



February 25, 2009

One year after the National Foreclosure Mitigation Counseling (NFMC) Program's commencement, NeighborWorks® America is pleased to report that as of February 18, 2009, the program has provided 315,410 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. The legislation was signed by President George W. Bush on December 26, 2007 and named NeighborWorks as the NFMC Program 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.

Responses to the nation's foreclosure crisis are still evolving, and details of the Obama Administration's *Homeowner Affordability and Stability Plan* are expected to be announced next week. The NFMC Program will continue to play a vital role in helping homeowners obtain affordable and sustainable mortgage solutions.

Today, NeighborWorks America released its second report on NFMC Program activity, which includes counseling provided to homeowners at risk of foreclosure and training to increase the capacity of housing counselors. The report covers counseling activity reported by program Grantees between March 1, 2008 and January 15, 2009 and counselor training provided by NeighborWorks in calendar year 2008.

Highlights of the report include:

- 275,885 homeowners received counseling during the reporting period
- 3,264 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

In calendar year 2008, under the NFMC Program:

- NeighborWorks provided 3,264 scholarships for foreclosure counselors to attend foreclosure-related courses at its national NeighborWorks Training Institutes and regional and local Place-Based Trainings.
- 1,825 certificates of completion were earned for NeighborWorks' *Foreclosure Basics* e-learning course.

Borrowers Counseled

Grantees report counseling 275,885 homeowners between March 1, 2008 and January 15, 2009:

- 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.
- 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 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% report having incomes less than 50% AMI.
- 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.

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 of staying in their home, as counselors can help them create a crisis budget and restructure their finances.

Challenges for Counselors

Grantees continue to report that the most common challenge they encountered was obtaining a timely response from servicers, with responses taking between 45 and 60 days on average. They also report challenges of borrowers not following through with counselors, not having enough staff to handle demand, and borrowers seeking assistance too late in the process.

Another notable challenge is that some servicers are triaging borrowers based on the foreclosure timeline and will not explore a modification until the borrower is officially in foreclosure or seriously delinquent. Counselors can work with these clients to review their income and expenses and determine how the client can continue to pay their mortgage, but unless they are facing a determined foreclosure date they are not able to fully address their situation.

America's Housing Crisis

The NFMC Program continues to be an important asset in the nation's fight against foreclosures, and its data show the circular relationship between the housing market and the overall economy. Far more clients



report they are facing foreclosure due to a reduction in or loss of income than anticipated, and as the unemployment rate climbs above 10% in some states, the economic crisis is having a significant impact on families struggling to keep their homes.

The new programs announced by President Obama to address the nation's housing crisis are expected to have a positive impact on foreclosures, homeownership, and community stability. NeighborWorks is proud to partner with the Administration, the U.S. Department of Housing and Urban Development, and the Treasury Department to ensure this commitment to the nation's homeowners is a success.

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.