



June 2, 2009

NeighborWorks® America is pleased to report that the National Foreclosure Mitigation Counseling (NFMC) Program continues to help homeowners facing foreclosure by providing them with much needed loss mitigation counseling. As of May 31, 2009, the program has provided 405,172 struggling homeowners with foreclosure prevention counseling.

The NFMC Program was created by Congress to address the nationwide foreclosure crisis by dramatically increasing the availability of housing counseling for families at risk of foreclosure. The \$180 million program was authorized through the FY 2008 Consolidated Appropriations Bill, which named NeighborWorks as its administrator. An additional \$180 million was appropriated to this effort on July 30, 2008 through the Housing and Economic Recovery Act of 2008, and the Omnibus Appropriations Act of 2009 appropriated another \$50 million to the program on March 11, 2009. Information on the NFMC Program can be found at www.nw.org/nfmc.

Today, NeighborWorks America released its third report to Congress on NFMC Program activity. The report covers counseling activity reported by program Grantees and counselor training provided by NeighborWorks between March 1, 2008 and March 31, 2009. It includes a preliminary look at the effectiveness of the NFMC Program through a matching effort conducted by the Urban Institute that looks at the post-counseling status of loans held by NFMC Program clients. The report also details the NFMC Program's role in President Obama's *Making Home Affordable* program.

Highlights of the report include:

- 373,169 homeowners received counseling during the reporting period
- 4,447 scholarships provided to foreclosure counselors
- Descriptive statistics about clients served through the program
- Information on the loan status of clients previously counseled through the program
- Successful counseling strategies, including the importance of early intervention
- The challenges counselors face in the current economic environment

Foreclosure Counselors Trained

Through March 31, 2009, under the NFMC Program:

- NeighborWorks provided 4,447 scholarships for foreclosure counselors to attend foreclosure-related courses at its national NeighborWorks Training Institutes and regional and local Place-Based Trainings.
- 2,448 certificates of completion were earned for NeighborWorks' *Foreclosure Basics* e-learning course.

Borrowers Counseled

Grantees report counseling 373,169 homeowners between March 1, 2008 and March 31, 2009:

- Forty-nine percent (49%) of homeowners seeking NFMC Program counseling reported the reason they are facing foreclosure was a reduction in or loss of income, up from 45% in the February update and 41% in the October update. Only 7% reported they were in default because their loan payment had increased.
- More than half of all clients held a fixed rate mortgage (52%), while 37% held an adjustable rate mortgage (ARM). However, only 18% of mortgages nationwide are ARMs, while 82% are fixed-rate mortgages.



- The majority of NFMC Program clients (53%) are minority homeowners (defined as African American, Hispanic, American Indian/Alaskan Native, Asian or Pacific Islander, and clients listing two or more ethnic backgrounds), while minority homeowners make up 24% of homeowners in the country. Whites represent 39% of all clients, African Americans account for 28%, Hispanics represent 21%, and Asians account for 3%.
- Of all NFMC Program clients that hold mortgages with interest rates above 8%, 35% are African American, yet African Americans only hold 19% of the nation's subprime mortgages. Another 18% of NFMC Program clients holding mortgages with high interest rates are Hispanic, whereas they hold 21% of the nation's subprime mortgages. Only 2% of NFMC Program clients with these loans are Asian, while they hold 3% of national subprime loans. African American NFMC Program clients were more likely to hold fixed rate mortgages (51%) than ARMs (38%); Hispanic clients were more likely to hold ARMs (47%) than fixed rate mortgages (41%); and White clients were almost twice as likely to hold fixed rate mortgages (59%) than ARMs (31%).
- Thirty-seven percent (37%) of NFMC Program clients reside in zip codes where the majority of residents are minorities (25% of the overall US population lives in these zip codes); and 26% of clients reside in zip codes with less than 80% of the Area Median Income (AMI) (20% of the overall US population lives in these zip codes).
- Seventeen percent (17%) of NFMC Program clients lived in low-income minority community (LIMC) zip codes. LIMCs are defined as zip codes with a majority population being minority; 30% of minorities being homeowners; and the median income of the zip code being less than 80% of the area median. These 964 LIMC zip codes account for 4% of all zip codes where NFMC Program activities were reported. Thus, **homeowners are four times more likely to get NFMC Program counseling if they live in a LIMC.**
- More than half of all homeowners (52%) receiving NFMC Program counseling services were fewer than 60 days late on their mortgage upon first contact with an NFMC Program Grantee. Thirty percent (30%) were current on their mortgage at intake. However, more than one in five (22%) was over 120 days delinquent.
- Roughly 39% of NFMC Program clients paid more than 50% of their income toward housing costs. **Twenty percent (20%) paid more than 75% of their income on housing costs.** The *Making Home Affordable* modification program dictates that servicers should work with homeowners seeking modifications to reduce their front end ratio to 31% of their income. In the NFMC Program, 71% of clients pay more than 30% of their income to housing costs.

Urban Institute Preliminary Analysis of Outcomes

As part of their larger evaluation of the NFMC Program, the Urban Institute has provided NeighborWorks America with a preliminary descriptive statistical analysis of counseling outcomes. This effort was made possible by matching NFMC Program production data with data from the McDash core mortgage loan database. The analysis uses 70,103 unique loans – a sample that is representative of the total pool of NFMC Program counseling units served through February 9, 2009. Key findings:

- Overall, 76% of clients who received counseling had not entered foreclosure as of February 2009.
- Clients who received a favorable loan modification (i.e., one that was likely to reduce the monthly payment), particularly a reduction in interest rate or loan principal, were less likely either to have their loan enter foreclosure or to have a foreclosure sale completed after intake. They were also much more likely to cure a delinquency and bring their mortgage current than clients who did not receive a loan modification.
- Foreclosures rise significantly as the length of delinquency at intake increases: 27% of clients whose mortgages were three to four months delinquent at intake either had a foreclosure started or completed, compared to 60% of clients whose mortgage was more than four months delinquent at intake.



Successful Counseling Strategies

Grantees continue to report that homeowners have a much greater chance of staying in their home if they reach out for help while they are current on their mortgage payments as counselors can help them create a crisis budget and restructure their finances.

Grantees reported that having counselors available evenings and weekends or at all times, creating clear action plans and having clients “buy in” to their new budgets, and developing partnerships with organizations – including Congressional offices, legal entities, and local, regional, and state initiatives – to get referrals all helped lead to successful outcomes for their clients. They also noted that being persistent in their communication with servicers increased the likelihood of positive outcomes, as did following up with the servicer within 24 to 48 hours to ensure they had received electronically-transmitted documents.

Challenges for Counselors

Grantees are consistently reporting that servicers take a long time – between 45 and 60 days on average – to respond to their inquiries. They also report challenges of borrowers not following through with counselors, servicers being uncooperative in general, counselors being connected to a different representative each time they called who proposed different solutions and requirements, borrowers seeking assistance too late in the process, and not having enough staff to handle demand.

Grantees noted several challenges when communicating with servicers, including lengthy response times, and that documentation faxed or mailed to servicers was lost repeatedly and counselors had to send documentation multiple times. Grantees also reported a number of challenges when attempting to obtain a work-out from servicers, most notably that loan modifications, forbearances and principal write-downs were offered less frequently than repayment plans.

***Making Home Affordable* and the NFMC Program**

On February 18, 2009, President Obama announced a new Homeownership Affordability and Stability Plan which will allow homeowners facing foreclosure to refinance or modify their mortgages. Details of this plan and the *Making Home Affordable* program were announced on March 4, 2009.

Homeowners who receive trial loan modifications from their servicer but have a back end debt to income ratio at or above 55% must agree to meet with a counselor from a HUD-approved housing counseling agency or NFMC Program participating agency. This counseling will be considered a new level of counseling under the NFMC Program. It is anticipated that up to four million homeowners will be eligible for assistance through the *Making Home Affordable* modification program, and that of these homeowners, roughly 240,000 to 320,000 will be referred to counseling with a back end debt to income ratio at or above 55%. The *Making Home Affordable* program did not include funding for these services, but all Grantees working in the NFMC Program are able to use a portion of their funding to support their Level Four activities.

About NeighborWorks® America

NeighborWorks® America creates opportunities for people to improve their lives and strengthen their communities by providing access to homeownership and to safe and affordable rental housing. Since 1991, we have assisted nearly 1.2 million low- to moderate-income families with their housing needs. Much of our success is achieved through our support of the NeighborWorks® network organizations have generated more than \$15 billion in reinvestment in these communities. NeighborWorks® America is the nation’s leading trainer of community development and affordable housing professionals. www.nw.org.