

# *Foreclosure & Credit Recovery*

Presented by  
*Joy Thormodsgard, CEO*



# Who We Are NOT & Who We Are



## Have You Heard or Seen Ads for Foreclosure , Debt Settlement, or Credit Recovery?

- Deep pockets for radio, television, print, illegal use of seals such as HUD on flyers
- Advance fees for foreclosure without receiving meaningful assistance in resolving their loss mitigation issue.
- Loan scam alert campaign
- Credit repair scams increasing
- Debt settlement – Gov't Accountability Office & FTC – single digit success rate. Interest, fees, legal action while funds are in trust  
<http://www.gao.gov/new.items/d10593t.pdf>
- Debt mills – five minute fix, no education, only debt with ability to receive income. Large fees due to no support from lenders
- SurePath is a legitimate non-profit w/o dollars to market

# SurePath (CCCS)

## Knowing the Difference

**SurePath Financial Solutions, a nonprofit organization, provides caring, innovative solutions that educate and empower consumers to successfully handle immediate financial challenges and plan for their future.”**

- 45 years as local non-profit.
- HUD agency. – NFMCP, Keep Your Home California
- DBA SurePath created due to entities masquerading as us
- Physical locations in Ventura through Santa Clara Counties
- Phone & internet throughout California & in a few other states.
- Accredited by Council on Accreditation for Families & Children
- Member of National Foundation for Credit Counseling (oldest network of legitimate non-profits formed in 1951)



# Solution Focused Counseling

## Money & Housing Action Plan

- Budget, Debt, Credit, Self Sufficiency Calc
- Debt Solver Program
- Housing – Loss Mitigation/Home Preservation, Pre-Purchase, Reverse Mortgage, Rental Counseling
- Bankruptcy – EOUST Approved Pre-Filing Counseling, Pre-Discharge Education



# Financial Literacy Initiatives

- Financial Literacy Council
- California Saves
- Real Estate & Fraud Advisory – Ventura
- VITA site, Market EITC
- Central Coast Foreclosure Collaborative
- Bank On San Jose
- United Way Income Focus, Ventura Co.
- Education – CONNECT Workforce
- New Business



---

# Impact of Credit & Housing Counseling



# Georgetown's Credit Research Center & Purdue's Economics

---

- 60,000 households from 10 legitimate non-profits.
- 55 point reduction in bankruptcy risk score (BK scores are inverse – lower is better!)
- 26 point decrease in delinquency risk score 12 months prior to counseling (lower is better)
- Representative sample consumer credit reports, median change in risk scores near zero.



## Effectiveness of Counseling (cont'd)

- DMP clients lower BK incidence of delinquency than those offered the DMP but do not join.
- Credit scores improved after DMP success & develop better money management skills.
- DMPs much more successful than internal programs
- NFMC program, 60% more likely to avoid foreclosure
- Mortgage payments reduced by \$454 more per month (or \$5,558 more per year)
- 3/4 of Americans feel they would benefit from first-time homeowner education. Average pre-knowledge less than 30%, post online certification 90%



# Industry Challenges



# Financial Crisis

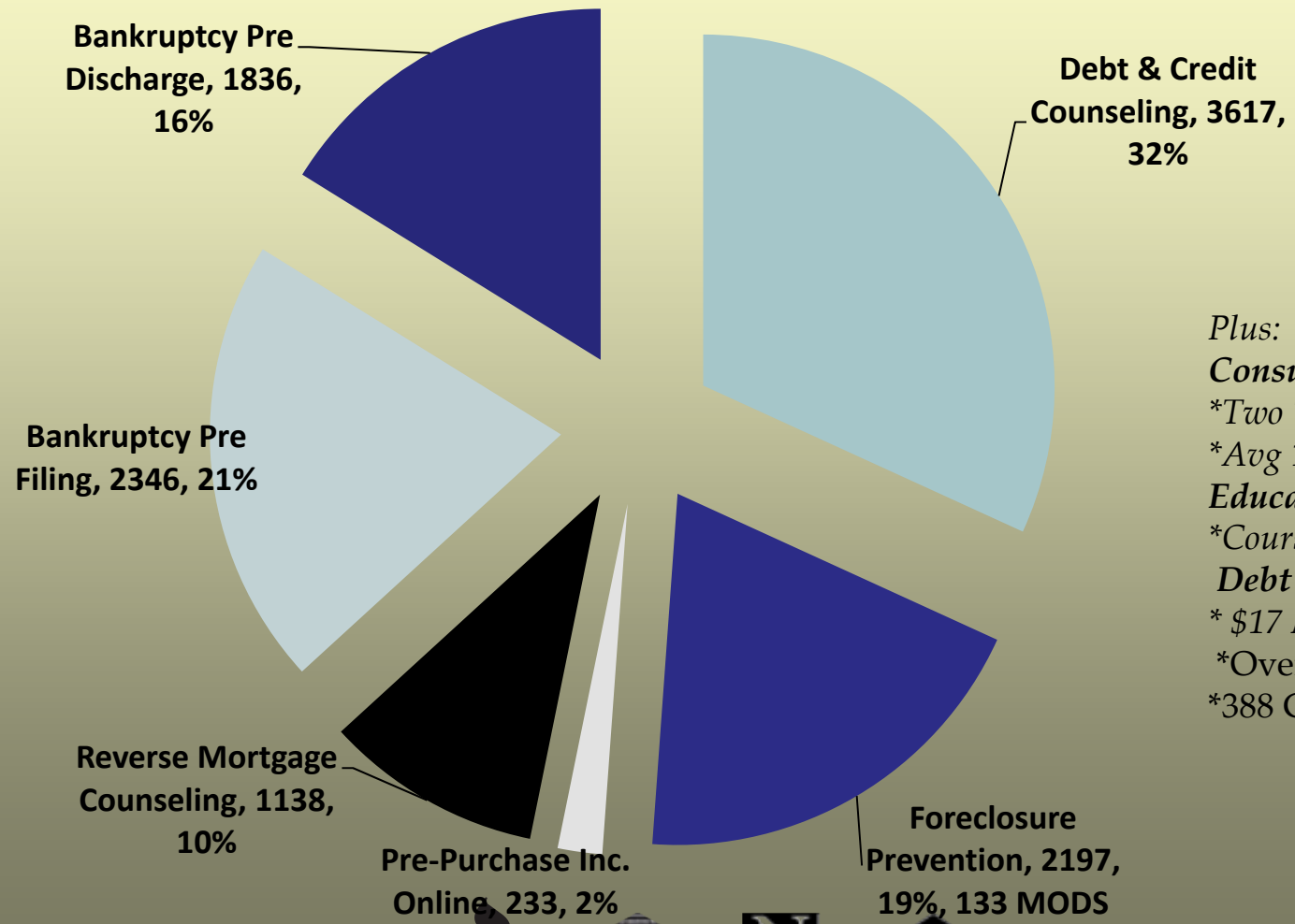
- NFMC and HUD funds are typically exhausted in the first 5 months of the year and are now gone for at least 2 years
- HUD restricts agencies from charging fees for foreclosure/rent assistance
- Debt mills & illegitimate non-profit impact
  - Credit counseling 200 in U.S. to over 1,000 added debt mills
  - Creditor management incented to cut expenses /reduce losses
  - Declining fair share – 11% down to 4% - \$20 million returned, \$2.2M in income to \$800 thousand but state-of-the-art technology
  - Reduced concessions
  - 60 Month DMP(required by FEIC) not feasible for most consumers....can only help below 20% now





# Diminishing Client Base – But Why?

26,000 Households in 2009, 35% less in 2010  
17,000 Households Served, \$17 Million Returned



*Plus:*  
**Consumer Calls**  
\*Two Thousand  
\*Avg 14 Minutes  
**Education Programs**  
\*Courses - 1K Individ  
**Debt Solver Program**  
\* \$17 Million  
\*Over - 2K HH  
\*388 Graduates paid



# Consumer Crisis



# Credit Card & Housing Debt Lack of Financial Literacy

---

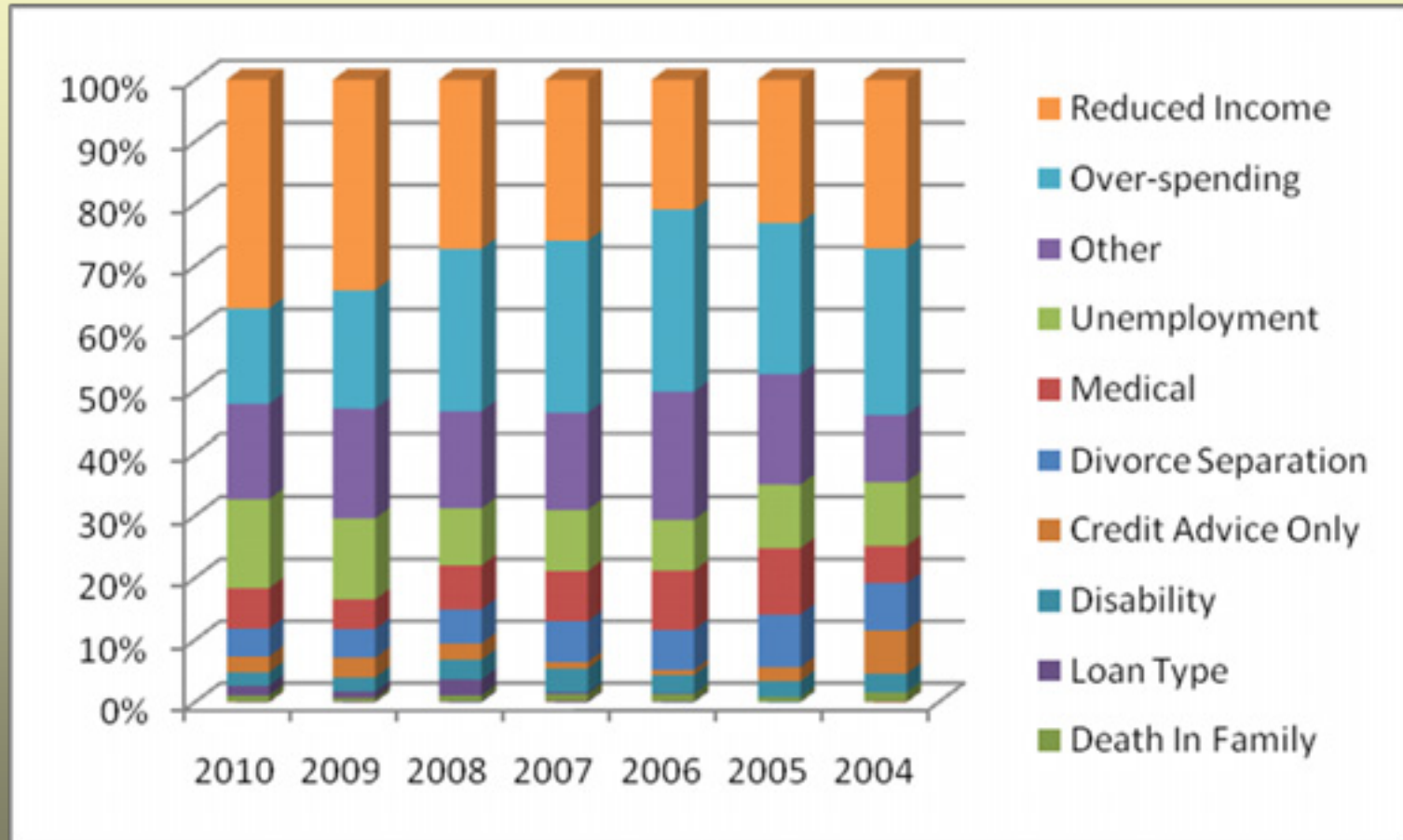
Clients not only need assistance with housing concerns, but many have relied on their credit cards to make ends meet.

NFCC 4<sup>th</sup> Annual Consumer Financial Literacy Survey:

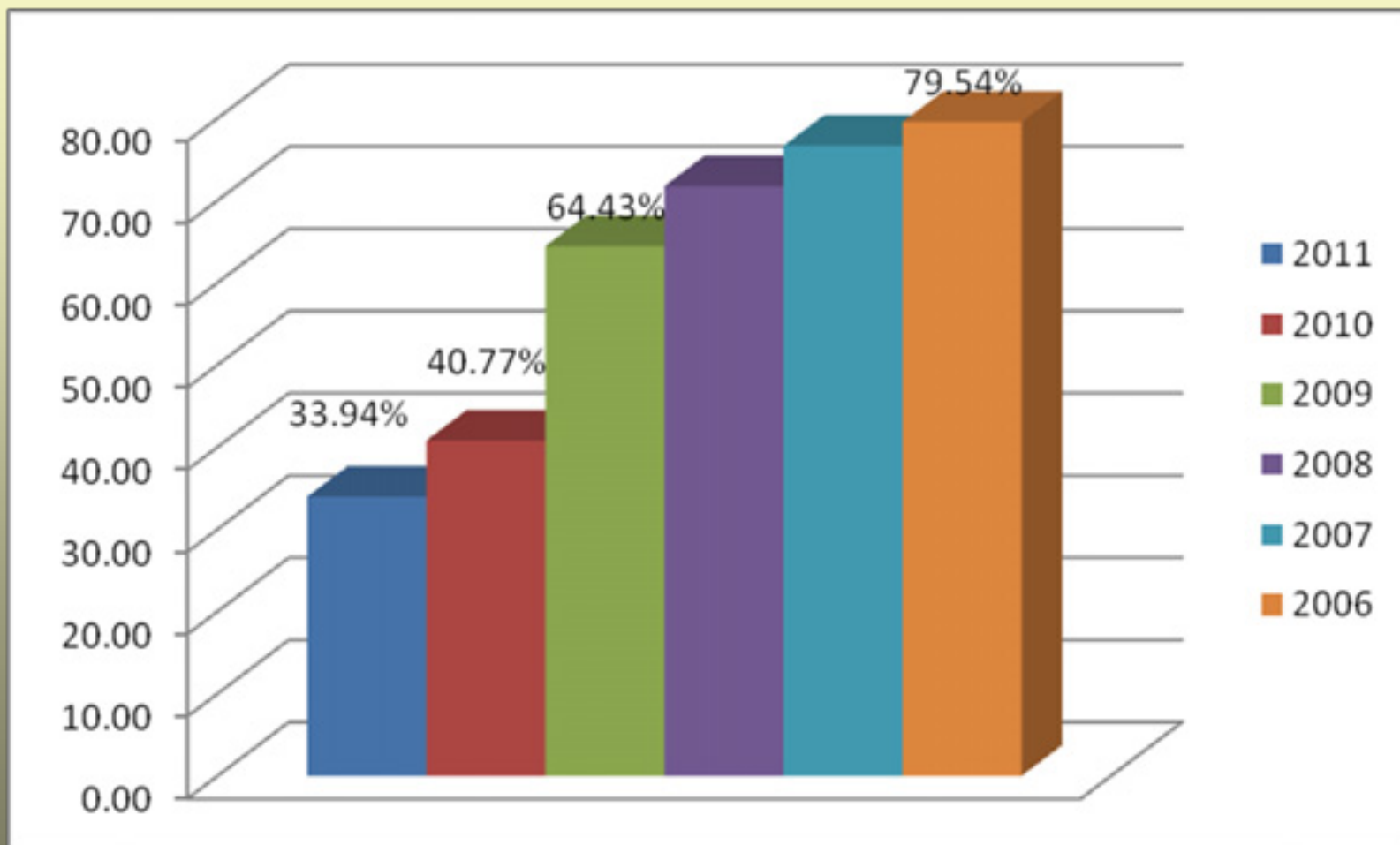
- 11 million people say they carry \$10,000 or more in credit card debt
- Do not monitor overall spending
- Division between credit card divisions and mortgage
- 2/3 of adults (65 percent), have not ordered a copy of their free credit report in the past year.
- One-third (31 percent) do not know their credit score.



# Cause of Financial Problem



# Percent of People Qualifying for Debt Management Plan (DMP) is Plummeting





# Going Forward - Credit Impacts

## Cost of Credit

- 30 YR Mortgage -\$300,000.00 620-639: Rate of 6.06%
- 760-850 Rate of 4.46% savings of \$106,920 overall!!
- 4 Year Car Loan - 550-589 rate of 18.73% pay \$6000 more on a \$20K 4 year car loan

## Availability of Housing for Purchase

- Poor Credit
- Investors buying of the property

## Renters

Poor credit scores – higher rent deposits or denial, evictions due to delinquent debt.



Consumers in deeper financial and credit distress...how do we help them?



# Holistic Services, Integration Between Providers

---

## Immediate Needs

- Review debt, credit, income, budget and create Money Action Plan
- Self Sufficiency Calculator
- Employment and Training Services

## Stabilize

- Reduce debt, improve credit, financial literacy, education requirements
- Emergency Savings – California Saves
- **New Programs - Responsible Renters, Foreclosure Recovery, Credit Recovery**

## Building Wealth

- Simplified Financial Plan
- IDAs, Financial Coaching,



**Tools for Your Success**CounselorName Other Dates 

CURRENT CLIENTS OR GRADUATE

Status StartDate Financial Coaching Contact  Self Sufficiency Calculator Benefits Ran**Social Media Money Tips**

We talked about your budget and saving for emergencies and periodic expenses and ways to cut expenses. I would like to sign you up for some free online financial tools. One is California Saves and the others are our blogs. You can opt out at anytime. Would you like me to automatically sign you up? Also, I can send you an email if you would like to join us on Face Book & Twitter. Be sure to check your SPAM filter.

 California Saves Build Wealth Not Debt Blog SurePath Blog Facebook Twitter No Email**Interest in IDA, Matched Savings**

Qualifications: Assets do not exceed \$10K (excluding residence and 1 car) PLUS twice federal poverty level OR EITC or TANIF eligible. Requires completion of financial education at no cost.

We have a grant program which is to help you save for education (yours or your children), expanding or starting a new business or homeownership. For every \$1 you save, the grant matches \$2. Shall I notify you when the program starts later this year?

 Education IDA (college, laptop for school for yourself or education) Small Business Homeowners IDA Not Interest**Scheduling Financial Coaching**

We will be following up to help you reach your goals and see if we can help you in any other way.. Would you like 30, 60, or 90 days?

Consumer's Request for First Contact Best Time to Contact Preferred Method of Contact **Educational Tools to Succeed**

We have gone through a lot of information. Do you feel you could benefit from any additional help with money management? SurePath has low cost, interactive education online to help you reach your goals. Prior to our coaching session, I would highly recommend Life or Debt which is a video online program to help with money management. We also have courses to help you improve your credit score, how to prepare for homeownership, and managing a checking account. Which programs would you like more information regarding?

LIFE OR DEBT: The program is a fun, interactive video which will walk you through the steps to be financially successful. I can sign you up and email your sign in information? The cost is \$35 for the two hour program and you can start and stop at your leisure. (free for DSP Clients)

SCORE POWER: ScorePower will help you evaluate your credit score and how to improve it! Your credit score can cost you tens of thousands of dollars in interest over your lifetime! The cost is \$19.95. Do you want me to send you an email with more information?

HOMEOWNERSHIP: Make Your Move will guide you through the home buying process which can be confusing, expensive and overwhelming. I highly recommend it prior to making one of the largest purchases in your life! The cost is \$35. Do you want me to send you a link.

CheckWise is a checking account and online banking course that provides the basics in selecting a financial institution and checking account that meets your needs. May help you qualify for an account even if you're on ChexSystems. It can also save you a great deal of money in overdrafts. The cost is \$35.

# Consistent Follow-Up

## Financial Coaching to Reach Your Goals

Date of the Financial Coaching Session:

### Questions on Your Progress

Have you been able to adhere to recommended budget changes?  Why did they not work?

Are you tracking your expenses and/or do you know where your income is going?  Do you feel your money management skills have:

Have you taken the recommended steps as outlined in your action plan?  Has your financial situation improved?

Do you intend to join the DSP?  N/A  No  Yes

Have you established or contributed to a savings?  Yes  No  Not Interested

### Next Steps

Next Contact:  Additional Service  First Steps Financial Planning  Start Your Business Right  Credit Recovery  IDA  Homeownership

See Note

# Client's Progress Financial & Credit Score

## Financial Counseling Income and Assets

1st. Fin. Counseling Session	Today's Date	Gross Income	Net Income	Savings	Autos	Home(s)	Other	Retirement	Total Assets	Credit Score
5/17/2011...	5/17/...	200	100			50			200	550
5/17/2011...	6/30/...	250	200						300	570
5/17/2011...	7/25/...	222	100						222	600

Record 1/1

Not Interested

## Financial Counseling Liabilities

1st Fin. Counseling Session	Today's Date	Mortgage or Rent Del. Amt.	Car Loan Balance	Mortgage Balance	Unsecured Debt	Other Debt	Total Debt Balance	DTI
5/18/2011 ...	6/30/201...	123	321	234	432	234	12345	
5/18/2011 ...	7/25/201...	0000	0000	123	000	0		

## Your Thoughts???

- Consumer and community needs
- CRA Annual Roundtable & Foundations to hear community needs from non-profits
- Required consumer education –example, homeownership education
- Responsible Renters Certificate
- Foreclosure and Credit Recovery

