



November 16, 2009

NeighborWorks® America is pleased to report that the National Foreclosure Mitigation Counseling (NFMC) Program continues to help homeowners facing foreclosure by providing them with much needed loss mitigation counseling. To date, the program has provided 762,284 struggling homeowners with foreclosure prevention counseling.

The NFMC Program was created by Congress to address the nationwide foreclosure crisis by dramatically increasing the availability of housing counseling for families at risk of foreclosure. The \$180 million program was authorized through the FY 2008 Consolidated Appropriations Bill, which named NeighborWorks as its administrator. An additional \$180 million was appropriated to this effort on July 30, 2008 through the Housing and Economic Recovery Act of 2008, and the Omnibus Appropriations Act of 2009 appropriated another \$50 million to the program on March 11, 2009. Information on the NFMC Program can be found at www.nw.org/nfmc.

Today, NeighborWorks America released its fourth report to Congress on NFMC Program activity. The report covers counseling activity reported by program Grantees and counselor training provided by NeighborWorks between March 1, 2008 and August 18, 2009. It includes a preliminary analysis of the effectiveness of the NFMC Program through a matching effort conducted by the Urban Institute. The report also details the NFMC Program's role in President Obama's *Making Home Affordable* program and the successes and challenges counselors face when helping homeowners avoid foreclosure.

Highlights of the report include:

- 633,294 homeowners received counseling during the reporting period
- 5,237 scholarships provided to foreclosure counselors
- Descriptive statistics about clients served through the program
- Successful counseling strategies, including the importance of early intervention
- The challenges counselors face in the current economic environment

Foreclosure Counselors Trained

Through August 18, 2009, under the NFMC Program:

- NeighborWorks provided 5,237 scholarships for foreclosure counselors to attend foreclosure-related courses at its national NeighborWorks Training Institutes and regional and local Place-Based Trainings.
- 3,692 certificates of completion were earned for NeighborWorks' *Foreclosure Basics* and *Understanding and Applying Foreclosure Intervention and Loss Mitigation Tools* e-learning courses.

Borrowers Counseled

Grantees report counseling 633,294 homeowners between March 1, 2008 and August 18, 2009:

- Fifty-four percent (54%) of homeowners seeking NFMC Program counseling reported the reason they are facing foreclosure was a reduction in or loss of income. Only 5% reported they were in default because their loan payment had increased.
- The majority of NFMC Program clients (53%) continue to be minority homeowners (defined as African American, Hispanic, American Indian/Alaskan Native, Asian, Pacific Islander, and clients listing two or more ethnic backgrounds), while minority homeowners make up 27% of homeowners in the country. Whites represent 41% of all clients, African Americans account for 27%, Hispanics represent 21%, and Asians account for 3%.



- All ethnicities were more likely to hold fixed rate mortgages than ARMs. African American NFMC Program clients were nearly twice as likely to hold fixed rate mortgages (56%) than ARMs (33%); Hispanic clients were slightly more likely to hold fixed rate mortgages (48%) than ARMs (41%); Asian clients were nearly as likely to hold ARMs (44%) as fixed rate mortgages (46%); and White clients were more than twice as likely to hold fixed rate mortgages (63%) than ARMs (27%).
- Of all NFMC Program clients that hold mortgages with interest rates at or above 8%, 36% are African American, yet African Americans only hold 20% of the nation's subprime mortgages. Eighteen percent (18%) of NFMC Program clients holding mortgages with high interest rates are Hispanic, and 20% of Hispanic homeowners hold these mortgages. Only 2% of NFMC Program clients with these loans are Asian, while they hold 4% of national subprime loans.
- Thirty-three percent (33%) of NFMC Program clients reside in zip codes where the majority of residents are minorities (27% of the overall U.S. population lives in these zip codes); and 25% of clients reside in zip codes with less than 80% of the Area Median Income (AMI) (20% of the overall U.S. population lives in these zip codes).
- Sixteen percent (16%) 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 1,284 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.**
- More than half of all homeowners (54%) receiving NFMC Program counseling services were fewer than 60 days late on their mortgage upon first contact with an NFMC Program Grantee. Thirty-three percent (33%) 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 half 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.

Urban Institute Analysis of Outcomes

As part of their evaluation of the NFMC Program, the Urban Institute has provided NeighborWorks America with preliminary analyses that attempt to measure the effectiveness of the NFMC Program on counseled homeowners. Researchers used a representative sample of the approximately 300,000 homeowners who received NFMC Program counseling between January and December 2008 and a comparison sample of non-NFMC Program counseled homeowners to determine if counseling helped homeowners cure a foreclosure, receive modifications that resulted in lower monthly payments, and avoid foreclosure at a higher rate than if a homeowner did not receive counseling. This effort was made possible by matching NFMC Program production data with data from the McDash core mortgage loan database.

Key Findings:

- During the first year of the program, counseled homeowners were about 1.6 times as likely to get out of foreclosure, and avoid a foreclosure completion, than they would have been had they not received NFMC Program counseling.
- On average, it is estimated that NFMC Program clients who received loan modifications reduced their monthly payments by \$454 more than they would have without NFMC Program counseling.



- Urban Institute estimated that the NFMC Program helped approximately 880 clients avoid going into foreclosure through December 2008. By helping to avoid these foreclosures, the NFMC Program created potential cost-savings of \$33 million between January and December 2008.

Successful Counseling Strategies

An in depth analysis of the successes reported by Grantees is included in this report. Each individually reported successful strategy was assigned to a category, with Grantees most frequently reporting success with creating a more efficient counseling process (42.3%). Also commonly reported were successes using specific methods of foreclosure counseling (31.0%). A somewhat smaller percentage of successes were reported in communicating with servicers (14.4%) and conducting client outreach (12.5%).

Overall, the most commonly reported individual success was helping clients create a budget and action plan. More than 15% of all successes reported by Grantees pertained to this. The next three most commonly reported successes were all associated with implementing efficient counseling processes: holding foreclosure prevention workshops or group orientation sessions (7.2%); increasing capacity by hiring and training additional staff, expanding services, and making services available outside normal business hours (5.8%); and increasing efficiency through time management, standardization, use of technology, and division of labor (5.4%).

Challenges for Counselors

An in depth analysis of the challenges reported by Grantees is also included in this report. Each individual reported challenge was assigned to a category. The most commonly reported categories of challenges pertained to working with servicers (47.8%). Grantees reported that the majority of the challenges they face were related to communication with servicers, which accounted for 32.6% of total challenges. Another category of challenges Grantees reported facing when working with servicers was obtaining workable mortgage solutions for homeowners (15.2%). Grantees commonly reported that they encountered challenges that pertained to homeowners' resources, and counselors' interactions with homeowners (37.2%). Challenges related to program administration accounted for the lowest proportion of challenges (15%).

Overall, the most commonly reported individual challenges reported by Grantees were that homeowners are not prepared for counseling sessions or do not follow through with counselors (11.8%); they face general difficulty communicating with servicers (9.8%); and once they do contact servicers, obtaining decisions from servicers on workout packages takes excessively long (8.8%). Of the Grantees that reported this, more than a third reported that responses take at least 60 or 90 days on average.

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

The *Making Home Affordable* program has been refined since it was announced in February, and NFMC Program Grantees continue to ensure as many homeowners facing foreclosure as possible obtain a modification or refinance through the program. Homeowners who contact an NFMC Program Grantee prior to contacting their servicer about a loan modification or refinance are eligible to be counseled through the NFMC Program.

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 is eligible for NFMC Program funding even though the *Making Home Affordable* program did not include funding for these services. 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%.

Since July 2009, the NFMC Program has been holding feedback calls with counselors of Grantees and Sub-grantees to gather feedback on how the *Making Home Affordable* program is being implemented around the nation. Several themes have arisen, which can be broken down into three categories: (1) difficulty trying to communicate with servicers; (2) servicers are not following the guidelines of the *Making Home Affordable* program; and (3) frustrations with the system as a whole.

About NeighborWorks® America

NeighborWorks® America creates opportunities for people to improve their lives and strengthen their communities by providing access to homeownership and to safe and affordable rental housing. Since 1991, we have assisted nearly 1.2 million low- to moderate-income families with their housing needs. Much of our success is achieved through our support of the NeighborWorks® network organizations have generated more than \$15 billion in reinvestment in these communities. NeighborWorks® America is the nation's leading trainer of community development and affordable housing professionals. www.nw.org.