

# **Community Organizing Strategies to Promote Homeownership, Fight Predatory Lending and Prevent Foreclosures**

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**Created by**

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## **Instructor Biographies**

### **Doug Dylla**

Doug Dylla began his community development consulting practice in 2006 specializing in applied research projects related to homeownership services, foreclosure prevention efforts, asset-building strategies and financial education programs.

For the prior 15 years, Dylla worked at NeighborWorks® America as the National Director of the NeighborWorks® Campaign for Home Ownership. The Campaign helped over 100,000 underserved Americans to purchase homes. In 2005, Dylla was instrumental in establishing the NeighborWorks® Center for Foreclosure Solutions to address the nation's growing problem of mortgage defaults and has been an active partner in the Chicago Home Ownership Preservation Initiative that has prevented over 1,200 foreclosures since 2003. Dylla has helped coordinate the Ohio Foreclosure Prevention Initiative, the first statewide foreclosure prevention program in the nation starting in 2006.

### **James Johnson**

James is the Director and Curriculum Specialist of SUN Consulting and Associates. He has been a community organizer, trainer, facilitator, and consultant for more than 15 years. He started his formal organizing and community building as the project coordinator for People's Action Coalition of Dunkirk, NY. He also worked for Center for Third World Organizing, where he co-founded Action for a Better Community, a grassroots organization in Denver, and Sacramento Communities Taking Action for Neighborhood Dignity. Formerly, a Resident Leadership Specialist with NeighborWorks® America's Resident Leadership Initiatives, he continues training and providing technical assistance nationally to resident leaders, neighborhood association, and organizations. James Grew up in South Carolina as a youth, and loves to talk about his life experiences in the rural south. He now lives in Collegeville, PA.

James is also a trainer at NeighborWorks® Training Institutes and Community Leadership Institutes. His courses include: Principles of Community Building, Fundamentals of Community Organizing, Involving Youth, Working in Diverse Communities, Getting & Keeping People Involved, Effective Teamwork and Working Together, and Involving Community in Your Post Purchase Home Ownership Program.

## **Course Description**

Homeownership provides benefits for families, communities and the economy. Owner-occupied homes furnish a place to raise children and a base from which to establish social networks. Homeowners have incentives to take care of their property, to improve their neighborhood and to participate in the democratic system.

For many families, buying a home is their largest investment and greatest source of savings for education and retirement. And as families buy and build homes, economic benefits – such as jobs and income – are generated for the broader community.

However, reaching the “American Dream” of homeownership can be a rocky road. Predatory lending and the threat of foreclosure can be challenges, especially to lower-income homeowners.

This two-day workshop will promote strategic ways for organizations, neighborhood leaders, homeownership counselors, community partners and outreach teams to promote community and civic involvement in sustainable homeownership.

## **Course Objectives**

The Participants will:

- Learn about current trends in homeownership, housing finance, predatory lending and foreclosure issues
- Identify effective community organizing strategies to address predatory lending and foreclosure
- Discuss strategies that promote sustainable homeownership
- Learn about simple community-based research techniques

## **Core Competencies and Learning Objectives:**

1. Define and analyze the causes of predatory lending and foreclosures.
2. Identify effective strategies and tools for promoting homeownership.
3. Identify effective strategies and tools to address predatory lending and foreclosures.
4. Identify the importance of using applied research to achieve results.

## Course Agenda

### Day 1

Activity
<p>Opening Session</p> <ul style="list-style-type: none"><li>• Icebreaker</li><li>• Introductions</li><li>• Course overview</li><li>• Class assessment</li></ul>
<p>Overview of the National Trends in Predatory Lending, Foreclosures and Homeownership</p> <ul style="list-style-type: none"><li>• Broad national industry trends, including consumer, housing and financial service industry trends</li><li>• Impacts of these issues across the nation</li></ul>
<p>How Do These Issues Hit Home?</p> <ul style="list-style-type: none"><li>• Key challenges for local communities</li><li>• Effective strategies from other communities</li><li>• Identifying our constituency and their issues</li><li>• Analyzing what each audience wants</li></ul>
<p>Using Community Organizing to Address the Problem</p> <ul style="list-style-type: none"><li>• How community organizing can add value</li><li>• Review effective examples</li></ul>

*Day 2*

Activity
<b>Strategies and Tools to Promote Social Justice Strategies</b> <ul style="list-style-type: none"><li>• Community building and organizing</li><li>• Service delivery and advocacy</li><li>• Examine various strategies and tools</li></ul>
<b>Strategies and Tools to Address Foreclosures</b> <ul style="list-style-type: none"><li>• Prevention strategies</li><li>• Intervention strategies</li><li>• Stabilization strategies</li><li>• Local program example from Chicago</li></ul>
<b>Strategies and Tools for Partnership and Resource Development</b> <ul style="list-style-type: none"><li>• Basic partnership building strategies</li><li>• Effective examples of building partnerships</li></ul>
<b>Local Action Planning Steps</b> <ul style="list-style-type: none"><li>• Planning your local efforts</li><li>• Identifying specific action steps for your community</li></ul>
<b>Closing Session</b> <ul style="list-style-type: none"><li>• Wrap Up</li><li>• Evaluations</li></ul>

# Predatory Lending

## Tab 1

In Tab 1 We Will:

- *Provide An Overview of Predatory Lending Issues*
- *Review Signs of Predatory Lending*
- *Identify Key Challenges for Communities*
- *Examine Successful Strategies to Address Predatory Lending*

## What is Predatory Lending?

To date, there is no single agreed upon definition for predatory lending, though most regulators, advocates and industry experts refer to predatory lending as a type of lending that combines certain products, terms, prices and practices. The Truth-In-Lending Act, for example, defines predatory lending as “extending credit to a consumer based on a consumer’s collateral if, considering the consumer’s current and expected income, the consumer will be unable to make the scheduled payments to repay the obligation.” Deborah Goldstein describes predatory lending as a set of loan terms and practices that fall along a continuum between appropriate risk-based pricing and blatant fraud.<sup>1</sup>

Thus, the term “predatory lending” has been coined to describe a wide range of abusive, including blatantly fraudulent, practices (see **Eight Signs of Predatory Lending** below) used by some lenders to lure borrowers into home-secured loans that charge excessive interest rates and fees that strip equity from homes, and sometimes weigh down borrowers with such unmanageable debt that they are likely to end up losing their homes. Since borrowers are unlikely to enter knowingly into abusive loans, predatory lenders combine high-pressure and often deceptive sales tactics with unfair lending terms that make it difficult for borrowers to refinance the loans or sell their homes. In general, a predatory loan is not the result of a single term or feature, but a combination of factors that impose substantial hardships on the borrower.

### Difference Between Subprime Lending and Predatory Lending

Although predatory loans tend to occur in the subprime market, not all subprime lenders are predatory. Subprime lenders play a legitimate role in the nation’s economy. They rely on risk-based pricing to serve borrowers who cannot obtain credit in the prime market, which is reserved for borrowers with highly rated credit histories. Prime loans are often described as “A” credits, and the mortgage industry has adopted a grading scheme for subprime loans, which range from A- through D. Higher degrees of risk for borrowers warrant higher costs for a loan. Predatory lenders, on the other hand, charge exorbitant rates and fees, garnering returns well above what is required to compensate for risks. Their high-cost loans are coupled with unscrupulous practices that pressure borrowers into agreeing to the unfavorable terms. Table 1 (below) highlights some of the key differences between subprime and predatory lenders.

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<sup>1</sup> Goldstein, Deborah, *Understanding Predatory Lending: Moving Towards a Common Definition and Workable Solutions*. Neighborhood Reinvestment Corporation and the Joint Center for Housing Studies of Harvard University, October 1999.

**Table 1: Key Differences Between Subprime and Predatory Lending**

	<b>Subprime Lending</b>	<b>Predatory Lending</b>
<b>Customers</b>	Serve households with credit problems	Target lower-income, minority and elderly homeowners
<b>Fees</b>	Charge reasonable fees based on risks	Charge exorbitant fees
<b>Practices</b>	Use aggressive but ethical tactics	Use deceptive and sometimes illegal tactics

### Targets of Predatory Lenders

In general, predatory lenders target low-income homeowners— primarily women, seniors, minorities and families in financial crises— who are “equity-rich” and “cash poor.” In many cases, individuals are not experienced or knowledgeable about complex financial transactions. Using aggressive sales tactics, unscrupulous lenders lure people into loans with excessive rates and fees and misleading terms designed to gain as much equity from properties as possible. Due to the ensuing unmanageable financial burden, some people lose their homes and savings to foreclosure.

As documented in media on predatory lending, older homeowners are prime targets for home improvement and home equity fraud for a variety of reasons.<sup>2</sup> First of all, they tend to have a lot of equity in their properties by paying down their mortgages over time and from increasing house prices in recent years. Moreover, the elderly tend to be an underserved population in the conventional lending market. Older homeowners, especially those with fixed incomes, may need to access their equity for home improvements, medical expenses or support of family members. When in need of home improvements, older homeowners are more likely to hire contractors than to do the repairs themselves. Finally, the elderly are more likely to be home for door-to-door salespersons and telemarketers.

<sup>2</sup> Friedman, M. “Confidence Swindles of Older Consumers.” The Journal of Consumer Affairs: Vol. 26, No.1, 1992. Brown, Helen, “AARP Consumer Home Equity/Home Improvement Lending Survey.” November 2000.

## Eight Signs of Predatory Lending

Source: *The Center for Responsible Lending*

In general, subprime lending (also known as B-paper, near-prime, or second chance lending) is lending at a higher rate than the prime rate and was a way for borrowers with weak or blemished credit records to gain access to credit and potentially the wealth-building benefits of owning a home. Most abusive lending takes place in the subprime market. An example of a typical predatory practice is the refinance of an existing loan that is packed with excessive or unnecessary fees and provides no tangible benefit to the borrower. Unfortunately, many of these loans are perfectly legal, and too often they are targeted at some of our most vulnerable citizens. Predatory lending has shattered the hope of economic progress for millions of families and triggered a devastating chain reaction of losses for communities and businesses.

Predatory mortgage lending involves a wide array of abusive practices. Here are brief descriptions of some of the most common.

1. Excessive Points and Fees
  2. Abusive Prepayment Penalties
  3. Kickbacks to Brokers (Yield Spread Premiums)
  4. Loan Flipping
  5. Unnecessary Products
  6. Mandatory Arbitration
  7. Steering & Targeting
  8. Payday Lending
1. **Points and Fees.** Points and fees are costs not directly reflected in interest rates. Because these costs can be financed, they are easy to disguise or downplay. On competitive loans, fees below 1% of the loan amount are typical. On predatory loans, fees totaling more than 5% of the loan amount are common.
  2. **Abusive Prepayment Penalties.** Borrowers with higher-interest subprime loans have a strong incentive to refinance as soon as their credit improves. However, up to 80% of all subprime mortgages carry a prepayment penalty -- a fee for paying off a loan early. An abusive prepayment penalty typically is effective more than three years and/or costs more than six months' interest. In the prime market, only about 2% of home loans carry prepayment penalties of any length.
  3. **Kickbacks to Brokers (Yield Spread Premiums).** When brokers deliver a loan with an inflated interest rate (i.e., higher than the rate acceptable to the lender), the lender often pays a "yield spread premium" -- a kickback for making the loan more costly to the borrower.

4. **Loan Flipping.** A lender "flips" a borrower by refinancing a loan to generate fee income without providing any net tangible benefit to the borrower. Flipping can quickly drain borrower equity and increase monthly payments -- sometimes on homes that had previously been owned free of debt.
5. **Unnecessary Products.** Sometimes borrowers may pay more than necessary because lenders sell and finance unnecessary insurance or other products along with the loan.
6. **Mandatory Arbitration.** Some loan contracts require "mandatory arbitration," meaning that the borrowers are not allowed to seek legal remedies in a court if they find that their home is threatened by loans with illegal or abusive terms. Mandatory arbitration makes it much less likely that borrowers will receive fair and appropriate remedies in cases of wrongdoing.
7. **Steering and Targeting.** Predatory lenders may steer borrowers into subprime mortgages, even when the borrowers could qualify for a mainstream loan. Vulnerable borrowers may be subjected to aggressive sales tactics and sometimes outright fraud. Fannie Mae has estimated that up to half of borrowers with subprime mortgages could have qualified for loans with better terms.

According to a government study, over half (51%) of refinance mortgages in predominantly African-American neighborhoods are subprime loans, compared to only 9% of refinances in predominantly white neighborhoods.

8. **Pay Day Lending.** Lenders collect the vast majority of their fees from borrowers trapped in a cycle of repeated transactions, where borrowers are forced to pay high fees every two weeks just to keep an existing loan outstanding. This "debt trap" locks borrowers into revolving, high-priced short-term credit instead of meeting the need for reasonably-priced, longer-term credit. The Center for Responsible Lending conservatively estimates that predatory payday lending fees -- those extracted from borrowers caught in a debt trap of repeated transactions -- costs U.S. families \$3.4 billion annually. Published: December 18, 2003

## Key Challenges for Communities

- Identifying predatory lenders.
- Educating the public about predatory lending.
- Involving public officials in anti-predatory lending campaigns.
- Finding resources to help provide community financial education.
- Preserving access to capital for underserved markets through subprime lending while prohibiting predatory practices.

## Potential Strategies to Combat Predatory Lending<sup>3</sup>

### 1. Prevention and Tools

#### **Public Awareness Campaigns**

Public awareness campaigns make homeowners aware of the potential threats to their homes and saving and create more informed borrowers in general. These are generally carried out by local government agencies in corporation with a wide range of local partners. These campaigns use a combination of ads, billboards, Web sites and public service announcements to educate borrowers about predatory lending practices. They often direct victims of predatory lenders to a toll free hotline for referrals to local government and nonprofit agencies that can help them understand and resolve specific lending problems.

- **Ad Campaigns.** Large-scale marketing and media campaigns aimed at raising the public's awareness of predatory lending to prevent people from becoming victims of unscrupulous lenders.
- **Brochures and Videos.** Publications that are distributed to homeowners to warn them about predatory lenders and provide tips on finding good loans. These may be done in a variety of languages, as victims of predatory lending may be recent immigrants.
- **Local Coalitions.** Broad-based partnerships, which involve traditional lenders, nonprofits, housing organizations, consumer and seniors groups, legal services, regulators, public officials, local government agencies, funders, homeowners and others, to conduct research, change policy and execute comprehensive approaches to combating predatory lending. A broad coalition can have significant political clout and affect policy changes to improve legislation, regulation and market competition.

### 2. Policy Changes

#### **Federal Regulations**

Federal regulations and their enforcement can play a key role in eliminating predatory lending. The laws cover a range of predatory lending tactics and thus, provide a formidable regulatory structure for curbing predatory lending. However, Federal laws to have a weakness. Due to the variety of laws that cover different predatory lending practices, it is often difficult, time-consuming and costly to determine which particular law may have been violated in a particular case. Simplifying Federal law to target predatory lending directly could make curtailing unfair and abusive lending behavior easier.<sup>4</sup>

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<sup>3</sup> Excerpted from HO229 Homebuyer Education Methods, NeighborWorks America May, 2007

<sup>4</sup> Carr, James H., and Kolluri, Lops, "Predatory Lending: An Overview." *Financial Services in Distressed Communities*, August 2001

“Curbing Predatory Home Mortgage Lending” by the U.S. Department of the Treasury and HUD is a comprehensive federal examination of predatory lending that discusses predatory lending tactics and a wide range of recommendations to limit unfair and deceptive lending practices.<sup>5</sup>

Current federal laws that address predatory lending are:

- **Home Ownership Equity Protection Act (HOEPA)** defines a class of “high-cost” home equity loans as loans that charge closing fees of eight points or more, or have annual percentage rates (APRs) that are ten percentage points above prevailing Treasury rates for loans with comparable maturities. For HOEPA-protected loans, there are thorough disclosure requirements and prohibitions of many practices. (Governed by the Federal Reserve.)
- **Truth-In-Lending Act (TILA)** requires all creditors to calculate and disclose costs and other information in a uniform manner, such as payment schedules, prepayment penalties and the total cost of credit, expressed as a dollar amount and an APR. (Governed by the Federal Reserve.)
- **Real Estate Settlement Procedures Act (RESPA)** prohibits lenders from paying fees to brokers that are not reasonable related to the value of services performed by the broker and requires that the nature and costs of the real estate settlement process be disclosed to borrowers. (Governed by the U.S. Department of Housing and Urban Development.)
- **Equal Credit Opportunity Act (ECOA) and the Fair Housing Act** prohibit discrimination in lending and housing transactions, respectively, on the basis of several characteristics, such as age and race. (Governed by the Federal Trade Commission.)
- **Federal Trade Commission Act (FTCA)** prohibits unfair and deceptive practices. (Governed by the Federal Trade Commission.)

### **Local Ordinances and State Legislation**

Many states and local jurisdictions have recently enacted or have begun to discuss streamlining their state statutes to address predatory lending directly.

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<sup>5</sup> The full report is available on-line at [www.huduser.org/publications/hsgfin/curbing.html](http://www.huduser.org/publications/hsgfin/curbing.html). See also committee of Banking, Housing and Urban Affairs Chairman Gramm’s response on August 23, 2000, “Predatory Lending Practices: Staff Analysis of Regulators Responses.”

### **3. Market Competition**

Market competition promotes and provides alternatives to predatory loan products through affordable financing with legitimate terms.

**Deed Restrictions.** Restrictions in loan documents to prevent customers from using the equity in their homes for the term of the loan that is provided by a community-based organization, usually as a second-mortgage. Customers are often willing to sign lien agreements because they understand that it is a tool to protect their homes and they want to receive all the subsidies for which they are eligible. Deed restrictions have proven to be extremely successful tools for preventing customers from losing their homes to excessive equity loans.

**Loan Subordination Policies.** Policies that accompany second mortgages provided by community-based organization and local governments that require individual counseling prior to refinancing and/or limit the circumstances which the second-mortgage lien holders will allow for subordination depending on the terms of the refinance loan.

**Best Practices Lending Guidelines.** A code of ethics adopted by financial institutions to not engage in predatory lending practices and to provide credit in a fair manner.

**Competitive Loan Products.** Affordable mortgage products offered by credible financial institutions that are aimed at customers who have experienced credit difficulties to provide them options other than predatory loans. These loan products create and encourage responsible competition in markets targeted by predatory lenders for credit and financial services so that consumers have more options for avoiding predatory lenders.

### **4. Consumer Education**

Education helps consumers make sound financial choices and develop banking relationship with legitimate and affordable financial institutions. Educated borrowers who understand – and know how to exercise – their rights during the lending process can be a solid defense against predatory lenders. Consumers must understand the basics of money management and realize that they have the power to say no. As consumer knowledge increases, opportunities for predatory lenders should diminish.

Tools for consumer education include:

- **Consumer Awareness Seminars.** Interactive one- to two-hour workshops that teach money management skills. They often include segments on how to manage debt and avoid predatory lending and other financial pitfalls. These courses are generally aimed at low-income, minority and senior homeowners and teach participants how to recognize fraud or abuse.
- **Financial Management Training.** Multiple workshops providing in-depth training on financial management to increase consumers' knowledge, confidence and

skills with managing their money, financial planning and decision-making. Courses give participants the tools they need to get their finances in order and keep their finances manageable and secure. Classes tend to concentrate on budgeting, credit and mortgage lending but also may include homebuyer education and information on predatory lending.

## **5. Advocacy and Intervention Tools**

### ***Individual Counseling and Workouts***

Homeowners who are experiencing financial difficulties and may have been victimized by predatory lenders need resources and options for addressing their situations. Individual counseling allows for organizations to offer potential solutions for mitigating financial problems based on each customer's situation.

- **Counseling.** Individual sessions that are used to assist customers who are having financial problems and may have been taken advantage of by predatory lenders. Counselors can review loan documents and then create action plans to make referrals for additional help.
- **Complaint Letters.** Templates that can be adapted and sent to the appropriate regulators for customers who would like to file a complaint against predatory lenders and their practices.

### ***Legal Services***

Legal remedies and referrals generally occur through partnerships that allow for consumer and housing advocates, who suspect cause for litigation, to refer victims of unfair lending practices to legal professionals and services. Some organizations will help with investigations aimed at determining whether lenders can be sanctioned for regulatory violations.

### ***Refinancing Products***

These loan products are designed to assist customers who needed refinancing in order to resolve financial problems brought on by predatory lenders. Loans are used to refinancing existing predatory loans, refinancing with rehabilitation, or for foreclosure intervention.

## **Examples of Successful Local Strategies**

### **Partnering with Schools**

Local civic groups might be able to take advantage of the “backpack express” through local school districts. For example, if an event was planned to educate the community on predatory lending issues, organizers can request that information be sent home with students through the local public school. For example, Salisbury Neighborhood Housing Services (NHS) presented some of their “Rose Street Blossoms” information by sending fliers home with students and inputting information in the PTA newsletter.

### **Partnering with Public Libraries and Hosting Consumer Seminars**

Residents or practitioners can ask the local library to obtain books and materials related to predatory lending and create a doorway exhibit on this topic at the library. The residents can then help the library market the exhibit. This was done as one component of Salisbury NHS Consumer Alert Seminar. Salisbury NHS, a NeighborWorks organization in MD, created a curriculum for educating citizens about predatory lending in response to consumer needs. To download a copy of the curriculum:

[http://www.nw.org/network/comstrat/predatoryLending/documents/sharks\\_curriculum.pdf](http://www.nw.org/network/comstrat/predatoryLending/documents/sharks_curriculum.pdf)

### **“On the Block” Programs**

NeighborWorks Columbus modified its “Cop-on-the-Block” program to include Teachers- and Grandparents-on-the-Block programs as crime prevention strategies. It’s possible that this strategy could work if there was an industry professional living in the neighborhood who was willing to provide predatory lending or foreclosure prevention information. The On-the-Block volunteer would be rewarded by helping to maintain homeownership in his/her neighborhood which positively impacts housing values for everyone) but residents could also offer some recompense for the volunteer for his/her time.

### **Public Forums**

Neighborhood Renewal Services of Saginaw, Michigan, helped organize two anti-predatory lending sessions sponsored by the Saginaw Community Reinvestment Act Bankers Forum. The purpose was to educate residential mortgage industry professionals and the general public on the issue of predatory lending. The two components were a luncheon for industry professionals, and a public forum for consumers. Other agencies or civic groups could organize public forums on the topic of predatory lending with area lenders.

### ACTIVITY: FORECLOSURE QUIZ

Draw a line from the Predatory Lending practice on the left to its definition on the right.

Points and Fees	When borrowers pay more than necessary because the loan includes unnecessary insurance or other products
Prepayment Penalties	When borrowers get a subprime mortgages even when they qualify for a mainstream loan
Loan Flipping	A fee for paying off a loan early
Unnecessary Products	Where borrowers are forced to pay high fees every two weeks just to keep an existing loan outstanding
Mandatory Arbitration	Costs not directly reflected in the interest rate of a loan
Steering and Targeting	When borrowers are not allowed to seek legal remedies in a court when they find that their home is threatened by loans with illegal or abusive terms
Pay Day Lending	This practice quickly drains borrower equity and increases monthly payments

## Resources for Filing a Complaint

### **General consumer complaints:**

State Office of the Attorney General

### **Complaints against state-regulated banks:**

State Department of Banking

### **Complaints against commercial banks (NA or NT&SA):**

Office of the Comptroller of the Currency Customer Assistance Group

1301 McKinney Street, Suite 3710

Houston, TX 77010

(800) 613-6743 (phone)

[Customer.assistance@occ.treas.gov](mailto:Customer.assistance@occ.treas.gov) (e-mail)

(713) 336-4301 (fax)

<http://www.occ.treas.gov/customer.htm>

### **Complaints against federal savings and loans and federally-chartered savings banks (S&L or FSB):**

The Office of Thrift Supervision

Office of Consumer Programs

1700 G Street, NW

Washington, DC 20522

(800) 842-6929 (phone)

[Consumer.complaint@ots.treas.gov](mailto:Consumer.complaint@ots.treas.gov) (e-mail)

<http://www.ots.treas.gov>

### **Complaints against state banks that are members of the Federal Reserve System:**

The Federal Reserve Board

Division of Consumer and Community Affairs

Washington, DC 20551

(202) 452-3946 (phone)

<http://www.federalreserve.gov>

### **Complaints against federally-regulated credit unions:**

The National Credit Union Administration

1775 Duke Street

Alexandria, VA 22314-3428

(703) 518-6300 (phone)

<http://www.ncua.gov>

***Complaints against federally-insured state banks that are not members of the Federal Reserve System:***

The Federal Deposit Insurance Corporation  
Division of Compliance and Consumer Affairs  
550 17<sup>th</sup> Street, NW  
Washington, DC 20249  
(800) 934-FDIC (phone)  
[consumer@fdic.gov](mailto:consumer@fdic.gov) (e-mail)  
<http://www.fdic.gov>

***Discrimination complaints (in violation of the Fair Housing Act):***

Department of Housing and Urban Development (HUD)  
Office of Fair Housing and Equal Opportunity  
451 Seventh Street, SW, Room 5100  
Washington, DC 20410  
(800) 669-9777 (phone)  
<http://www.hud.gov>

## Sample Complaint Letter

### Model Complaint Letter to FTC

Complaints against national advertising practices, credit reporting companies or lending and debt collection

[Date]

Federal Trade Commission  
Consumer Response Center  
600 Pennsylvania Ave., NW  
Washington, DC 20580

**RE: PREDATORY LENDING COMPLAINT**

To Whom It May Concern:

I am writing to file a complaint against [loan company] because of their predatory lending practices.

[Explain situation including name and telephone numbers of people you have spoken to]

I am requesting that you investigate this company and take any appropriate regulatory action, including any necessary referrals to state agencies. It is important that we put an end to these types of deceptive and unethical business practices.

If you have any questions or need additional information, please contact me at (305) 555-1111.

Thank you for your assistance.

Sincerely,

Bruce Smith  
Address  
City, State, Zip

# Foreclosure

## Tab 2

In Tab 2 We Will:

- *Provide an Overview of the Current Foreclosure Crisis*
- *Identify the Causes of Foreclosures*
- *Review Trends and Current Research*
- *Identify Current Strategies to Address Foreclosures*

## Overview of Foreclosure

Over the past fifteen years, the United States has experienced a revolution in mortgage finance. Our mortgage markets have changed dramatically and become much more complex. These changes have had many positive aspects but also some serious negative consequences.

On the positive side, many new technological innovations were implemented over the past 15 years in the industry such as credit scoring, expanded mortgage securitization and risk-based pricing. These innovations combined with policy changes and a period of historically low-interest rates created unprecedented access to credit for many Americans -- allowing them to purchase homes and tap their home equity, providing liquidity to many low- and moderate-income families.

However, this era of easy credit came with many negatives as well. The complexities of the new mortgage market with its array of players, options and products were thoroughly confusing to most consumers. Subprime lending exploded over the last decade with its aggressive marketing techniques, its mortgage broker sales channel and its risky, costly and exotic mortgages. But more risk means more defaults, and that is what has come home to roost.

## Current Analysis

The nation has 54 million mortgage borrowers and 7.1 million hold subprime mortgages (over 13% of all loans). These risky subprime mortgages have been defaulting at rates up to twenty times higher than the rates of prime mortgages. As of the fourth quarter 2007, 1.2 million foreclosures are in process while another 1.8 million loans are seriously delinquent. All told, more than two million foreclosures totaling up to \$3 trillion in value are expected in 2008-2009.<sup>6</sup>

With housing values declining in many markets, an estimated 8.8 million homeowners now have mortgages worth more than the value of their homes, leaving them in risky situations and unable to refinance their mortgages for the immediate future.<sup>7</sup>

The negative impact of these declining home values and defaults affects not only the families involved, but their neighbors, the larger community and the nation as a whole. "This downward spiral of lost confidence and credit contraction threatens to touch off the worst recession and most serious social crisis of the post-World War II era," according to Eugene A. Ludwig, comptroller of the currency from 1993-1998.<sup>8</sup>

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<sup>6</sup> "Reducing Foreclosures' Negative Effects on Neighborhoods." A presentation by George McCarthy to the Detroit Neighborhood Forum. April 2008.

<sup>7</sup> Moody's Economy.com.

<sup>8</sup> *American Banker*. April 4, 2008.

Every day newspaper headlines are publicizing this growing subprime mortgage crisis and its tsunami-like effect on communities across the nation and credit markets across the world. This briefing paper will explore how this crisis developed, highlight strategies that some communities are using to mitigate its negative impacts, review recent federal proposals to address the situation and discuss possible investment strategies for foundations.

## Causes of Foreclosure

- Major life crises such as loss of employment, divorce, overwhelming debts and disability
- Property problems such as major property damage or repairs needed
- Overly aggressive or sloppy loan underwriting
- Fraudulent and predatory lending practices
- High-cost subprime lending
- Use of inappropriate or exotic loan products
- Consumers pulling equity from their homes with serial refinancings until value of mortgage is higher than value of home
- Speculative home buying in high appreciating markets

For all practical purposes, this current foreclosure surge is being laid at the doorstep of the subprime lending industry. The subprime market was developed in the early 1990s to provide home loans to households with impaired or limited credit history. Borrowers who received these loans typically have unstable incomes, limited savings, unstable employments, low incomes, blemished credit and/or high levels of debt. Subprime lenders charge higher interest rates to offset the higher risk of their borrowers compared with prime loan borrowers.

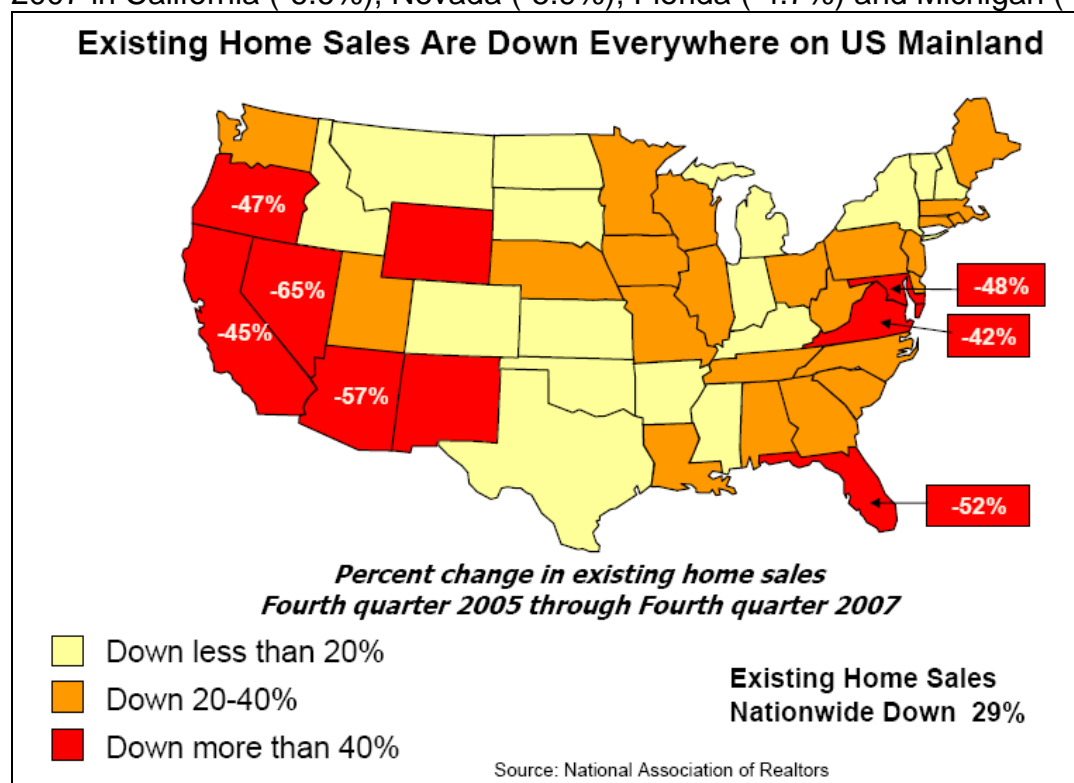
Accessing new sources of capital developed by Wall Street firms, subprime lenders typically used independent mortgage brokers as their sales force to aggressively originate loans with loose credit standards to consumers – sometimes using risky, high-cost and so-called “exotic mortgage” products. Subprime lenders were generally not regulated by federal and state banking regulators. Thus, their share of the mortgage market quickly rose from virtually nothing in 1996 to almost 23 percent by 2006 using “push marketing” tactics with unsuspecting consumers, employing predatory practices or even fraud to entice consumers.

Consumers were not without fault either. Some used their homes as ATM machines by refinancing repeatedly to pull equity out of their homes for cars, second homes and other consumer goods and services. They became buried in debt. Others purchased homes with mortgage payments they couldn't afford, knowingly or unknowingly, with little or no down payments, apparently assuming that housing prices would continue to appreciate forever and they could sell or refinance the home if they stumbled financially.

This “Brave New World” of lending worked for a while – or at least as long as housing values continued to appreciate in many markets. An environment with interest rates at 40-year lows helped sustain this home mortgage frenzy until early 2006. All the while, federal and state bank regulators appeared to be “asleep at the switch” or, at the least, very slow to react to the growing risks of this new lending environment.

“Loans were sold to customers where there was no opportunity to succeed,” said Thomas P. FitzGibbon, executive vice president of MB Financial Bank, who in March 2007 testified before the U.S. House of Representatives on “the unscrupulous and in many cases, predatory practices imbedded in the mortgage lending delivery system. All the brokers thought they were on this train to nirvana,” he said. “There was no oversight or control, and no suitability evaluation of borrowers.”

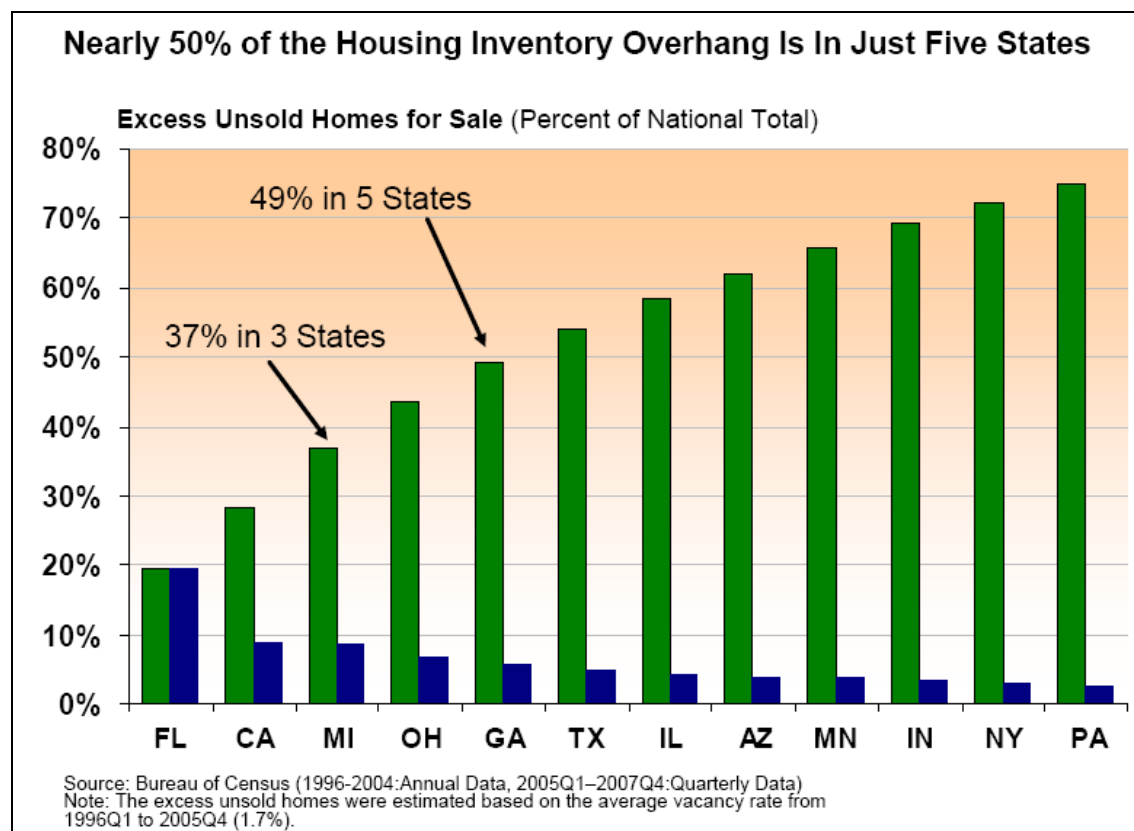
While “hot spot” pockets of foreclosures existed in the Mid-West (Ohio, Indiana, Michigan) and elsewhere starting in 2003, the larger crisis started in 2006 when housing values in the previous “hot markets” of California, Nevada, Arizona and Florida began to cool off rapidly. Suddenly, home prices in these areas started plummeting and unsold housing inventories swelled. Between the fourth quarter of 2005 and the fourth quarter of 2007, existing home sales had plunged 29 percent nationwide and even higher in several states. For example, during this same period, existing home sales dropped 65 percent in Nevada, 57 percent in Arizona, 52 percent in Florida, 48 percent in Maryland and 45 percent in California.<sup>9</sup> Inevitably, home sale prices dropped over 4 percent in 2007 in California (-6.6%), Nevada (-5.9%), Florida (-4.7%) and Michigan (-4.3%).<sup>10</sup>



<sup>9</sup> National Association of Realtors ([www.nar.com](http://www.nar.com)).

<sup>10</sup> Office of Federal Housing Enterprise Oversight, Fourth Quarter 2007 data ([www.ofheo.gov](http://www.ofheo.gov)).

By the end of 2007, housing inventories in just five states (FL, CA, MI, OH and GA) accounted for 49 percent of the country's unsold inventory.<sup>11</sup>



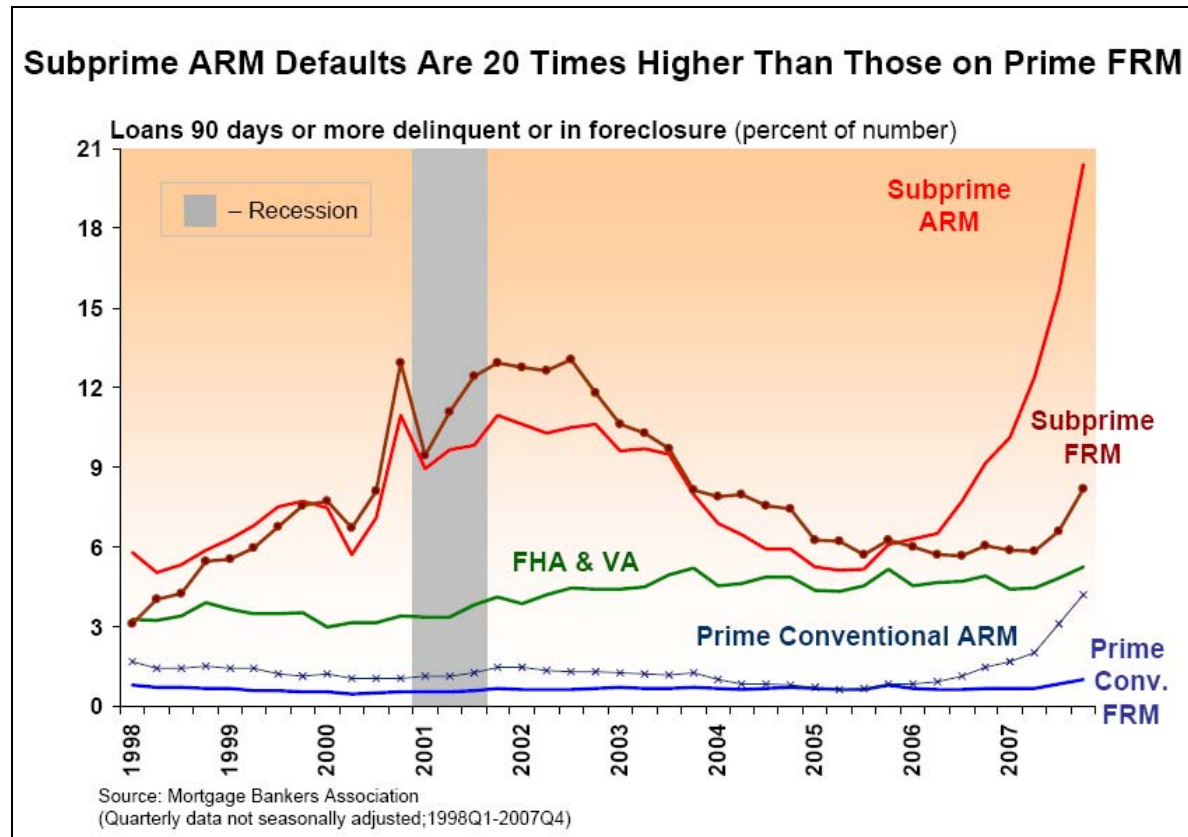
The softening of the housing market has created economic havoc for homeowners with little or no equity. Where previously these homeowners had been able to refinance or sell the property due to the rapid appreciation of their homes' values, now they were being squeezed by falling values, a weak economy and high mortgage payments. Thus, loan delinquencies and defaults surged.

According to Moody's Economy.com, over 8.8 million borrowers had mortgages that exceeded the value of their homes in the first quarter of 2008, with the number expected to increase to 10.6 million in the second quarter. "It's an incredibly bad mix that is causing foreclosures to go skyward," reported Mark Zandi, chief economist of Moody's Economy.com.<sup>12</sup>

<sup>11</sup> U.S. Bureau of Census, Fourth Quarter 2007 data (www.census.gov).

<sup>12</sup> *Wall Street Journal*, April 10, 2008.

While foreclosure rates in the U.S. have historically hovered around one percent of all outstanding loans according to the Mortgage Bankers Association (MBA), foreclosure rates for subprime adjustable-rate mortgages (ARMs) and other exotic mortgages are now *ten to twenty times* greater than the foreclosure rates for prime fixed-rate mortgages (FRMs).<sup>13</sup>



In one respect, the surprise is that this foreclosure crisis is a surprise to anyone. Housing advocates have been screaming about the problems of subprime and predatory lending for more than a decade. Moreover, the mortgage industry operates on wild boom and bust cycles, and it's been a "go-go" housing market for over 15 years. Only a few years after the "dot com bust," it seems like everyone forgot that the ride can't last forever.

According to the MBA, an estimated \$1.5 trillion in adjustable-rate mortgages are going to "reset" in 2008, and homeowners with these could see a significant increase in their monthly mortgage payments. The MBA predicts that this will prompt homeowners to refinance about \$700 billion worth of those adjustable-rate mortgages. Many in the industry fear that homeowners who are unable to refinance these loans or afford the higher monthly mortgage payments will be facing delinquency or foreclosure.

<sup>13</sup> Mortgage Bankers Association. National Delinquency Survey, Fourth Quarter 2007.

RealtyTrac.com reports that foreclosure filings in the U.S. were up 57 percent in March 2008 compared to a year earlier, with the states of Nevada, California, Florida, Arizona, Colorado, Georgia, Ohio, Michigan, Massachusetts and Maryland having the highest foreclosure rates.

### Foreclosure Inventory, Fourth Quarter 2007

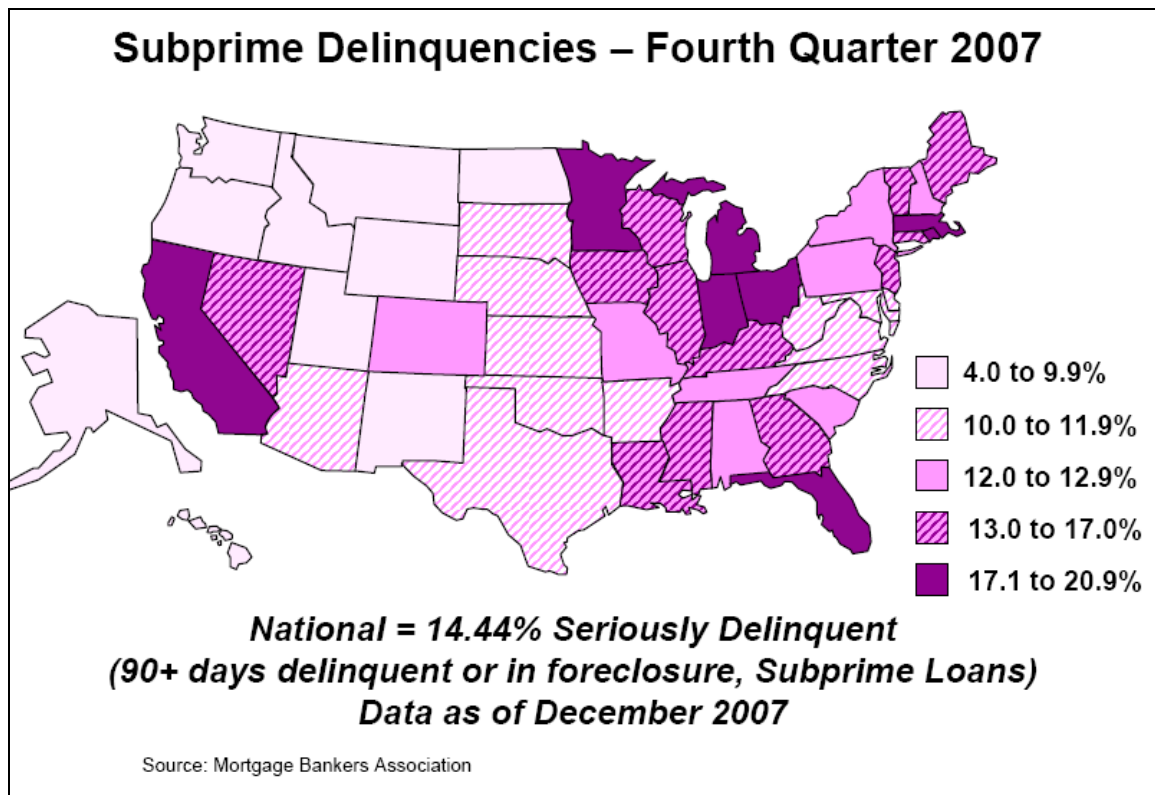
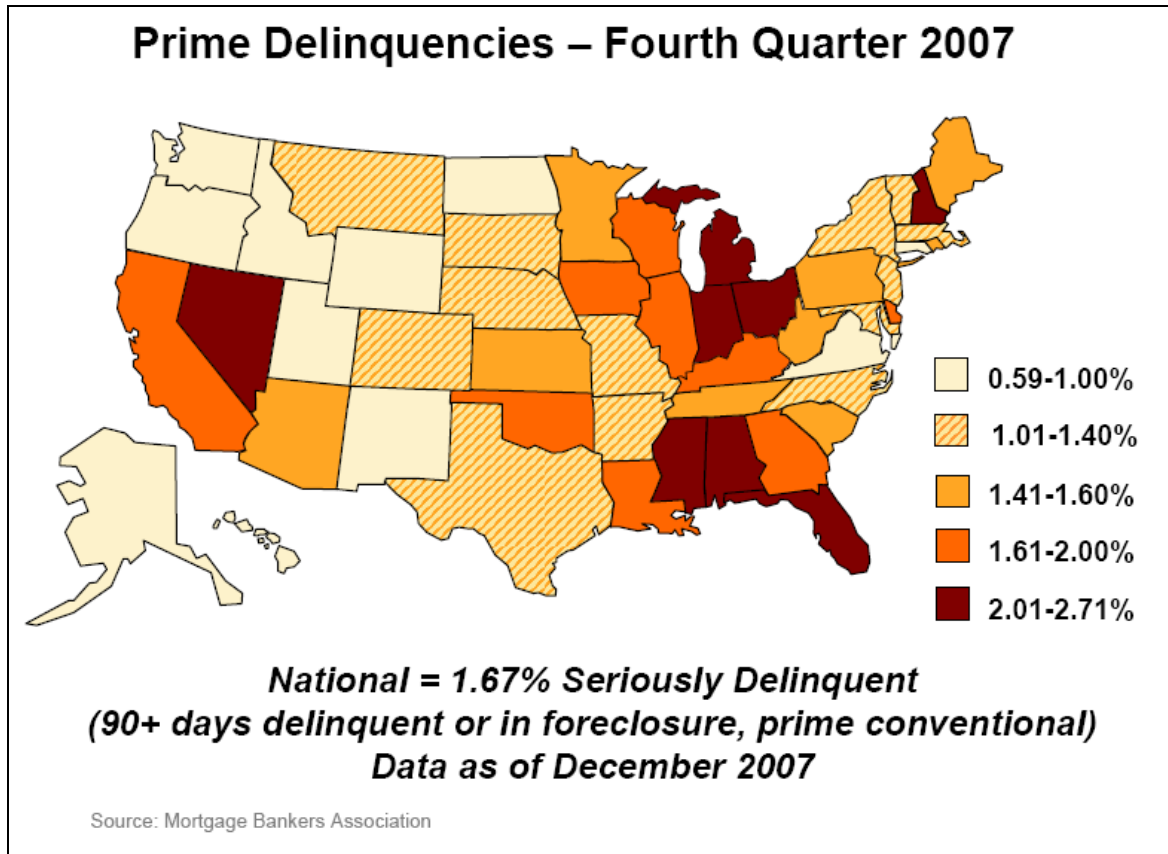
All Loans			Prime Loans			Subprime Loans			FHA Loans		
State	%	State Rank	State	%	State Rank	State	%	State Rank	State	%	State Rank
Ohio	3.88	1	Ohio	1.85	1	Ohio	13.7	1	Michigan	5.49	1
Indiana	3.53	2	Indiana	1.81	2	Minnesota	12.4	2	Ohio	4.70	2
Michigan	3.38	3	Florida	1.63	3	Michigan	12.3	3	Indiana	4.13	3
Florida	3.22	4	Michigan	1.62	4	Rhode Island	12.2	4	Colorado	3.46	4
Nevada	3.02	5	Nevada	1.33	5	Indiana	11.59	5	Wisconsin	3.11	5
Illinois	2.50	6	Mississippi	1.27	6	Massachusetts	11.41	6	Illinois	3.03	6
Rhode Island	2.41	7	Delaware	1.26	7	Florida	11.36	7	New Jersey	2.94	7
Maine	2.36	8	Iowa	1.19	8	Wisconsin	11.31	8	Massachusetts	2.83	8
Kentucky	2.32	9	Kentucky	1.17	9	Maine	11.26	9	Iowa	2.81	9
Wisconsin	2.24	10	Illinois	1.13	10	Illinois	11.09	10	Maine	2.73	10
<b>U.S.</b>	<b>2.04</b>		<b>U.S.</b>	<b>0.96</b>		<b>U.S.</b>	<b>8.65</b>		<b>U.S.</b>	<b>2.34</b>	

Source: Mortgage Bankers Association, National Delinquency Survey, Fourth Quarter 2007

Meanwhile, there are numerous foreclosure hotspots in cities such as Detroit, Stockton, Las Vegas, Riverside, Sacramento, Cleveland, Denver, Atlanta, Los Angeles, Philadelphia, Chicago, Houston, Dallas, St. Louis, Baltimore and more.

Metropolitan Areas with Highest Foreclosure Rates in 2007				
Rank	Metropolitan Area	Foreclosure Filings: 2007	% of Households	% Change from 2006
1	DETROIT/LIVONIA/DEARBORN, MI	72,616	4.9	68
2	STOCKTON, CA	22,184	4.9	271
3	LAS VEGAS/PARADISE, NV	59,983	4.2	169
4	RIVERSIDE/SAN BERNARDINO, CA	102,506	3.8	186
5	SACRAMENTO, CA	49,532	3.2	273
6	CLEVELAND/LORAIN/ELYRIA/MENTOR, OH	49,071	3.0	112
7	BAKERSFIELD, CA	13,682	3.0	245
8	MIAMI, FL	51,662	2.7	106
9	DENVER/AURORA, CO	49,519	2.6	28
10	FORT LAUDERDALE, FL	45,367	2.6	110

Source: RealtyTrac.com



### ACTIVITY: FORECLOSURE QUIZ

1. A definitive study by the Center for Responsible Lending (CRL)<sup>14</sup> of six million subprime mortgages made from 1998 through the third quarter of 2006 suggested that \_\_\_\_\_ of these loans will end in foreclosure over the next few years.
  - a. 500,000
  - b. 1 million
  - c. 2.2 million
  - d. 75,000
  
2. According to a 2005 study by William Apgar and Mark Duda, the foreclosure of a single-family home, especially one that leaves the home vacant and unsecured, may generate direct municipal costs on cash-strapped public agencies in excess of \$\_\_\_\_\_ per property.
  - a. \$2,000
  - b. \$10,000
  - c. \$60,000
  - d. \$30,000
  
3. The CRL has released a recent issue paper called “Subprime Spillovers” and predicted that \_\_\_\_\_ homes will be lost through foreclosure in 2008 and 2009 alone.<sup>15</sup>
  - a. 2,258,457
  - b. 1,576,234
  - c. 800,000
  - d. 4,000,000
  
4. In February 2008, U.S. home foreclosure filings jumped \_\_\_\_\_% from a year earlier
  - a. 60%
  - b. 20%
  - c. 40%
  - d. 50%

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<sup>14</sup> “Losing Ground: Foreclosures in the Subprime Market and Their Cost to Homeowners,” December 2006. CRL updated this analysis in March 2007 and increased the number of projected subprime foreclosures to 2.4 million.

<sup>15</sup> “Subprime Spillover.” Center for Responsible Lending. January 18, 2008.

## Nightmare Mortgages

Here is a sampling of the vast and troubling array of mortgages that have trapped unsuspecting homeowners in the current surge of mortgage defaults and foreclosures. These mortgage products are risky because:

- They are inappropriate loan products for many customers, especially lower-income households — but tend to be very lucrative for the lenders.
- They can result in greatly increased payments as the monthly mortgage payments move from low “teaser” rates to fully indexed rates.
- The amount owed on the mortgage could be greater than the value of the home.
- Negative amortization could occur; the principal balance owed by the borrower could increase rather than decrease over time.

Type of Mortgage	Characteristics
<i>Interest-Only Mortgages (IO)</i>	An interest-only mortgage allows a borrower to pay only the interest on the loan for a certain period of time. After that, the borrower must repay both the principal and the interest. Many interest-only mortgages are adjustable rate, meaning that the interest rate changes over time. These mortgages are dangerous because if a borrower only makes the minimum monthly payment, the mortgage debt may grow rather than decrease over time. If the borrower was qualified on the basis of the interest-only payment, a fully amortizing payment may not be affordable.
<i>Piggyback Mortgages</i>	Piggyback mortgages combine a first mortgage with a second mortgage that close simultaneously. This combination reduces the borrower’s down payment and typically means that mortgage insurance is not required. For example, an 80-20 piggyback is made up of a first mortgage covering 80% of the purchase price and a second mortgage covering the remaining 20%. These mortgages are dangerous because a borrower has little or no equity in the property.
<i>Low Doc or No Doc Mortgages</i>	A Low Doc or No Doc mortgage has traditionally been targeted to borrowers who have good credit, but because they are self-employed or lack records (such as payroll stubs and W-2 forms) were unable to meet the loan documentation requirements. Similar loans are called Stated Asset, Stated Income, No Asset or No Income Loans. Borrowers typically paid higher interest rates and fees to qualify for these mortgages. These loans were mainstreamed over the past five years. These loans have been given the name “Liar Loans” because studies have shown that borrower incomes were overstated in over 50 percent of cases.

<p><i>Payment-Option or Option-ARM Mortgages</i></p>	<p>A Payment-Option mortgage allows a borrower to choose among several payments each month. The options typically include a traditional payment of principal and interest; an interest-only payment; or a minimum payment based on a low initial teaser rate. An Option-ARM is an adjustable-rate mortgage with flexible payment options, monthly interest rate adjustments and very low minimum payments in the early years. These are also derogatorily called “Exploding ARMs” since they often result in greatly increased mortgage payments after the initial teaser rate ends. When the borrower makes only the minimum monthly payment, it is insufficient to pay all of the interest due, so they could owe more than they initially borrowed.</p>
<p><i>Balloon Mortgages</i></p>	<p>A balloon mortgage is payable in full after a period that is shorter than the amortization term. On a five-year balloon loan, for example, the payment is usually calculated over a 30-year period, and the balance at the end of the fifth year must be repaid or refinanced. In most cases, this means the borrower has to refinance the mortgage at the end of the balloon period, risking that the new mortgage may have higher monthly payments as well as having the expense of new closing fees.</p>
<p><i>Cash-Out Refinancing Mortgages (103s, 107s and 125s)</i></p>	<p>This type of mortgages allow a homeowner to refinance his or her home for more than it is actually worth in order to make home improvements, or worse yet, to pay off credit card debt or buy a new car. However, the borrower’s home value may not appreciate enough to cover the value of the new mortgage, and these loans typically come with high interest rates and fees.</p>

## Why Should We Engage the Community Around Foreclosure?

***Foreclosures have severe, negative impacts on borrowers,*** damaging their ability to secure credit in the future. Foreclosed properties can also generate a vicious cycle of deterioration in a concentrated geographic area and impose significant direct and indirect costs on communities.

***Foreclosures have devastating effects on families.***

Families in foreclosure not only lose their homes, security and stability, but also their home equity and their credit rating. It often takes years for a family to recover from a foreclosure. A study of families in foreclosures in Minneapolis in 1995 estimated that these families lost, on average, over \$7,000 of home equity through the process.<sup>16</sup>

***Foreclosures have costly effects on communities.***

Area homeowners, business owners, and landlords stand to lose if a rash of foreclosures brings down property values, accelerating the decline of an entire neighborhood. These are called the “contagion effects” of foreclosure. In a study by Dan Immergluck and Geoff Smith, they suggested that a nearby foreclosure could reduce a home’s value by .9 percent.<sup>17</sup>

Each foreclosure has negative effects on the surrounding neighborhood, reducing home values of surrounding houses by almost \$9,000 per home. CRL calculates the total potential decrease in home values and tax base across the nation to be \$356 billion unless significant action is taken to address these projected foreclosures.

***Foreclosures can ripple through the nation’s and world’s economy.***

Recent studies by CRL, Moody’s and others suggest that total foreclosures could range up to three million in the next few years. “The problems are also spilling over into other sectors, with delinquencies rising for credit cards, auto and student loans.” writes Ruth Simon in the Wall Street Journal. “A record \$715 billion of consumer debt is now in delinquency or default according to Equifax and Moody’s Economy.com, up from nearly \$300 billion three years ago.”<sup>18</sup>

If even a portion of these loans fail, the effects on the nation’s communities and the broader economy could be devastating. In an already weakened economy, the last thing the nation needs is a spiking foreclosure rate, more inventory thrown into the housing market, and the negative spin-off on consumers’ confidence.

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<sup>16</sup> Anna Moreno, “The Cost of Mortgage Foreclosure Prevention.” Minneapolis: Family Housing Fund, 1995.

<sup>17</sup> “The External Costs of Foreclosure: The Impact of Single Family Mortgage Foreclosures on Property Values,” Housing Policy Debate, Volume 17, Issue 1.

<sup>18</sup> *Wall Street Journal*. April 10, 2008.

### **ACTIVITY: IDENTIFYING THE EFFECTS OF FORECLOSURE**

In small groups, list the implications of foreclosure for the individual/family and the community.

***For the individual/family:***

- Stress on families

***For the community:***

- Reduction in property values

## Foreclosure Implications and Circumstances

Stakeholder	Implications of Foreclosure
Homeowners	<ul style="list-style-type: none"> <li>• Legal consequences</li> <li>• Loss of shelter/ stable housing</li> <li>• Loss of accumulated equity</li> <li>• Possibility of deficiency judgment</li> <li>• Loss of credit</li> <li>• Potential difficulties finding alternative housing</li> <li>• Loss of personal property</li> <li>• Elders forced to move to senior housing</li> <li>• Stress and pressure on the family structure</li> <li>• Moving expenses</li> <li>• Unexpected tax consequences</li> </ul>
Mortgage Insurers	<ul style="list-style-type: none"> <li>• Claims paid</li> </ul>
Loan Servicers	<ul style="list-style-type: none"> <li>• Loss of income stream from servicing loans</li> </ul>
Secondary Market	<ul style="list-style-type: none"> <li>• Losses/expenses beyond insurance proceeds</li> </ul>
Cities	<ul style="list-style-type: none"> <li>• Possible costs of boarding up vacant structures</li> <li>• Possible erosion of tax base</li> </ul>
Neighborhoods	<ul style="list-style-type: none"> <li>• Negative neighborhood image</li> <li>• Declining property values</li> </ul>

Sources: Moreno, *Mortgage Foreclosure Prevention Program (1995)* and Quercia, Cowan and Moreno (2004)

Matching Strategies to Borrower Circumstances		
Prospects	+	-
Income Loss	Temporary loss: Emergency loan or grant	Long-term loss: Sell home
Credit	Good credit: Refinance, loan workout with lender	Poor credit: Debt management counseling
Property Condition	Good collateral: Can sell home	Distressed home: Requires property services/investment
Borrower Knowledge	Knowledgeable: Counsel regarding options with lender	In denial: Make contact, intensive counseling

Source: Michael Collins, "Analyzing Elements of Leading Default-Intervention Programs."

## Examples of Foreclosure Prevention Programs

### Empowering and Strengthening Ohio's People

Direct Action Community Organizing and Foreclosure Prevention Advocacy

Empowering and Strengthening Ohio's People (ESOP) was formed in 1993 as the "East Side Organizing Project" to organize community leadership in the Cleveland area. ESOP now works statewide and has focused its efforts in recent years around foreclosures and predatory lending. The organization is well known for having employed direct action techniques to pressure lenders to enter into non-binding fair lending agreements.

In 2002, ESOP organizers began going after lenders, servicers and mortgage brokers using creative direct action techniques. Organizers enter offices of lending institutions dressed in shark costumes and throw two-inch plastic sharks at the businesses to demonstrate their belief that the lenders are loan-sharking. The actions are designed to force high-level executives to contact ESOP to work out a memorandum of understanding stating their promise to stop predatory lending practices. The fair lending agreements also give ESOP direct access to a single authority-wielding executive that can modify loans for struggling borrowers.

ESOP has developed a Hot Spot Card (an intake form) which borrowers use to provide financial information relevant to their case and can also make suggestions to their lender for a resolution. ESOP Foreclosure Prevention Advocates use this information to negotiate a loan modification with the lender, specifically communicating in an efficient manner with the point of contact identified in the agreement.

ESOP has successfully negotiated fair lending agreements with over a dozen lenders and servicers, and helped more than 1,500 homeowners modify their mortgages in 2007. More than 50 mortgages have already been modified this year with Countrywide alone, following a year and a half struggle to arrive at a fair lending agreement with the company. ESOP is currently engaged in a campaign for a fair lending agreement with Wells Fargo Home Mortgage.

In addition to their work with lenders and servicers, ESOP has active campaigns around payday lending, vacant properties, and the practices of local developers that double as brokers.

For more information, contact:

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Web site: [www.esop-cleveland.org](http://www.esop-cleveland.org)

## **People United for Sustainable Housing (PUSH Buffalo)** Property Reclamation and Redevelopment

People United for Sustainable Housing was founded in 2005 by Aaron Bartley and Eric Walker with the objective of organizing residents of the West Side of Buffalo to “confront institutions that perpetuate poverty.” PUSH Buffalo is currently engaged in a direct-action campaign to reclaim publicly owned houses and redevelop them for occupancy by low-income individuals.

In 2005, PUSH Buffalo spent six months going door-to-door to complete a property survey of the city’s West Side neighborhood. The results of the survey were presented at a community forum and residents identified abandoned houses, absentee landlords, and property flipping as the most pressing concerns. Further investigations revealed that the largest holder of abandoned property is a state agency called the Municipal Bond Banking Agency (MBBA) that contracts to JER Revenue Services to manage the liens. Together, they are responsible for roughly 1,500 tax-delinquent properties in the City of Buffalo. The reluctance to lower the sales prices for the houses has resulted in the failure to sell them at auction and they remain abandoned. PUSH Buffalo’s direct action tactics aimed at holding the state accountable have included petitioning, participation in public hearings, street protests, lobbying, and performing political skits.

PUSH Buffalo initiated a new tactic in March 2008 by issuing housing violations to the City for abandoned properties. Promoting the adoption of the PUSH Housing Platform, giant citations are posted on city-owned houses throughout the West Side (orange for demolition and green for rehabilitation). The aim is to demonstrate the need for a plan with specific, numeric, achievable goals and also to educate residents about who is responsible for the properties.

The vast majority of City-owned properties remains in limbo, but PUSH Buffalo is expecting additional financial resources to rehab properties from an announcement in early June 2008 by Governor Paterson that the City of Buffalo will receive \$2 million in grants to renovate 74 homes as part of the new Block-by-Block program. PUSH Buffalo worked with another non-profit Affordable Housing Corporation to help design the program.

PUSH Buffalo has also formed the PUSH Community Housing Co-operative to acquire abandoned property, oversee rehabilitation work by local non-profit developers, and train low-income individuals to become co-op owners. The rehabilitation of their second building purchased at auction is being completed at this time.

For more information, contact:  
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People United for Sustainable Housing  
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Website: [www.pushbuffalo.org](http://www.pushbuffalo.org)

## **Take Back the Land**

### Direct Action Organizing and Property 'Liberation'

Take Back the Land is a project started in 2006 by the Center for Pan-African Development. Originally formed to take over a vacant city-owned lot for the creation of a shantytown for the homeless, the project now focuses on installing homeless families in foreclosed properties in Miami-Dade County.

In October 23, 2006, a group of housing advocates and homeless people took over a vacant lot jointly owned by the City of Miami and Miami-Dade County. After initially erecting tents, they built approximately 20 wood-framed structures from wooden pallets, a kitchen, two porta-potties and a shower fed by an elevated water container. Named the Umoja Village Shantytown, the settlement was intended to be a permanent neighborhood for around 50 formerly homeless individuals but was burned down after 6 months by a resident's candle.

Led by cofounder Max Rameau, Take Back the Land has refocused its efforts to place homeless families in foreclosed houses in Miami-Dade County. Families visit various vacant houses to locate a suitable one which, for example, is not full of abandoned belongings from the previous owner. After identifying the property, Take Back the Land assists the family in breaking in, changing locks, cleaning, painting, connecting water and electricity, and then moving the homeless family into the house. 'Liberating the housing,' as Max Rameau calls it, is a process that violates criminal laws ranging from trespassing to breaking and entering and requires the organization to keep a pro-bono lawyer on standby. The organization also counsels families in the risks of squatting including arrest and potential prosecution, but many families are desperate enough to take them.

Since the campaign started, only a couple of families have moved into foreclosed houses. The challenge has been the conflicting objectives of Take Back the Land: 1) to house people and 2) to bring attention to the contradictions in housing policy. Drawing attention to the campaign has also drawn the attention of law enforcement, and at least one family has already been evicted by the lender through a "cash for keys" program. At least while in the property, families have benefited from the support of neighbors who have provided connections to water and electricity in creative ways. In general, neighbors have preferred to see the houses lived in and cared for rather than abandoned and available for less-desirable activities.

For more information, contact:

Max Rameau

Center for Pan-African Development

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Phone: 786-318-1112

Email: [takebacktheland@gmail.com](mailto:takebacktheland@gmail.com)

Website: [www.takebacktheland.net](http://www.takebacktheland.net)

### **The Home Ownership Preservation Initiative in Chicago**

Significant work on this issue was pioneered by Neighborhood Housing Services of Chicago (NHS of Chicago) starting in 2003. NHS of Chicago, in partnership with the city of Chicago and leading mortgage lending and servicing institutions, piloted a new model for homeownership preservation activities. Facing a rising number of both conventional and subprime foreclosures concentrated in low-income and minority neighborhoods, NHS of Chicago developed the Home Ownership Preservation Initiative (HOPI). The HOPI partners are working to help homeowners avoid foreclosures with innovative outreach efforts, delinquency counseling, loss mitigation and loan workouts. Through this effort, NHS of Chicago has helped over 1,300 families over the past three years to preserve homeownership. When foreclosure is unavoidable, the partners seek to preserve the properties as neighborhood assets. Innovations coming out of HOPI include a city-run 311 hotline to connect troubled borrowers to phone counseling; research on foreclosure-related issues; and an advisory committee with industry-led workgroups investigating further innovations.

### **ACORN's Efforts on Negotiating Loan Modifications**

According to ACORN's Director of Housing Counseling Bruce Dorpalen, "ACORN Housing is working with 36 mortgage servicers, prime and subprime, to negotiate loan workouts and payment agreements." ACORN has teams of community workers visiting people facing foreclosure in Ohio, Michigan, Texas and Louisiana and connecting them to counselors or directly to their lenders. Team members try to negotiate affordable loan modifications, because many of their clients cannot qualify for refinances of their mortgages. In addition, continues Dorpalen, "ACORN and ACORN Housing have been working with servicers to set up best practices which reduce foreclosures, preserve the wealth of low- and moderate-income homeowners, and curb predatory lending practices."

### **Early Intervention Foreclosure-Prevention Outreach and Workshops**

Some localities have had success developing and delivering foreclosure-prevention workshops in communities suffering high delinquency and foreclosure rates. These workshops have been most effective when delivered in cooperation with lenders who help provide targeted outreach to consumers in the early stages of delinquency. In Chicago, these workshops have also been used with borrowers with ARMs to help provide them with advance information about the potential effect on their mortgage payment after an interest-rate reset occurs. In a more advanced version of this strategy, Consumer Credit Counseling Service of San Francisco (CCCS-SF) and Self-Help Credit Union have had great success providing early-intervention, telephone-based counseling to new borrowers to prepare them for the responsibilities of homeownership and to stress the importance of making timely mortgage payments.

### **A Statewide Foreclosure-Prevention Initiative in Ohio**

Over the past six years, the State of Ohio has had one of the highest foreclosure rates in the country causing untold harm to families and communities across the state. Starting in 2005, twelve nonprofit organizations in Ohio formed a statewide coalition to share best practices, align efforts and leverage their strategic partnerships to achieve a common goal of reducing foreclosures among low- and moderate-income families across Ohio. In 2006, the state Office of Housing and Community Partnerships (OHCP) funded this initiative with a three-year, \$3 million commitment to do statewide outreach to consumers, promote a 24/7 hotline for telephone-based counseling to consumers, expand local counseling services for foreclosure prevention, and offer small grants (up to \$3,000) to assist homeowners in foreclosure with “home rescue” funds. A statewide marketing effort was launched to promote the 888/995-HOPE hotline to provide free telephonic counseling to consumers facing foreclosures. This outreach campaign produced 10,488 calls to the HOPE Hotline from Ohio with 3,102 callers completing telephonic counseling sessions. Over the past two years, the initiative assisted 3,972 families with foreclosure prevention counseling and 1,073 families were able to avoid foreclosure.

### **Baltimore Homeownership Preservation Coalition**

The Baltimore Homeownership Preservation Coalition (BHPC) has 81 members representing 63 organizations, including banks, nonprofits, realtors, foundations, state and local public agencies. Four foundations, the Abell Foundation, the Annie E. Casey Foundation, the Goldseker Foundation, and the Baltimore Community Foundation, have taken leadership roles in this effort.

According to Laurie Latuda, Program Officer from the Goldseker Foundation, “BHPC and its members have been on the forefront of finding short and long term solutions to the lending and foreclosure crisis for Baltimore and the State of Maryland. As a result, its impact on the foreclosure issue is broad and far reaching.” BHCP has completed two studies of foreclosure trends; one in Baltimore City (September 2006), and another throughout the state of Maryland (February 2008). In addition, the coalition launched a public awareness “Every Minute Counts” campaign in September 2006 and a second outreach effort with the theme “Mortgage Late? Don’t Wait!” The campaign included ads on radio stations, billboards and buses. BHPC was also able to attract \$1 million in funding for local nonprofits to expand their foreclosure counseling services in 2007.

## Tips For Creating A Local Foreclosure Intervention Program

NeighborWorks® America has published a guide to help local communities get started. *Formula For Success: Questions and Answers for Local Leaders Designing a Foreclosure Intervention Program* is available by contacting [foreclosuresolutions@nw.org](mailto:foreclosuresolutions@nw.org). Several municipalities have already established successful programs. Chicago, Atlanta and other cities can serve as good models to help accelerate the process. NeighborWorks® America's Center for Foreclosure Solutions can provide additional support and information at [www.nw.org/ForeclosureSolutions](http://www.nw.org/ForeclosureSolutions).

NeighborWorks® America's PSA campaign to prevent foreclosure could create increased demand for foreclosure prevention assistance services in your area. So how do you create a local program that fully supports the needs of delinquent homeowners?

Here are some critical elements you might consider incorporating into your program.

1. **Partnerships:** Partnerships between local government, nonprofit agencies, and leading mortgage lenders and servicers are the foundation for an effective foreclosure prevention program.
2. **Research and Planning:** Careful research documenting the problem will provide the critical data elements you need to make your case with the right partners. Once you engage these key partners, the same research and planning are important for shaping the most appropriate and effective outreach efforts and counseling strategies.
3. **Community Outreach:** Reaching and educating the community about your program will be most successful with a mix of advertising, direct marketing, special events, media relations, community relations, and other strategies. The national PSA campaign provides a solid foundation of messages and materials to base your local efforts upon.
4. **Hotline Support:** Your organization should establish a formal system to support referred calls from the HOPE hotline, so that struggling homeowners in your area do not fall through the cracks after they've taken the first difficult steps in seeking assistance.
5. **Referral Services:** Connections and relations with established and trusted programs, lenders, and counselors who specialize in housing or default issues will provide needed support for distressed homeowners. Other important services will address the stress experienced by borrowers in default, which often leads to self-defeating denial or evasive behavior. These other critical support services include legal advice, home repair, social and family services, and employment assistance.

6. Funding Mechanisms: Access to grant funds and/or loans may be key to providing property services and rehab subsidies that provide the financial support homeowners may require. Rescue funds for special circumstances will address needs that do not fall into standard categories.
7. Client Follow-Up: Ongoing communication with and support for borrowers will ensure that they seek out and receive the services they need to resolve their situation. This same critical follow-up will provide the data and stories to track and document results.
8. Client Tracking: A specialized software system is required to track borrowers in the delinquency process. This same system should enable you to exchange data with lenders and other servicers. Tracked data as well as individual client success stories will enable you to document outcomes. Such stories are critical to measuring results and telling the story about your program's success to future funders, the media, and other stakeholders.
9. Preventative Efforts: In addition to efforts to save struggling homeowners from foreclosure, preventative efforts will keep homeowners from drifting toward delinquency in the first place. Pre-home purchase education, counseling for mortgage refinancing, and information on home equity and home improvement loans will help better inform homeowners and prospective home buyers so they can avoid many of the circumstances that can lead to delinquency.
10. Share Your Success: Keep in touch with the NeighborWorks® Center for Foreclosure Solutions to share your success and lessons learned. Your program can become a model for other organizations to follow when they establish their own foreclosure prevention programs.

## **Additional Resources**

### **Websites**

NeighborWorks Center for Foreclosure Solutions

<http://www.nw.org/network/neighborworksprogs/foreclosuresolutions/default.asp>

Homeownership Preservation Foundation, 888-995-HOPE

<http://www.995hope.org/>

HOPE NOW

<http://www.hopenow.com/>

Fannie Mae – Falling Behind on Your Mortgage Payments?

[http://www.fanniemae.com/aboutfm/borrower\\_resource.jhtml](http://www.fanniemae.com/aboutfm/borrower_resource.jhtml)

Freddie Mac – Avoiding Foreclosure

[http://www.freddiemac.com/corporate/buyown/english/avoiding\\_foreclosure/index.html](http://www.freddiemac.com/corporate/buyown/english/avoiding_foreclosure/index.html)

Home Loan Learning Center – Foreclosure Prevention Resource Center

<http://www.homeloanlearningcenter.com/YourFinances/ForeclosurePreventionResourceCenter.htm>

MyMoneyManagement – Foreclosure Prevention

<http://www.mymoneymanagement.net/FinancialTips&Advice/AllAboutYourHome/ForeclosurePrevention/tabid/2036/Default.aspx>

HUD – Tips for Avoiding Foreclosure and to Find a HUD-Approved Housing Counseling Agency

<http://www.hud.gov/foreclosure/index.cfm>

Federal Housing Administration (FHA) – You Can Avoid Foreclosure and Keep Your Home

[http://portal.hud.gov/portal/page?\\_pageid=33,717348&\\_dad=portal&\\_schema=PORTAL](http://portal.hud.gov/portal/page?_pageid=33,717348&_dad=portal&_schema=PORTAL)

# Promoting Homeownership through Community Organizing

## Tab 3

In Tab 3 We Will:

- *Review the Benefits of Homeownership and Homeownership Education*
- *Identify Current Trends in Homeownership and Housing Finance*
- *Examine Successful Homeownership Promotion Strategies*

## The Many Benefits of Homeownership<sup>19</sup>

Homeownership is good for **families, neighborhoods** and the **economy**.

For Families:

- Homeownership is a long-term financial investment that helps **build assets**. According to the 2003 Fannie Mae National Housing Survey, most families believe that buying a home has a lot of potential as an investment, and the vast majority of homeowners say that the value of their homes has increased at least a little since they have owned them. Most renter families, especially low- and moderate-income families, spend almost all of their income, saving next to nothing. Buying a home can be like opening up a savings account – each month families accrue home equity by paying off a portion of their mortgages.
- Homeownership **raises self-esteem and confidence**. According to national surveys, homeowners are happier and more satisfied than renters. Homeownership is a symbol of success and gives families a greater sense of freedom, security, empowerment and independence. Owning a home makes housing costs more predictable, and families have a defined space for which they are responsible and can control.
- Homeownership creates a **positive and stable environment for raising a family**. Homes provide safe, secure and stable places for family activities. Surveys show that owners are more likely to be involved in spiritual and family activities. Homeownership has a profound effect on children. Children of homeowners are more likely to stay in school and out of trouble, and they are more likely to buy their own homes.

For Neighborhoods:

- Homeownership gives families a financial “stake” in a home and the community, and thus, helps to **revitalize and improve neighborhoods**. Homeowners also are more likely to improve or repair their homes than renters. Since homeowners take better care of their properties, neighborhoods with high homeownership rates look more attractive and appealing than areas with few homeowners.
- Homeownership builds **stronger and safer communities**. Homeowners are a stabilizing force in communities. According to Census data, homeowners live in a community four times longer than renters. They are more involved in community organizations, voting and other activities.
- Moreover, homeownership helps communities with **public benefits**, such as increased tax revenues and greater private investment.

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<sup>19</sup> Excerpted from *The Many Benefits of Home Ownership* by Michael Collins, Neighborhood Reinvestment Corporation, May 2001, Third Edition for additional information and references.

For the Economy:

- Homeownership creates **economic benefits**, such as jobs, fees and sales, for the broader community. For example, new homebuyers typically spend \$2,000+ on home-related goods, services and improvements during the first year. 30% of all consumer spending is for housing and home-related goods.

## The Importance of Homebuyer Education and Counseling

- Homebuyer education **builds stronger neighborhoods** by helping to increase homeownership rates (see above).
- Homebuyer education **teaches skills and provides tools for basic financial management**, including budgeting, saving, credit and debt management.
- Homebuyer education **teaches about the homebuying process** — its complexities and costs.
- Homebuyer education **helps households make wise consumer choices and avoid predatory lenders** and other pitfalls related to homeownership.
- Homebuyer education **builds trust** with customers in the mortgage lending process.
- Homebuyer education **helps families to become successful long-term owners**.
- Homebuyer education **creates more mortgage-ready buyers**.
- Homebuyer education **reduces delinquencies and defaults**. A Freddie Mac study of its affordable lending program concluded that some types of pre-purchase education have a significant impact on delinquency rates. In general, homebuyer education and counseling lowers 90-day delinquency rates by 19%, but programs vary in effectiveness. Borrowers who received individual counseling experienced a 34% reduction in delinquency rates, while borrowers who received classroom and home study education obtained 26% and 21% reductions (see page 5 for more information). Findings from an Ohio State University study indicated that counseled borrowers display one-half the default rate of non-counseled borrowers.<sup>20</sup>
- Counseling **improves borrowers' overall credit health**. A Georgetown University study found that the value directly attributable to counseling is significant improvements in credit scores, fewer late payments, lower credit card balances and less frequent use of credit lines.<sup>21</sup>

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<sup>20</sup> Hartaska, Valentina et al, "Credit Counseling and the Incidence of Default on Housing Loans by Low-Income Households." The Ohio State University Rural Finance Program, February 2002.

<sup>21</sup> Staten, Michael et al, "The Impact of Credit Counseling on Subsequent Borrower Credit Usage and Payment Behavior." Georgetown University: Credit Research Center, Monograph #36, March 2002.

## Executive Summary: The Benefits of Homeownership Education

“A Little Knowledge Is a Good Thing: Empirical Evidence of the Effectiveness of Pre-Purchase Homeownership Counseling”

By Abdighani Hiram and Peter Zorn (corresponding author), Freddie Mac, May 22, 2001  
<http://www.freddiemac.com/news/archives2001/empiricalstudy.htm>

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For almost thirty years, homeownership counseling has been an integral part of affordable lending in the United States and has had numerous benefits attributed to it. To this point, however, there has been no convincing empirical evidence to support the belief that educated borrowers are better able to handle the responsibilities of homeownership. Freddie Mac's paper is the first empirical study done on the impact of pre-purchase homeownership counseling.

Using data on almost 40,000 mortgages originated under Freddie Mac's Affordable Gold program between 1993 and 2000, this paper compares the relative effectiveness of different types of homebuyer education and counseling programs, including individual counseling, classroom counseling and home study to assess the claim that pre-purchase homeownership counseling programs lower mortgage delinquency rates.

The study finds statistical evidence that counseling can be effective in reducing mortgage delinquency. **Borrowers who receive pre-purchase homeownership counseling in Freddie Mac's data have, on average, a 19 percent lower 90-day delinquency rate.**

Moreover, the analysis finds that different counseling programs vary in their effectiveness. In particular, **borrowers who receive individual counseling experience a 34 percent reduction in delinquency rates**, all things equal, while **borrowers receiving classroom and home study education obtain 26 percent and 21 percent reductions, respectively.** The study finds **no evidence that telephone counseling mitigates credit risk.**

After controlling for the mix of counseling programs, the study does not find that counseling providers vary in their effectiveness in reducing delinquency rates.

The study concludes that counseling itself has a significant impact on delinquency rates, and that this impact varies across the types of counseling and education programs. Thus, pre-purchase homeownership counseling can increase the success of affordable lending programs by helping families keep their homes, a substantial benefit to both borrowers and lenders.

## Lending Industry Trends

- **Mergers and dramatic consolidation** of the lending industry since 1980, which has substantially affected banking structure. From 1980 through 1998, there were approximately 8,000 mergers, involving about \$2.4 trillion in acquired assets. Several mergers that occurred from 1990 to 1999 were the largest bank mergers in U.S. history. The number of U.S. banks and banking organizations both fell by almost 30% between 1988 and 1997, and the share of total nationwide assets held by the largest 8 banking organizations rose from 22.3% to 35.5%.
- **Increased use of automated underwriting** to evaluate credit risk in a more efficient way.
- **Aggressive growth of subprime lending.** Subprime lending grew by 592% from 1993 to 2001 (from \$25 billion to \$173 billion in loans). Subprime loans have higher interest rates than conforming conventional loans, or prime loans. Lenders use subprime loans to serve borrowers who cannot qualify for prime loans due to past and present credit problems or other risk factors. Subprime loans rely on risk-based pricing, and lenders have adopted a “grading system” for subprime loans, which ranges from A- through D. The lower the rating, the higher the default risk and the higher the interest rate and/or other fees lenders charge.
- **Intensification of predatory lending**, which threatens today’s high rate of home ownership. Unscrupulous lenders employ abusive practices that strip equity from homes. Borrowers who are short on cash but rich in equity are favorite targets. These lenders take advantage of their inexperience and lack of information, manipulating them into high cost loans they can’t afford to repay. Foreclosure and a destabilized housing market often follow.
- **Easy access to credit**, even for credit-impaired borrowers. The key issue now is credit pricing. Subprime borrowers pay premiums, which could be avoided through consumer education and/or credit repair. Many consumers are not shopping carefully for loans and are receiving higher cost loans. In a study that re-underwrote loan applications processed under older generation automated underwriting systems, between 10%-30% of subprime loan borrowers might have qualified for prime loans.
- **“Get it today” consumer mentality** prevails.
- **Expansion of fringe financial services**, with at least 280 million transactions each year for gross revenues of more than \$168 billion that extract fees of at least \$5.5 billion. The annual percentage rate for most unregulated financial services is much higher than regulated financial services. However, lack of physical proximity to mainstream financial institutions is a barrier for some low-income and minority populations. For example, in two different neighborhoods in Los Angeles – South

Central and Pacific Palisades – there is one depository institution for every 36,000 and one for every 1,250 people, respectively.

- **Bifurcated financial system.** Affluent families access credit at low costs with high return rates, but low-income families often pay high costs to access credit with low return rates.

*Sources: "The Consolidation of the Financial Services Industry: Causes, Consequences and Implications for the Future" by Allen Berger et al., 1999, "Bank Mergers and Banking Structure in the United States, 1990-98" by Stephen Rhodes, Federal Reserve Staff Study 174, August 2000, "Going Subprime" by Allen Fishbein in Shelterforce Online, Issue 125, September/October 2002, "Automated Underwriting: Making Mortgage Lending Simpler and Fairer for America's Families" by Freddie Mac, publication #259, 9/96, "Financial Services in Distressed Communities: Issues and Answers" by James Carr and Jenny Schuetz, Fannie Mae Foundation, August 2001 and "Collaborating with Congregations" by Larry Fondation et al., Harvard Business Review, July/August 1999*

## Homebuyer Education Industry Trends

- **Fragmented industry** with a range of nonprofit organizations, private-sector companies and government agencies providing homebuyer education and counseling programs. Today, there are well over 2,000 providers.
- **Few standards** around homebuyer education. There are no curriculum standards for homebuyer education consumers, few certification standards and limited continuing education requirements for homebuyer education trainers.
- **Programs of disparate quality** in terms of total number of hours, delivery methods and content covered.
- **Mostly anecdotal benefits.** Beliefs about the value of homebuyer education are widely held, but empirical evidence for these claims had been lacking in the research literature until recently. A body of research has begun to emerge that documents some of the benefits of homebuyer education and counseling, including studies by Freddie Mac, Georgetown University and Ohio State University.
- **Unclear and non-standardized costs**, which prevents the industry from building sustainable support from beneficiaries – mortgage lenders, mortgage insurance companies, insurance companies, real estate professionals, housing finance agencies and potential homeowners.

## ACTIVITY 1: BENEFITS OF HOMEOWNERSHIP

*Based on your experience, what are some of the benefits of homeownership?*

*For the individual and family*

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*For the neighborhood and community*

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*Continued on next page...*

*For local businesses*

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*For local government*

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## Elements of a Marketing Strategy

Marketing is a key way to accomplish your organization's business goals, whether it be raising money or increasing the size of your Homebuyers Club. And it can be easier than you might think. Understand that marketing takes time, planning and commitment—and it must be strategic. Below is a quick reference to assist you in marketing your organization's programs.

**Goals.** Goals address what your marketing campaign seeks to accomplish. Whatever your marketing goals, they should be specific, measurable and time sensitive.

**Target Audiences.** Target audiences are those individuals you must reach to achieve your goals. They may include existing and potential customers, residents, community leaders, potential volunteers, business and corporate leaders, real estate agents, loan officers, other civic group leaders, state and local government officials and members of the press.

**Market Research and Analysis.** Do not make assumptions about your target audiences. Conduct research to answer these questions: Who and where are they? Can you provide the services and products they want? What is a fair, competitive and reasonable price for your services? Look at your competition and ask how your organization and products compare.

**Product Profile.** Examine the products you have to offer and see if you can match them to the demands of each of your markets. Do you have what they want? Are your products priced competitively? Can your audiences afford them? You may need to make adjustments to your products to make them more relevant to the needs of your market.

**Messages.** Create messages that speak directly to your target audiences and address what they want. Be specific and make sure you have the facts to back up your assertions. Message consistency and coordination are essential to effective marketing.

**Marketing Strategy and Tool Development.** Your marketing strategy should designate how your messages will be delivered. Be creative while focusing on your goals, audiences and messages. Components may include: media outreach, advertising, events, conferences, direct mail, exhibits, meetings and public engagements.

**Training the Team.** Each person in your organization is an ambassador to the public about your organization's mission, programs and products and should be equipped to deliver your message and trained to sell your organization.

**Timetable.** Decide who will do what, when. Remember that you can look beyond your staff to get things done. Consider the use of volunteers, board members, college or graduate student interns and business partners.

**Budget.** Be exact and realistic when putting together your budget. This will help you determine which components of your strategy can be done right away. Remember not to lose sight of your goals.

**Evaluation.** Without an evaluation phase you will not be sure whether your marketing strategy is successful. By measuring the success of marketing strategies, you can determine whether or not you are using your resources wisely and can make mid-course corrections to successfully attain your goals.

## Marketing Best Practices

- Focus on impacts and goals
- Marketing is more than a brochure
- Be clear about customers
  - Who are they?
  - What do they want?
  - Where can you reach them?
- Expand idea of what you're selling:
  - Programs, home ownership and neighborhoods
  - Avoid narrow geographic restrictions and tight income restrictions
- Ask for help from partners and professionals
- Market through affiliates to leverage impact
  - Real estate professionals
  - Employers
  - Faith-based organizations
  - Neighborhood associations
- Train the whole team
  - Key messages and information
  - Frequently asked questions
- Be prepared for success
  - Are your internal systems ready?
- Remember that the most powerful story is your new homebuyer
  - Use successful buyers as “billboards” of your program and the neighborhood
  - “Word of mouth” is a potent strategy

## ACTIVITY 2: HOMEOWNERSHIP PROMOTION WORKSHEET

What role can the following stakeholders play in promoting homeownership in your community?

How can involving the following stakeholders in organizational activities add value to the promotion of homeownership?

Stakeholders	Role
Existing Homeowners	Hold open houses and/or neighborhood events to welcome new residents.
Realtors	Help teach homeownership education classes.
Local Businesses	
Local Government Officials	
Lenders	
Others	

## Successful Homeownership Promotion Strategies

### **Community HousingWorks' PreQualification Rallies for Potential Homebuyers<sup>22</sup>**

Community HousingWorks in San Diego, California, has developed a way to provide efficient pre-qualification services to its growing number of potential homebuyers. Called "PreQual Rallies," the program allows staff to conduct intake screenings in an efficient and collective manner. A PreQual Rally is, essentially, a day set-aside for one-on-one counseling sessions. Only graduates of CHW's eight-hour homebuyer education class are invited to participate. During the six-hour rally local lending partners, with support from CHW staff, offer 30-minute, one-on-one counseling sessions to determine mortgage readiness.

Customers arrive 15 minutes before their appointment to help create their loan file. At the appointment, a local lender reviews the customer's income, assets and liabilities, and assesses their overall home-buying situation. Participants are not pre-qualified for specific bank programs at this time, but learn how close they are to being financially ready. The loan officers give an estimated purchase price and identify any credit or financial issues that exist. Potential buyers also learn how to handle any obstacles hindering their application.

Later the participating loan officers return to CHW to review and divide up the files, making copies of those files they think they can help. Households that are not "mortgage ready" are referred to CHW's Financial Fitness classes to build income, savings, and debt-management skills. These households are also eligible for unlimited counseling, which helps them overcome the specific obstacles they face. Higher-income customers who are "mortgage ready" but ineligible for CHW loan products are referred to one of the participating lender partners. CHW loans are available to households up to 120 percent of the area median income.

### ***Tell A-Friend Contest***

UNHS NeighborWorks HomeOwnership Center in Utica, New York, has developed a simple yet effective way of managing word-of-mouth marketing through the Tell-A-Friend contest. Tell-A-Friend provides a small incentive for clients who tell their friends and acquaintances about the NHS homebuyer education program. Tell-A-Friend has proven to be an effective marketing tool bringing into the program substantial numbers of families with a high level of commitment to participating in homebuyer education.

### ***Asheville NHS Lunch and Learn***

Lunch and Learn is a 45-minute introductory session on buying a house that is designed to be done at a workplace, over lunch. The objective of Lunch and Learn is to pump people up about home ownership and to get them committed to the next step — a four-session homebuyer class that provides a more detailed exposure to the homebuying process.

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<sup>22</sup> NeighborWorks agency interview on 11-10-05 with Gabe del Rio, HomeOwnership Director

### ***Inglewood NHS LeadershipWorks! Resident Trainings***

Inglewood, California, Neighborhood Housing Services (INHS) conducts a 10-week resident-leadership training, called LeadershipWorks!, that was created to enhance neighborhood residents' leadership skills, help resolve neighborhood issues and increase resident participation in community groups and functions. The training is also a strategic way to recruit and train new INHS resident board members.

### ***NeighborWorks Waco's Painting Pastors***

NeighborWorks® Waco formed a coalition of six local pastors to develop a service partnership. These pastors worked closely with NeighborWorks Waco to create a work plan and establish a program message that was positive and proactive. Through a nomination process homeowners were selected to be the recipients of home rehabilitation work that involved extensive exterior renovations and beautifications. The pastors recruited volunteers to do the work which involved scraping exterior paint in preparation for a new coat of paint and planting trees and flowers.

### ***Reynoldstown Revitalization Corporations' Neighbor to Neighbor***

In an effort to build bridges between long-time residents and neighborhood newcomers, Reynoldstown Revitalization Corporation (RRC) organized "Neighbor-to-Neighbor," a community activity that brought residents together to strengthen relationships, discuss neighborhood history, identify community challenges and create solutions. Neighbor-to-Neighbor involved small "living room" meetings hosted by neighborhood residents. These informal, in-house meetings were preceded by a kick-off event and concluded with a larger group celebration. As part of the overall planning process, RRC first held a "sample session" with help from its NeighborWorks consultants to preview the process and brainstorm ideas with several community volunteers.

### ***NHS of Milwaukee Homeowners Reunion***

NHS of Milwaukee held a successful reunion for more than 200 families whom NHS had assisted in buying homes or getting home-improvement loans. NHS originally planned to offer home-ownership workshops. Planners decided instead to have only a few minimally organized activities, in the hopes that those attending would get to know one another and simply have fun. Organized home-ownership activities were:

- City Map: Homeowners could put a pin on the location of their homes, on a big map of Milwaukee that NHS provided.
- Insurance Reviews: Company representatives spoke with homeowners about insurance coverage.
- NHS Family Photo: The 200 families attending gathered in a large circle for a portrait, in the park.

## **Ways To Incorporate Community Organizing Into Homeownership Activities**

- Change mission statement to reflect an organizing emphasis
- Analyzing why, as an organization you do what you do
- Promoting critical thinking to ensure that the organization structure is working for the people and not against them
- Provide and adopt models that have been proven to be effective
- Incorporate community organizing in to all aspects of the organization
- Educate both sides about overlapping interests & Promote connectivity based on those interests
- Provide community organizing/social change educational opportunities during staff and Board meetings
- Having annual homeownership retreats with key discussion on community organizing
- Training and recruiting community based Board members to ensure accountability
- Utilizing opportunities to involve all staff members in community building and organizing activities
- Require all staff members to complete a community organizing course
- Ensure that community org. staff members are present at all decision making meetings
- Develop or adopt a resident leadership development program for staff and constituents
- Enforce a requirement that all constituents complete the resident leadership development program prior to purchasing or reaping the benefits from other programs/services
- Ensure that funding is available at all times for organizing staff and activities
- Ensure that all staff members understand the functions of other staff
- Connecting staff assets to constituent assets
- Educate Board members about the importance of organizing and its role in the org. Ensure all future and current staff members understand and support that the organization is working toward social change
- Be more intentional about the language we use to refer to the people we serve
- Change perception of the people we serve, instead of seeing them as getting something from us (client) seeing them as contributors to our work (partners or constituents)

## Additional Resources

### ***Leveraging Home-Ownership Promotion As A Tool For Neighborhood Revitalization***

<http://www.fallcreekconsultants.com/documents/Leveraging%20Home%20as%20a%20Revitalization%20Tool.pdf>

### ***Winning Strategies in the NeighborWorks Network***

Winning Strategies are best practices from the 235-plus members of the NeighborWorks® network. Their purpose is to describe and record the innovative approaches that NeighborWorks organizations use in revitalizing neighborhoods and serving families, while offering community development practitioners an opportunity to replicate this work in the field.

Each best practice is generated by one of five national NeighborWorks programs:

- NeighborWorks Campaign for Home Ownership
- NeighborWorks Multifamily Initiative
- NeighborWorks Rural Initiative
- NeighborWorks Insurance Alliance
- NeighborWorks Community Building and Organizing Initiative

<http://www.nw2.org/WinningStrategies/index.asp>

### ***The National Industry Standards for Homeownership Education and Counseling***

are a set of guidelines for quality homeownership education and counseling services. Helping individuals and families to achieve the dream of homeownership is no small challenge. Homeownership education and counseling is a critical step in producing an informed consumer who is better equipped to sustain homeownership. Making the commitment to provide quality counseling and education services that strengthen long-term homeownership success takes a focused effort on the part of every stakeholder in the process. These Standards help practitioners and organizations serve families and communities with consistent service and professional excellence. Organizations, educators, counselors, sponsors, and consumers are encouraged to learn more and can endorse or adopt the Standards.

<http://www.homeownershipstandards.com/>

# Strategies for Promoting and Defining Community Involvement

## Tab 4

In Tab 4 We Will:

- *Examine strategies to promote community values, combat predatory lending and prevent foreclosures*
- *Learn about case studies of successful organizing strategies*

### ACTIVITY 1: EVALUATING COMMUNITY VALUES AND INVOLVEMENT

How are these stakeholders involved in promoting homeownership?	
Brokers:	
Lenders:	
Community:	
Businesses:	
Government:	

What are the self-interests of each stakeholder regarding homeownership promotion?	
Brokers:	
Lenders:	
Community:	
Businesses:	
Government:	

How are stakeholders educating the community about predatory lending and foreclosure?	
Brokers:	
Lenders:	
Community:	
Businesses:	
Government:	

How do we promote the community's strategies for homeownership preservation?	
Absentee Landlords:	
Businesses:	
Public institutions:	
Government:	
Funders:	

**Other questions to consider:**

1. What are the community's values regarding predatory lending and foreclosure?
  
2. How are stakeholders educated about homeownership?
  
3. How are housing priorities set?
  
4. How do others talk about homeownership? (Positively and negatively?)
  
5. How do we market the benefits of homeownership to various stakeholders?

## ACTIVITY 2: IDENTIFYING STANDARDS AND VALUES

How do we use stakeholder values to create community standards?

	Housing Quality	Vacant Lots	Housing Prices	Predatory Lending & Foreclosure	Block Cleanliness
Neighbors					
Businesses					
Your Organization					
Funders					
Gov't Officials					

What strategies should be used to incorporate the values and standards of each stakeholder?

What approaches should be taken to insure that the standards for the surrounding community are being met?

## **Case Study: California Senate Passes Foreclosure-Relief Bill that Could Keep One Million Families in Homes**

The California State Senate passed an ACORN-backed foreclosure relief bill on April 28 that, if signed by the governor, could potentially prevent more than 1 million California families from losing their homes to foreclosure. "This legislation would immediately help families all across California who are suffering in the crisis," said Sacramento ACORN's State Foreclosure Liaison John Crenshaw.

Oakland ACORN members have been working closely with the State Senate on a foreclosure relief bill since December, when they presented a Foreclosure Solutions Forum on Dec. 8. The forum drew several key legislators, including Senate President Pro Tem Don Perata, along with more than 250 community members who discussed potential solutions to the foreclosure crisis. This forum led to the introduction of Senate Bill 926, a similar bill to the one passed by the senate this week.

Senate Bill 926 was introduced Dec. 20 at the Oakland home of ACORN member Dorothy Hicks, who had previously faced foreclosure but was able to save her home by working out a loan modification. She continues to work with ACORN to help keep other families in their homes. Perata and Senators Ellen Corbett and Mike Machado came to Hicks' home to announce the introduction of the bill they sponsored.

When SB 926 failed in the senate on Jan. 30, just one vote short of passing, ACORN members and the bill's sponsors promised to keep pushing for legislative solutions to the foreclosure crisis. They introduced Senate Bill 1137, which passed this week.

SB 1137 will help prevent foreclosures by requiring that lenders meet with homeowners to discuss loan modifications before filing a notice of default.

The bill will also help tenants, requiring that they be given 60 days' notice prior to eviction from a property that has been foreclosed on. When rental properties go up for sale, tenants will be given notice in six different languages. The bill also addresses the blight and decreasing property values that many neighborhoods are facing by imposing penalties on banks that allow foreclosed properties to fall into disrepair.

## Various Organizing Strategies for the Promotion of Homeownership and to Combat Predatory Lending and Foreclosure

### Social Justice Strategies

#### Defining Social Justice

There are many definitions of social justice:

- The processes which seek to ensure the maintenance of a fair, equitable, egalitarian and generally harmonious society.  
([www.usq.edu.au/planstats/Docs/GlossaryTerms.doc](http://www.usq.edu.au/planstats/Docs/GlossaryTerms.doc))
- The distribution of advantages and disadvantages within a society  
([library.thinkquest.org/05aug/00158/glossary15.html](http://library.thinkquest.org/05aug/00158/glossary15.html))
- The belief that every individual and group is entitled to fair and equal rights and participation in social, educational, and economic opportunities. The agenda for increasing understanding of oppression and inequality and taking action to overcome them. ...  
([www.scottishmuseums.org.uk/about/glossary\\_terms/S.asp](http://www.scottishmuseums.org.uk/about/glossary_terms/S.asp))
- The quality of equitable rights for all people  
([www.architecture.com.au/i-cms\\_file](http://www.architecture.com.au/i-cms_file))
- It is the state which occurs when all members of a society have the same basic rights, security, opportunities, obligations and benefits.  
([www.pzaconsulting.com/jargon.html](http://www.pzaconsulting.com/jargon.html))
- Social justice mostly refers to an idea of society, where "justice" refers to economic status rather than to the administration of laws. It is based on the idea of a society which gives individuals and groups fair treatment and a just share of the benefits of society. ...  
([en.wikipedia.org/wiki/Social\\_justice](http://en.wikipedia.org/wiki/Social_justice))

**Key Words to Describe Social Justice:**

- Equal rights
- Fairness
- Equitable rights
- Participatory Opportunities
- Taking action
- Economics
- Harmonious society

**What Are Some of Your Words to Describe Social Justice?**

**Key Social Justice Strategies Include:**

- Community Building
- Community Organizing
- Service delivery
- Advocacy
- Economic Development

**What Are Some Social Justice Strategies You Are Familiar With?**

**ACTIVITY: PEOPLE IN NEED**

*(Adapted from Center for Third World Organizing)*

**Exercise:** There are residents in your neighborhood that are in need of help. They have come to your organization for help to stop being harassed by lenders because they are behind on their payments. Some are being threatened for future foreclosures. In some instances, folks are paying high interest rates of 24% on their credit cards. Others have fallen behind on their gas and electric bills because their cable and phone bills are too expensive.

**How would each type of organization handle the situation?**

Type of Organization and Focus	Their Role in Helping Neighbors
Yourtown Neighborhood Association (Community Building)	
Fair Share for All (Community Organizing)	
Big Hearts and Hands (Service agency)	
Hope Now (Advocacy)	
Community Hill EDC (Economic Development)	

**Why is social justice an important strategy?**

## How Do You Get People Involved?

A key ingredient to Social Justice Strategies is that people must be involved throughout the entire process.

People often get involved because someone asks them to help out. We shouldn't always wait on that opportunity to come. If you want to get involved and don't know how, it is easy to learn how.

- Look for fliers about neighborhood activities.
- Check the newspaper for community activity information.
- Ask your neighbors about organizing campaigns
- Talk with community groups about whether or not there are annual clean-ups or block parties.
- Local schools often have information about community events.
- Talk with volunteers about volunteering
- Volunteer groups and neighborhood associations provide a variety of services, such as organizing after school activities for kids, keeping public parks clean and available for everyone's use, supporting senior citizens, or celebrating community successes. Local housing or community development organizations are always looking for new volunteers to help with projects or to serve on the Board or committees. You can call their office to find out how to get involved, or keep an eye out for resident leadership development trainings.

## Community Wealth Creation Strategies

Wealth creation involves the building of assets by means of careful investment into asset-based investments, usually over a long period of time so as to achieve an income stream that will ensure a continuation of a high quality lifestyle in the years beyond retirement. (*Adapted from: Outlook Financial Solutions*)

### Types of Wealth Creation Strategies

#### 1. Individual Development Accounts

**Individual Development Accounts (IDAs)** are matched savings accounts that enable low-income American families to save, build assets, and enter the financial mainstream. The match incentive - similar to an employer match for 401(k) contributions - is provided through a variety of government and private sector sources. Organizations that operate IDA programs often couple the match incentive with financial literacy education, training to purchase their asset, and case management.

#### **Case Example: IDA Home Maintenance Program at NeighborWorks of Western Vermont<sup>23</sup>**

NeighborWorks of Western Vermont (NWWVT) created a post-purchase individual development account (IDA) program, together with educational workshops and counseling, to support homeowners and help them fund necessary home improvements. The program also helps homeowners build a regular savings pattern for home maintenance and potentially preserve homeownership. Many local homeowners who did not have adequate funds for sudden repairs or home maintenance had acquired unaffordable loans and were now at risk of foreclosure. Staff felt that a post-purchase IDA program could relieve homeowners of unnecessary loans. Furthermore, the program would help participants develop strong and ongoing savings habits that would help them preserve their assets for the long term. In addition, home maintenance support could increase their home's equity and overall worth.

#### 2. Community Asset Building

There are lots of resources that go untapped in our communities all of the time. Asset Building strategies aid communities in identifying existing resources to alleviate local issues. The Asset Building model suggests organizations should identify resources in three areas:

- **Primary Resources.** Identify assets and capacities located inside the neighborhood or community, largely under neighborhood control.

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<sup>23</sup> NeighborWorks Agency interview on 01-18-06 with Mary Rajda, Deputy Director and Nancy Gilman, Post-Purchase Counselor. Author: Ann DiPetta

- **Secondary Resources.** Identify assets within the community, but largely controlled by institutions outside of the community.
- **Potential Resources.** Identify resources outside the community, controlled by institutions or individuals outside of the community.

### 3. Financial Literacy for Adults and Youth

When teaching financial literacy, it is important to understand your target area or group. This happens by researching existing data, as well as creating opportunities for current data. The new data should come from the target group through methods such as focus groups, study circles, house meetings, surveys, etc.

## Partnership and Resource Development

### Ingredients of a Successful Partnership

- Shared concerns about the community.
- Respect and trust between different people/stakeholders.
- Mutual agreement that partnership was necessary.
- Good fit of work styles.
- Can get the work done in a neighborly way.
- Realistic time to build partnership relationships.
- Membership diversity.

### Partnership Problems

- Domination by one Partner. (*“My way or the highway.”*)
- Opposing philosophies or work styles.
- Poor communication.
- Unequal and unacceptable balance of power and control.
- Hidden agendas.
- Incompatible agendas.
- Partners who come in late to the process.

## Survival Requirements for Collaborations

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A Sound Plan of Action:	<ul style="list-style-type: none"><li>• Clear Mission Statement</li><li>• A Clear Demand/Need for Programs and Services</li></ul>
Financial Resources:	<ul style="list-style-type: none"><li>• Unrestricted</li><li>• Restricted</li></ul>
Human Capital:	<ul style="list-style-type: none"><li>• Board/Staff</li><li>• Volunteers</li><li>• Supporters</li></ul>
Positive Image:	<ul style="list-style-type: none"><li>• Public Relations</li><li>• Marketing Material</li></ul>

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### Resource Development Processes (First things, first)

- Identify key partners
- Access available resources (financial, human, in-kind)
- Maximize existing resources
- Talk to local funders BEFORE the program runs out of money
- Regularly communicate accomplishments to the entire community

### Ways to Keep Programs in the Community

- Diversify your funding
- Separate the organization's agenda from the needs of the community
- Focus on achieving measurable outcomes
- Fill in funding gaps before trying to duplicate existing resources
- Share the credit
- Also remember that the biggest supporters may live in your community

### Common Volunteer Pitfalls

- No screening
- Treating volunteers like employees
- Failure to acknowledge contributions
- No training provided to new volunteers
- Failing to provide volunteers with leadership
- Forgetting that volunteers can still face burnout

# Community-Based Research Strategies

## Tab 5

In Tab 5 We Will:

- *Examine the Importance of Research*
- *Identify Simple Methods of Conducting Research*
- *Learn How to Use Research Effectively*
- *Review Examples of Community-Based Research*

## **Why Conduct Research?**

- To prove a point
- To gain a competitive edge
- To be able to evaluate outcomes and impacts
- To identify potential problems and/or issues
- To define an organization's future direction
- To gain additional resources

## **Examples of Simple Research Methods**

### **Focus Groups**

A focus group is a form of qualitative research in which a group of people is asked about their attitude towards a product, service, concept, advertisement, idea, or packaging. Questions are asked in an interactive group setting where participants are free to talk with other group members.

### **Surveys (Door To Door, At Events, Etc.)**

In addition to residents, those who have a professional role in the target neighborhood may also be valuable informants, particularly local clergy, school teachers or principals, health and human service providers, business owners, appraisers, real estate agents and other non-profit service providers. Perhaps the best use of these respondents would be to add information and insight to an analysis of survey results. For instance, they may be able to identify historical or recent events that shape local opinions.

### **Study Circles**

Study circles are typically created by persons who discover a common interest or to analyze and find solutions to social, political, or community problems. There is no teacher, but one member usually acts as facilitator to keep discussion flowing and on track, and ensure that everyone has an opportunity to become as involved as he desires to be. Reading material and audio/visual aids are often used to stimulate dialogue.

Study circles may be introductory level, advanced level, or any level in between. Study circles may be sponsored or assisted by government or community officials and have specific outcome goals such as generating ideas or suggesting courses of action; or they may be entirely independent and self-sufficient, existing simply for the pleasure of increasing the knowledge of their members.

There is no one right way to do a study circle. The method is simple and suitable whether the discussion is for deeper understanding, for weighing options and making choices, for making recommendations that lead to action, or for academic study. Study circles allow complex topics to be broken down into manageable parts. Single session programs can result in meaningful and productive dialogue, but study circles usually involve multiple sessions in order to fully investigate the question at hand.

### **Building Condition Surveys**

Residents can be effectively used to conduct surveys of buildings in a neighborhood to determine their condition and the need for rehabilitation services. A sample “Building Conditions Survey Form” is at the end of this tab and can be adapted for local use. These surveys are especially effective if conducted in two or more neighborhoods to be able to compare the conditions between neighborhoods. Also, these surveys can be repeated over 3-5 year periods to determine whether conditions are improving or deteriorating in particular neighborhoods.

### **Local Records**

County or local government offices, such as tax assessors or the register of deeds or title, can provide public information on home sales, assessments and registries. The names and addresses of buyers and the amount the sale are generally required to be made available to the public by state laws (except in Michigan and Texas). Homebuyer lists can also be obtained via trade papers and are often printed in local newspapers

### **Census Data**

The U.S. Census Bureau’s website is very user-friendly and is an easy place to obtain a wealth of information about your neighborhood, city, county or state. Visit [factfinder.census.gov](http://factfinder.census.gov) for more details.

## Understanding Outcomes Measurement

**Input → Program → Output → Outcome**

- *Inputs* are staff time and program budgets.
- *Program* is housing counseling.
- *Outputs* are the number of people served.
- *Outcomes* are the net changes that results from the program.

### EXAMPLE

#### Counseling Program Success Measures and Evaluation Strategies

Success Measures	Evaluation Strategies
Total new homeowners	Customer tracking and HUD-1 Settlement Statements
Ratio of loans closed to counseled customers	
Customer satisfaction	Customer satisfaction surveys
Delinquency rates for homebuyers	Reports from lenders
Changes in homeownership rates	Census data (factfinder.census.gov)
Improvement in financial management skills	Pre- and post-counseling assessments, customer interviews and focus groups
Improvements in home conditions	Windshield surveys and photographs

## Techniques for Analyzing Data for Counseling Programs

**Compare to a peer:** Average purchase price in target neighborhood: \$167,000  
 Average purchase price in nearby neighborhood: \$197,000

**Compare to the city or region:**

Target neighborhood: Homeownership rate: 37%  
 Entire metro area: Homeownership rate: 55%

**Track neighborhood change:**

Target neighborhood: 1 year change in homeownership rate: 4%  
 Nearby neighborhood: 1 year change in homeownership rate: 1%

**Aggregate:**

Total from 2001-2005

- 1,855 households counseled
- 290 new homebuyers
- Total real estate investment of \$41 million

**Look at the spread or range:**

	Target Neighborhood	Nearby Neighborhood
Average Income	\$20,000	\$25,000
Income < \$5,000	1,800	500
Income \$5,000 - \$15,000	300	1,000
Income > \$15,000	100	900

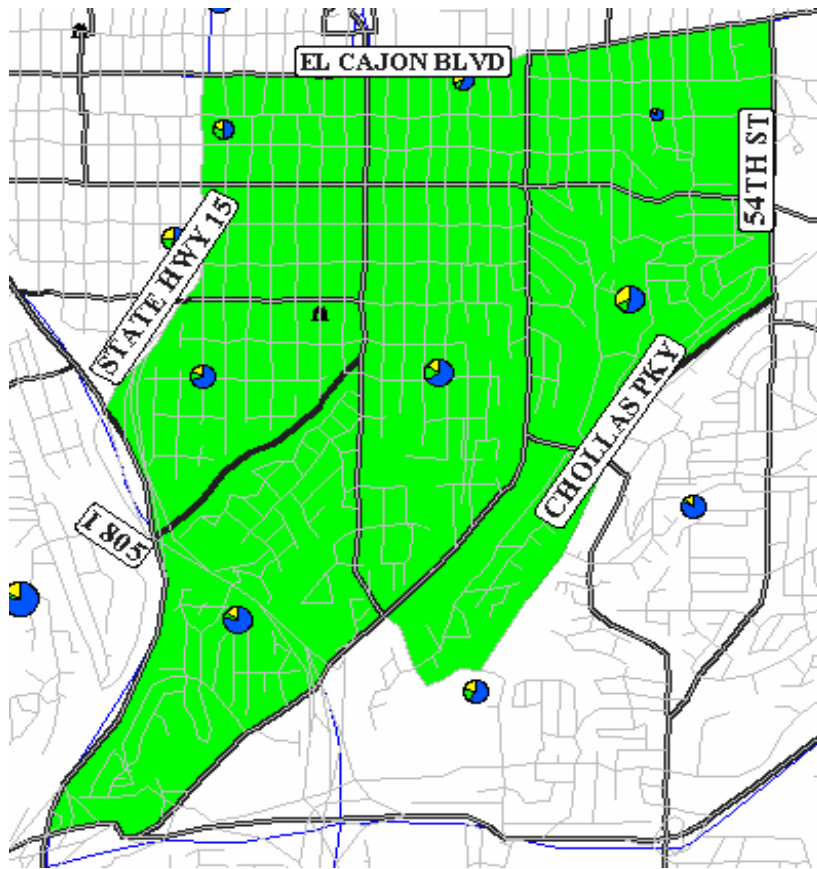
**Compare sub-groups:**

Homeownership rate for white households: 60 %  
 Homeownership rate for black households: 25 %  
 Homeownership rate for Hispanics: 30 %

**Consider market share:**

40% of loans closed in target area facilitated by counseling agency

## Mapping Neighborhood Characteristics:



**Hold other factors constant:**

	Target Neighborhood	City	Difference
Average Home Price	\$160,000	\$200,000	\$40,000
2 BR Home	\$150,000	\$170,000	\$20,000
2 BR, 1 Bath, 2,000 sq. ft.	\$149,000	\$155,000	\$6,000

**Make projections based on past periods:**

1995-2000 Change in Property Value:	12 %
2000-2005 Change in Property Value:	10%
2000 Median Value:	\$150,000
2006 Projected Value:	\$165,000

**Use ratios.**

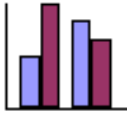
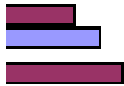
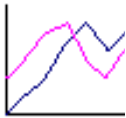

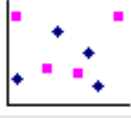
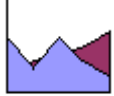


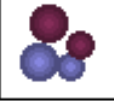
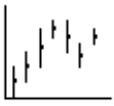
Counseled customers to new homebuyers: 7:1

## How Do You Present What You Have Collected?

*Consider your audience carefully.* What is their expertise? What specialized language do they use? What do you want them to do? What advice do you want to ask from them?

- Develop a wide audience. Talk to people about what you have found. Seek their advice. Use your data to prompt discussion.
- Consider the setting carefully. How will the information be delivered - in person, written, online or other? If in person, consider the viewing distance and angles, room setup, and lighting. If written, consider length, tone and editing. If online, consider short bursts of text, quick downloads, graphics and colors.
- Lead with an overview of the central message. What is the most important point?
- Tailor secondary points and details to each audience. What will motivate each audience? Use language, graphics and persuasion specific to each group.
- Use a variety of communication techniques. For verbal techniques, use a logical data presentation, prose and personal stories. For visuals, include charts and graphs, maps, sketches and photographs. Keep in mind that an effective map has a scale that allows for pertinent details, information that highlights your message, geographic coverage that captures important surroundings, orienting devices that provide context, and graphic language that highlights your key ideas. Place your data in a larger context. Relate it to other numbers, such as percentages, rates and indexes). Rank it compared to other places. Use benchmarks.
- Remember what questions you were trying to answer with the data.

## Basic Chart Types

Type	Use	Notes	Example
<p>Column</p> 	Shows totals, volumes well	Often most readable type, makes comparison clear	Compare median prices in two neighborhoods, by bedroom counts
<p>Bar</p> 	Similar to Column; emphasizes progression of various categories	Less "positive/negative" than column	How many males and females are in various age groups?
<p>Line</p> 	Shows trends over time (or trends over categories)	Useful for future projections;	What direction are home prices headed?
<p>Pie</p> 	Shows Contribution of each value to a total	Doughnut is similar but can show multiple series	Where does each dollar go in our program?
<p>X-Y (Scatter)</p> 	Compares multiple pairs of values	Can show wide range of incidents; look for clusters	Relationships of square footage to price
<p>Area</p> 	Similar to Line Charts, but emphasize volume of activity	Graphic is more bold than line chart	How does our total real estate compare with last year?
<p>Radar</p> 	Shows various values relative to a center point	Clearly indicates which subgroup is in abundance.	How many 1, 1-1/2, 2 and 3 bath homes do we have compared to others?
<p>Surface</p> 	Relates three variables in a continuous plane	Often used with maps to show the value of some variable	Where are clusters of expensive homes?
<p>Bubble</p> 	Emphasizes one variable by showing large values as bigger circles	Each circle is an aggregation of data from a given area	Where has the most population growth occurred in the region?
<p>Stock</p> 	Shows various ranges of activity (such as the high/low/close of a stock price)	Can be used to show neighborhood characteristics	What price ranges are homes in our neighborhood selling for?

## **Case Example: Developing A Research and Analysis Strategy**

Los Angeles Neighborhood Housing Services (LANHS) conducted a study to identify foreclosure trends in its targeted neighborhoods. Based on the study results a plan was created to address the rising rates of foreclosure.

In 2003, LANHS decided to conduct a foreclosure study (officially titled “Mortgage Foreclosure Trends in Los Angeles: Patterns and Policy Issues”) to better understand the increase of foreclosures in Los Angeles. In the city, many foreclosures are concentrated in the lowest-income areas – areas that also have the highest concentrations of minority homeowners.

Although LANHS’s loan portfolio has been very successful over the years (it has had zero foreclosures since it opened in 1984), the foreclosure trends raised great concern because they threatened the overall health of the community. LANHS did not want these trends to undo 20 years of its homeownership and neighborhood achievements.

Staff decided to conduct a detailed examination of local trends so they could design effective responses to the rise in foreclosures. The study would identify pockets of high-foreclosure activity, and help staff create a comprehensive process for intervention and prevention, which would include other community agencies and partners. The overall goal was to save families and neighborhoods from the stress of foreclosure.

Two consultants were hired early in 2004 to conduct research and write the study which examined foreclosure trends from April 2001 to April 2004 and showed housing market performance from 1987 to 2003. Most information came from the Census Bureau and the city and county governments in Los Angeles. The study was completed in 2004.

The study revealed that the lowest-income neighborhoods with the highest minority populations had the most foreclosures. During the study period, foreclosure proceedings were initiated on 62,070 homes in the city and county of Los Angeles. Although most mortgage companies tried to help homeowners avoid foreclosure, 14,415 families ended up losing their homes. The number of families who lost their homes in the city was three times higher than in the county, and these households were highly concentrated in specific neighborhoods. About 25 percent of the foreclosures occurred in census tracts with the highest minority concentrations and lowest incomes.

The study also revealed high levels of subprime lending issues within these households. When conventional lenders failed to provide affordable credit to lower-income borrowers, they turned to less-scrupulous lending options.

Historically, LANHS has focused on expanding homeownership opportunities in lower-income and minority communities. Since the release of the study findings, however, it has increased its homeownership preservation activities and shifted its focus from

foreclosure intervention to prevention. The study also showed a need for policy intervention.

LANHS has found “homeowners in foreclosure” to be an emerging client: 10 percent of its post-purchase customers have foreclosure issues. The results of the study prompted LANHS to change its focus and intensify post-purchase and homeownership preservation activities. Staff members are educating the community; coordinating with government, business and community agencies to prevent foreclosure; and focusing on prevention at a policy level to create practical and tangible solutions.

Since predatory loans were the largest factor leading to foreclosure, LANHS is closely monitoring the local subprime lending situation and working to educate residents on this issue. Staff provide consumers with information on fair and affordable lending choices and help borrowers make informed decisions. LANHS also is working to increase refinance and loan-workout options through financial partners.

When foreclosure cannot be avoided, LANHS tries to facilitate a swift response so the home can quickly return to the market. This minimizes the negative impact of abandoned properties.

LANHS will continue to work with city and county housing officials to collect local data and identify new “hot spots,” or neighborhoods with high rates of foreclosure. This will help businesses, governments and community-based organizations create a coordinated and effective foreclosure avoidance effort and help identify at-risk neighborhoods before problems get worse.

### ***Lessons Learned***

- *Collect comprehensive data.* Precise details are vital to addressing the issue of foreclosure and preserving neighborhoods. The agency must know the facts in order to accurately inform the public and create obtainable goals.
- *Review research from other NeighborWorks organizations.* When it comes to foreclosure trends, communities will share similarities as well as have differences. Take the time to learn from other network organizations, but pay close attention to local conditions. Smaller cities may have different trends than more populated areas. Still, agencies can learn from one another’s experience.
- *Create partnerships.* Partnerships with homeowners, financial institutions, community agencies, and government are vital to resolving the foreclosure crisis. Change will be more effective if there are many partners at different levels.
- *Accept that some foreclosures are unavoidable.* When foreclosure is inevitable, have lenders, municipalities and community-based organizations work together to preserve the property for affordable homeownership. Try to transfer the property to a new homeowner as quickly as possible.
- *Be patient.* Addressing the foreclosure issue will take time. Know what to look for and be ready to respond.

## Sample Building Conditions Assessment Form

**Date of Assessment:** \_\_\_\_\_

**Property Address:** \_\_\_\_\_

**Appears vacant?** Yes No                      **Boarded up** Yes No

**Number of units in house** \_\_\_\_\_

Building Component	Condition					Definitions
	Very Good	Good	Fair	Poor	Check if Not Visible/ Applicable	
1. Roof	4	3	2	1		VG = No observable maintenance required G = May need some shingles and/or minor repairs, but no major maintenance needed F = Shows sign of deterioration, but immediate replacement not needed P = Roof may be sagging; needs major repair or replacement
2. Exterior Walls	4	3	2	1		
3. Doors and Windows	4	3	2	1		
4. Foundation	4	3	2	1		
5. Porch/Balcony	4	3	2	1		
6. Garage/Adjacent Structure	4	3	2	1		
7. Exterior upkeep (paint, yard, fencing)	4	3	2	1		

- a. Number of items on table rated: \_\_\_\_\_
- b. Total points from table: \_\_\_\_\_
- c. Composite score (line b divided by line a): \_\_\_\_\_

<b>Resident Satisfaction Survey</b>	Administration Use Only: Survey No. _____
	Neighborhood Code: _____

**Please identify your neighborhood or the street intersection nearest your house or apartment.**

	Less than 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Over 10 years
<b>2 How long have you lived in or near that location?</b>					
	Very Good	Good	Neither Good nor Bad	Bad	Very Bad
	Very Good	Good	Neither Good nor Bad	Bad	Very Bad
	Very Good	Good	Neither Good nor Bad	Bad	Very Bad
	Very Good	Good	Neither Good nor Bad	Bad	Very Bad
	Very Good	Good	Neither Good nor Bad	Bad	Very Bad
	Very Good	Good	Neither Good nor Bad	Bad	Very Bad
	Very Good	Good	Neither Good nor Bad	Bad	Very Bad

**How would you rate each of the following in your neighborhood?**

3 Condition of Homes in the Area:	Very Good	Good	Neither Good nor Bad	Bad	Very Bad
4 Cleanliness of the Area:	Very Good	Good	Neither Good nor Bad	Bad	Very Bad
5 Feelings of Safety in the Area:	Very Good	Good	Neither Good nor Bad	Bad	Very Bad
6 Friendliness of Neighbors:	Very Good	Good	Neither Good nor Bad	Bad	Very Bad
7 Quality of Public Services:	Very Good	Good	Neither Good nor Bad	Bad	Very Bad
8 Quality of Schools in the Area:	Very Good	Good	Neither Good nor Bad	Bad	Very Bad
9 Access to Transportation:	Very Good	Good	Neither Good nor Bad	Bad	Very Bad

**If you've lived here 1 year or more, have any of the following changed in the last year?**

3A Condition of Homes in Area:	Much Worse	Slightly Worse	The Same	Slightly Better	Much Better
4A Cleanliness of Area:	Much Worse	Slightly Worse	The Same	Slightly Better	Much Better
5A Feelings of Safety in Area:	Much Worse	Slightly Worse	The Same	Slightly Better	Much Better
6A Friendliness of Neighbors:	Much Worse	Slightly Worse	The Same	Slightly Better	Much Better
7A Quality of Public Services:	Much Worse	Slightly Worse	The Same	Slightly Better	Much Better
8A Quality of Schools in the Area:	Much Worse	Slightly Worse	The Same	Slightly Better	Much Better

9A	Access to Transportation:	Much Worse	Worse Slightly Worse	The Same	Better Slightly Better	Better Much Better
10	<b>Are you active in any neighborhood clubs, groups, committees or organizations?</b>					
11	<b>Are you registered to vote in this location?</b>					
	Yes	No				
12	<b>How often do you speak with your neighbors?</b>					
	Daily	Every 2-3 days	Weekly	Every 2-3 weeks	Once a month	Never
13	<b>What do you like best about this neighborhood? (check one only)</b>					
	Safety	Community pride/spirit/friendliness				Convenient location
	Schools	Parks				Cleanliness of streets and homes
14	<b>"If something is wrong in my neighborhood, I know that the people who live here will try to work to fix it!"</b>					
	Strongly Disagree	Moderately Disagree	No Opinion	Moderately Agree	Strongly Agree	
15	<b>Would you recommend this neighborhood to other people as a good place to live?</b>					
	Yes					No
 <b>Please Turn This Page Over To Complete the Survey!</b> 						
16	<b>Do you own or rent your home?</b>					
	I own my home	I rent my home	Neither, I live with a relative/friend			
17	<b>If you OWN your home, how much do you think you could sell your home for in today's market?</b>					
	\$0-\$30,000	\$30,001-\$50,000	\$50,001-\$75,000	\$75,001-\$150,000	\$150,001-\$200,000	Over \$200,000

18 **If you RENT now, would you like to buy a home in this neighborhood?**

Yes (Please SKIP to question 20)

No (Please answer question 19)

**What is the main reason why you would not buy a home here?**

Seems unsafe  
Poor schools  
Traffic

Poor location

Community has poor reputation  
Streets and homes are dirty/run down  
Other (describe) \_\_\_\_\_

Lacks parks and green space

*Please SKIP to Q. 21.*

20 **What is the main reason you haven't yet bought a home here?**

Don't make enough income  
Can't find a good house

This isn't a good time for buying a home

Credit problems need to be cleared up

Don't have enough for down payment/fees

Not sure how to start  
Not ready yet to buy

21 **What do you think the people of this neighborhood could do to make it a better place to live?**

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22 **How many people live in your home, in each of the following age categories? Please include yourself.**

15 and under \_\_\_\_\_

16-20 \_\_\_\_\_

21-30 \_\_\_\_\_

31-40 \_\_\_\_\_

41-54 \_\_\_\_\_

55 or over \_\_\_\_\_

23 **What is your family's income?**

\$10,000 or less per year (less than \$150 per week after taxes)      \$10,001 to \$25,000 per year (\$151-\$380 per week after taxes)      \$25,001 to \$40,000 per year (\$381-\$540 per week after taxes)      Over \$40,000 per year (more than \$540 per week after taxes)

24 **Which best describes your racial heritage or background?**

- Native American
- Hispanic
- African American (non-Hispanic)
- Asian/Pacific
- White (non-Hispanic)
- Other

**Thank you for filling out this survey!**

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## **Nine Tips for Conducting a Resident Survey**

*Based on "A brief guide to conducting a resident survey"  
by Larry Buron, Debra McInnis, Jean Amendolia, Judith Feins*

### **1) Be precise and systematic about your targeted population.**

Clearly define the boundaries of the area you want to survey. Do not collect surveys from who ever happens to be available or convenient - that tells you nothing about the whole neighborhood (but a lot about those folks who are available and convenient).

### **2) Use a probability sample of households.**

If your neighborhood has more than 200 households, choose 200 addresses at random (the easiest way is to buy a list of all of the mailing addresses in the neighborhood, then using an Excel spreadsheet, create a column with the =RAND() function, then sort the list by the random numbers Excel generates. Choose the first 200 rows -- that is your sample). If your neighborhood has less than 200 households, try to do a census of all of them.

### **3) Use a comparison group.**

It will be hard to judge if your neighborhood has improved over time unless you have a benchmark. While it may seem excessive, it would be best to get a sample of households from either a similar (but unassisted) neighborhood, or the larger community. That data provides a standard to which you can compare your neighborhood's residents.

### **4) Use a mail survey, combined with a follow-up door-to-door survey to those not responding via mail.**

Mailing a survey is the least expensive way to gather data, however, respondents often ignore mailed surveys. The solution is to follow up in person.

### **5) A high response rate is more important than a larger sample.**

The reasons residents do not respond vary, but in general, using data with lots of missing respondents is problematic. It is better mail out 200 surveys, and track down those 100 who did not respond, than to send out 400 surveys and get 200 back.

### **6) Train the door-to-door interviewers.**

It is important that the survey is systematic--that data is collected from each respondent in similar ways. Take time to train the interviewer, prepare a tip sheet with potential questions respondents might ask, and appropriate answers. Also role play a few interviews with each interviewer.

### **7) Once you get the survey, read over each and circle the response to be entered into the database.**

Make the data entry process as simple as possible. The Excel forms distributed with the survey may help, but the data entry person must be very accurate as they do their work. Consistency and error checking are vital.

## **PUBLIC RECORDS TIP SHEET**

Your local property records department is an excellent vehicle for tracking facilitated sales and this strategy could be applied semiannually or annually as a “safety net” procedure or on a routine basis. Local mortgages are usually recorded at the property records department within the county government office. The process for obtaining the needed closing information for production reporting may vary from county to county. Contact the property records department for each of the counties within your market area to determine how to best access public information regarding local home sales. It should also be noted that many public records departments list new home sales in the local paper on a regular basis.

The following questions serve as a guide to assist you in obtaining the vital information needed to follow-up on customers who may have closed a mortgage loan without your knowledge, after accessing your services.

1. Can I obtain a list from your office of all deeds and mortgages recorded in the past year?
2. Can I go to your office to view the records or do I need to request the records via mail?
3. Is there a cost to research and/or receive these records?
4. If so, can this be waived or reduced since I represent a nonprofit organization and have no vested financial interest in the information?
5. Do you have a standardized form to request such records?
6. What type of information do I need to have available in order to do this research?
7. If you do not provide an aggregate list, can you recommend data providers that sell this information?

# Appendix

## Tab 6

*Tab 6 Includes:*

- *Additional Resources: Websites, Books, and Articles*
- *More Background about Foreclosures and Loss Mitigation Options*

## Books, Resources and Web Links

### Useful Websites

[www.nw.org](http://www.nw.org).  
[www.nar.com](http://www.nar.com)  
[www.keystomyhome.org](http://www.keystomyhome.org)  
[www.handsonbanking.com](http://www.handsonbanking.com)  
[www.firstnations.org](http://www.firstnations.org)  
[www.responsiblelending.org](http://www.responsiblelending.org)  
[www.cfed.org](http://www.cfed.org)  
[www.acorn.org](http://www.acorn.org)  
[www.995hope.org](http://www.995hope.org)  
[www.freddiemac.com](http://www.freddiemac.com)  
[www.homeownershipstandards.com](http://www.homeownershipstandards.com)

### Useful Financial Education Curriculum

#### ***FDIC Money Smart***

Money Smart is available in two versions: an instructor-led version and a computer-based instruction (CBI) version. Both versions consist of the same 10 modules.

The instructor-led version of Money Smart is for those who plan to teach financial education to others in English, Spanish, Chinese, Korean, Vietnamese, or Russian. A version for the visually impaired is also available.

Each of the 10 modules is structured in an identical manner and includes:

- A comprehensive, fully scripted guide for instructors. The guide includes everything necessary to start teaching the program, including easy to follow cues, script, and interactive class exercises.
- Overheads, in Word and PowerPoint format.
- Take-home guide for participants.

<http://www.fdic.gov/consumers/consumer/moneysmart/overview.html>

#### ***Freddie Mac Credit Smart***

CreditSmart® is a multilingual financial education curriculum and consumer outreach initiative developed by Freddie Mac in collaboration with a number of multicultural groups. It is often delivered in workshops conducted by nonprofits, housing counselors, churches, and community-based organizations. It is designed to help consumers build and maintain better credit, make sound financial decisions, and understand the steps to successful homeownership. CreditSmart increases consumers' financial understanding by teaching them life-long money management skills and showing them how to avoid costly mistakes.

CreditSmart is available in English, Spanish (CreditSmart Español), and Chinese, Korean, and Vietnamese (CreditSmart Asian).

<http://www.freddiemac.com/creditsmart/>

## **For Further Reading about the Foreclosure Crisis**

Apgar, Bill and Mark Duda. "Collateral Damage: The Municipal Impact of Today's Mortgage Foreclosure Boom." Homeownership Preservation Foundation. www.995hope.org. May 2005.

Citizens' Housing and Planning Association (CHAPA) Briefing Paper. "Addressing the Foreclosure Crisis: State and Federal Initiatives in Massachusetts." Janna Tetreault and Ann Verrilli. March 2008.

Global Insight, "U.S. Metro Economies – The Mortgage Crisis: Economic and Fiscal Implications for Metro Areas." U.S. Conference of Mayors, November 2007. <http://www.usmayors.org/metroeconomies/1107/report.pdf>

Joint Economic Committee. Senator Charles E. Schumer, Chairman. "Sheltering Neighborhoods from the Subprime Foreclosure Storm." April 2007.

National Governors Association, "State Strategies to Address Foreclosures," September 19, 2007. <http://www.nga.org/Files/pdf/0709FORECLOSURES.PDF>

Roper Survey of Delinquent Borrowers. Freddie Mac, 2007. <http://www.freddiemac.com/singlefamily/news/newsletter/2008/02/survey.html>

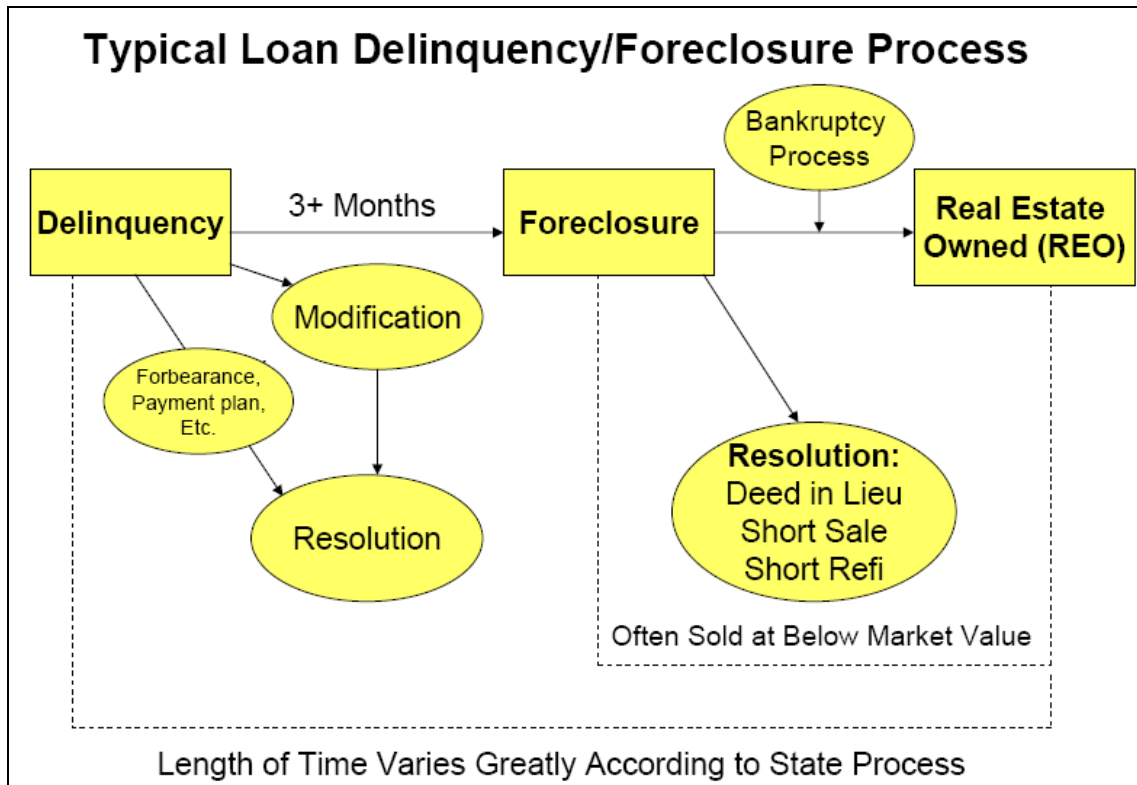
Schloemer, Ellen, Wei Li, Keith Ernst, and Kathleen Keest, "Losing Ground: Foreclosures in the Subprime Market and Their Cost to Homeowners," Center for Responsible Lending. December 2006. <http://www.responsiblelending.org>.

"Subprime Lending: A Net Drain on Homeownership." Center for Responsible Lending. March 2007. <http://www.responsiblelending.org>.

"Subprime Spillover." Center for Responsible Lending. January 18, 2008. <http://www.responsiblelending.org>.

## Additional Information on Foreclosures

### TYPICAL LOAN DELINQUENCY AND FORECLOSURE PROCESS



Source: Adapted from George McCarthy, "Reducing Foreclosures' Negative Effects on Neighborhoods." Presentation to the Detroit Neighborhood Forum. April 2008.

## TYPICAL LOSS MITIGATION OPTIONS

Option	Beneficial If...	Allows Borrower To...
Forbearance	Borrower has a source of funds to bring the account current by a certain date.	Arrange for a temporary reduction or suspension of payments for a specified time period, after which another option must be agreed upon to bring the account current.
Repayment Plan	Borrower's financial difficulties are short-term.	Resume making regular mortgage payments in addition to a portion of the past due payments.
Modification	Borrower can make payments on the loan, but does not have enough money to bring the account current, or the borrower cannot afford the total amount of the current payment.	Modify the terms of the original loan to make the payments more affordable.
Short Sale	Payoff amount of borrower's loan is greater than the fair market value of the property.	Possibly sell the home for less than what is owed.
Assumption	Loan is non-assumable, but there is a qualified buyer.	Possibly sell the home for less than what is owed.
Deed-in-Lieu	Borrower has had the property for sale for a period of time with no activity.	Release the title to the property as settlement of the debt.

Source: PolicyLab Consulting Group. "Analyzing Elements of Leading Default-Intervention Programs"