

The logo features a green square with a white house silhouette on the right side. The text "National Foreclosure Mitigation Counseling Program" is written in white, stacked vertically on the left side of the square.

**National  
Foreclosure  
Mitigation  
Counseling  
Program**

**National Foreclosure Mitigation Counseling Program**

**Congressional Update**

**Activity through March 31, 2009**

*Executive Summary*



## Executive Summary

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NeighborWorks® America (as authorized by the Neighborhood Reinvestment Corporation Act, 42 U.S.C. 8101-8107) submits this update to Congress to announce that as of March 31, 2009, nearly 400,000 families facing foreclosure have been counseled through the National Foreclosure Mitigation Counseling (NFMC) Program, and that thousands of housing professionals have been trained in foreclosure intervention to help address the nation's housing crisis.

The NFMC Program was created by the Consolidated Appropriations Act of 2008 (P.L. 110-161) in December 2007 to address the subprime foreclosure crisis. The legislation named NeighborWorks America administrator of the \$180 million program. On July 30, 2008, Congress passed the Housing and Economic Recovery Act of 2008 (P.L. 110-289), which appropriated an additional \$180 million to the NFMC Program, including \$30 million for legal assistance. An additional \$50 million was appropriated to the program on March 11, 2009 through the Omnibus Appropriations Act of 2009 (P.L. 111-8).

NeighborWorks is proud to have been entrusted to administer the program, and continues to ensure it is done so fairly and transparently. **As of March 31, 2009, the NFMC Program has funded 414,744 units of foreclosure mitigation counseling with 373,169 homeowners nationwide, and has provided 4,447 scholarships to housing counselors for foreclosure counseling training.**

In total, \$333 million has been awarded to HUD-Approved Housing Counseling Intermediaries, State Housing Finance Agencies and NeighborWorks organizations through the first and second rounds of the NFMC Program. In February 2008, \$130.4 million was awarded in Round 1 grants to 130 eligible organizations. In December 2008, \$177.5 million was awarded in Round 2 grants to 134 eligible organizations. Of the entities that applied for counseling funds in the second funding round, 54 also applied for \$25.5 million in legal assistance funding, and \$25.1 million was awarded in legal assistance funds.

### Program Administration

NeighborWorks has provided two updates to Congress on the NFMC Program, in October 2008 and February 2009. This current report covers program activity from March 1, 2008 through March 31, 2009.

### **Program Progress**

In February 2008, NeighborWorks awarded 130 Grantees a total of 455,691 units of counseling to be provided with the Round 1 funds. Of the total 414,744 units delivered through March 31<sup>st</sup>, 412,804 were delivered under Round 1 grants. The NFMC Program has reached 91% of the Round 1 goal. Round 2 awards in December 2008 resulted in 134 Grantees being awarded 567,371 units of counseling. Thirty-one Grantees are working within Round 2 as of March 31<sup>st</sup>, delivering 1,940 units of counseling. Overall, the program will provide 1,023,062 units of foreclosure counseling, and has delivered 41% of these units.

Converting each delivered unit by their appropriate pre-set counseling level dollar amounts, the NFMC Program has funded a total of \$82.3 million in foreclosure mitigation counseling. Overall, 33% of all NFMC Program awarded counseling dollars (not including Program Related Support and Operational Oversight funding) has been delivered nationwide.

Many Grantees were unable to complete their counseling goals by the intended funding expiration date of December 31, 2008. They were granted extensions through June 30, 2009. As of March 31, 2009, 42

Grantees had completed their Round 1 production goals, and 34 more had completed more than 75% of their production goals.

### **Service to Low-Income and Minority Homeowners and Neighborhoods**

The legislation governing the second round of funds, the Housing and Economic Recovery Act of 2008 (P.L. 110-289), stated that "Not less than 15% shall be provided to counseling organizations that target counseling services in neighborhoods with high concentrations of minority and low-income homeowners or provide such services in neighborhoods with high concentrations of minority and low-income homeowners." Grantees were asked in their applications whether or not they met these criteria. A total of \$73,778,070 (or 41% of the appropriation) was awarded to 42 organizations that did. Thirty-five of these Round 2 applicants also participated in Round 1. As of March 31, 2009, these 35 organizations have provided 115,864 units of counseling (30% of overall production) through the NFMC Program.

### ***Making Home Affordable and the NFMC Program***

On February 18, 2009, President Obama announced a new Homeownership Affordability and Stability Plan which will allow homeowners facing foreclosure to refinance or modify their mortgages. Details of this plan and the *Making Home Affordable* program were announced on March 4, 2009.

Homeowners who receive trial loan modifications from their servicer but have a back end debt to income ratio at or above 55% must agree to meet with a counselor from a HUD-approved housing counseling agency or NFMC Program participating agency. This counseling will be considered a new level of counseling under the NFMC Program - "Level Four," and will be valued at \$450.

It is anticipated that up to four million homeowners will be eligible for assistance through the *Making Home Affordable* modification program, and that of these homeowners, roughly 240,000 to 320,000 will be referred to counseling with a back end debt to income ratio at or above 55%. The *Making Home Affordable* program did not include funding for these services, but all Grantees working in the NFMC Program, whether in Round 1 or Round 2, are able to use up to 30% of their funding to support their Level Four activities.

### **Training Efforts as of March 31, 2009**

Since the NFMC Program's commencement, its training funds have enabled NeighborWorks to strengthen housing counselor capacity in foreclosure counseling by providing scholarships to six NeighborWorks Training Institutes and 59 Place-Based Trainings. **During this time, 4,447 scholarships have been provided through the NFMC Program for counselors to participate in these training opportunities.**

- NeighborWorks Training Institutes: NeighborWorks Training Institutes (NTIs) are "mobile universities" dedicated to providing superior training and continuing professional education in community development and affordable housing.
- Place-Based Trainings: NeighborWorks hosts regional multi-course Place-Based Trainings (PBTs) with its district offices and with HUD-Approved Housing Counseling Intermediaries and State Housing Finance Agencies. These events enable counselors to receive training locally and frequently. They are designed to accommodate between 200 to 225 participants each, and offer six to eight foreclosure-related courses.

The funding also enabled NeighborWorks to create an e-learning course, *Foreclosure Basics*, to expedite the necessary training of housing counselors in foreclosures, and provided scholarships for counselors to take the course. **In total, 2,448 certificates of completion have been awarded for this course.** A second online course, *Understanding and Applying Foreclosure Intervention and Loss Mitigation Tools*, is now available as well. Scholarships will be available for those who are eligible to take both online courses through December 31, 2009.

### Counseling Efforts as of March 31, 2009

#### **Clients Counseled Through the NFMC Program:**

- The majority of NFMC Program clients (53%) are minority homeowners (defined as African American, Hispanic, American Indian/Alaskan Native, Asian or Pacific Islander, and clients listing two or more ethnic backgrounds), while minority homeowners make up 24% of homeowners in the country. Whites represent 39% of all clients, African Americans account for 28%, Hispanics represent 21%, and Asians account for 3%.
- Of all NFMC Program clients that hold mortgages with interest rates above 8%, 35% are African American, yet African Americans only hold 19% of the nation's subprime mortgages. Another 18% of NFMC Program clients holding mortgages with high interest rates are Hispanic, whereas they hold 21% of the nation's subprime mortgages. Only 2% of NFMC Program clients with these loans are Asian, while they hold 3% of national subprime loans. African American NFMC Program clients were more likely to hold fixed rate mortgages (51%) than ARMs (38%); Hispanic clients were more likely to hold ARMs (47%) than fixed rate mortgages (41%); and White clients were almost twice as likely to hold fixed rate mortgages (59%) than ARMs (31%).
- Thirty-seven percent (37%) of NFMC Program clients reside in zip codes where the majority of residents are minorities (25% of the overall US population lives in these zip codes); and 26% of clients reside in zip codes with less than 80% of the Area Median Income (AMI) (20% of the overall US population lives in these zip codes).
- Forty-nine percent (49%) of homeowners seeking NFMC Program counseling reported the reason they are facing foreclosure was a reduction in or loss of income, up from 45% in the February update and 41% in the October update. Only 7% reported they were in default because their loan payment had increased.
- More than half of all clients held a fixed rate mortgage (52%), while 37% held an adjustable rate mortgage (ARM). However, only 20% of mortgages nationwide are ARMs, while 69% are fixed-rate mortgages.
- More than half of all homeowners (52%) receiving NFMC Program counseling services were fewer than 60 days late on their mortgage upon first contact with an NFMC Program Grantee. Thirty percent (30%) were current on their mortgage at intake. However, more than one in five (22%) was over 120 days delinquent.
- Roughly 39% of NFMC Program clients paid more than 50% of their income toward housing costs. Twenty percent (20%) paid more than 75% of their income on housing costs. The *Making Home Affordable* modification program dictates that servicers should work with homeowners seeking modifications to reduce their front end ratio to 31% of their income. In the NFMC Program, 71% of clients pay more than 30% of their income to housing costs.

- Sixty-two percent (62%) of NFMC Program clients were between the ages of 35 and 54, and 21% were over the age of 55.
- The NFMC Program has delivered 363,420, or 88%, of the total units of counseling to date to defined areas of greatest need.
- As of March 31, 2009, 17% of NFMC Program clients lived in low-income minority community (LIMC) zip codes. LIMCs are defined as zip codes with a majority population being minority; 30% of minorities being homeowners; and the median income of the zip code being less than 80% of the area median. These 964 LIMC zip codes account for 4% of all zip codes where NFMC Program activities were reported. Thus, **homeowners are four times more likely to get NFMC Program counseling if they live in a LIMC.**
- Grantees self-report an outcome for each client when they report that client to the program. The NFMC Program is seeing an increase in positive outcomes as the program progresses. Twenty-five percent (25%) of clients have been able to stay in their home post-NFMC Program counseling by initiating a forbearance or repayment plan with their servicers, modifying or refinancing their mortgages, or bringing their mortgages current. Another 16% have been counseled and referred for other social services or legal assistance. Only 2% of clients report going through foreclosure.

### **Urban Institute Analysis of Outcomes**

As part of their larger evaluation of the NFMC Program, the Urban Institute has provided NeighborWorks America with a preliminary descriptive statistical analysis of counseling outcomes. Key findings are summarized below. This effort was made possible by matching NFMC Program production data with data from the McDash core mortgage loan database. The analysis uses 70,103 unique loans – a sample that is representative of the total pool of NFMC Program counseling units served through February 9, 2009.

#### Key Findings:

- Clients who received a favorable loan modification (i.e., one that was likely to reduce the monthly payment), particularly a reduction in interest rate or loan principal, were less likely either to have their loan enter foreclosure or to have a foreclosure sale completed after intake. They were also much more likely to cure a delinquency and bring their mortgage current than clients who did not receive a loan modification.
- Overall, 76% of clients who received counseling had not entered foreclosure as of February 2009.
- Nearly a quarter of clients had a foreclosure start (18%) or complete (6%) after intake. These foreclosure rates generally differ more by income (lower income clients have higher foreclosure rates than higher income clients) than they do by a client's race or ethnicity.
- Foreclosures rise significantly as the length of delinquency at intake increases: 27% of clients whose mortgages were three to four months delinquent at intake either had a foreclosure started or completed, compared to 60% of clients whose mortgage was more than four months delinquent at intake.

- While more than half of clients who were current at intake remained current, more than a third became delinquent. Borrowers who had a relatively short-term delinquency at intake (one to two months) were more likely to bring their mortgage current than those with longer-term delinquencies (three or more months) at intake.

### Counseling Successes and Challenges

#### **Successful Counseling Strategies:**

- Grantees continue to stress that reaching borrowers early – before they were 60 days delinquent – often increased the likelihood of a successful outcome.
- Grantees outlined a number of counseling processes and services which increased the likelihood of successful outcomes, including having counselors available evenings and weekends or at all times, contacting the servicer with the client present, creating clear action plans and having clients “buy in” to their new budgets, and developing partnerships with organizations – including Congressional offices, legal entities, and local, regional, and state initiatives – to get referrals.
- Grantees outlined a number of strategies to create more efficient communication and negotiations with servicers. They highlighted persistence as the most important factor to increase the likelihood of positive outcomes. Other strategies included using the HOPE NOW list of loss mitigation department phone numbers, analyzing refinancing plans provided by servicers to ensure borrower feasibility, and following up with the servicer within 24 to 48 hours to ensure they had received electronically-transmitted documents.

#### **Counseling Challenges:**

- Grantees continue to report that the most common challenge they encountered was obtaining a timely response from servicers (17%), with responses taking between 45 and 60 days on average. They also reported challenges of borrowers not following through with counselors (9%), servicers being uncooperative in general (7%), borrowers seeking assistance too late in the process (7%), and their agency not having enough staff to handle demand (6%).
- Grantees noted several challenges when communicating with servicers, including lengthy response times, and that loss mitigation departments seemed to be understaffed and overworked, documentation faxed or mailed to servicers was lost repeatedly and counselors had to send documentation multiple times, and counselors were connected to a different representative each time they called who proposed different solutions and requirements.
- Grantees also reported a number of challenges when attempting to obtain a work-out from servicers, most notably that loan modifications, forbearances and principal write-downs were offered less frequently than repayment plans, and that falling house prices have left borrowers “upside down” and thus servicers were not willing to provide modifications.