

Preserving Homeownership: Analyzing the Elements of Leading Foreclosure Prevention Programs

**NeighborWorks® Center for
Foreclosure Solutions
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**NEIGHBORWORKS® AMERICA AND
THE NEIGHBORWORKS® NETWORK**

Neighborhood Reinvestment Corporation, doing business as NeighborWorks® America, was established by an act of Congress in 1978 (Public Law 95-557). A primary objective of NeighborWorks® America is to increase the capacity of local, community-based organizations to revitalize their communities, particularly by expanding and improving housing opportunities.

These local organizations, known as NeighborWorks® organizations, are independent, resident-led, nonprofit partnerships that include business leaders and government officials. Together they make up the NeighborWorks® network.

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1. Introduction

Foreclosures have been increasing across the nation, reaching record levels in 2006 and 2007, with elevated levels of foreclosure likely for several more years. Responses to the rise in foreclosure have been decidedly local. Local governments and local nonprofits working on the ground have developed unique solutions to help keep families from losing their homes and neighborhoods from becoming blighted by foreclosed properties. These efforts have generally been small, and few have reached a national scale. This report summarizes lessons from five successful foreclosure-prevention programs that may be instructive for national and local replication. While each program is unique, together these five leading strategies provide examples of innovative practices that can be adopted by other organizations and other communities. The five organizations programs included in this report are:

1. Consumer Credit Counseling Services (CCCS) of San Francisco, California;
2. Beyond Housing, St. Louis, Missouri;
3. Home HeadQuarters, Syracuse, New York;
4. NeighborWorks[®] Waco, Texas; and
5. Neighborhood Housing Services (NHS) of New York City, New York.

With the exception of CCCS of San Francisco, all are members of the NeighborWorks[®] network. This study is based on telephone interviews with key program staff and an analysis of program materials and reports.

Each program was developed in response to the rise in foreclosures, but each employs a very different approach. CCCS utilizes a telephone-based strategy, working with servicers to make early contact with borrowers in default. Beyond Housing serves a multistate area, blending phone counseling with face-to-face follow-up. Home Headquarters and NeighborWorks[®] Waco have formed strong partnerships with city government and offer loan funds for borrowers in default. NHS of NYC has evolved from a neighborhood-based model to a citywide model that leverages neighborhood resources with a national call center. Each program is still evolving in response to the needs of the marketplace. Each program has also tailored its approach to its community of focus.

All the programs share common factors of success, including (1) partnerships with government and industry, (2) targeted outreach to borrowers in default, (3) continual staff and systems development, and (4) services for borrowers that extend far beyond working with troubled loans.

2. Summary of Programs Highlighted in This Report

The five programs were purposefully selected for this project based on input from NeighborWorks® America. All programs employ a counseling component, and several include financial assistance as well. In general, these programs operate at the local level, although telephone counseling services in particular may serve much larger geographies. These programs include a mix of strategies to engage borrowers, but not all include a formal role for mortgage lenders or servicers. Almost all of the programs reviewed rely on public subsidies for a portion of administration and operations. Each program is briefly summarized below, and Figure 1 (page 5) provides a snapshot of the five programs reviewed for this project. Each program is detailed in Section 3, including “lessons” that may be instructive for other programs. Section 4 draws conclusions across programs and Section 5 provides a brief overall conclusion.

Beyond Housing, St. Louis, Missouri

Strategies: In November 2005, Beyond Housing created the Metro St. Louis Foreclosure Prevention Task Force, consisting of representatives from local government, local and neighborhood-based nonprofits, legal services organizations and lenders to address the growing number of foreclosures in the St. Louis area. The task force immediately commissioned a study by the University of Missouri–St. Louis Public Policy Research Center to examine geographic trends of foreclosures in the St. Louis region and document the impact of foreclosures on lenders, borrowers and their communities. As a direct result of this study, the members of the task force are working to develop and implement programs to reduce the foreclosure rate across the region and to minimize the damage done to communities when a foreclosure does occur.

Leading Innovation: Bringing together the necessary partners through a focused task force effort has led to the marshalling of resources, increasing overall outreach efforts, and coordinating foreclosure-prevention counseling services, which has made foreclosure prevention a key issue in the St. Louis area.

CCCS of San Francisco

Strategies: Consumer Credit Counseling Services (CCCS) of San Francisco works with Freddie Mac and participating loan servicers to provide early delinquency counseling to homeowners. Homeowners receive an introductory letter on the CCCS letterhead that names their servicer and investor, and asks them to contact the housing and debt counseling agency through a toll-free number. CCCS begins outbound calls within five days of receipt of the letter if they do not hear back from the homeowner. Homeowners are provided with financial

and budget counseling over the telephone, and CCCS counselors work directly with participating servicers to facilitate a workout.

Leading Innovation: As the investor in the program, Freddie Mac provides the industry with a model approach for the delivery of early delinquency intervention. In this program, the role of the investor is to require delinquency counseling for borrowers through its servicers and through an independent, third-party counseling agency. Using third-party outbound calls has increased borrower contact rates substantially. Freddie Mac also pays for the counseling, recognizing that funds allocated toward counseling services are less costly than a property going into foreclosure. Outbound calls and the availability of a third-party counseling agency have resulted in much higher contact and resolution rates than average industry figures.

Home HeadQuarters, Syracuse, New York

Strategies: Home HeadQuarters has developed a unique partnership with CitiFinancial that includes a designated contact for pursuing loan workouts for CitiFinancial borrowers in the Syracuse area. In addition, Home HeadQuarters administers a Financial Assistance Committee (FAC) that provides loans to help bring homeowners current, and offers all homeowners who go through its foreclosure-prevention program an opportunity for post-intervention follow-up with a foreclosure-prevention counselor.

Leading Innovation: Having a designated contact for the foreclosure-prevention counselor brings efficiency and effectiveness to their program. Maintaining an avenue for customer follow-up helps insure the sustainability of any workout pursued.

NeighborWorks® Waco, Texas

Strategies: NeighborWorks® Waco began to offer foreclosure-prevention services in late 2006 to Waco residents. NeighborWorks® Waco works in close partnership with the city of Waco and has benefited from many joint marketing efforts with the city. The city of Waco provides foreclosure-prevention loan funds for qualified homeowners, and NeighborWorks® Waco administers the program. Funding for program administration is made available from other city funding sources.

Leading Innovation: Working closely with city administration officials, NeighborWorks® Waco has built a powerful relationship with its city government. The city has been a strong

ally for marketing efforts; for example, NeighborWorks® Waco program materials will be included in city employee inserts and in water bills to homeowners.

NHS of New York City, New York

Strategies: Neighborhood Housing Services (NHS) of New York City offers foreclosure-prevention counseling services through its Foreclosure Prevention Program (FPP). NHS foreclosure-prevention counselors assess homeowners' individual situations and work closely with them to determine their best strategy. NHS also works in partnership with the Homeownership Preservation Foundation (HPF) to screen clients and provide telephone counseling where appropriate.

Leading Innovation: Working with HPF to provide telephone counseling has greatly expanded NHS's ability to provide foreclosure-intervention services to a greater number of homeowners, and has given NHS counselors the opportunity to address more difficult cases one-on-one with the homeowner and seek resolutions that may take more time to achieve. NHS has successfully implemented a triage system for addressing clients' needs.

Figure 1: Summary of Programs						
	Lead Agency	Counseling Strategies	Borrower Contact	Lender/Service Role	Funding	Leading Innovation
CCCS of San Francisco	Nonprofit consumer credit counseling agency	Early delinquency intervention: outbound calls to delinquent borrowers	Lender/investor sends letter to borrower on behalf of CCCS and servicer and forwards borrower names to CCCS; CCCS initiates contact if borrower fails to do so.	Reviews data, sends letter and facilitates workout agreements with CCCS and borrower	Fee-for-service from investor	Investor/issuer-level referral, outbound calling by nonprofit
Beyond Housing, St. Louis, MO	Nonprofit NeighborWorks [®] organization	Counseling, facilitation of workouts; financial assistance	Community-based referral network; HPF	Some designated contacts; task force and research; referrals; workshops	Public funds: city allocations; lender contributions; foundations	Public/private task force focused on foreclosure prevention
Home HeadQuarters, Syracuse, NY	Nonprofit NeighborWorks [®] organization	Counseling, facilitation of workouts; financial assistance	Community-based referral network	Some designated contacts	CDBG funds; some city funds; lender contributions	Designated contact and post-intervention strategy
NeighborWorks[®] Waco, TX	Nonprofit NeighborWorks [®] organization	Counseling, facilitation of workouts; financial assistance	Community-based referral network; HPF	Some designated contacts	City funds	Partnership with city of Waco, post-intervention strategy
Neighborhood Housing ServicesNHS of New York City	Nonprofit NeighborWorks [®] organization	Counseling, facilitation of workouts; financial assistance	Community-based referral network; HPF	Some designated contacts	City funds; lender contributions; foundations	Partnership with HPF and triage system to meet client needs

3. Components of Leading Programs

Beyond Housing

Beyond Housing was created when two leading community organizations merged in 2003. The agency provides affordable rental and owner-occupied housing as well as homeownership programs, and it has over 35 staff and an annual budget of nearly \$3 million.

Beyond Housing began its foreclosure initiative with one imperative: “Let’s not reinvent the wheel.” The organization sought to maximize its organizational strengths—the delivery of key services—while relying on other organizations to fill in the gaps, recognizing that there was much to be learned from other communities. As a member of the NeighborWorks[®] network, Beyond Housing had access to information about existing strategies and programs, allowing it to develop an approach in St. Louis that leveraged those lessons.

Community Partners: A Task Force Approach

In 2005 St. Louis formed a 30-member Metro St. Louis Foreclosure Intervention Task Force, which addressed issues of foreclosure, homeownership preservation and predatory lending. Beyond Housing is the lead organization of the Task Force, coordinating services provided under its Homeownership Asset Preservation Initiative (HAPI). The mission of the Task Force is to develop and implement strategies to decrease the number of foreclosures, preserve homeownership for families and stabilize neighborhoods in the St. Louis region. The Task Force includes community leaders from local nonprofits, local government, the regional Federal Reserve Bank, financial institutions and other significant constituencies. Initially the Task Force focused on issues of predatory lending, working with Freddie Mac to launch a “Don’t Borrow Trouble” campaign.

Late in 2005, the University of Missouri–St. Louis Public Policy Research Center conducted a study to examine where foreclosures were occurring in the St. Louis region, possible trends in terms of geography and time, and how foreclosures were impacting lenders, borrowers and communities. Drawing on this research, the Task Force began to examine foreclosure trends and patterns in the region. The data helped to engage additional partners, including St. Louis County officials, and in 2006 the Task Force determined that foreclosures among borrowers with nonpredatory loans presented a larger-scale problem, which also needed to be addressed.

As a direct result of this study, the members of the Task Force are working to reduce foreclosure rates across the region and to minimize the damage done to communities when foreclosures do occur. The research also helped to inform the Task Force’s marketing and

outreach plan; its message “Don’t Wait Another Minute” was an effort to reach delinquent borrowers earlier. The Task Force also began promoting financial literacy and financial education in targeted neighborhoods.

Playing to Strengths

To best provide on-the-ground foreclosure-prevention services, Beyond Housing entered into a partnership with the Homeownership Preservation Foundation (HPF) to deliver telephone and face-to-face foreclosure-prevention counseling services. The key to Beyond Housing’s strategy is recognizing the complementary nature of call-center–based budget and default counseling, with the value-added resource of community-based services. The “duality” of using the HPF Credit Counseling Resource Center (CCRC) 888-995-HOPE hotline along with counseling services at Beyond Housing and other grassroots programs in St. Louis has allowed the program to serve more clients in a much more efficient manner than a more parochial program.

The partnership at the local level focuses on marketing efforts in order to get the word out to borrowers as much as possible, but with a consistent message of calling 888-995-HOPE. While many callers can resolve their issues working directly with a CCRC counselor, others require more in-depth assistance and are referred by CCRC to Beyond Housing for face-to-face counseling. This frees up the foreclosure-prevention counselors at Beyond Housing to focus their efforts on more complicated cases. Currently two counselors specialize in default-prevention work, each averaging 20 clients per week. Beyond Housing is planning to expand its capacity by adding another counselor.

Each client referred to Beyond Housing by HPF who avoids foreclosure results in a \$1,500 payment to the organization.

Triage System

All clients who contact Beyond Housing for mortgage delinquency problems are referred to the HPF’s HOPE hotline. CCRC counseling sessions average 60 to 90 minutes and resolve a majority of cases without Beyond Housing’s intervention. When a client is referred back to Beyond Housing for additional counseling services, CCRC provides Beyond Housing with a synopsis of the client’s situation. Because CCRC takes on a large volume of clients, effectively triaging clients into those easily served and those in need of more intensive, locally based services makes it possible for Beyond Housing to service more clients and focus more time on the more difficult cases.

Borrower Services at Beyond Housing

Clients referred to Beyond Housing go through an accelerated intake process, but counselors often engage in a second review of budget and financial figures because borrowers may reveal additional information or bring in documents that the CCRC counselor could not obtain. In some cases, Beyond Housing can develop a more realistic budget than can be developed over the phone; by working face to face with homeowners, Beyond Housing counselors can observe body language and pursue sensitive issues.

Like CCRC, Beyond Housing tracks clients by name, address and mortgage loan number. This facilitates sharing information with CCRC and lenders. Counseling sessions typically last 90 minutes or longer, depending on the interactions with the lender or servicer. Additional sessions are often needed; Beyond Housing estimates approximately four hours of time are required per client to develop a resolution.

Counselor as a Coach

Once a budget has been developed and an assessment of the homeowner's current financial situation is understood, Beyond Housing counselors work with the homeowner to facilitate a workout with the servicer if possible. Counselors point to the importance of including the homeowner in this process, stating that it helps to empower the homeowner and generate a sense of ownership and follow-through for any workout that results. Having the counselor on the line also helps homeowners to evaluate their options in a controlled way, and they are more likely to be cooperative and forthcoming. In essence, the Beyond Housing counselor serves as a coach to guide the borrower through this call, with the intent that the borrower can manage future calls. Of course, the borrower can always come back to his or her Beyond Housing counselor for more advice.

Emergency Funds Available

Beyond Housing has a small emergency fund to help borrowers to pay their mortgage, utility bills and other bills that may be keeping them from taking control of their finances. These funds are reserved for borrowers in unique situations, facing short-term problems beyond their control. Beyond Housing's policy is not to allow these funds to serve as a "Band-Aid."

Beyond Housing is expanding the emergency funds available for utility assistance. With situations such as utility bills frequently becoming a burden in winter months, the agency understands the importance of helping homeowners through these shortfalls so that they can get back on track.

Educational Workshops

Beyond Housing offers educational workshops designed to prevent foreclosures that include information on the following:

- Avoiding predatory loans, through Don't Borrow Trouble seminars;
- Personal financial education;
- Refinancing a mortgage; and
- Home maintenance (doing it yourself and hiring contractors).

Benefits for Lenders

Working with servicer loss-mitigation departments has been challenging, because each operation is different. In the last year, however, collaboration levels have generally increased. Lenders providing specific phone lines have had better success rates for Beyond Housing clients, in part because counselors can make contacts and get attention.

Beyond Housing recognizes that financial institutions save thousands of dollars in cases where foreclosure can be averted, and thus believes that support from lenders for foreclosure prevention should be viewed as a fee for service rather than a charitable contribution.

When lenders work with CCRC and Beyond Housing, there are positive outcomes for lenders, borrowers and communities. Beyond Housing is the crucial mediator and facilitator that connects borrowers where they live with a broader apparatus to avoid foreclosure.

Making Contact

On the regional level, a marketing campaign in partnership with NeighborWorks[®] America and the national Ad Council will be conducted. The Ad Council is developing marketing messages with advertisements to be produced by spring 2007. The ads are being designed to encourage homeowners with financial difficulties who face delinquency on their mortgage payments to contact their loan servicer as soon as they are able, and to stay in touch as they work to regain their financial health. The messages will encourage individuals who are delinquent on their mortgage payments to seek counseling services through CCRC's 24-hour phone counseling service. It is anticipated that radio and television will be utilized to get the message out to the public. To encourage local media, the Ad Council will provide services so that local media can run the ads at little or no cost.

Marketing and outreach activities in the communities will also be guided by residents and local stakeholders who best know their communities and can advise on what they have found to be effective.

Goals and Evaluation

Preventing foreclosures and preserving homeownership opportunities are the main goals of Beyond Housing's foreclosure-prevention efforts. Its goals for 2007 include the following:

- Serving 1,200 households through workshops and one-on-one consulting services;
- Preventing 240 foreclosures; and
- Reclaiming 15 vacant homes for affordable homeownership.

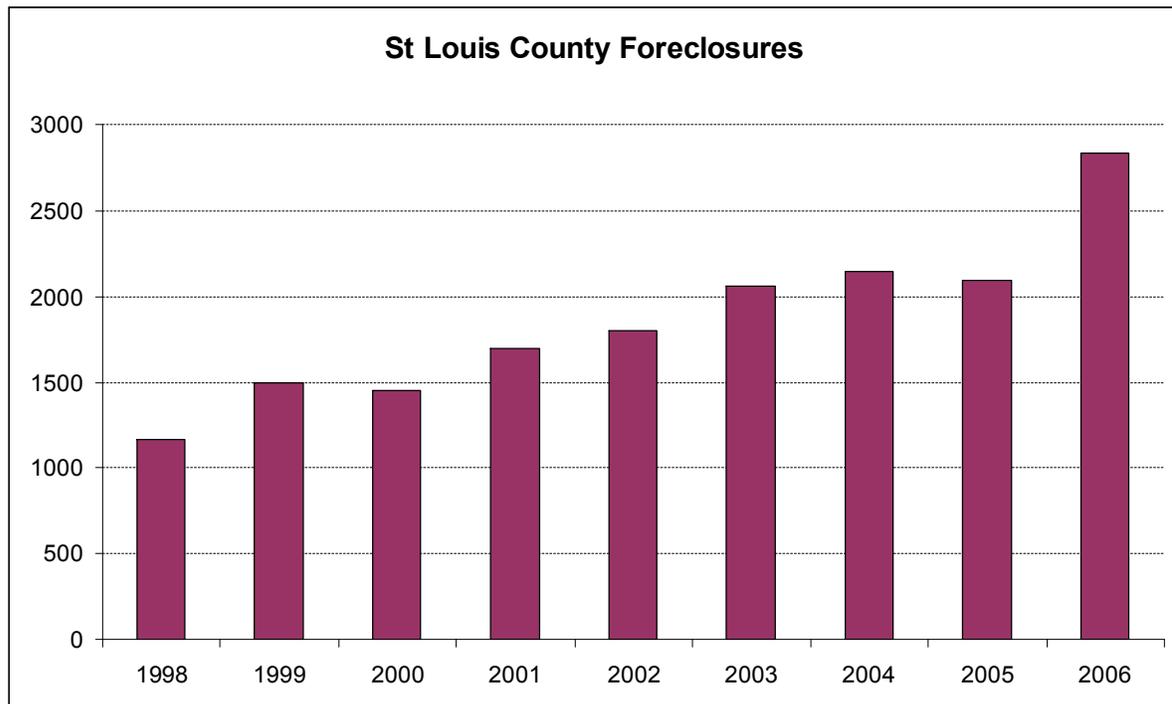
Program evaluation will play a critical role in establishing outcomes and in monitoring and improving the operations and management systems established to meet the outcomes. The University of Missouri–St. Louis Public Policy Research Center will provide the evaluation support of the initiative.

An information system for gathering and storing client information and data needs to be established, possibly with the NeighborWorks[®] homebuyers training and counseling tracking system, Nstep 2006, as its basis. In addition, an evaluation plan will be developed that includes how the program will be monitored and evaluated on a regular basis. The plan will include the production of reports for internal monitoring and for reporting to external stakeholders.

Lessons

1. **Recognize the strength of partners.** Forming a Task Force to develop a strategy for addressing rising foreclosures, Beyond Housing has succeeded in building a partnership-based effort for foreclosure prevention that taps into partners' existing strengths and services.
2. **Collaborate among counselors.** Beyond Housing has developed a system to include its counselors, CCRC counselors, the lender's servicing agent (frequently titled "counselor"), and the borrower in a common conversation. This builds the borrower's ability to deal with future problems and reduces miscommunication and delays.
3. **Monitor foreclosure trends.** From the start of the program, Beyond Housing and its partners have analyzed foreclosure trends in the community. This helps focus the services by geographic and demographic patterns.

4. **Evaluate outcomes.** When working with partners, especially from industry, programs are under pressure to show return on investment.
5. **Use consistent marketing messages.** Tapping into a variety of marketing outlets allows for greater opportunity to spread the message. Central to this effort is keeping the message on point. The use of a single phone number provides continuity.



Source: Missouri Homeownership Preservation Network; St. Louis County, Department of Planning.

Consumer Credit Counseling Services of San Francisco

Consumer Credit Counseling Service of San Francisco (CCCS) is a nonprofit financial counseling service and personal finance resource center. It is a HUD-certified housing counseling agency, accredited by the Council on Accreditation of Services for Families and Children and a member of the National Foundation for Credit Counseling. CCCS provides counseling and education in English and Spanish, in person and via telephone. The Housing Education Program of CCCS of San Francisco partners with lenders, government agencies, foundations and corporations nationwide to provide housing education and counseling to families seeking their first home, as well as those struggling to avoid foreclosure. Since its inception in 1994, the Housing Education Program has assisted over 100,000 families in achieving the American dream of homeownership through its counseling and education programs, while helping tens of thousands more determine a viable plan for keeping their

home when faced with foreclosure. Services are provided in English, Spanish, Mandarin, Cantonese, and Tagalog. Clients pay no fees for debt- or housing-counseling services.

Outbound Calling Strategies

Borrowers in distress often feel isolated and depressed, and are unwilling to seek help actively. Most loan servicers have systems to repeatedly call borrowers in order to arrange payment plans or take other actions. In the age of caller ID, however, loan servicers have trouble getting borrowers to pick up the phone, or even to open their mail. CCCS of San Francisco has developed an innovative program to conduct outbound calls to borrowers. While not all investors or issuers of mortgages permit CCCS to contact their borrowers, the majority do participate because of the efforts the agency has made. Currently 15 loan servicers or lenders are part of the CCCS outbound counseling program. Piloted by a partnership with the mortgage insurance company PMI in 1995, and later with the nonprofit Self Help Credit Union in North Carolina and the secondary market agency Freddie Mac, CCCS has expanded the program since its initial launch over a decade ago.

Overcoming Legal Obstacles

The perceived impediment to this strategy is that lenders are disclosing to a third party that a borrower is delinquent. CCCS has been able to work out agreements with participating servicers, however, because legal counsel understands that CCCS will have limited borrower information, is not engaging in collection activities, and is a HUD-certified housing counseling agency.

Establishing this program required a great deal of administrative work with each loan servicer. Ideally, standard mortgage and deed of trust documents, as well as servicer and investor agreements, would automatically permit the use of certified, nonprofit, third-party counseling agencies when certain triggers are in place, such as a loan delinquency.

Program Design

A typical client in the program is a borrower who is at least 45 days past due on a mortgage payment, has not filed for bankruptcy, and is not currently engaged with the servicer in a reinstatement plan. Freddie Mac generates the borrower letter on behalf of the participating loan servicers and sends the letter out on CCCS letterhead. The letter provides the borrower with a toll-free telephone number to call, as well as a Web site designed specifically for the program that provides additional program information. Borrowers are also informed that if they do not initiate contact with CCCS, the agency will attempt to reach them on behalf of their loan servicer. CCCS receives a list of the selected borrowers and begins calling the

borrower directly if the borrower has not called the agency within four or five days of receiving the letter.

From the borrower's perspective, the essence of this program is that CCCS is viewed as an objective third party with nothing to gain from the borrower. CCCS and its lender partners have spent a great deal of time developing the solicitation letter to borrowers. The design and language underwent multiple drafts, including legal reviews and testing and feedback from borrowers. Suggestions for improving the letter have also been made by counselors as they worked with borrowers and uncovered barriers or confusion about main ideas. As a result, CCCS and its lender partners have not received any borrower complaints. Most homeowners are relieved to have a neutral third party available to assist them.

Making Contact

Each borrower receives a minimum of three call attempts at home or work. CCCS uses a skip pattern to its calls, so that each borrower is contacted at various days and times, increasing the likelihood that contact will be made. CCCS tracks each call attempt and its results. Calls are placed during daytime and evening hours, as well as weekends.

A typical telephone counseling session lasts 90 minutes. Counselors are trained to engage the borrower at first, to help them understand the role of CCCS and to allow the borrower to "tell their story." The next portion of the call is focused on gathering financial information and developing an action plan. When appropriate, CCCS can do a full budget analysis and help the borrower review his or her loss-mitigation options. For example, after eliminating several items from a borrower's budget (cable TV, for example) it may be possible to make a payment at or near what the borrower owes. Other borrowers may qualify for a forbearance agreement or other special arrangement.

Ultimately, borrowers find that they can either resume making payments after rebudgeting (in a small share of cases), or remain in the home through the use of repayment plans, reinstatements, or other modifications or workouts. In some cases the borrower may be able to pay off the loan refinance or sell the home. CCCS counselors can also help the borrower explore a sale in cases where more is owed than the house is currently worth (a "short sale"). Because this program focuses on early-stage delinquencies, most borrowers either "self-cure" after their session with CCCS or qualify for a loan workout.

Training Staff

CCCS has 14 full-time staff members working in the program. All new counselors take part in enhanced training on working with borrowers in distress, in addition to standard counseling training. Each new counselor receives a minimum of 90 days of training, which involves classroom learning, hands-on training and mentoring. For the next six months, the client action plans of all newly hired counselors are carefully monitored and reviewed by more experienced counselors for quality control and training purposes. In addition, calls are recorded and reviewed to be used as a teaching tool for new and experienced counselors. Peer-to-peer training is also encouraged as experienced counselors will allow new counselors to listen in on their calls at least three days per week.

Ongoing trainings are an important element of the CCCS program. All counselors participate in at least two trainings per month on current issues, such as technical aspects of mortgage and loan servicing products. CCCS management strongly believes that prioritizing an ongoing commitment to training for counseling staff is an integral part of the program and its success.

Lenders and servicers also participate in joint trainings with CCCS counselors. This process has helped build better relationships between CCCS counselors and servicing staff.

Counselors who do not fully understand the operations of the mortgage delinquency and servicing process can become adversarial, but with a connection to the lender or servicer, counselors better understand the servicer's role, including any constraints under which they operate. By understanding why servicers present specific options for each type of borrower, the counselor can better guide the client and reduce the antagonism on all sides.

Outcomes

Approximately 2,000 borrowers receive letters about the CCCS program each month. Lender partners carefully monitor the rate at which CCCS is making contact with borrowers, and generally are pleased. Results demonstrate that involving an independent, third-party counseling agency to make contact with the borrower can dramatically improve contact rates. Contact rates for CCCS of San Francisco average 28 percent monthly, with contact rates as high as 60 percent for some months. This is substantially better than the industry contact rates, which typically fall below 5 percent. CCCS is able to make contact with about 40 percent of borrowers who receive the letter, the majority of whom complete counseling sessions. About one third of counseling sessions result in a workout package being sent to a lender.

Loans of borrowers who receive counseling under this program are performing well, with an average redelinquency rate of 18 percent, while the average recidivism rate for Freddie Mac's regular portfolio is 25 percent.

Lessons

1. **Have an independent, third-party counseling agency make outbound calls.** This can substantially increase borrower contact and workout rates.
2. **Overcome legal barriers.** CCCS has developed streamlined methods for obtaining permission to directly solicit borrowers for counseling. CCCS is also working on adding language to mortgage documents that will permit outbound calls by third-party counselors.
3. **Training counselors is critical.** Counselors involved in default counseling need to understand all the basics of the counseling process as well as the complexity of mortgage servicing. This requires significant time and a strong commitment for programs to be effective.
4. **Create industry partnerships.** In addition to engaging experienced industry professionals in the training process, the CCCS program has benefited from working collaboratively with lender partners on outreach and legal issues. This also has helped the relationship between servicers and counselors and resulted in ongoing learning and improvement.
5. **Meet borrower needs.** CCCS uses its location in the Pacific time zone as an advantage in reaching borrowers in the evening on the East Coast. They also have a carefully designed outreach strategy, including targeted calling patterns and a precisely worded letter. CCCS also employs staff members who speak multiple languages.
6. **Allow counselors room to develop their own approach and style.** CCCS does not provide counselors with a strict script to read to borrowers and in fact encourages their staff members to develop their own approach and style. As a result, some counselors can complete over 50 calls a day, while others may only complete half that number.

Home HeadQuarters, Syracuse, New York

Home HeadQuarters (HHQ) was established in 1996 to improve the quality of housing in Syracuse neighborhoods. Offering mortgages, community development programs and homebuyer counseling, the agency has over 30 staff members and an annual budget of over \$8 million. In 2004, Home HeadQuarters expanded its services to include comprehensive foreclosure-prevention services. It partnered with the city of Syracuse and Syracuse United Neighbors (SUN) to develop a foreclosure-prevention program that helps families preserve homeownership. The program was developed in response to research by SUN that showed

rising foreclosure filings in low-income areas of the city. Initially, the effort focused on fraudulent or predatory loans, although a frequent secondary cause of foreclosure in the community was job loss and insufficient income to support mortgage payments.

HHQ counselors have always provided foreclosure counseling, but in the last three years, the need for services has increased. Some neighborhood advocates describe foreclosure as near epidemic in scale, as multiple properties in some low-income areas have gone into foreclosure proceedings.

The city of Syracuse has been a strong partner, putting resources into addressing foreclosures that include support for program costs and a rescue fund. The program is designed to help borrowers to become current on their mortgage, using a combination of rescue funds and lender workouts. The city launched its Foreclosure Prevention Program fund in 2005 as part of this effort. Originally a pilot program, the fund has become a permanent part of the city annual budget, signaling the importance of foreclosure intervention to the overall goal of a healthy housing market.

As the program has evolved, HHQ is placing more emphasis on counseling to address the true cause of delinquency, as well as on developing lender workouts, with decreasing reliance on loan funds.

Working With Borrowers

As in other programs, borrowers meet one-on-one with a foreclosure-prevention counselor to review their financial situation. HHQ staff work with lenders on loan modifications, providing three-way calls with the borrower, and provide borrowers with assistance with hardship letters and advice on workout options. HHQ counselors understand that borrowers in distress are uncomfortable with their situation and may be anxious and mistrustful. HHQ counselors work to provide information about their third-party role and, most important, are as empathetic with the borrower as possible.

HHQ works to encourage clients to come in for counseling as early in the delinquency process as possible, because it is much easier to negotiate a workout for a loan that is only two payments behind than four or more. Once a loan falls four or more months behind, it becomes difficult to negotiate a workout, legal fees mount, and more time is spent working with the borrower to develop a solution.

Borrowers are generally classified into two categories: those who require assistance to get back on track because they are experiencing a temporary situation that caused them to fall

behind on their mortgage, and those who have had a permanent change in their financial situation that will require a significant intervention. Borrowers in the latter category will have more difficulty qualifying for a workout from their lender and require more intensive assistance for a variety of financial and nonfinancial problems. In some cases, the borrower simply can no longer afford the house, and HHQ helps the borrower to come to terms with his or her situation, sell the home, and avoid foreclosure.

After assessing income, the HHQ foreclosure-prevention counselor works with borrowers to establish an accurate and realistic budget. This may mean helping them to eliminate some items in their current spending. HHQ then advises borrowers to take their new budget, along with a new proposed mortgage payment, home with them and discuss it with their family. Borrowers also need to verify that their bills are accurately reflected in the budget. Although some borrowers can complete their budget in the first session, many require multiple sessions. After clarifying all income sources and itemizing realistic expenses, the HHQ counselor works with the borrower to explore options with the lender. In any case, HHQ's policy is not to begin contact with the servicer or lender until the budgeting analysis is thoroughly completed.

HHQ keeps the borrower heavily involved in negotiation with their lender or servicer. Counselors do not find a solution and then present it to the borrower; rather, they work with both parties to reach a mutually agreeable solution. This approach helps foster a sense of ownership for the borrower and keeps the borrower committed to the plan that is developed. Borrowers are required to complete all of their own paperwork, although HHQ reviews it before it is submitted.

It can take 30 days to finalize a workout plan. HHQ has developed designated contacts at some major lenders, however, resulting in workout approvals in as little as three days. While waiting for a workout to be approved, HHQ works with borrowers to put money aside.

Rescue Fund

HHQ also offers foreclosure-prevention loans for homeowners in default, although funding for this program is limited. Eligible borrowers can receive up to \$2,000 to pay a partial claim to their lender, but their financial situation must be stabilized and the cause for delinquency must involve extenuating circumstances. The borrower's income must be at or below 80 percent of the area median, and the home must be within the city limits. Borrowers are also required to contribute 25 percent of the total loan amount from their own funds. Loans are forgivable if the borrower attends quarterly budget and credit counseling sessions for the next year. If the borrower does not satisfy the counseling commitment, a lien is placed on the

property. Borrowers are required to share their budget and show proof that they are paying the mortgage in a timely way. HHQ also monitors borrowers' credit reports.

The approval committee, the Financial Assistance Committee (FAC) for the Foreclosure Prevention Program loans, examines four factors: (1) the borrower's ability to afford the payment, (2) the likelihood that the result will be a long-term solution, (3) a good payment history from the credit report, and (4) the reason for the default. Acceptable causes of default include health problems, divorce, a death in the family, or loss of employment or another reduction in income.

Program Marketing

Program marketing consists primarily of grassroots outreach, in addition to free and paid advertising. The city of Syracuse printed 5,000 brochures that were distributed at local agencies, housing fairs and public meetings. Home HeadQuarters also printed 5,000 "door hangers," or hanging pamphlets, which were distributed door to door by Home HeadQuarters staff and partner organizations. This approach had only mixed success, however; staff noted that homeowners were confused by the door hanger and had misunderstandings about the status of their loans.

Staff regularly make announcements and provide literature at public and neighborhood meetings and at agency workshops. Referrals from other agencies and word-of-mouth referrals have also been successful, as well as presentations at community events, neighborhood meetings and with real estate agents. Programs with local churches have also been effective, including a mailing to faith-based institutions asking them to announce the program at weekend services. HHQ works to conduct a minimum of 12 external presentations per year about the program.

The most innovative and effective marketing strategy to date has been ads that were placed on bus lines in their target areas. Ads were placed behind the driver and on the side rails. HHQ has seen significant increases in client volume due to these ads.

Results

Since 2004, HHQ has served more than 100 borrowers each year and is on track to serve more than 150 borrowers in 2007. Staff members estimate that about half of these borrowers have loans that they consider to be subprime or predatory loans. HHQ has worked with over 30 different lenders to facilitate workouts. More than 50 borrowers have received FAC foreclosure-prevention loans.

HHQ counselors provided an average of five and a half hours of direct counseling per borrower. In addition, the counselors spend additional time working with lenders, following up with borrowers, completing workout packets, preparing for counseling sessions and completing necessary paperwork. It is a heavily time-intensive program. In a typical quarter, one HHQ counselor will work with 32 different lenders.

About 20 percent of clients become current on their mortgage without any other assistance beyond counseling. Another 40 percent enter a repayment plan or loan modification. About 20 percent pursue a short sale or simply lack the income to sustain their mortgage any longer. The remainder drop out of the process. HHQ estimates that 80 percent of clients who receive counseling are able to avoid foreclosure.

Only a small portion of the clients received FPP loans, typically less than 20 percent. The typical loan is between \$1,000 and \$2,000 (the maximum available). HHQ reports that about half of FPP loans are paid back within a year.

About 40 percent of borrowers are referred for other community-support services. HHQ works with SUN, the Fair Housing Council and other community groups to assert client rights and remedies for high-cost and predatory loans.

Expanding to Meet the Need

The sustainability of this program is a challenge. This is intensive work, and without support from the city it would not be possible. HHQ is exploring avenues to reach financial institutions for support, but with little success so far. Lenders can support the program in other ways, however. Most important for HHQ is to provide ways for HHQ and its clients to contact the proper staff at servicers and lenders efficiently, and to streamline the paperwork involved. Lacking effective contact can add weeks to the process.

Lessons

1. **Availability of rescue funds creates word-of-mouth “buzz.”** The FAC program encourages borrowers in trouble to seek assistance earlier in the foreclosure process.
2. **Sustaining rescue funds requires public subsidy.** The FAC fund is supported by city funding. Without this funding source, few lenders would be willing to provide resources in a smaller market such as Syracuse.
3. **Counseling is intensive.** Providing face-to-face counseling to clients in a neighborhood setting requires long hours of counseling staff and administration. This work has few sources of revenue, however, and can be a challenge to sustain.
4. **Designated staff at loan servicers is essential.** Working with specific contacts can greatly improve and expedite the loan workout process.

5. **Follow-up with clients is crucial.** HHQ places a priority on providing follow-up counseling services to all clients who receive foreclosure-intervention services. Most are delivered in a one-on-one-setting. Providing organizational space for this opportunity is important to the sustainability of workouts.

NeighborWorks[®] of Waco, Texas

NeighborWorks[®] Waco was established in 1993 as a partnership of local residents, businesses, financial institutions and city government with the mission of revitalizing neighborhoods by developing housing and serving as a mortgage lender. The organization has a staff of seven and an operating annual budget of nearly \$700,000. As a leading agency in the NeighborWorks[®] Campaign for Home Ownership for over a decade, NeighborWorks[®] Waco understands the importance of preserving homeownership.

In 2004, the staff of NeighborWorks[®] Waco began to address the increase in foreclosures in greater Waco. Borrowers in trouble needed financial counseling and help in cases of predatory lending. Borrowers also struggled with problems such as job loss or illness in the family that, while temporary, made it impossible to pay their mortgage. Initially, NeighborWorks[®] Waco created a “Sustain the Gain” education program, a series of skill-building workshops to help existing homeowners avoid foreclosure. These eight-hour workshops are presented free of charge and include financial education and hands-on home-repair training.

While the workshops have been successful, NeighborWorks[®] Waco recognized that clients already in trouble needed more intensive help. As Beyond Housing has done, NeighborWorks[®] Waco partnered with HPF’s 888-995-HOPE hotline. However, Waco has taken a different approach and does not utilize the HOPE hotline as the first point of contact for borrowers. Its clients are referred to the hotline only as needed, a strategy that makes sense for an organization working in a smaller market.

Working With Borrowers

Marketing efforts direct homeowners to contact NeighborWorks[®] Waco for foreclosure-related issues. When borrowers do make contact, they are encouraged to come in and fill out a basic intake form. Waco staff feels this step is critical, as it provides all the important information they need. By organizing financial and other data in advance, counseling sessions are expedited and more effective. In some cases, clients call 888-995-HOPE from NeighborWorks[®] Waco’s offices or from home, but most clients receive counseling from NeighborWorks[®] Waco first.

NeighborWorks[®] Waco also provides referrals to local agencies for emergency financial assistance, job training, tax preparation and other services. Because of local demographics, services are routinely provided in Spanish, as well as other languages as needed.

Counseling sessions typically are 90 minutes in length, with some clients requiring three or more sessions. In many cases the counselor from NeighborWorks[®] Waco speaks directly with the mortgage servicer on behalf of the borrower. In cases where the borrower is also working with CCRC counselors, a three-way call might take place that involves the CCRC counselor, NeighborWorks[®] Waco staff with the borrower, and the lender or servicer.

For all borrowers in default, NeighborWorks[®] Waco tries to remain positive and identify even a small sign of progress for the borrower immediately. This provides the borrower with hope and can help encourage further effort by the borrower.

Staff members of NeighborWorks[®] Waco have developed a tickler system that allows them to check in with borrowers who have received a loan workout. Staff members check in just prior to when the payment on the new plan is due. They repeat this process after three months to make sure the borrower is still on track and to address any new issues that may have emerged. NeighborWorks Waco is also developing a longer-term tracking system to monitor client outcomes.

City of Waco Foreclosure Emergency Assistance Program (FEAP)

An important innovation in the NeighborWorks[®] Waco foreclosure-prevention delivery system is the city's FEAP fund. While administered by NeighborWorks[®] Waco, FEAP is funded by city CDBG resources and overseen by a citizen committee. The fund is reserved for borrowers with incomes at or below 80 percent of the area median and who are residents of the city of Waco. After receiving a "Notice of Intent to Foreclose," borrowers may apply for funds if their delinquency was caused by no fault of their own, such as an illness, divorce, increases in taxes or insurance, job loss, accident or another unforeseen event that causes a temporary disruption in their ability to pay.

Borrowers can request up to three monthly payments of principal, interest, taxes and insurance. Borrowers may not apply for funds after receiving funds in the past, and payments may not exceed \$3,000. These payments are intended only for the mortgage payment, taxes and insurance; no penalties or fees can be paid with these funds. NeighborWorks[®] Waco manages the application and screening process and administers the funds. The process is designed so that it takes no more than two weeks from the initial screening process to the borrower receiving a payment.

Any borrower receiving support is required to receive counseling to develop a recovery plan. The home of each borrower must also be inspected to assure it is up to code and well maintained. All borrowers are also required to attend financial literacy classes.

Operating in a smaller market, it is more difficult for NeighborWorks® Waco to obtain significant financial support from financial institutions. But having the city's CDBG funds for the FEAP fund is helpful in leveraging matching grants from financial institutions and foundations. The fund was initially funded with \$36,000 in federal funds; NeighborWorks® Waco and other nonprofit partners are seeking additional funding.

Getting to Borrowers in Distress

Unlike agencies in other cities, NeighborWorks® Waco intentionally did not implement a citywide marketing and publicity campaign to attract borrowers to their services. Instead, they rely on word-of-mouth, referrals from other community-based organizations, and informing residents about program services through their newsletter. In 2006, Waco included information on foreclosure-prevention services to over 1,400 city employees on their pay stubs.

NeighborWorks® Waco employed this low-key marketing strategy due in part to concern about its capacity to handle what could be an overwhelming volume of clients. Working with the city of Waco, the next step in this incremental outreach effort will be to insert program brochures in city water bills. This effort will be launched in late summer 2007. NeighborWorks® Waco received media support through a meeting with the editorial board of the local newspaper, which resulted in editorials suggesting the agency as a resource for those with mortgage problems and including NeighborWorks® Waco's contact information. In addition, through a housing coalition in the city of Waco, foreclosure-prevention services have been promoted through events at faith-based institutions as well as through the city's cable access TV channels.

NeighborWorks® Waco recognizes it is difficult to get the attention of borrowers in distress. Offering financial assistance to borrowers can be an important incentive to encourage borrowers to make contact and seek out help. The program does not have a large rescue fund, however, and recognizes that its ability to provide assistance is limited by that fact as well as its finite staff time. Nevertheless, as word spreads about the borrowers who do receive assistance, more borrowers will seek out NeighborWorks® Waco.

Monitoring Foreclosure Filings

NeighborWorks® Waco receives county foreclosure filings records each week, allowing them to monitor trends in mortgage defaults and the process of foreclosure in the region. As of spring 2007, Waco was averaging 70 initial foreclosure filings (“starts”) each month. This number has been growing over the last year, especially in minority and low-income neighborhoods. Having access to timely data is unusual among community-based organizations. In Waco, the county clerk’s office has an automated foreclosure record-keeping process, making it easier and much faster to monitor foreclosure trends than in other communities with only paper-based systems. However, the foreclosure timeline in Texas is quite short relative to states with judicial foreclosure proceedings. Lenders can initiate foreclosure earlier in the process than other states and can move to foreclosure auction in just a few weeks. Therefore, in this environment timely data is crucial.

Lessons

1. **Optimize phone counseling.** Waco has experimented with various models of using CCRC national phone-based counselors. For some markets, the ability to be the first point of contact is an important piece of service delivery. Handling borrowers across different offices and managing telephone counseling by different parties is challenging and requires careful oversight.
2. **Implement a follow-up strategy.** This practice can help keep customers on track. Using a tickler system, counselors can keep in touch with customers and help avert any future issues or minimize them because of early contact.
3. **Monitor foreclosure trends.** Waco’s use of weekly foreclosure data is an example of using data to help guide and shape the program. Timely, accessible data can determine outreach and service delivery strategies in the short term.
4. **Work with the media.** Waco strategically courted leaders in the local media about its foreclosure programs.
5. **Develop key relationships with the city of Waco.** A well-built relationship with the city has resulted in helpful funding and support for outreach activities.

Neighborhood Housing Services of New York City, New York

NHS of New York City is one of the largest NeighborWorks® organizations in the nation. NHS has helped over 100,000 residents and invested nearly \$1 billion in the area’s housing stock, stimulating over \$950 million in public and private investment since its founding in 1982. The organization has eight neighborhood-based programs and a citywide NeighborWorks® HomeOwnership Center. With a staff of over 90, the agency’s annual

budget is nearly \$9 million. NHS creates and preserves affordable housing while also offering homeownership education, mortgages, financial assistance and community leadership.

Expanding from Predatory Lending to Default Services

NHS of New York City launched an aggressive antipredatory lending initiative in 1999. Partnering with Brooklyn Legal Services, the Parodneck Foundation and Queens Legal Services, NHS staff spent multiple hours per case trying to work out pending foreclosures for borrowers in loans with predatory features. NHS developed the Anti-Predatory Lending Task Force in South Jamaica and the Southeast Queens Anti-Predatory Lending Task Force. Over time, the volume and intensive nature of this work exceeded NHS's capacity. Meanwhile, tax delinquencies and nonpredatory delinquencies became more and more common. NHS expanded its Homeownership Preservation Program into a comprehensive program to assist residents at risk of losing their homes.

The Homeownership Preservation Program began in three neighborhoods, Bedford-Stuyvesant, South Jamaica and the North Bronx, each with high levels of foreclosure filings. NHS hired an intern from Cornell University to do a study of the causes of foreclosure in the three neighborhoods and developed neighborhood-based strategies in response. NHS has partnered with banks and other financial institutions within the targeted neighborhoods to perform outreach and offer quality loan products. NHS also uses counseling and educational seminars to warn residents of the risks associated with predatory lenders and encourage borrowers in distress to seek help. Working with local clergy, NHS has encouraged neighborhood residents to be aware of predatory practices and to contact NHS for help.

Working with the HPF to provide telephone counseling has greatly expanded NHS's ability to provide foreclosure-intervention services to a greater number of homeowners, and has given NHS counselors the opportunity to address more difficult cases one on one with homeowners and to seek resolutions that may take more time to achieve.

Block-by-Block Strategies

Because NHS is focused on neighborhood-level institutions, it was natural for the organization to use grassroots tactics to serve borrowers in distress. Neighborhood task forces sponsor education seminars for residents on mortgage lending and default prevention issues. Using a "train the trainer" approach, NHS staff work with local block clubs to engage them in efforts to promote NHS programs and services. NHS provides small grants (approximately \$200) for block clubs to sponsor community events so that community leaders can help market foreclosure prevention services and also help educate residents about

the importance of seeking appropriate mortgage products before they take on an unsustainable mortgage.

Loan Funds

NHS also offers loan products to assist those who have been victimized by predators or are in mortgage delinquency due to financial hardship. NHS developed rescue loans with Neighborhood Housing Services of America (NHSA), the secondary-market arm of NeighborWorks[®] America, as well as NCRC. NHS uses these funds to take care of delinquent amounts until loans can be permanently refinanced with a conventional lender. For predatory loans, NHS works with legal organizations while trying to work with the lender to refinance the loan or accept a short sale. For senior citizens with financial problems, NHS also facilitates reverse mortgages.

The Homeownership Preservation Foundation and the NHS Counseling Process

In 2006, NHS partnered with HPF's 888-995-HOPE hotline. This has allowed more borrowers at risk of losing their homes to receive counseling, while freeing NHS counselors to assist with the most difficult cases and with borrowers in need of special foreclosure-intervention loans.

Partnering with HPF, NHS has been able to expand its foreclosure-prevention services to all its offices, rather than just three neighborhoods. NHS staff members do a basic intake with a new client, then perform a "hot transfer" by calling CCRC and conferencing in the borrower with the CCRC counselor. The borrower is handed off counselor to counselor, with a reduced chance that the borrower will hang up. CCRC tracks all NHS referrals in an online database that NHS counselors can monitor, entering their own notes and outcomes over time. In some cases the CCRC and NHS counselor may exchange e-mails or phone calls about the borrower's case in order to coordinate services. NHS tells borrowers before the CCRC transfer to call their NHS counselor if they are dissatisfied with the services they receive from CCRC. As of mid-2007, few borrowers have levied complaints.

NHS staff estimate that six hours are required per borrower receiving NHS counseling for a loan workout. NHS has developed some designated contacts with major lenders and servicers, and can prepare workout packages for the borrower. NHS always includes borrowers as much as possible when interacting with servicers. Although this adds time to the process, it helps the borrower become more competent in dealing with his or her mortgage.

Because foreclosure in the state of New York can take 14 months or more, NHS counselors are under less pressure than counselors in other states to meet quick deadlines. For some borrowers, the time built into the process allows them the time necessary to find alternative sources of income, sell the home, or reduce other expenses.

In addition to foreclosure-prevention seminars and one-on-one early delinquency counseling, the NHS program offers credit repair, an intensive analysis of the borrower's ability and willingness to retain his or her present home, and loss-mitigation services for borrowers in late delinquency.

Homeowner Workshops

NHS has found workshops to be very effective for increasing awareness of the issues related to mortgages and delinquencies. Responses have been robust, with high participation levels. Residents seem to trust NHS and their local government officials. Because NHS partners with the city or with neighborhood elected officials to offer workshops, residents tend to respond well. NHS has found that word of mouth has been the most successful recruitment tool, although the media have also helped promote workshops.

Policy Changes

NHS has devoted considerable staff time to research and policy change efforts around city, state and federal responses to predatory lending and mortgage delinquency. NHS advocates for support of homeownership counseling and has led a New York State counseling advocacy network to push for needed change.

Lessons

1. **Triage clients.** NHS has developed a strategy to manage a high volume of clients, optimizing its own delivery of intensive counseling and the use of HPF's CCRC hotline counselors.
2. **Develop neighborhood partnerships.** NHS has rooted its programs in neighborhood-based partnerships with local organizations, city officials and faith-based groups. These collaborations support the success of outreach and counseling efforts and will help inform a greater number of residents about NHS programs and services.
3. **Work on policy change.** NHS recognizes its role as a leader in the region. As a direct service provider of foreclosure-prevention services, NHS offers legitimacy and credibility to the role of homeownership counseling and the changes needed in mortgage lending and regulation.

4. **Access to loan funds.** NHS recognizes the important role that appropriate loan funds can play in addressing mortgage delinquency. NHS has sought out a variety of loan funds to meet this need.

4. Lessons for Applying Program Strategies

Any newly forming foreclosure-prevention program must be designed flexibly in order to evolve over time. Changes in foreclosure trends and borrower needs will demand new approaches. Even carefully designed programs will discover that some proven strategies will not be successful in a specific market.

Because change is constant as programs evolve, programs must have systems in place to track foreclosure filings, measure service delivery and evaluate client outcomes. Without an investment in this infrastructure, programs cannot develop the components a strategy needs—and cannot judge if a new approach is innovative or ineffective.

Many foreclosure-prevention initiatives to date have begun as antipredatory lending projects. Most foreclosure-counseling programs operating at scale find that between 5 and 15 percent of default counseling cases involve legal issues that might be defined as predatory, such as fraud or deception. As programs develop, the transition from an initial focus on predatory loans to more general foreclosure-prevention efforts can be challenging. Counselors continue to see their role as an advocate, and in some cases identify the borrower as a victim. While this approach expresses compassion, it is not always appropriate given the borrower's responsibility for their own action and behavior. It also makes partnerships with legitimate lenders more difficult.

Traditionally, face-to-face counseling has been the primary mode of delivery for foreclosure services. In recent years, the quality of phone-based counseling has improved dramatically, due both to technological improvements in call handling and client management, and an increase in the knowledge and skill level of counselors. Call-center-based counseling can deliver services at a much lower cost per client, at a larger scale and with greater accessibility for borrowers. However, phone-based counseling may struggle with complicated cases or with issues requiring a review of paperwork. Each program has to determine the optimal mix of phone- and office-based counseling for its clients.

Marketing and outreach are critical. Borrowers in distress may not want help; they may feel embarrassed or simply believe that they can manage on their own. Yet the foreclosure timeline progresses rapidly. Getting the attention of borrowers or getting people in contact

with borrowers early in the default process is critical. Typically this involves a mix of mass media campaigns as well as grassroots strategies.

One way to enhance borrower contact is through the use of rescue funds. While few borrowers ultimately receive financial assistance, and those who do generally receive relatively low amounts, the existence of funds will make borrowers more aware of programs as well as boost their interest in making contact.

The major limitation of all the leading models discussed in this report is the cost and sustainability of delivering services. While the demand for foreclosure services is increasing, the time and resources each borrower requires is not decreasing. While lenders, borrowers and local government all benefit from the avoidance of foreclosure, paying for prevention is always a challenge. Moreover, given the scale of this issue, support tends to be limited.

NeighborWorks[®] America is providing support on all these issues, including the following:

- Partnership with the Homeownership Preservation Foundation HOPE hotline,
- National Ad Council campaign,
- Training opportunities at its NeighborWorks[®] Training Institutes,
- Financial support to nonprofit partnerships,
- Special mortgage loan products through NHSA, and
- Research on foreclosure-prevention topics.

5. Conclusions

These programs offer positive examples of how borrowers in the foreclosure process can be assisted across a range of situations and markets. Public–private partnerships can intervene together in ways that lenders and borrowers could not achieve working alone. Nonprofit NeighborWorks[®] organizations benefit from the trust of borrowers and their relationships with local government. Local government has access to financial resources and the ability to attract the attention of citizens. Lenders have multiple options available to borrowers in distress, but need help in connecting with borrowers in a timely way.

Ten themes emerged from this review of programs, including the following recommendations to newly emerging foreclosure prevention initiatives:

1. Monitor local foreclosure trends on a regular basis.
2. Form partnerships that include lenders, local government and community groups.
3. Provide high-quality initial and ongoing training for counseling staff.
4. Although predatory lending is a problem, most programs recognize the needs on a large number of nonpredatory mortgage default cases.
5. Short-term loans, grants and other “rescue” funds can be a critical means for attracting clients and helping families in specific situations.
6. Meeting borrower needs is resource-intensive and typically requires subsidies.
7. Call-center–based phone counseling is still developing, but promises an efficient and convenient delivery mode.
8. Triage of clients is appropriate and necessary, reserving costly face-to-face counseling for the most severe cases.
9. Outreach strategies are central and should include efforts to engage with the media on a regular basis.
10. Service providers have a critical and legitimate role in policy changes to support consumer decision making in mortgage markets and to maximize lenders/servicers participation in loss mitigation efforts.

Interview List

Rick Harper San Francisco CCCS 2/15/07	2/28 Zach Carter NeighborWorks® Waco 3/8/07	Jeff Wall Housing and Community Development City of Waco
Chris Kreymeyer Beyond Housing 2/22/06	Kelly Beshaw Home HeadQuarters 3/8/2007	Elizabeth Patterson NeighborWorks® Waco 3/8/2007
Gary Petroff PMI Mortgage Insurance Co. 2/22/07	Linda Ingram Beyond Housing 2/25/07	Erskine Kennedy NHS of New York City 3/29/07
Roy Nash NeighborWorks® Waco 2/25/07	Jackie Cosgrove Housing Education Program CCCS of San Francisco 3/12/07	Sarah Gerecke NHS of New York City 4/11
Kerry Quaglia Home HeadQuarters		Cathy Mickens NHS Jamaica 4/11/2007
Kelly Beesaw Counselor 2/26/07		Victoria Grimm Washington Mutual 4/5/07
Theresa Lloyd Freddie Mac		

Sample Intake Form

FORECLOSURE ASSISTANCE COUNSELOR INTAKE FORM

Date: _____ Counselor: _____

Applicant 1: _____ Applicant 2: _____

Property Address: _____

Documentation Received: _____ Budget
_____ Explanation Letter for Delinquency
_____ Pay Stubs
_____ Tax Returns and W-2s
_____ Mortgage Note
_____ **Notice of Intent to Foreclose**
_____ Payment Coupon
_____ Homeowners Insurance Policy

Original Loan Amount: \$ _____ Original Appraised Value \$ _____

Outstanding Principal Balance: \$ _____ Amt Needed to Cure Default \$ _____

Insurance Company: _____ Annual Insurance Premiums \$ _____

Premium Paid Through: _____ Annual Taxes: \$ _____

Taxes Current Y/N Homestead Exemption Filed Y/N Insurance Current Y/N

Precipitating Factor(s) leading to Default: _____

	<u>Monthly</u>	<u>3 times</u>	<u>* Amount needed to cure</u>
Principal and Interest	_____	_____	_____
Taxes	_____	_____	_____
Insurances	_____	_____	_____
Total	_____	_____	_____

* The lesser of \$3,000 or 3 months PITI

Total House Income: \$ _____ Family Size: _____ % of Median Income _____

Credit Scores: _____ Debt Ratio _____ Refinance Candidate: Y/N

Servicer Contact

Servicer: _____ Telephone: _____

Original Contact Date: _____ Contact Name/Ext. _____

Verified Amount to Cure: _____ Verified Principal Balance _____

Solutions offered by Servicer: _____

After Default is cured, is it reasonable to assume that payments will remain current Y/N

Recommendation/Plan of Action: _____

Client Information Sheet

Applicant 1

Applicant 2

SSN: Home Phone: SSN: Home Phone:

Number of people living in Home: Ages:

Property Address: Year Property Acquired:

Original Cost: Lien Holder(s):

Monthly PITI: Past Due Amount:

Months Past Due:

Name and Address of Applicant 1's Employer: Name and Address of Applicant 2's Employer

Self Employed? Years on this Job? Self Employed? Years on this Job?
Yes No Yes No Yes No Yes No

Position/Title Business Phone Position/Title Business Phone

Gross Monthly Income Applicant 1 Applicant 2
Mo. Base \$ \$
Overtime/Bonus/Comm. \$ \$
(Monthly Average)
Mo. All other Income \$ \$
(describe)**

Total Cash on hand (Checking, Savings, Investments) Stock/Goods \$
Automobiles (Year, Make, Model and Value) Life Insurance (Cash Value) \$

Alimony or Child Support you pay monthly: Monthly Childcare Expense: \$ \$

Liabilities: Creditor Name Monthly Payments Approximate Balance
\$ \$ \$
\$ \$ \$
\$ \$ \$
\$ \$ \$

Please attach the following documentation to your intake form. An intake appointment will be scheduled once all documentation has been received. ALL OF THE FOLLOWING ITEMS ARE REQUIRED IN ORDER TO RECEIVE EMERGENCY ASSISTANCE:

- Letter detailing the reason for your mortgage delinquency. Be specific and include details, dates, etc.
Current Pay stubs for all household members for 30 days
Budget
Most recent 2 years tax returns and W-2 forms
Copy of your mortgage note
All correspondence from all lien holders
Copy of most recent payment coupon
Copy of Homeowner's Insurance Binder

Credit Authorization: By signing below I (we) certify that the information above is true and correct and I (we) authorize to obtain a credit report on me (us) from any consumer credit reporting agency or agencies to verify the information contained herein:

Applicant 1 Signature Date Applicant 2 Signature Date

Sample Outreach Letter

This letter is reprinted courtesy of PMI.

Re: Property Address:

Dear {**BORROWER NAME**}:

PMI Mortgage Insurance Co. (“PMI”) was recently notified by your mortgage lender, {**MORTGAGEE**} that your loan has become delinquent. For this reason, PMI has engaged The Housing Education Program to provide you with FREE financial and housing counseling. PMI provides mortgage guaranty insurance to {**MORTGAGEE**}, to protect it against losses resulting from defaults.

The Housing Education Program is not a collection agency. We are a nonprofit HUD-approved housing counseling agency.¹ We share your interest in seeing you keep your home and maintain your good credit. A mortgage delinquency is a serious matter. The Housing Education Program can assist you in working with your lender to make suitable arrangements to resolve your delinquent payments. If you have not already done so, you should contact your lender to discuss the difficulties you may be encountering. It may have relief options available to assist you. These options may include:

1. **Repayment Plan:** You may be able to get an agreement to resume making your regular monthly payments, in addition to a portion of the past due payments each month until you are caught up.
2. **Mortgage Modification:** If you can make the payments on your loan, but you do not have enough money to pay the past due payments or you cannot afford the total amount of your current payment, your lender may be able to change one or more terms of your original loan to make the payments more affordable.
3. **Sale:** If you can no longer afford your home, your lender may provide you with a specific amount of time to find a purchaser and payoff the total amount owed. If the property's sales value is not enough to pay the loan in full, your lender may be able to accept less than the full amount owed.

The key to any of the available options is to work with your lender and educate yourself about what your options are. If you desire, The Housing Education Program can work with your lender and PMI to help facilitate a resolution to your situation.

If your mortgage loan is now current or you are currently working with your lender, please disregard this letter. However, if you would like to know more about what options you might have, we are available to assist you. Call a toll free Housing Counseling and Education line at 1-800-555-5555, Monday through Friday 8:00 AM to 5:00 PM Pacific Time, to find out more. A representative of the Housing Education Program may contact you in the near future to further explain our housing counseling services.

Sincerely,

The Housing Education Program

¹ The Fair Debt Collection Practices Act exempts nonprofit consumer credit counselors from its provisions at 15 USC 1692(a)(6)(E).

About the Credit Counseling Resource Center

The Credit Counseling Resource Center (CCRC) was founded by the Homeownership Preservation Foundation (HPF) in 2002 as a partnership among counseling agencies and financial institutions to provide 24-hour quality telephone counseling to delinquent mortgage borrowers. Five nonprofit housing counseling agencies are part of the CCRC, including Auriton Solutions, Novadebt, Springboard and CCCS of Atlanta. In 2007, CCCS San Francisco was added to the CCRC. The CCRC has the capacity to counsel over 5,000 homeowners a month. Every counselor is certified and the majority of counselors are specialists in mortgage-foreclosure issues. All of these agencies are HUD-certified counseling agencies.

CCRC Counseling Process

- Purpose Statement
- Problem Identification
- Developing Goals
- Review of Household Budget
- Recommendations
 - Written Action Plan Sent to Homeowner
 - Counseling Summary E-mailed to Servicer
- Follow-Up Counseling as Needed

888-995-HOPE Hotline Process

- Call traffic comes through HPF system and is seamlessly routed to CCRC agencies.
- HPF monitors traffic volume and insures that calls are answered promptly.
- Using a Web interface, HPF can reallocate phone traffic at any moment.
- Call origination can be reported on.
- Counselors are expected to answer calls within 2 rings.
- All clients tracked in a custom Web-based system that:
 - Allows counselors to e-mail a summary directly to the lender or other third party.
 - Allows monthly activity reports for lenders.

CCRC Outcomes Coded in Database

- Budget Improvement Needed Prior to Loan Resolution
- Client Declined Counseling
- Debt Management Plan Recommended
- Loan Repayment Plan (prior to foreclosure status)
- Loan Resolution Plan (active foreclosure status loans)
- Loan Reinstated
- Counseled—Other Action Taken
- Preforeclosure/Short Sale Recommended
- Referred to NHS Local Affiliate
- Referred to Other Agency
- Unable to Contact Client
- Session Incomplete