

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 January 15, 2009**



## **Executive Summary**

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NeighborWorks® America (as authorized by the Neighborhood Reinvestment Corporation Act, 42 U.S.C. 8101-8107) is pleased to report that the National Foreclosure Mitigation Counseling (NFMC) Program is serving hundreds of thousands of homeowners, training thousands of housing professionals in foreclosure intervention, and is an important asset in the nation's fight against foreclosures.

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. This funding extended the NFMC Program through December 31, 2009.

NeighborWorks continues to administer this program effectively and efficiently. **As of January 15, 2009, the NFMC Program has funded 293,067 units of foreclosure mitigation counseling with 275,885 homeowners nationwide and has provided 3,264 scholarships to housing counselors for foreclosure counseling training.**

To date, \$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 to 134 eligible organizations in Round 2 grants. This consisted of the \$137.8 million available through P.L. 110-289 and \$37.36 million yet unobligated from P.L. 110-161, as well as \$2.36 million in de-obligated funds from Round 1. Of the 135 entities that applied for counseling funds, 54 also applied for \$25.5 million in legal assistance funding, and \$25.1 million was awarded in legal assistance funds.

### **Program Administration**

#### **Round 1 Progress**

NeighborWorks provided the first NFMC Program update to Congress on October 30, 2008, covering program activity from March 1 through September 15, 2008. This current report covers program activity from March 1, 2008 through January 15, 2009.

As of January 15, 2009, the NFMC Program has achieved 63% of the overall production goal in the initial funding round, with 88% of counseling services delivered in areas determined to be of greatest need. This round was intended to expire on December 31, 2008. However, a significant number of Grantees were unable to meet their goals by that date due to several constraints, including longer than anticipated start-up timeframes, the need to hire and/or train counselors to meet client demand, and a need to raise additional funds for marketing and outreach. Grantees that did not complete their counseling goals were provided the opportunity to request an extension to complete them before June 30, 2009.

NeighborWorks has seen a substantial increase in counseling activity since first reporting to Congress in October. Grantees delivered on average 18,916 units of counseling per month for the program's first six months (from March 1 through September 15, 2008). However, during the last four months (September 15, 2008, through January 15, 2009) they have delivered on average 44,893 units per month. NeighborWorks is working closely with all Grantees receiving extensions to ensure they will complete their established goals expeditiously.

## Round 2 Administration

On July 30, 2008, Congress appropriated an additional \$180 million to the NFMC Program, which included \$137.8 million for foreclosure counseling and \$30 million for foreclosure legal assistance. By statute, the funds had to be awarded before December 31, 2008.

To award this second appropriation of funds, NeighborWorks established a competitive application procedure similar to that used during the first distribution of funds. A total of 135 HUD-Approved Housing Counseling Intermediaries, State Housing Finance Agencies and NeighborWorks organizations applied for the counseling funding. On December 3, 2008, \$177.5 million was awarded to 134 organizations. Of these organizations, 54 also applied for \$25.5 million in legal assistance funding, and \$25.1 million was awarded in legal assistance funds.

The legislation governing the second appropriation had several requirements that NeighborWorks adhered to in the application process. Below are brief descriptions of those requirements and how they were met:

- Award the Majority of Funds to Areas of Greatest Need: NeighborWorks utilized LoanPerformance.com and Home Mortgage Disclosure Act (HMDA) data from March 2008 (the latest data available at the time of the August funding announcement) to determine the areas of greatest need, using the same criteria as was used in the first funding round. In total, 184 Metropolitan Statistical Areas and the rural areas of 29 states were defined as being areas of greatest need. In total, 90% of counseling units were awarded to serve these areas.
- Award 15% of Funds to Organizations Targeting Low-Income and Minority Homeowners or Neighborhoods: The application for funds: (1) asked whether the organization intentionally targeted their services to low-income and minority homeowners or neighborhoods; (2) measured the strength of their marketing plans to these homeowners or neighborhoods; (3) measured the percentage of total service to minority and low-income homeowners or neighborhoods; and (4) considered Grantees' Round 1 counseling units delivered to these homeowners or neighborhoods where applicable. A total of \$73,778,070, or 41% of the appropriation, was awarded to 42 organizations for which all criteria were true.
- When Appropriate, Consider whether Organizations Provide In-Person Counseling and Make Contact, including Personal Contact, with Defaulted Mortgagors: Applicants were asked if they had a plan in place that is being implemented which includes both in-person counseling and outreach to potential clients. Sixty-three percent (63%) of all applicants supplied with their application a written plan that has been implemented to provide in-person counseling and outreach to potential clients, and 42% of applicants received a perfect score on this section. Many applicants were making personal contact with defaulted mortgagors via direct mail, door-to-door contact, or direct phone contact.
- Grantees Shall Work to Coordinate with Foreclosure Hotlines: Applicants were scored based on whether they had partnerships with non-profit foreclosure hotlines. Sixty-four percent (64%) of applicants received full points for this question, indicating they did have partnerships in place. An additional 28% of applicants showed evidence of trying to coordinate with hotlines but partnerships were either not feasible or very limited.

NeighborWorks continues to be a responsible steward of this appropriation, and has used the four percent allowed through the legislation for program administration to ensure it is successful and

transparent. Current administration activities include quality control and compliance; program evaluation; internal audit; board oversight; and budget and cash management.

### Training Efforts

In calendar year 2008, the NFMC Program training funds enabled NeighborWorks to strengthen housing counselor capacity in foreclosure counseling by providing scholarships to four NeighborWorks Training Institutes and 43 Place-Based Trainings. **During this time, 3,264 scholarships were 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. In calendar year 2008, a total of 571 NFMC Program scholarships were provided to NTI attendees.
- Place-Based Trainings: In calendar year 2008, NeighborWorks hosted regional multi-course Place-Based Trainings (PBTs) with each of its eight districts and 34 PBTs in partnership with HUD-Approved Housing Counseling Intermediaries and State Housing Finance Agencies. NFMC Program scholarships were provided to 2,693 participants to attend these trainings.

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 calendar year 2008, 1,825 certificates of completion were awarded for this course.**

The second round of NFMC Program funding included an additional \$5 million to further train housing professionals. This funding will provide at least 2,420 scholarships to counselors to attend four NeighborWorks Training Institutes and 31 Place-Based Trainings. The online *Foreclosure Basics* course will continue to be free to eligible practitioners through September 2009. NeighborWorks is developing a second online course, *Understanding and Applying Foreclosure Intervention and Loss Mitigation Tools*, which will become available in the spring. Scholarships will be available for those who are eligible to take this online course through September 2009.

### Counseling Efforts

As of January 15, 2009, the National Foreclosure Mitigation Counseling Program has enabled HUD-Approved Housing Counseling Intermediaries, State Housing Finance Agencies, and NeighborWorks organizations to provide 293,067 units of foreclosure mitigation counseling to 275,885 homeowners nationwide.

The NFMC Program divides counseling services into three categories of specific activities, Level One, Level Two, and Level Three counseling. Level One counseling involves developing a budget and action plan for a client seeking assistance in preventing foreclosure. Level Two counseling entails verifying the client’s budget, creating an action plan with steps to address their foreclosure issues, and assisting the client in meeting the goals of his or her action plan. Level Three counseling entails meeting the requirements for both Levels One and Two within the same reporting period. Of the total units of counseling delivered through January 15, 2009, 69% were at Level One, 11% were at Level Two, and 20% were at Level Three.

NeighborWorks estimates that 466,343 units of counseling will be provided through the first round of the NFMC Program. As of January 15, 2009, the program has achieved 63% of this goal.

### **Clients Counseled Through 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 19% of homeowners in the country. Whites represent 39% of all clients, African Americans account for 28%, Hispanics represent 21%, Asians account for 2%, and 2% of clients reported having two or more ethnicities. This is up slightly from the previous Congressional update in October, when 52% of clients were minorities.
- More than half (54%) of counseling services were provided to women.
- Overall, the largest percentage of NFMC Program clients (34%) were married with dependents.
- Sixty-two percent (62%) of NFMC Program clients were between the ages of 35 and 54, and 21% were over the age of 55.
- Forty-five percent (45%) of homeowners seeking NFMC Program counseling reported the reason they defaulted on their mortgage was a reduction in or loss of income. This is up four percentage points from the October report. Only 7% reported they were in default because their loan payment had increased, down from 9% previously.
- Nearly half of all clients held a fixed rate mortgage (49%), while 40% 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.
- On average, clients' total reported monthly principal, interest, taxes, and insurance (PITI) was \$1,806, and the median was \$1,400. Close to 30% of NFMC Program clients paid more than \$2,000 per month in PITI.
- Roughly 53% of NFMC Program clients paid more than 40% of their income toward housing costs. Twenty-one percent (21%) paid more than 75% of their income on housing costs.
- As of January 15, 2009, the NFMC Program has delivered 258,590, or 88%, of the total units of counseling to date to areas of greatest need. Of this total, nearly 240,000 units of counseling have been delivered to MSAs and roughly 19,000 units have been delivered to rural areas of states. Over \$50 million has been utilized to counsel clients within NFMC Program targeted areas of greatest need.
- As of December 31, 2008, 18% of NFMC Program clients lived in low-income minority community (LIMC) zip codes, compared to 6.2% of the overall population. LIMCs are defined as communities with: 30% of a zip code's population being at least one minority group (African American, Asian or Hispanic); 30% of that minority being homeowners; and the median income of the zip code being less than 80% of the area median. A database containing 17,072 zip codes (representing 96% of all households) was examined, and

1,097 (6.2%) meet all three criteria and are non-duplicative. Thus, if you live in a LIMC zip code, you are nearly three times more likely to receive NFMC Program counseling.

- Sixty-seven percent (67%) of NFMC Program clients report having household incomes less than 80% of their Area Median Income (AMI), and 42% reporting having incomes less than 50% AMI.
- Consistent with the data reported in October, the most prevalent outcome reported is that the client is still in counseling (25%). Grantees continue to report that servicer response times to requests for work-outs is lengthy, causing clients to require long-term assistance and counseling to remediate their financial situation. Nineteen percent (19%) 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, bringing their mortgage current, or obtaining a second mortgage or partial claim loan from an FHA lender. Another 11% have been counseled and referred for other social services or legal assistance. Only 1% of clients report going through foreclosure, though this number may be higher as clients can drop out of counseling without sharing their outcome with their counselor.

### 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, and developing partnerships with social service agencies.
- 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 (20%), with responses taking between 45 and 60 days on average. They also reported challenges of borrowers not following through with counselors (11%), not having enough staff to handle demand (6%), and borrowers seeking assistance too late in the process (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.