



## NATIONAL INITIATIVES



### *NHS of Chicago's HOPI*

# Protecting Families, Transforming Houses

BY ROCHELLE NAWROCKI GOREY

Andy Adams had owned his home in Chicago's Morgan Park neighborhood for five years when he was laid off from his job of 17 years as a truck driver. Savings and unemployment payments helped keep his mortgage current while he found a new job as a bus driver for the Chicago Transit Authority (CTA). However, the CTA paid \$9 an hour less than his old job and limited his time to 30-40 hours a week, instead of the overtime he was used to.

Keeping up three months of mortgage payments and paying \$1,800 in lender-imposed attorney fees depleted Adams' savings. He knew he was going to end up in foreclosure if something didn't change.

Then he saw a public service announcement on the city's

"Every Minute Counts" homeownership preservation help line. Adams dialed the city's non-emergency information phone number, 311, and was referred to a counseling agency. After a session of telephone counseling, the agency, in turn, referred Adams to **Neighborhood Housing Services of Chicago**.

NHS provided special refinancing for Adams' mortgage, and, in addition, included other special financing for urgent improvements on his home. As a result, Adams' interest rate dropped from 8 percent to 6 percent, and his monthly payment dropped by more than \$250.

"I'm able to pay my bill now," Adams says, "and I haven't had to file for bankruptcy." As part of the deal, he completed NHS's "Budget and Credit" class.

Andy Adams is just one of hundreds of Chicagoland residents who have benefited from NHS's Home Ownership Preservation Initiative (HOPI), a partnership of the city of Chicago, NHS, and key lending, investment, and servicing institutions that seeks to preserve sustainable homeownership for Chicago residents and reclaim foreclosed homes as neighborhood assets.

The partnership is making critical connections between borrowers, lenders, and servicers that otherwise might not be made, often resulting in helping a family avoid foreclosure.

Officially launched in September 2003, Mayor Richard M. Daley and Michael Moskow, president of Federal Reserve Bank of Chicago, established three goals for the partnership to be accomplished over three years: help 1,500 homeowners avoid foreclosure; reclaim 300 foreclosed properties as community assets; and cultivate community development best practices. (Further background, summer 2003 *bright ideas*, page 44.)

In its first 18 months, the partnership's efforts have saved more than 690 families from foreclosure and marked more than 100 houses for transformation from once-vacant units to homeownership opportunities, as NHS rehabilitates them.



Andy Adams

PHOTO BY MATT MARTON, DAILY SOUTHTOWN

In addition, the partnership has created an opportunity for participating lenders and servicers to learn, develop, and implement innovative strategies to benefit their customers, regardless of where they live. HOPI partner, Homecomings-RFC, for example, already has counseled 40,000 homeowners nationwide as a result of its participation in HOPI.

### Homeowners' Workshops

Working with NHS, HOPI partners have tapped into NHS of Chicago's reputation and relationships in the local market to help deliver the message that lenders and servicers want to help borrowers in times of trouble. One of the most significant challenges for the mortgage industry, according to lenders and servicers, is making contact with delinquent borrowers.

Lenders believe that if servicers and borrowers can establish positive relations before the homeowner experiences difficulty, the borrower will be much more likely to seek assistance early in a delinquency, thus increasing the opportunity for a positive outcome.

"Building trust with homeowners is something we all need to work on," says Robert Meachum, senior vice president, managing director for GMAC-RFC/Homecomings Financial,

To do so, HOPI has created "Homeowner's Workshops" to help borrower's connect with their mortgage servicer and to inform them about what steps to take when facing difficulty in making a mortgage payment.

The sessions are marketed as "Homeowner's Workshops," rather than "Foreclosure Workshops," to remove the stigma associated with foreclosure and attract homeowners who in the past may have feared attending. NHS of Chicago sends workshop invitations on behalf of participating servicers. Customers who are current to 120 days delinquent, not currently in bankruptcy, and not currently with a workout in place are asked to attend.

Through the workshops, homeowners gain valuable information to help them maintain and protect their investment, NHS expands its relationship with homeowners in the neighborhoods it serves, and servicers are increasing contact with their customers.

The workshops are held after working hours in a well-known, local institution in the neighborhood where the homeowners live. A light dinner is provided, and a \$25 gift certificate to a local grocery store chain is given, as incentives to attend. The curriculum includes information on credit and budgeting, taxes and insurance, escrow accounts, how best to finance home repairs, and what to do when you cannot pay your mortgage.

Staff from NHS of Chicago facilitate the class, and representatives from the servicing institutions handle questions

### Going National

Building on the work of NHS of Chicago and its HOPI partners, NeighborWorks® America has created the Center for Foreclosure Solutions, which will pursue nationally both innovative strategies and research. As a first step, the Corporation plans to convene one-day, regional, working groups of nonprofit organizations, municipalities, and mortgage-industry players so that successful strategies can be replicated. The Center also will look to collaborate with the federal financial services regulators on the Corporation's board, nonprofit advisors, and the Chicago HOPI staff and partners to advance new methodologies.

Separately, participating HOPI lenders themselves have brought lessons learned to other markets. The Federal Reserve Bank of Minneapolis, for example, hosted a forum for nonprofit organizations, lenders, and researchers on foreclosures in the Twin Cities and Chicago's HOPI efforts. Several HOPI lenders were on hand to learn more about the Minneapolis market and explore working with Twin Cities' nonprofits against foreclosures.

or schedule follow-up meetings with the homeowners. One lender-partner, for instance, has made face-to-face contact with more than 100 of its customers, a rare achievement in today's increasingly automated loan-servicing world.

### 'Every Minute Counts'

Mayor Richard M. Daley launched "Every Minute Counts" in January 2004 to reach homeowners at risk of foreclosure. The campaign urges homeowners having difficulty paying their mortgage to call the city's 311 non-emergency information phone number. The 311 operator conducts an initial screening and then transfers the caller to a credit counselor for a phone counseling session. The counselor helps assess the caller's financial situation, reviews possible options, develops a homeowner action plan, makes referrals to city resources, and if appropriate, serves as a liaison between the homeowner and loan servicer.

Counseling is provided through the Credit Counseling Resource Center (CCRC), an affiliation of three nonprofit credit counseling agencies. It is free for city of Chicago residents. Participating HOPI lenders fund counseling sessions for their customers; the city's Department of Housing funds counseling for homeowners of nonpartici-

**“Our experiences with NHS and the HOPI program,” says Steve Paton, vice president of asset disposition and recovery for Chase Home Finance, “have taught us to take a different look at what can be accomplished in the neighborhoods. We are happy to be a part of this effort.”**

pating lenders. To date, participating lenders have paid for 60 percent of the counseling sessions.

The program is marketed through a variety of efforts spearheaded by the city, including the city’s cable television channel, advertising on the city’s mass transit system, and targeted mailings to neighborhoods with high foreclosure rates. The Department of Housing and NHS of Chicago also market the program through housing fairs, aldermanic offices, and newsletters.

In the program’s first nine months, 628 homeowners completed counseling. Twenty-eight percent either have cured their mortgage delinquency or pursued an exit strategy such as a short sale, allowing them to exit the property gracefully. Twenty percent who had no previous contact with their lender or servicer now are actively working with their lender.

**Reclaiming Properties**

To help turn vacant properties into neighborhood assets, many participating loan servicers have begun to monitor their REO (real-estate owned) inventory for “low value” properties or properties in NHS target areas that could be donated or sold at a deep discount to NHS. NHS provides partners with its target areas, and partners are able to run monthly or quarterly reports of their inventory.

Once a property is identified and a price negotiated, NHS acquires the property, rehabs it, and sells it to a qualified, owner-occupant. The city of Chicago provides needed appraisal gap subsidy to enhance the amount of rehab that the properties often need.

To date, the HOPI program has helped reclaim 111 properties as neighborhood assets.

In addition to the lender donation/discount program, the city’s concern about the increase in vacant buildings led to

the passage of the Troubled Building Initiative II, which helps foster HOPI goals. The initiative brings senior staff from eight city departments together with NHS of Chicago to coordinate and expedite the acquisition of vacant buildings by qualified nonprofits, which redevelop them into safe, affordable housing.

The initiative provides up to \$40,000 in subsidy to cover the difference between the cost of rehabbing the home and the appraised market sales price, once the rehabilitation is complete (appraisal gap subsidy). Increased coordination and the opportunity to strategize about potential acquisitions have led to a decreased vacancy time for buildings that enter the program.

“Our experiences with NHS and the HOPI program,” says Steve Paton, vice president of asset disposition and recovery for Chase Home Finance, “have taught us to take a different look at what can be accomplished in the neighborhoods. We are happy to be a part of this effort.” ■

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**Best Practices and Research**

Conducting research and documenting best practices are also on the HOPI agenda.

NHS of Chicago, for example, contracted for a special research report on the subprime industry and the challenges of serving higher-risk borrowers. The report, *Preserving Homeownership: Community-Development Implications for the New Mortgage Market*, documents the advent of the subprime industry and provides an understanding of its operations from loan securitization to loss-mitigation efforts. It also identifies strategies for reducing foreclosures and vacant buildings.

The report served as a catalyst for HOPI, and working groups, which continue to meet, were formed to address the strategies it introduced.

In addition, HOPI plans to develop a study to better understand escrow accounts and their effect on loan performance. HOPI partners will help examine escrow provisions within the non-prime market. Data will be collected and reviewed on the characteristics of borrowers, loans, and localities in which non-prime borrowers choose escrows and on the extent to which escrowing for property taxes and insurance improves, worsens, or fails to impact loan performance.



## Campaign Adopts New Postpurchase Standards

As part of enhancing Full-Cycle Lending® certification, the NeighborWorks® Campaign for Home Ownership's steering committee has adopted a new package of post-purchase education and service standards to help sustain the gains of homeownership. The standards will be implemented in January 2006, to allow NeighborWorks® organizations time to build capacity in these areas.

The package has been designed to allow participating organizations to assess their external and internal capacities, make a determination of homeowners' needs in their service areas, and identify specific programmatic services that meet those needs. With that in hand, NeighborWorks® organizations and their partners then are to develop a plan that addresses real market needs.

Key elements include providing homeowner education, monitoring foreclosure trends, offering staff training and support, tailoring services as needed, and tracking outcome measures.

At a minimum, postpurchase education will include both financial education and home-maintenance education. Financial education will include budgeting for life as a homeowner, maximizing a home as an asset, insuring a home, and paying for repairs and improvements. Home maintenance education will include both preventive maintenance and home improvements and repairs.

The education may be offered through classroom workshops or one-on-one counseling (or some combination), or referred to a partner organization. Customers would be expected to select the education most appropriate to their situation.

In monitoring foreclosure trends, participating organizations will be expected to follow and respond to key local market indicators, including foreclosure rates, vacancy rates, and home price appreciation, and to identify key lenders and servicers active in the market.

The organizations will be expected to provide additional homeowner assistance and counseling, beyond their own resources, through business alliances with other nonprofit, private or public organizations.

To gain or polish skills in postpurchase services, participating NeighborWorks® staff will be expected to obtain a Train-the-Trainer Certificate in postpurchase education, as offered at NeighborWorks® Training Institutes.

To provide appropriate services, participating organizations will be expected to develop a marketing strategy and plan that ensures that affected homeowners are made aware of and offered postpurchase support, tailored to individual needs and circumstances.

To document their achievements, participating organizations will be expected to implement a tracking system

that monitors their customers and services in terms of both wealth-building and crisis intervention. ■

## NCC Closes on Deal with Merrill Lynch CDC

Neighborhood Capital Corporation (NCC), a loan fund assisting NeighborWorks® Multifamily Initiative members, closed in December on a \$2 million investment from Merrill Lynch Community Development Company, LLC. The investment increases NCC's total loan capital to \$9.2 million.



In addition, NCC also won a \$50,000 operating support grant from the Fannie Mae Foundation and a \$25,000 grant from the JPMorgan Chase Foundation for loan loss reserves. ■

## Year-End Flurry Boosts RNA's Lending

RNA Community Builders Inc., the cooperative lending alliance of rural NeighborWorks® organizations, ended the year with a flurry of activity. RNA's loan committee approved three loans in December and closed two loan commitments. This brought the year's count to seven new loans that totaled more than \$1.4 million and will create almost 200 single-family homes and 36 new units of multifamily housing.



The three approved loans included \$300,000 to **Rural Communities Housing Development Corporation** in Ukiah, California, to refinance land used for a self-help housing development; \$225,000 to **Neighborhood Housing Services of the Black Hills** to purchase and rehab 10 condominiums in Lead, South Dakota, that will be converted into affordable homeownership opportunities; and \$200,000 to **AHEAD** in Littleton, New Hampshire, to refit 72,000 square feet of a defunct hospital building as commercial office space.

Three loans totaling \$660,000 were expected to close before the end of February, putting almost 98 percent of the RNA's loan funds into the field. RNA's board of directors continues to look for additional capital, which is available to RNA members for a variety of project development needs. ■



A foursome at Tierra Nueva

PHOTO BY KRIS PEARSON

## Colorado Rural HDC

### Turning Farmworker Housing into a Community Asset

A two-phase, affordable housing project by Colorado Rural Housing Development Corporation (CRHDC) of Westminster has brought much-needed farmworker housing to the San Luis Valley in southern Colorado, added a well-received community restaurant and migrant Head Start center, and earned national recognition for its design and achievements.

The project, Tierra Nueva, includes dormitories for 216 single workers and 25 single-family townhomes. Designed by Ron Faleide of Faleide Architects, PC, the project also includes a community center, which houses the restaurant, Azteca de Oro, and the Head Start center.

Tierra Nueva, in a town called Center, is one of several CRHDC projects in the San Luis Valley – along with self-help houses in the El Milagro subdivision in Alamosa, senior apartments in Del Norte, and another affordable

housing development, Tierra del Sol, in Monte Vista.

“Many of the individuals living in this region depend on agriculture for their livelihood,” says CRHDC Executive Director Al Gold. “They work in the fields or small factories for a very low wage. I grew up in the San Luis Valley, and the area holds special meaning for me.”

### Serving the Community

Both the Azteca de Oro restaurant and the migrant Head Start program in Center are open to the community at large. “They’ve not only helped integrate farm workers into the community,” Gold says, “but also helped the community accept and even embrace the workers. Our philosophy was to get people sitting side by side. When that happens, good things happen.”

The restaurant came about because CRHDC’s partner in Tierra Nueva, San Luis Valley Farm Worker Housing Inc., decided to contract out the food service. “We put it out to bid to restaurant owners,” Gold says, “and a family surfaced who were interested in managing the restaurant.” So the partners designed and built a fully-equipped kitchen and dining space and leased it to the family.

“They provide excellent, authentic, Mexican food, buffet style,” Gold says. “The buffet is all-you-can-eat for \$7 a person. They bring you out hot tortillas, and there’s so much food, and such a great variety – it’s very enjoyable. I must admit I’ve put on a few pounds there.”



Tierra Nueva’s setting

PHOTO BY KRIS PEARSON





Above: Showing off Tierra Nueva's design styles

PHOTOS BY DAVID DANGLER AND KRIS PEARSON



PHOTO BY KRIS PEARSON

The restaurant is open five days a week, and expands to seven days during the peak growing season, from May through November. To accommodate farmworkers, it features an early-bird (4 a.m.) breakfast.

To recruit the Head Start program, CRHDC worked with the state of Colorado, which manages Head Start, and convinced it to build a migrant Head Start center on-site. The program starts at infancy, so both the husband and wife can work on the farms. "As soon as a baby is born, it can be cared for, in a nicely done, secure facility," says Gold.

### National Recognition

In appearance, Tierra Nueva focuses on flexibility and innovative design. A visitor first sees the one-story community center. The winding roadway is concrete, not asphalt, and it all looks well-groomed and well-maintained. The dormitories are two stories and divided among three buildings. The townhouses also are well-conceived and well-executed.

The Tierra Nueva project in 2004 was selected by the National Building Museum in Washington, D.C., as part of its exhibit on "Affordable Housing: Designing an American Asset."

The major lender was USDA Rural Development, under its farmworker labor housing program. Other partners included the Federal Home Loan Bank of Topeka, the Colorado Housing and Finance Authority, the Mercy Housing Loan Fund, and a \$125,000 grant from NeighborWorks® America, which was structured as a loan. CRHDC was the technical assistance provider and was responsible for packaging, funding, construction, and leasing. ■



## ANNOUNCEMENTS

## NeighborWorks® Campaign for Home Ownership

### New Publications

Three new publications from the NeighborWorks® Campaign for Home Ownership focus on partnerships with real estate agents, state housing finance agencies, and homeownership education and counseling.

*Partnerships Between NeighborWorks® Organizations and Real Estate Agents*, written by consultant Ann DiPetta, describes nine partnerships in the NeighborWorks® network that benefit both participating real estate agents as well as new homebuyers and the larger community. To receive a PDF copy, e-mail Sheila Squier at [ssquier@nw.org](mailto:ssquier@nw.org).

*Strengthening Bonds: Partnerships Between NeighborWorks® Organizations and State Housing Finance Agencies*, by consultant Ann Gass, describes many areas where HFAs and NeighborWorks® organizations have worked together productively. To receive a PDF copy, e-mail Sheila Squier at [ssquier@nw.org](mailto:ssquier@nw.org).

*Homeownership Education and Counseling: Where Do We Go From Here?* a report from the NeighborWorks® Training Institute symposium in August, addresses these questions: What tool to use moving forward? According to what standards? Involving what partners? Paid for by whom? Copies are available from NeighborWorks® America's online fulfillment service, Shamrock Acquisitions, [www.shamrockacq.com](http://www.shamrockacq.com), item 56246.

## NeighborWorks® Multifamily Initiative

### Resident Services Symposium

NeighborWorks® America and The Enterprise Foundation will co-host a one-day symposium on March 31 in Washington, D.C., on funding resident services in multifamily properties.

Initial research done collaboratively by the Corporation and Enterprise demonstrates that \$300 to \$400 a unit a year in operating expense provides core operating support for resident services. But historically, there hasn't been enough information on how to truly underwrite the owners and hold them accountable. This symposium will dig more deeply into these questions.

The invitation list will include 70 to 100 leaders from state HFAs, cities, lenders, tax credit investors, nonprofit and for-profit owners and managers, policy leaders, and federal agencies.

### National Annual Symposium

NeighborWorks® America and the NeighborWorks® Multifamily Initiative will sponsor a national symposium June 22 in Boston on "The Balancing Act: Blending Housing and Commercial Development to Build Thriving Communities." Keynote speakers include Douglas I. Foy, secretary, Office for Commonwealth Development; Jair K. Lynch, president and CEO, The Jair Lynch Companies; and Manuel Pastor Jr., co-director, Center for Justice, Tolerance and Community.

The format will include two general sessions, "How Commercial Development Supports Healthy Communities" and "Where Are Some Models? Characteristics of Success in Diversified Development for Healthy Communities," and a set of concurrent workshops on "Building New Skills and Partners – Facing New Challenges."

## NeighborWorks® Community Building and Organizing Initiative

### Name Change

The NeighborWorks® Resident Leadership Initiative is changing its name to the NeighborWorks® Community Building and Organizing Initiative. Details will be forthcoming. The renamed initiative will continue to carry out its past functions and also develop new programs under its more encompassing name.

As an example, the initiative will select its first new NeighborWorks® members in April 2005. The new membership program was announced in the supplementary *2005 Guide to Technical and Financial Assistance*. New members will receive a grant of \$15,000 as well as technical assistance and training at the June 20-24 Boston NeighborWorks® Training Institute.

### New Steering Committee

The new Community Building and Organizing steering committee, an advisory body of local NeighborWorks® representatives, met for the first time at

the December 2004 NeighborWorks® Training Institute in New Orleans.

The committee will advise NeighborWorks® America on requirements and standards for the initiative's new membership program; review data collected from members and assess its significance to standards and impacts; work with the districts to set goals for NeighborWorks® participants; assist in disseminating information on effective practices and the value-added of community building and organizing in community development; and increase collaboration between network organizations and others to replicate best practices and generally expand support for community building and organizing.

## NeighborWorks® Rural Initiative

### Rural Loan Product

In a loan product designed for rural NeighborWorks® organizations, Neighborhood Housing Services of America's affiliate, NHSA-CDFI, will use a \$1.75 million award from the Community Development Financial Institution Fund to assist NeighborWorks® organizations that are involved in USDA Rural Housing Services' (RHS) Section 502 Leveraged Second, Guarantee, and/or Self-Help Loan Programs.

NHSA-CDFI will provide up to a 12-month line of credit for NeighborWorks® organizations to draw down as needed to make first mortgages in combination with RHS second mortgages.

*Details, Bob Ibanez, NHSA-CDFI senior loan and investment officer, (508) 420-9661 or [bobibanez@comcast.net](mailto:bobibanez@comcast.net).*

### Related Publications

Two new publications related to community-based development in rural areas have been issued by the Housing Assistance Council.

*Race, Place, and Housing: Housing Conditions in Rural Minority Counties* is an analysis of housing conditions in rural communities that have consistently high concentrations of minority populations.

*A Guide to Nonprofit Housing Organizations Serving the Colonias* provides centralized information on affordable housing and community development efforts in the U.S.-Mexico border region. ■