

**Testimony of**

**Eileen Fitzgerald  
Acting Chief Executive Officer  
NeighborWorks America**

**(Established as the Neighborhood Reinvestment Corporation,  
Public Law 95-557)**

**before the**

**House Committee on Appropriations**

**Subcommittee on Transportation, Housing and Urban Development, and  
Related Agencies**

**United States House of Representatives**

**March 29, 2011**

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**Before the  
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Good afternoon Chairman Latham, Ranking Member Olver and Members of the subcommittee. Thank you for inviting me to talk with you today about the work of NeighborWorks America, and the Corporation's FY 2012 budget request.

By way of background, NeighborWorks America was established by Congress in 1978 as the Neighborhood Reinvestment Corporation. As you know, the Corporation receives a federal appropriation from the Transportation, Housing and Urban Development, and Related Agencies Appropriations Subcommittee. For fiscal year 2012, the President's Budget requests:

- Core Funding in the amount of: \$135.3 million, in addition to
  - National Foreclosure Mitigation Counseling funding of: \$ 80.0 million.
- For a total of \$215.3 million.

My testimony today will address both NeighborWorks America's core programmatic activities, as well as the Corporation's role as administrator of the National Foreclosure Mitigation Counseling program (NFMC).

NeighborWorks America is the nation's original community/public/private partnership model, with locally-driven community development, innovative solutions, and efficiency as its hallmarks. For more than 30 years, NeighborWorks America has consistently replicated its successful model, and today, the Corporation's affiliated NeighborWorks network includes more than 235 community-based nonprofit organizations, serving more than 4,500 communities across the United States -- in all 50 states, the District of Columbia, and the Commonwealth of Puerto Rico. NeighborWorks organizations operate in our nation's largest cities and in some of its smallest rural communities.

NeighborWorks America's primary mission is to expand affordable housing opportunities (rental and homeownership) and to strengthen distressed urban, suburban and rural communities across America, working through a national network of local community-based nonprofit organizations, known collectively as the NeighborWorks network.

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Local NeighborWorks organizations provide a wide variety of services that reflect the needs of their neighborhoods and communities. In the last five years alone, the NeighborWorks network has:

- Supported more than \$20 billion in direct investment in America's urban, rural, and suburban communities;
- Provided homeownership counseling to more than 500,000 families;
- Assisted more than 85,000 American families of modest means achieve their dream of homeownership;
- Rehabilitated more than 85,000 homes, using state-of-the-art methods, including green and healthy building techniques;
- Created the nation's largest force of certified homeownership education and foreclosure intervention counselors;
- Provided the highest quality training to tens of thousands of affordable housing and community development professionals from nonprofits and municipalities across the nation.
- Invested in rebuilding efforts in hurricane-affected communities across the Gulf Coast;
- Mobilized hundreds of thousands of volunteers to revitalize communities; and
- Created or sustained more than 23,000 jobs per year through local NeighborWorks-supported projects and activities.

The NeighborWorks network also owns and manages more than 80,000 units of affordable, high quality multifamily housing;

The NeighborWorks network itself comprises hundreds of robust, small local businesses. NeighborWorks America supports these nonprofit businesses and several thousand others through training, tools and other services, creating jobs, building and managing housing and other infrastructure, and spurring significant private sector investments in communities across the country.

As a small and highly efficient agency, NeighborWorks America is able to expeditiously distribute funds to its network of affiliated NeighborWorks organizations on the ground, with careful stewardship and quality control, so that those dollars immediately improve communities and create jobs faster than nearly any other agency. The Corporation's affiliated local NeighborWorks organizations are some of the most effective housing and community development providers in America. NeighborWorks America systematically evaluates its grantees on an ongoing basis – rating them against rigorous performance, financial and operational standards and disaffiliating grantees that do not meet these standards.

With the funding requested in its FY 2011 Budget Justification, the Corporation will provide grants, a wide array of programmatic support, training and technical assistance to the national NeighborWorks network, as well as to thousands of other community development practitioners across the country. NeighborWorks America believes that a continued strong investment in its network of effective community development organizations that can rapidly convert resources into community improvements and jobs, and an investment in the Corporation's proven strength in training the community development field, are important strategies as the nation moves towards recovery.

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With this investment, NeighborWorks America will continue to efficiently deliver training of the highest caliber, and support critically important efforts in homeownership foreclosure mitigation, community stabilization, and energy-efficient, sustainable affordable housing development to underserved populations and regions.

At the requested funding level, in FY 2012, NeighborWorks America and its network will:

- Support more than \$2.8 billion in investment in distressed communities;
- Create or support nearly 25,000 jobs;
- Provide effective housing counseling to 100,000 individuals;
- Assist 14,000 families to become new, successful homeowners;
- Create or preserve 6,000 rental homes;
- Provide affordable rental homes for more than 80,000 families;
- Preserve 15,000 units of affordable housing;
- Repair an additional 24,000 units of housing; and
- Issue 18,000 professional training certificates to affordable housing and community development practitioners.

In regard to the National Foreclosure Counseling program (NFMC), NeighborWorks America anticipates that an FY 2012 appropriation of \$80 million for NFMC will provide counseling for at least 190,000 more families facing foreclosure, while supporting 5,670 foreclosure counselors employed through approximately 1,700 NFMC-funded foreclosure counseling agencies across the country.

#### **Oversight:**

Just as it does with its network of organizations around the country, NeighborWorks America holds itself to the highest operational standards. In addition to the oversight provided by the Office of Management and Budget and Congress, the Corporation benefits from multiple additional forms of oversight, including:

- **The Corporation's Board of Directors** is determined by statute and consists of the heads of the federal financial regulatory agencies (the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Federal Reserve System, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision) along with the Secretary of HUD – or their designated appointees. This is an active Board, meeting at least quarterly as a full Board, and further carrying out their fiduciary and oversight responsibilities through a series of Standing Committees.
- **Annual Audit:** NeighborWorks America undergoes an annual third-party financial audit. In the last five years (FY 2006, FY 2007, FY 2008, FY 2009 and FY 2010) NeighborWorks America received a clean, unqualified audit opinion and received no management letters— an accomplishment that demonstrates an exceptionally high level of confidence by the external auditors in the Corporation's internal controls and management.

- **Internal Auditor:** To assure compliance with established financial and operational procedures, NeighborWorks America employs a full-time Internal Auditor and staff whose responsibilities are similar to those of an Inspector General in larger federal agencies, and involve a continual review of financial transactions, internal controls and adherence to established procedures. The Internal Auditor reports directly to the Corporation's board of directors.
- **Chief Financial Officer:** NeighborWorks America's CFO is responsible for financial planning, budget forecasting, preparation of the organization's budget, and implementing financial best practices to enhance the organization's efficiency and effectiveness.
- **Internal Performance Measures:** NeighborWorks America uses quarterly and annual internal performance measures at the corporate and divisional level to track progress and monitor performance.

**Nation's Largest Trainer of Affordable Housing and Community Development Practitioners:**

In addition to its support of local NeighborWorks organizations, NeighborWorks America is the nation's largest and most highly regarded trainer of affordable housing and community development practitioners, advancing the skills and performance of the broader community development field through its highly regarded NeighborWorks Training Institute and other training programs.

In FY 2010, NeighborWorks America awarded 20,300 training certificates to practitioners from 3,300 organizations and municipalities at four NeighborWorks Training Institutes (attended by an average of 1,800 participants at each) and through 285 regional trainings and 15 web-based e-learning courses.

In FY 2011 and FY 2012, NeighborWorks America will continue to deliver efficient training of the highest caliber in such areas as affordable housing development; housing property and asset management; homeownership education and counseling; foreclosure intervention counseling; community stabilization; energy efficient design, rehab, and management; community economic development; and nonprofit management and leadership.

**Administrator of the National Foreclosure Mitigation Counseling Program:**

NeighborWorks America had already distinguished itself as a nationally recognized leader in the fight against foreclosures (having created the NeighborWorks Center for Foreclosure Solutions in 2005) when in FY 2008, Congress asked NeighborWorks America to administer the National Foreclosure Mitigation Counseling Program.

The legislation establishing the NFMC program required NeighborWorks America to design and deliver the launch of the program and award foreclosure counseling grants within 60 days of enactment of the legislation. NeighborWorks America met that aggressive timeline.

Over the past three years, a total of \$475 million has been appropriated to the NFMC program.

At this point, more than 1.16 million homeowners facing foreclosure around the country have been counseled by the 1,700 grantees and sub-grantee foreclosure counseling agencies receiving funding from the NFMC program.

And, the NFMC program is making a real difference. Simply put, foreclosure counseling works.

An independent third-party evaluation of the NFMC program by the Urban Institute in December 2010, found that troubled homeowners who receive NFMC counseling achieve better results for the economy, their communities, and their families:

- Homeowners who received counseling through NFMC were almost 70% more likely to cure their foreclosure than if they had not received NFMC counseling;
- NFMC clients who received loan modifications reduced their loan payments by \$267 more each month (\$3,200 per year) than homeowners who received modifications but did not work with a counselor; and,
- Homeowners in serious delinquency or foreclosure who received NFMC counseling and received a loan modification after counseling were 53% more likely to cure their loan defaults than were homeowners in similar situations, without NFMC. And homeowners increase their relative odds of remaining current on their loan modification payments by 45% with NFMC counseling.

These findings speak volumes about the value of foreclosure counseling and the vital role counselors play in helping homeowners find solutions to foreclosure. And the benefits of foreclosure extend far beyond the individual homeowners.

When homes go into foreclosure, the impact reaches far beyond the individual homeowners who lose their homes. Foreclosed homes affect the entire community. As foreclosed properties are abandoned, the value of surrounding homes declines and other homeowners have difficulty selling or refinancing their homes, leading to further disinvestment in communities. As a result, local property tax collections decline, affecting schools and government services, creating a downward spiral that is detrimental to the entire community – and ultimately to the local, regional and national economy.

With more than 13 million families currently “underwater” on their mortgages (meaning they owe more on their mortgage than their home is worth), and projected foreclosure rates at 1.75 million to 2 million in FY 2012, support for foreclosure counseling will still be necessary.

NeighborWorks America continues to be an outstanding steward of federal resources with the NFMC program, having developed efficient application review processes, program administration, and compliance monitoring. In the most recent, fourth round of NFMC funding, communities across the country were able to put the funds to use just four months after funds were appropriated. This quick turn-around ensures timely assistance for families in crisis, as well as retention of experienced foreclosure counselors by the housing counseling agencies.

In each NFMC grant round, the demand for funds from nonprofit foreclosure counseling agencies and State Housing Finance Agencies has far exceeded the amount available -- even after a request cap had been imposed.

### **Quality Control and Compliance in NFMC**

Through a competitive process, NeighborWorks America awarded a contract to Mayer Hoffman McCann (MHM), a national Certified Public Accounting firm with over 30 locations across the country, to conduct remote and on-site quality control and compliance monitoring of NFMC grantees and sub-grantees. Grantees were notified of any findings cited by MHM during their compliance review, and NFMC staff then works with grantees that were identified as having findings through the review, to ensure that any deficiencies are appropriately addressed.

### **Foreclosure Intervention Training: Building Foreclosure and Default Mitigation Counseling Skills and Performance**

As directed by the NFMC legislation, NeighborWorks America has used a portion of the appropriated NFMC resources to train and certify nonprofit mortgage foreclosure and default mitigation counselors. NeighborWorks America will direct \$3 million of its requested \$80 million NFMC FY 2012 appropriation to NFMC foreclosure counseling training.

Training for foreclosure counselors remains a critically important component of foreclosure mitigation response through FY 2012. First, relatively high turnover rates among modestly compensated foreclosure counselors who experience very high levels of stress in their daily interactions with distressed borrowers mean that new counselors need to be hired, trained and certified. Second, both experienced and new counselors require ongoing additional training as federal regulations and legislation and industry practices evolve related to servicer processes, loan modifications, mediations, workouts, refinancing and other assistance for delinquent homeowners.

To meet these training needs, NeighborWorks America established an aggressive program to train foreclosure counselors across the country through a combination of multi-course, week-long trainings at national NeighborWorks Training Institutes and other regional venues, and specialized place-based training events. NeighborWorks America offers a Foreclosure Prevention Counseling series of courses involving both online and classroom training, exams and certifications that all conform to the National Industry Standards for Foreclosure Intervention Counseling.

In FY 2010, NeighborWorks America awarded more than 7,550 training certificates in foreclosure intervention-related coursework to individuals from more than 2,400 organizations at NeighborWorks America's four National Training Institutes, 150 Place-Based Trainings in more than 60 cities, and online learning courses.

In FY 2012, at the requested Appropriation level of \$80 million, NeighborWorks America will provide the critical support for foreclosure counseling that is still necessary to move the country to recovery.

**Ad Council Campaign:**

To reach the millions of homeowners in danger of losing their homes, NeighborWorks America, in partnership with the Ad Council, created a national public outreach campaign in 2007. The Ad Council campaign has been financed primarily by private sector funds from NeighborWorks America's partners. The campaign has continuously ranked in the top 10 of all Ad Council campaigns, reached millions of households and garnered well over \$125 million in donated media.

**Loan Modification Scam Alert Campaign**

The collapse of the mortgage markets and the downturn in the economy has led to a wide array of mortgage modification and rescue scams. These scams use high-pressure sales tactics to convince homeowners to pay high fees for "guaranteed" mortgage modifications – or in some instances convince borrowers to unknowingly sign over the deed to their homes based on empty promises to save homes from foreclosure.

In response to this disturbing trend, NeighborWorks America, with Congressional support and \$6 million in federal funding, launched "Scam Alert" – a multi-language anti-rescue scam public education campaign — in October 2009. The Campaign includes events in 25 markets identified as high-risk targets for scam artists; radio Public Service Announcements; creation of a LoanScamAlert.org website, where individuals can report scams; and distribution of collateral materials including brochures, posters, billboards and door hangers, which list tips to avoid becoming the victim of a mortgage rescue scam.

NeighborWorks America has partnered with a broad cross-section of other organizations on the "Scam Alert" campaign including: HUD, Treasury, FTC, Department of Justice, Fannie Mae, Freddie Mac, Lawyer's Committee, State Attorneys General, FDIC, the WNBA and others. Almost 250 local partners have registered on LoanScamAlert.org (including a number of police and sheriff departments).

As of November 30, 2010, the campaign's Public Service Announcements (PSAs) had aired over 30,400 times in 70 markets in English, Spanish, Korean, Chinese, and Vietnamese, and garnered more than \$4 million in total donated media. Further, as a result of the campaign, more than 15,000 official complaints have been filed with law enforcement authorities regarding scams.

**Homeownership Education and Counseling:**

From our experience, we know that the best defense against delinquency and foreclosure is objective education and advice before a borrower begins shopping for a home and selecting a mortgage product. The most reliable and trusted home-buyer education and counseling is provided by objective non-profit agencies (including local NeighborWorks® organizations and other HUD-approved nonprofit housing counseling agencies) that put the consumers' and the communities' interest first. Homeowners' odds of success are increased even further when they have access to post-purchase education and counseling.

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To ensure that consumers have access to the highest quality pre- and post-purchase homeownership counseling, NeighborWorks America, together with other industry partners, developed the National Industry Standards for Homeownership Education and Counseling, which set standards for high quality and ethical services, covering everything from counselor training and certification requirements to the content areas covered, performance criteria and recordkeeping.

Local NeighborWorks organizations can attest that the customers who receive proper pre-purchase and post-purchase education and counseling are much more likely to be successful long-term homeowners because they have been properly prepared. They are not the individuals that end up in trouble and at risk of default because of bad mortgages.

**NeighborWorks' role in Rental Housing:**

While the desire to own a home is strong across all socioeconomic groups, clearly homeownership is not for everyone. Currently more than one-third of Americans live in rental housing. And the deterioration of existing rental housing in many areas of the country has a blighting impact on entire communities. Therefore, many NeighborWorks organizations focus on the development, acquisition, rehabilitation and management of viable and high quality rental housing, which represent an important asset to their communities.

The NeighborWorks network, which collectively owns and manages more than 80,000 rental housing units, represents one of the nation's largest nonprofit group of owners – providing safe, attractive and affordable rental opportunities, which serve as an asset to the broader community. NeighborWorks organizations also provide enhanced resident service programs – such as after-school programs, financial education and employment training – to more than 31,000 residents in their apartment and rental communities.

**Regarding the \$35 million in Capital Grants provided as part of NeighborWorks America's FY 2010 appropriation:**

In 2010, NeighborWorks America awarded the \$35 million in capital grants just six months after they were appropriated by Congress – and communities began to put the funds to immediate use. This rapid deployment of capital is another example of NeighborWorks America's ability to operate nimbly, responsively, and efficiently.

In addition to enabling organizations to acquire and rehabilitate properties, the \$35 million in capital grant funding also served as a stimulus to local economies. NeighborWorks America estimates that this \$35 million capital grant appropriation will support the rehabilitation of 4,000 units of affordable housing.

**Leveraging Private-Sector Resources:**

Beyond the Corporation's leadership in addressing the foreclosure issue, for more than 30 years, the NeighborWorks system has been an effective and efficient model for leveraging significant private sector resources in support of locally-directed community revitalization, and affordable housing efforts.

Just one indicator of the value of NeighborWorks America is reflected in the fact that in FY 2010 alone, supported by a core appropriation of \$168 million, local NeighborWorks organizations generated more than \$3.93 billion in direct investment in America's communities, primarily from the private sector.

At a time of scarce federal budget dollars, an investment in NeighborWorks America is an efficient and effective use of taxpayer dollars.

NeighborWorks America's grant dollars to local community-based nonprofit organizations have a catalytic impact on communities, and are leveraged many times over – attracting private sector funding to create and preserve affordable rental and homeownership units, generating additional economic impact and creating and sustaining jobs in local communities across America.

**Closing:**

In closing, I would like to point out that with the funding requested in this Budget Justification, the Corporation will provide grants, a wide array of programmatic support, training and technical assistance to the national NeighborWorks network, as well as to thousands of other community development practitioners across the country.

NeighborWorks America believes that an investment in its network of the finest community development nonprofit businesses that can rapidly convert resources into community improvements and jobs, and an investment in the Corporation's proven strength in training the broad community development field, are important strategies as the nation moves towards recovery.

On behalf of NeighborWorks America, and the hundreds of thousands of individuals and families served by the NeighborWorks network across the country, I thank the Committee for its past support and for your consideration of the Corporation's FY 2012 budget request.