



October 30, 2008

Today, NeighborWorks® America released its first report on data submitted by Grantees of the National Foreclosure Mitigation Counseling (NFMC) Program for activity between March 1 and September 15, 2008. The NFMC Program was created when, in response to the nationwide foreclosure crisis, Congress approved and President George W. Bush signed legislation authorizing \$180 million for the program as part of the FY 2008 Consolidated Appropriations Bill. The legislation was signed into law on December 26, 2007 and named NeighborWorks America 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. Information on the program can be found at www.nw.org/nfmc.

Highlights of the report include:

- 105,071 borrowers receiving counseling
- Over 2,555 foreclosure counselors trained
- Descriptive statistics about clients served through the program
- Successful counseling strategies, including the importance of an informed consumer
- The challenges counselors face in obtaining sustainable mortgage solutions

Foreclosure Counselors Trained

Between March 1 and September 15, 2008:

- Under the NFMC Program, NeighborWorks has provided 2,555 scholarships for foreclosure counselors to attend foreclosure-related courses at its National Training Institutes and regional and local Place-Based Trainings.
- More than 1,000 people have received certificates of completion for NeighborWorks' Foreclosure Basics e-learning course.
- The 130 NFMC Program Grantees retrained and reassigned 1,985 people to be foreclosure counselors through June 30, 2008.
- 1,035 new foreclosure counselors were hired by the Grantees.
- 2,866 foreclosure counselors received additional foreclosure-related training.

Borrowers Counseled

Grantees report counseling 105,071 homeowners nationwide between March 1 and September 15.

- Almost as many NFMC Program clients held an adjustable-rate mortgage (ARM) (44%) as held a fixed-rate mortgage (45%). However, only 22% of mortgages nationwide are ARMs, while 72% are fixed-rate mortgages.
- Half of all homeowners receiving NFMC Program counseling services were fewer than 60 days late on their mortgage upon first contact with an NFMC Program Grantee. Twenty-eight percent (28%) were current on their mortgage at intake. However, more than one in five (22%) was over 120 days delinquent.
- Roughly 52% of NFMC Program clients paid more than 40% of their income toward housing costs. Twenty percent (20%) paid more than 75% of their income on housing costs.
- The majority of NFMC Program clients (52%) are minority homeowners (defined as African American, Hispanic, Asian or Pacific Islander), while minority homeowners make up 18% of homeowners in the country. Whites represent 37% of all clients, African Americans account for 29%, Hispanics represent 20%, Asians account for 2%, 1% of clients reported having two or more ethnicities, and 11% reported being of other races.



- More than 40% of homeowners seeking NFMC Program counseling reported the reason they defaulted on their mortgage was a reduction in or loss of income. Nine percent (9%) reported they were in default because their loan payment had increased.

Successful Strategies

Homeowners must reach out for help before they become delinquent. Those who are proactive and reach out for help while they are current on their mortgage payments have a much greater chance for a successful outcome – loan modification, refinance, etc.

Challenges for Counselors

One of the most common challenges for counselors was obtaining timely responses from servicers. Counselors noted several challenges when communicating with servicers, including waiting 45-60 days to obtain a response, having to resend documentation to servicers as it was repeatedly lost, being connected to a different representative who proposed different solutions and requirements each time they called a servicer, and that loss mitigation departments were clearly understaffed and overworked.

With such communication challenges between counselor and servicer, there were delays in obtaining positive work-outs such as loan modifications.

Changing Economic Climate

NFMC was one of the first Federal policy responses to the foreclosure crisis. In this changing economic climate, we are encouraged that policymakers have introduced new tools to help borrowers avoid foreclosure. FHA Secure, Hope for Homeowners, increased FHA loan limits, an increase in the existing line of credit to the GSEs, and injecting capital directly into our nation's financial institutions are helping homeowners avoid foreclosure. The availability of these programs will enable counselors to offer more alternatives to homeowners, resulting in increased successful outcomes.

However, communication must be improved among servicers/borrowers/counselors and servicers, lenders and investors must be willing to modify loans to achieve long-term affordability and accelerate the number of homes that are saved. This in turn will lead to fewer vacant properties in communities across the nation, fewer foreclosed homes on lender portfolios, and a more stable housing market.

For more information about the National Foreclosure Mitigation Program, e-mail nfmc@nw.org.

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.