



# Solutions to Foreclosures: A National Strategy

## NeighborWorks® Center for Foreclosure Solutions

Preserving Homeownership Forum, Salt Lake City Branch of the Federal Reserve Bank of San Francisco

Salt Lake City, UT November 29, 2007



# NeighborWorks® America

- Creates opportunities for people to live in affordable homes, improve their lives and strengthen their communities.
- Congressionally chartered
- Provides financial support, technical assistance, and training for community-based revitalization efforts around the country.



# The NeighborWorks® Network

- 235 *independent* housing and community development nonprofit organizations.
- All 50 states, Puerto Rico and the District of Columbia
- Over 4,500 communities (urban, suburban & rural).
- Resident engagement; locally tailored solutions



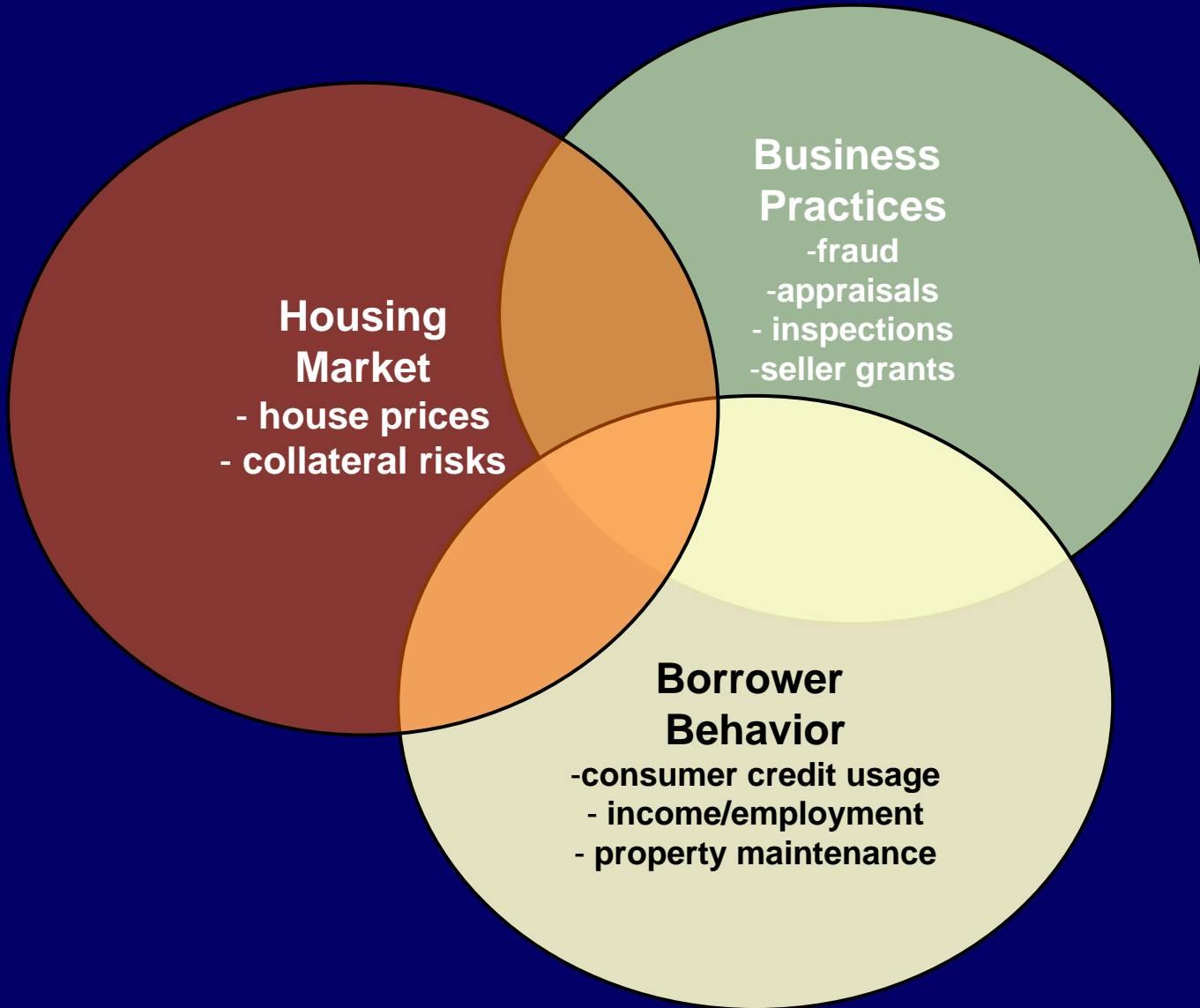
# Foreclosure Impacts

- Cost to borrower: lost home, equity & ruined credit
- Cost to community: \$30,000-\$50,000 based on law enforcement and other costs
- Cost to lenders: \$44,000 - \$58,000

(Sources: GMAC Mortgage and Cutts and Green in Exploring the Design of Financial Counseling for Mortgage Borrowers in Default by J. Michael Collins, PolicyLab Consulting Group, unpublished)



# Multiple Underlying Causes of Foreclosure



# Challenges to Homeownership Preservation

- Regulatory and Legal
- Financing Infrastructure
- Mortgage Process not Transparent
- Uneven Counseling Capacity
- Reaching the Borrower



# Borrower Behavior: The Facts

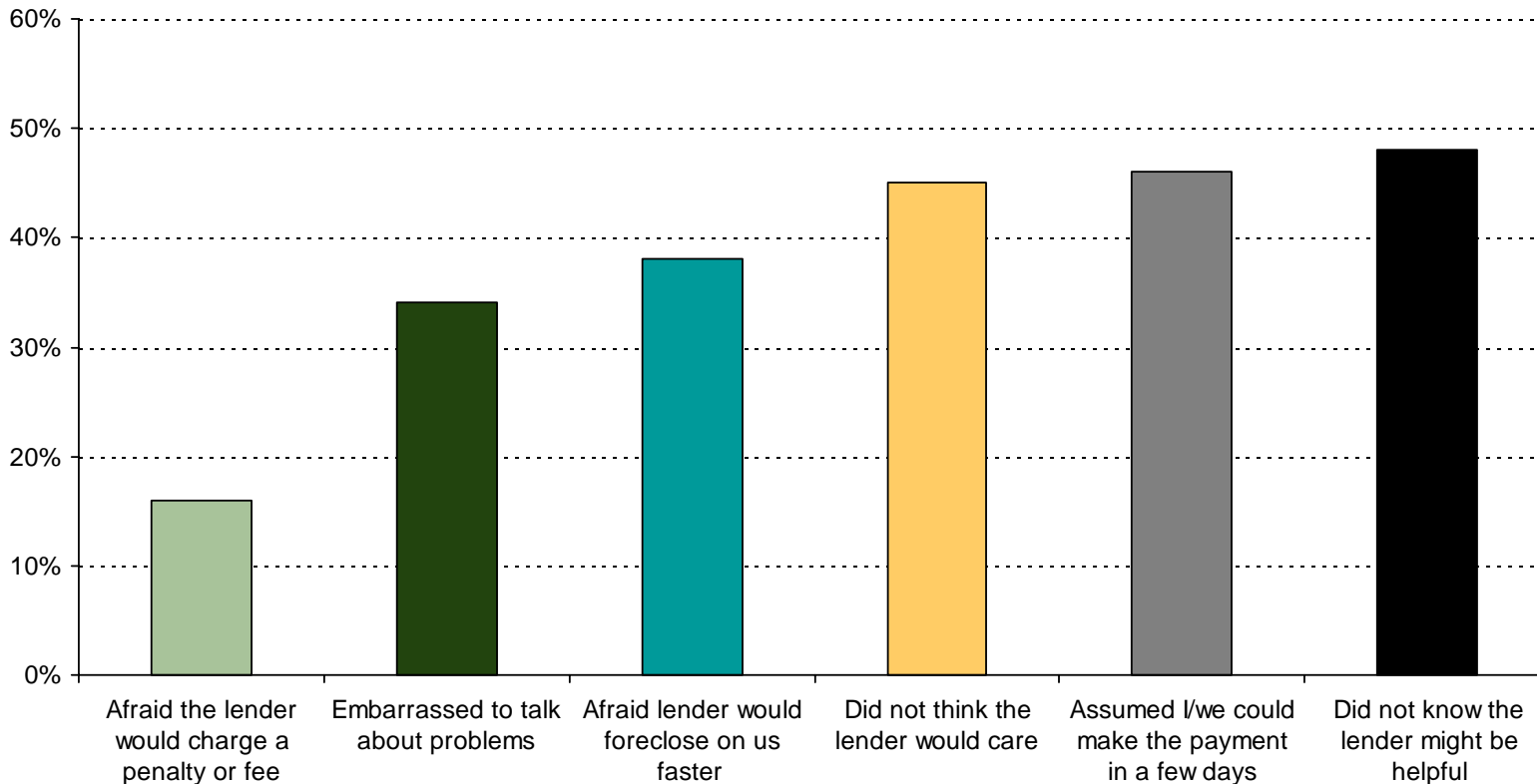
- Approximately 50% of delinquent borrowers do not make contact with their lender.
  - Homeownership Preservation Foundation data
- Homeowners fail to contact their lender because they are embarrassed, don't believe the lender can help, and/or believe it would cause them to lose their home more quickly.
  - Freddie Mac/Roper poll of 2,031 U.S. homeowners, conducted 2005.



# Challenge: Reaching the Borrower



## Why Did You Not Contact Your Lender/Service?



# Hope Now Alliance- A National Response

- Convened by Treasury and HUD Secretaries, staffing by the Housing Policy Council
- Major mortgage market participants
- Targeting at-risk borrowers with direct outreach, advancing best practices in loan servicing and the efficiency and effectiveness of servicer-counselor relationships, developing standardized metrics to track progress,
- American Securitization Forum—determined counseling is a reimbursable expense in circumstances where it will mitigate losses and maximize recovery on loans



# Success is Possible: Chicago HOPI



## ■ January 1, 2004 – May 31, 2005

- 843 homeowners in Chicago completed counseling sessions
- 471 sessions paid for by participating lenders
- Estimated 37% cured problem or sold home within a year of receiving services
- \$38 million in homes in Chicago's neighborhoods



# Expansion: A National Model



Building on the HOPI model we have a created a national partnership to address foreclosure problems across the country.



# National Partners



- American General
- Bank of America
- Barrett Burke, LLP
- Citi
- Countrywide
- EMC Mortgage
- Fannie Mae
- Freddie Mac
- GE Money
- GMAC Rescap
- Homeownership Preservation Foundation
- Housing Policy Council
- HSBC
- IndyMac
- JP Morgan Chase
- LaSalle Bank Corporation
- Mortgage Bankers Association
- NeighborWorks®
- National City
- Ocwen
- Option One
- PMI
- State Farm Insurance
- SunTrust
- Wells Fargo Home Mortgage
- Washington Mutual

# NeighborWorks® Center for Foreclosure Solutions



## ❖ Public Outreach and Education

- 3 Year Ad Council Campaign: national, regional, and local: TV, Radio and Print ads.
- Uses existing 888-995-HOPE hotline and referrals to local NeighborWorks® organization

## ❖ Build Foreclosure Counseling Capacity

- Partnership with 1-888-995-HOPE.
- Certified, Standardized training programs for housing counselors.



# NeighborWorks® Center for Foreclosure Solutions



## ❖ Hot Spot Coalitions

- Partnering with local community partners
- Local training, workshops and counseling
- Local marketing to reach distressed borrowers

## ❖ Research

- Local trends to inform local strategies
- Hot Spot Forecasting
- Best practices



# Reaching Homeowners: 888-995-HOPE

- Toll-free, 24/7 hotline – on-demand foreclosure prevention counseling
- Trained counselors, from HUD-approved agencies, English & Spanish
- Connect caller with lender or a local (NeighborWorks®) organization
- Currently 5,000 homeowners counseled a month



# Benefits of Partnered Service: 888-995-HOPE + NeighborWorks®

- Immediate and anonymous hotline appeals to distressed borrowers
- Face-to-face counseling provides additional value
- Efficient leverage of resources; saves local organizations time and money
- 86% of homeowners counseled would recommend hotline service to family and friends



# “Ways to Engage”

- Promote foreclosure counseling and make your networks and communities aware of the Campaign and resources
- Utilize the PSA campaign to reach your communities and provide your partners with consumer outreach materials
- Refer delinquent homeowners to 888-995-HOPE hotline



# “Ways to Engage” Continued

- Explore training opportunities for your counseling staff through the NeighborWorks® Center for Homeownership Education and Counseling (NCHEC)
- Partner with NeighborWorks® and utilize our replication guide to set up foreclosure intervention programs
- Work with NeighborWorks® to raise the visibility of this issue, educate at-risk borrowers, and provide effective solutions to impacted communities

