

Preserving Homeownership – Preserving Communities Forum Las Vegas, June 7, 2007

Co-sponsored by the Federal Reserve Bank of San Francisco (FRBSF), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), and the Office of Thrift Supervision (OTS)

Meeting Notes

Welcome

Jan Bontrager (FRBSF) and Susan Howard (OCC) opened the forum saying that the goals of the meeting are to provide information on the nature and extent of the foreclosure problem, to identify some promising solutions for distressed borrowers, and to facilitate a discussion on what further steps are needed to help prevent foreclosures.

Understanding Foreclosure Trends and the Impact on the Local Community

John Olson (FRBSF) gave a national overview on the concerns over the rising rate of foreclosures, particularly in the subprime market. Historically foreclosures have not been as big an issue in the West due to rapidly increasing house prices and a strong economy (distressed borrowers could refinance or sell), but Nevada has seen a large increase in foreclosures. Data shown included the following points: in 1st quarter 2007, Nevada had the highest rate of foreclosure in the nation; more than 40% of originations in Las Vegas and Reno were interest-only, compared with 25% for the US; and the share of nonprime originations that were interest only or payment-option loans was more than 55%. Maps identified that Las Vegas foreclosures appear to be distributed across the metropolitan area. Stats indicated that losses for lenders range from 20 cents to 60 cents on the dollar, an estimated \$58,800 per foreclosure and the estimated average municipal cost is \$6,937 per foreclosure. Foreclosure trends indicate that a broad range of homeowners and neighborhoods are likely to be affected.

Marietta Rodriguez (NeighborWorks Center for Foreclosure Solutions) spoke about the changing mortgage market and the special concern for underserved borrowers who may lack education and counseling, are less able to manage payment shocks, and are more likely to have trigger events (job loss, etc.). A slide on the multiple underlying causes of foreclosure featured three overlapping circles: Business practices (fraud, overvalued appraisals, etc.), Borrower Behavior (consumer credit usage, income/employment), and the Housing Market (house prices). NeighborWorks Center for Foreclosure Solutions Activities include Public Outreach and Education (the national 24/7 Hope Hotline in partnership with the Homeownership Preservation Foundation (HPF) and the 3 year Ad Council Campaign), Building Foreclosure Counseling Capacity, Hot Spot Coalitions, and Research.

Dean Caldwell-Tautges (Homeownership Preservation Foundation) and Michele Johnson (Consumer Credit Counseling Services, Las Vegas) talked about “Understanding Distressed Borrowers”, including a discussion on the causes of borrowers falling behind,

their delayed action in contacting the lender (or no lender contact at all), the effects of the delinquency stress on the borrowers and the not uncommon response from borrowers that they don't think their lender can help. Michele said that borrowers who do contact their lender often only talk with the collections department and don't connect with the loss mitigation departments until it is very late in the process.

Panel: Lender/Service Perspective

Corie Craig (Fannie Mae) moderated this Q & A panel of three lenders/serviceers: Bonnie Boards (JPMorgan Chase), Michael Drawdy (Countrywide), and Joe Ohayon (Wells Fargo). The lenders talked about their efforts to reach distressed borrowers and the workout options they use to prevent foreclosures. Their strategies include toll free help lines, foreclosure prevention training, and partnerships with local and national foreclosure prevention initiatives. They also spoke about the changes they have seen in the last two years in terms of the number of defaults and the reasons behind the default. The lenders provided their direct phone line numbers that counselors may use to reach their loss mitigation departments and talked about their established relationships with counselors as well as national and state hotlines. Q&A included information on an REO Gifting and Discounted Sale Program available to nonprofits whose mission is to provide affordable housing to LMI borrowers.

Panel: Community Response (regional, local and national)

Moderator: Bonnie Boards (JPMorgan Chase)

Zach Urban (Colorado Homeownership Preservation Initiative) talked about how the Colorado foreclosure prevention initiative came together, its structure, its partnerships, the number of calls to the hotline, and the results they are seeing. Colorado was one of the first western states to experience a significant rise in foreclosures and this statewide initiative has a success story to share. Gail Burks (Nevada Fair Housing) talked about the local face of foreclosure; and, in specific, the fraud elements that have affected the Nevada market. Brian Sagert (NHS of Southern NV) shared his agency's experience with counseling delinquent borrowers and his association with the national 24/7 Hope Hotline. Dean Caldwell-Tautges (HPF) explained how the national 24/7 Hope Hotline is structured (including the five nonprofit counseling partners) and the numbers and responses they are seeing as a result of their efforts. In closing, Marietta Rodriguez (NeighborWorks) showcased the just completed and soon-to-be-released Ad Council PSA spots on foreclosure and the Hope Hotline.

Reports from Small Groups & Summary Discussion

Moderated small groups brainstormed the critical issues in Nevada and then identified next steps and stakeholders. The compiled results showed:

Critical Issues:

- Limited outreach to borrowers
- Limited resources
- Lack of acknowledgement that there is a problem

- Need for culturally relevant education and communication
- For-profit consultants misleading homeowners
- Lack of education on second mortgages
- Need for education for counselors, lenders and borrowers
- Limited counselor training on workout options
- Need to promote the hotline
- Pre-purchase education – is it adequate (one-on-one versus group)
- Homebuyer education – more comprehensive
- Suitability of loan products
- Lack of detailed information on foreclosures in NV
- Impounds (missing from mortgage payments)
- Lack of resources in rural areas regarding housing – example: financing manufactured housing
- Lack of affordable housing – look at root causes
- Stronger guidelines set by legislature and regulators

Needs & Next steps

- Create foreclosure prevention task force that includes the various stakeholder groups
- Partner with lenders on counselor training and consumer workshops
- Promote national hotline
- Training and certification for counselors
- Training for lenders, brokers
- Need dollars for outreach and counseling
- Increase outreach to borrowers utilizing various strategies, including existing trusted vehicles for information dissemination; suggestion – newsletter from utility companies, handouts at each mortgage closing, etc.
- Need early delinquency intervention
- Accountability in underwriting
- Mandatory training for loan agents
- Differentiate good guys from bad guys
- Rescue fund
- Focus on targeted geographies and demographics
- Grass roots level outreach –including church groups
- Involve casinos
- Create new products to provide options for foreclosure avoidance
- Need to gather local data to disseminate
- Legislation & connections to political arena (state & local)
- Identify what to do for existing problem and identify how to prevent future problems
- Improved communication lines between lenders and nonprofits
- Educate – it is not just investors having problems, and it is not just low and moderate-income & first time homebuyers
- Education on reverse mortgages for seniors

- Require impounds on all loans
- Decide on 3 or 4 strategies on which to focus specifically
- Need an entity to lead the initiative
- Get political support
- Include Hope Hotline number in early warning notices

Stakeholders:

- Everyone in the room
- Lenders/Servicers/Investors
- Homeownership Counselors
- Politicians
- Faith-based groups
- Municipalities
- HUD
- Employers
- Federal & State regulators
- Labor unions
- Developers & home builders
- Trade associations
- Realtor groups
- Fannie Mae & Freddie Mac
- Legal Aid
- Neighborhoods
- Housing authorities
- Homeowners/families

Bret Bicoy (Nevada Community Foundation) facilitated the Summary Discussion which included comments from the panel members as well as the Report-Out from the small groups. It was identified that there was energy behind creating some form of coalition or task force. From that starting point, the coalition would set priorities for action. Panel members also talked about the strain on resources and the challenge to “do more” and not negatively affect ongoing affordable housing programs.

A Response Form was distributed with the comments indicating strong support for creating a coalition. In addition, Ken LoBene (HUD) and Scott Bice (State of NV Mortgage Lending Division) volunteered to serve in a leadership capacity.
