

Nelson Merced
Congressional Black Caucus - Annual Legislative Conference
Washington Convention Center
Room 147-B
September 24, 2009
1 p.m. – 2:50 p.m.

Panel to examine the current cope of the housing and foreclosure crisis in the black community and implications for homeowners and renters, as well as policy solutions critical to fostering housing and economic security among African Americans.

Panelists: Jacqueline Carlisle - executive director, NID-HCA (confirmed), Ron Sims - deputy director, HUD, Dr. Lance Freeman - assistant professor of urban planning, Columbia University (confirmed), Ali Solis - senior vice president, Public Policy and Corporate Affairs, Enterprise Community Partners, Inc., Representative of Citi - most likely Eric Eve (confirmed), Rep. Maxine Waters, Lisa R. Ransom - vice president, Federal Affairs, Center for Responsible Lending (moderator - confirmed)

Opening

- Good afternoon Congresswoman Waters and other members of this distinguished panel. It is a pleasure to be part of the Congressional Black Caucus' 2009 Legislative Conference. I appreciate the opportunity to talk to you about the current scope of the housing and foreclosure crisis. As you know, NeighborWorks America has been very active in this arena. I plan to focus my remarks on the corporation's national efforts to prevent foreclosures highlighting how we've served and continue to serve minority communities focusing on African-American communities in particular and what challenges still lie ahead.

Background – NeighborWorks

- By way of background, NeighborWorks America was established by Congress in 1978 as the Neighborhood Reinvestment Corporation and receives an annual federal appropriation from the Transportation, Housing and Urban Development, and Related Agencies Appropriations Subcommittee.
- Our Board of Directors is made up of representatives of the federal financial regulatory agencies (the Federal Reserve; the Federal Deposit Insurance Corporation; The Comptroller of the Currency; the Office of Thrift

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Supervision; the National Credit Union Administration) and the Secretary of HUD.

- The primary mission of NeighborWorks America is to expand affordable housing opportunities (rental and homeownership) and to strengthen distressed urban, suburban and rural communities across America
- Much of our work is carried out through the NeighborWorks network -- comprised of more than 235 affiliated community-based organizations serving more than 4,500 urban, suburban and rural communities in all 50 states, Puerto Rico and the District of Columbia.
- With the growing foreclosure crisis, NeighborWorks expanded its efforts on behalf of the Nation's neighborhoods.

Foreclosure Work – NeighborWorks Background

NeighborWorks was an early leader in calling out the growing problem of foreclosures

- It started with the NeighborWorks Center for Foreclosure Solutions – more than 5 years ago which provides training and certification to foreclosure counselors, conducts public outreach campaigns, researches local and national trends to develop innovative solutions, and supports local and regional foreclosure intervention efforts. Here is some data:
 - The Federal Reserve classifies a mortgage as “higher priced” when the difference between the loan’s annual percentage rate and a Treasury security of comparable maturity is above three percentage points for a first lien mortgage.
 - Overall, 17.8 percent of white borrowers were given higher-priced mortgages when borrowing from large banks in 2006, yet 30.9 percent of Hispanics and a staggering 41.5 percent of African Americans got higher-priced mortgages. Only 11.5 percent of Asians got higher-priced mortgages. (Center for America Progress: Unequal Opportunity Lenders? – Jakabovis & Chapman, Sept 2009)

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- Among high-income borrowers in 2006, African Americans were three times as likely as whites to pay higher prices for mortgages—32.1 percent compared to 10.5 percent. Hispanics were nearly as likely as African Americans to pay higher prices for their mortgages at 29.1 percent. We would welcome explanations based solely on legitimate underwriting criteria to clarify why the incidence of higher-priced mortgages among high-income minority borrowers was three times that for white borrowers with similar incomes.
- NeighborWorks America has been working in partnership with the Homeownership Preservation Foundation to support a national toll-free Homeowner’s HOPE™ Hotline for borrowers facing foreclosure (888-995-HOPE). The hotline provides high quality telephone-based assistance (in English and in Spanish) around the clock. Individuals needing more intense service than can be provided over the phone are referred to local NeighborWorks organizations or other HUD-approved housing counseling agencies

NeighborWorks was also named by Congress to Administer the National Foreclosure Mitigation Counseling Program (NFMC) which was created 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.

- To date however, Congress has provided a total of \$410 million to support the National Foreclosure Mitigation Counseling program and the President’s budget recommends an additional \$33.8 million to continue the NFMC program in FY 2010.
 - The National Foreclosure Counseling Program (NFMC) funds more than 1,700 grantees and sub-grantees that provide counseling to homeowners at risk of foreclosure. As of September 17, 2009, more than 674,000 homeowners have been counseled under this program, 53% of which are racial or ethnic minorities. Pointing back to the U.S. rates of homeownership, while only 24% of all homeowners are minorities, they constitute the majority of homeowners seeking assistance from housing

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counselors under the program. 27% of NFMC clients are African American, 21% are Hispanic, and 4% are Asian. An additional 3% are reported as “Other or Did not State.”

- Thanks to Congress, the NFMC Program has allowed NeighborWorks to provide funding and training to approximately 1,600 counseling agencies across the country.
- NFMC-funded counselors have assisted more than 625,000 families facing foreclosure.
- I would also like to mention that the recently approved Omnibus Appropriations Act of 2009 included \$6 million for NeighborWorks America to conduct a consumer mortgage public education campaign, aimed at helping troubled borrowers avoid the growing scourge of rescue scams, or mortgage modification scams.
- NeighborWorks America has been consulting with a variety of groups regarding this growing problem, including state and federal regulatory agencies, the Federal Trade Commission, the National Association of Attorneys General, individual State Attorneys General, HUD, Treasury and others. We are making encouraging progress toward implementing an anti-scam public education campaign, and anticipate that we will be able to announce the specifics of this approach within the next 30 to 60 days.

Stabilization Efforts

- Going hand in hand with the aforementioned foreclosure efforts, the corporation is also working on a variety of fronts to combat the impact of foreclosure, and particularly vacant or abandoned, bank-owned (REO) properties, on neighboring families and communities.
- NeighborWorks has joined forces with other housing intermediaries to create the National Community Stabilization Trust to serve as a facilitator for the

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transfer of foreclosed and abandoned REO properties from financial institutions to local housing providers, returning the properties to the tax rolls and productive use in communities across the country.

- The Stabilization Trust is designed to promote efficient transactions in a transparent manner that complies with the requirements of HUD's Neighborhood Stabilization Program.

Challenges

- For one, there still appears to be a lack of servicer responsiveness to the scale and scope of the foreclosure problem. Many foreclosure counselors continue to experience a significant level of inflexibility by lenders and servicers in regard to loan modifications and refinancing.
- There also continues to be an unequal distribution of foreclosure counseling providers across the country, resulting in underserved areas and populations. This continues to be a particular challenge in rural areas and with linguistically isolated populations.
- And finally in order to protect vulnerable neighborhoods, foreclosure prevention efforts must be combined with comprehensive neighborhood stabilization efforts that put foreclosed units back into productive use, preventing the destructive downward cycle precipitated by vacant properties.