find their programs meet or exceed the recommended benchmarks for industry standards and can readily adopt these National Industry Standards and National Industry Code of Ethics and Conduct.

For more information on how to demonstrate adoption of the National Industry Standards for Homeownership Counseling-Foreclosure Intervention Specialty and the National Industry Code of Ethics and Conduct, visit www.homeownershipstandards.com.

Purpose of Standards: To ensure consistency in the quality of foreclosure intervention counseling efforts nationwide, and adopt industry best practices.

In order to best serve clients, organizations providing homeownership counseling and individual homeownership counselors providing foreclosure intervention services agree to adopt the following:

Core Operating Standards

1. **Competency:** Possess a strong knowledge in the area of mortgage default and/or foreclosure intervention counseling, specifically relating to the current industry practices of loss mitigation to include loan repayment, forbearance, modification, refinance, loan assumption, short sale, deed-in-lieu, community referrals, and other remedies available to the homeowner to avoid foreclosure. The counselor should understand the structure of the primary and secondary markets, the collection and loss mitigation functions of those entities collecting mortgage payments, financial management and budgeting, and be familiar with state and federal regulations regarding the foreclosure process. The counselor should possess the skills to obtain pertinent client information, analyze financial and property data and draft a comprehensive written Action Plan (see Exhibit B) based on the client's goals outlining the resultant recommendations for foreclosure avoidance or sale.

Recommended Benchmark: Individuals new to the field of foreclosure intervention counseling should obtain appropriate orientation, introductory level training and prerequisite curricula during the initial 6-months of employment.

Recommended Benchmark: Those counselors new to foreclosure intervention and default counseling should (prior to seeing clients) be involved in an on the job training/coaching/mentoring program for at least 90 days.

2. **Skills:** Exhibit professional communication (written and verbal), organizational, listening, customer service, cultural competency and time management skills. Foreclosure Intervention Counselors must demonstrate a "hands-on" knowledge of the remedies available to the homeowner to avoid foreclosure including negotiation and critical thinking skills, and demonstrate an ability to provide timely crisis counseling to families in need.

National Industry Standards for Homeownership Counseling – Foreclosure Intervention Specialty

- 3. Training:** As soon as possible but no later than within 12-months of being hired, Foreclosure Intervention Counselors will obtain minimum training equivalent to no less than 30 hours of facilitated instruction, utilizing a variety of methods including lecture, interactive, demonstration, on-line and case study.

Recommended Benchmark: Those counselors new to foreclosure intervention and default counseling should (prior to seeing clients) be involved in an on the job training/coaching/mentoring program for at least 90 days. To best meet the client's needs in this highly specialized field, facilitated training in foreclosure intervention and default counseling should be completed within six months and no later than one year to obtain the competency and skills listed under the Core Operating Standards.

- 4. Certification:** Certification is considered critical in the industry. Subsequent to the requisite training, a comprehensive exam consisting of approximately 100 questions must be administered with a demonstrated proficiency of 80% passing. The exam will cover foreclosure intervention counseling competency content meeting the standards listed under the Core Operating Standards and demonstrated in the related activities identified in Exhibit A herein.

Recommended Benchmark: Certification should be completed as soon as reasonably possible, but no later than within 18-months of employment.

Continuing Education: Complete a minimum of 10 hours of continuing education annually in subjects primarily relative to the core content and delivery of foreclosure intervention and default counseling.

Recommended Benchmark: Professional certification continuing education requirements may meet or exceed this standard.

- 5. Foreclosure Intervention Counseling Operations:** Implement effective program operations for foreclosure counseling including techniques, outreach and marketing of services available to the community, partnership building with private sector partners including servicers and lenders, fundraising, customer service, customer tracking, reporting, program evaluation, and program design.

Recommended Benchmark: These skills can be obtained through training and experience.

- 6. Code of Ethics and Conduct Statement:** Sign and adopt the written National Industry Code of Ethics and Conduct policy that specifically addresses any real and apparent conflicts of interest, guidelines for professional behavior, privacy and confidentiality, payment for services, consultation, referrals, quality assurance and integrity.

National Industry Standards for Homeownership Counseling – Foreclosure Intervention Specialty



Performance Standards

1. **Delivery:** Perform individual, personalized foreclosure intervention and default counseling to clients.

Recommended Benchmark: Content, delivery and format of the counseling is tailored to meet the needs of the client. Content and delivery should be done so in a culturally competent manner and in the preferred language of the client. Use of a translator or referral to an agency that provides adequate service in the appropriate language is recommended.

Recommended Benchmark: Clients should be counseled immediately (if possible) particularly when a high degree of certainty that foreclosure is imminent. At a minimum, upon request, clients should receive acknowledgement of inquiry within 48 hours of initial contact. When initial contact is made, clients should be assessed to determine the status of the client's mortgage and client urgency. Those clients that have a high degree of foreclosure should be prioritized for appointments.

Recommended Benchmark: Foreclosure Intervention Counselors must complete appropriate intake of client information to make proper and timely recommendations to the client to assist in avoiding foreclosure. Counselors must provide a comprehensive written Action Plan (see Exhibit B) to the client summarizing a statement of the problem, steps to be taken by the client, steps to be taken by the counselor, and the timeline necessary to accomplish these tasks.

Recommended Benchmark: Foreclosure Intervention Counselors should always instruct the client of the importance of making and keeping contact with the lender. Where possible, the counselor should attempt to contact the lender on behalf of the client to assess status and to further inform the lender of the proposed recommendations as specified in the written Action Plan (see Exhibit B).

Recommended Benchmark: Active, open client files should be closely monitored, with timely follow-up in accordance with the stated Action Plan. When no contact from the client has taken place for 3 consecutive months, the file may be classified as inactive.

Recommended Benchmark: Where there is no mortgage delinquency, Foreclosure Intervention Counselors should provide basic financial management or credit counseling and encourage further homeownership education as a deterrent to future mortgage default.

Recommended Benchmark: Client satisfaction surveys are used to evaluate the effectiveness of the counseling.

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- 2. Expected Counseling Outcome:** Upon completion of foreclosure intervention counseling, clients will understand the various options available to assist them to avoid foreclosure, the need to keep constant communication with their lender, and will have received a written Action Plan (see Exhibit B) outlining the necessary steps to achieve their desired objectives. After counseling, if the client determines that either they cannot afford to keep their home or no longer desire to keep their home, they will receive information relative to each of these options and how this action might have resultant civil and/or tax liability.

Recommended Benchmark: Foreclosure Intervention Counselor should collect pertinent information as outlined in Exhibit A.

Recommended Benchmark: Comprehensive, effective delivery should be determined based upon the individual needs of the client to reach their desired outcome. The minimum standard for delivery of individual foreclosure intervention counseling should be at least one session of at least 30-60 minutes, utilizing either face-to-face or telephonic mediums.

- 3. Recordkeeping:** Collect and maintain specific information from clients in accordance with all laws and governing organizations (i.e., HUD, Intermediary, etc.)

Recommended Benchmark: An intake form should be completed and collected with client profile information to include contact information, services sought/provided, household size, ethnicity (optional), and household income. Additional information to collect from the client is outlined in Exhibit A.

Recommended Benchmark: Aggregate information for clients should be maintained including total number of persons served and other demographic information.

Recommended Benchmark: A checklist should be utilized to ensure files are consistently maintained and meet reporting standards and quality assurance.

Recommended Benchmark: Files should be maintained in secured file cabinets and/or electronically in a secure data system in order to protect client privacy.

Recommended Benchmark: Files should be maintained for a minimum of three (3) years. Longer file retention requirements may be required if the household has received grant or loan assistance through state or federal subsidy programs. At the time of disposal, files should be shredded or electronic copies should be deleted.

- 4. Reporting:** Utilize an electronic Client Management System for collecting and reporting data.

Recommended Benchmark: An electronic method in place for collecting reporting data may be as basic as an Excel spreadsheet or Access database application that captures needed data fields from each client, but *preferably* should be a software application

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compliant with HUD's CMS vendor list or equivalent. Visit www.hud.gov and refer to HUD's CMS vendor list.

5. **Service Thresholds:** Establish referral networks for individuals and families seeking services that the Foreclosure Intervention Counselor does not provide or possess sufficient competency to adequately and effectively deliver.

Recommended Benchmark: The Department of Housing and Urban Development (HUD) maintains a list of organizations and corresponding services (www.hud.gov). In addition, legal aid, tax professionals and other state or local agencies that may provide needed services aligned with foreclosure intervention including rescue funds should be sought.

To adopt the National Industry Foreclosure Counseling Standards and the National Industry Code of Ethics and Conduct visit

www.homeownershipstandards.com

For more information and to download a copy of the National Industry Standards for Homeownership Education and Counseling visit www.homeownershipstandards.com or call 1-866-472-9477



Exhibit A

Minimum Standard Activities for Foreclosure Intervention and Default Counseling

1. Perform intake by gathering baseline information from client including:
 - a. Client's goals/intent
 - b. Reason for delinquency or default
 - c. Client's financial situation and possibility of workout
 - d. Client's loan type
 - e. Home's value/condition
 - f. Credit report
 - g. Original loan documents, if available
 - h. Demographic information (contact information, household size, household income, ethnicity (optional), etc.
2. Assess client's mortgage, payment status and urgency in the delinquency and foreclosure process
3. Develop loss mitigation options
4. Communicate with the servicer*
5. Submit loss mitigation package to servicer*
6. Negotiate with junior lien holders and Homeowners Association*
7. Create written action plan for foreclosure avoidance or client's preference
8. Provide follow up to client
9. Provide client with contact information for additional community services that might be available.

* When Applicable. Foreclosure Counseling can include a range of the activities depending on the client's financial situation and the severity of the mortgage delinquency. Specifically, activities 4, 5 and/or 6 from Exhibit A vary, and may not always be performed for a client.



EXHIBIT B

Foreclosure Intervention Counseling- Recommended Content for Written Action Plan

Recommended Features of the Action Plan

- State briefly why the homeowner is delinquent or in danger of becoming delinquent, including the involuntary inability to pay, unexpected increase in expenses, decrease in income, loan reset and/or other factor.
- Include an assessment of the property's condition and a discussion and calculation of equity, if any.
- Include a financial assessment that leads to the recommendations for resolving the delinquency (assuming that the client wants to and can afford to keep the house). Otherwise, discuss foreclosure in general, sale of the property, deed in lieu, short sale and possible tax consequences and/or deficiency judgment issues.
- State what steps the homeowner will take to resolve the delinquency and what steps the counselor will take to assist in this process.
- Include other contact information for community referrals which may be able to assist the client.
- Issued within 24 hours of counseling session (and immediately if face-to-face)

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Exhibit C

National Advisory Council convened by NCHCEC²

The National Industry Standards were developed by a broad representation of industry stakeholders comprising the National Advisory Council (facilitated by NCHCEC). Companies and organizations include:

Bank of America
Chase
Chrysalis Consulting Group, LLC
Citi
Community Development Corporation of Long Island, Inc.
Consumer Credit Counseling Services of San Francisco
Countrywide Financial Corporation
Fannie Mae
The Housing Partnership Network
Federal Reserve Board
Freddie Mac
Minnesota Housing
Mortgage and Credit Center
Mortgage Guaranty Insurance Corporation (MGIC)
NAREB-National Investment Division (NID)
National Association of Realtors[®]
National Council of State Housing Finance Agencies
National Council of La Raza (NCLR)
NeighborWorks[®] America
NHS of Great Falls
University of North Carolina Chapel Hill
U.S. Department of Housing and Urban Development
Wells Fargo

² NCHCEC is an acronym for the NeighborWorks[®] Center for Homeownership Education and Counseling

Exhibit 6: NFMC Counseling Award Draw Requirements for Round 3
Revised: June 15, 2009

1. Draw 1 (Draw 1 = 70% of PRS; 35% of Counseling; 35% of OO) For the typical Grantee¹, this represents 40.5% of its total NFMC award.

Released upon ratification of Grant Agreement. Round 2 must be closed out before the first draw of Round 3 will be released.

2. Draw 2 (Draw 2 = 15% of PRS; 30% of Counseling; 30% of OO)
Total disbursed to Grantee at this point is 85% of PRS; 65% of counseling; 65% of OO. For the typical Grantee¹, this represents 68% of its total NFMC award.

Released when enough clients have been counseled to total 25% of the Counseling Award dollar amount and:

- A. Grantee has no significant compliance findings
 - B. Grantee has submitted proof of the requisite match funds
 - C. Grantee is within allowable variances by geographic area²
 - D. Grantees with contracted requirements to provide a certain amount of counseling sessions in low-income or minority zip codes, or to low-income or minority homeowners, will be required to achieve at least the contracted percentage of production in those areas
-

3. Draw 3 (Draw 3 = 15% of PRS; 30% of Counseling; 30% of OO)
Total disbursed to Grantee at this point is 100% of PRS; 95% of counseling; 95% of OO. For the typical Grantee¹, this represents 96% of its total NFMC award.

Released when enough clients have been counseled to total 60% of the Counseling Award dollar amount³ and:

- A. Grantee has no significant compliance findings
 - B. Grantee has submitted proof of the requisite match funds
 - C. Grantee is within allowable variances by geographic area²
 - D. Grantees with contracted requirements to provide a certain amount of counseling sessions in low-income or minority zip codes, or to low-income or minority homeowners, will be required to achieve at least the contracted percentage of production in those areas
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4. Draw 4 (Draw 3 = 2.5% of counseling; 2.5% of OO)
Total disbursed to Grantee is 100% of PRS; 97.5% of counseling; 97.5% of OO. For the typical Grantee¹, this represents 98% of its total NFMC award.

Released when:

- A. Grantee has no significant compliance findings
- B. Grantee has submitted proof of the requisite match funds
- C. Grantee has counseled enough borrowers to fully spend down 100% of the dollar amount awarded to it in Counseling Funds³. Note: NFMC will allow up to 5% of the Grantee's counseling award to be used to cover duplicate clients that were not self-duplicates. This will

be applied at Draw 4 and may reduce the dollar amount and/or units of counseling needing to be achieved before releasing Draw 4.

- D. At least 75% of the Grantee's production was provided in Areas of Greatest need. If the Grantee was contracted to provide less than 75% of its units of counseling in Areas of Greatest need, it must be within 5% of its contracted percentage. *For example, if a Grantee was contracted to provide 65% of its total units of counseling in Areas of Greatest Need, it must provide at least 60% in AGN to close out the grant.*
- E. Grantees with contracted requirements to provide a certain amount of counseling sessions in low-income or minority zip codes, or to low-income or minority homeowners, will be required to achieve at least the contracted percentage of production in those areas
- F. Grantee has completed its Final NFMC Programmatic Report

Exceptions to be considered:

The executed Grant Agreements requires that Grantees meet certain goals. The following provisions have been established to allow Grantees to draw down some of their NFMC funds and continue providing counseling services if they have not met the contracted requirements but have sufficiently documented the reasons why and have proven they have made best efforts to achieve their goals.

At the time of the 2nd draw, If Grantee is not within allowable variances geographic area, or (if applicable) by service to low-income and minority homeowners or zip codes, Grantee must send an e-mail detailing its plan to get back on track. Once this is reviewed and accepted, NFMC will release Draw 2.

At the time of the 3rd draw, if Grantee is unable to meet the geographic area requirements, Grantee must send an e-mail giving a satisfactory explanation for how they will make best efforts get back on track. Once this is reviewed and accepted, NFMC will release half of Draw 3.

To receive the second half of the third draw, Grantee must upload additional units of counseling, and NFMC staff must analyze progress to date on the geographic areas where Grantee was below acceptable variances at the time of the 3rd draw. If Grantee has increased production so it is within the variance, then the second half of the third draw will be authorized.

If Grantee has not increased production to be within the variance, NFMC staff will review the documented best efforts reported by the Grantee to address the variance. Factors that may allow a waiver of the Grant Agreement requirements during this stage of review would include: the geographic area is not an Area of Greatest Need, the geographic area is being served satisfactorily by the program overall, Grantee makes up less than 15% of the overall proposed production for that geographic area, production in immediately adjacent MSAs or rural areas of a state make up for the units of counseling not delivered in the contracted geographic area, documentation that clients were served in the under-reported geographic areas but billed to another funding source, or documentation that specific outreach and efforts to affiliate new sub-Grantees (if applicable) have not produced the required volume of borrowers to allow Grantee to meet its goal.

¹ This percentage may vary slightly, as NeighborWorks Organizations were not eligible to apply for Operational Oversight funds.

² To determine if Grantee is within allowable variances by geographic area, NFMC looks at the following:

- For geographic variances, Grantee must have achieved at least 75% of the units of counseling expected at each draw for each MSA and rural area of a state it was contracted to serve for Draw 2 and 50% for Draw 3. NFMC will not penalize Grantees that achieve more than 125% of its counseling goals, provided this does not cause other geographic areas Grantee was contracted to serve to fall below its goals.
- *Draw 2 Example: If a Grantee received a counseling award of \$120,000 and was contracted to provide 800 units of counseling in the Atlanta MSA, it would reach the Draw 2 trigger when it had uploaded enough units of counseling to total \$30,000 (or 25% of the counseling award). If at least 75% of those units were provided in the Atlanta MSA, the Grantee is considered to be within the allowable variance. Draw 3 Example: That same Grantee would reach the Draw 3 trigger when it had uploaded enough units of counseling to total \$72,000 (or 60% of the counseling award). If at least 50% of those units were provided in the Atlanta MSA, the Grantee is considered to be within the allowable variance. If it is determined that Grantee is under-producing in rural areas, NFMC will analyze whether the Grantee has produced units of counseling in rural areas of MSAs using the USDA 502 rural definition. If this is the case, units of counseling that fall within these areas can be counted toward the Grantee's rural production.*

³ To determine if Grantee has counseled enough borrowers to spend down 25%, 60% or 100% of its counseling funds, NFMC multiplies the number of units produced at Level 1 by \$150 and adds to that the number of units produced at Level 2 by \$300. The resulting amount must equal or exceed 25%, 60% or 100% of the Grantee's counseling award, depending on the Draw being released.