

## **Preserving Homeownership – Preserving Communities Forum Salt Lake City, November 29, 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**

Andrea Wolcott, GVP and Branch Manager of the Salt Lake City Branch of the FRBSF, welcomed the participants and provided opening comments regarding the role of the Federal Reserve Bank in regard to foreclosure concerns on various levels, as well as the importance of addressing the challenges of the issue in Utah.

Following introductions, Jan Bontrager (FRBSF) and Susan Howard (OCC) framed the forum, stating that the goals of the meeting were 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 as the markets level off and decline, the Western states are witnessing an upward trend in foreclosure filings. One of the indicators to delinquencies is the extent of subprime lending in a geographic area. A map shown indicated that the share of nonprime mortgage originations in Utah that are interest-only or have payment options falls into the 41 – 55% category. While Utah has had historically low rates of foreclosures, the high proportion of nontraditional mortgages may signal larger problems ahead. Reaching those borrowers now may help to mitigate the costs of foreclosure, not only for the homeowners but also for lenders and municipalities.

Eileen Fitzgerald, NeighborWorks America, introduced her presentation by providing background information on NeighborWorks America and their work on Preserving Homeownership. She then turned to a discussion of Foreclosure Impacts (costs to the community and lender as well as the borrower), the Multiple Underlying Causes of Foreclosure (Housing Market, Borrower Behavior and Business Practices) and the Challenges of Homeownership Preservation. One of the significant challenges presented was the challenge of reaching the distressed borrower. Data has shown that approximately 50% of delinquent borrowers do not make contact with their lender. In

that regard, NeighborWorks Center for Foreclosure Solutions launched a public outreach and education campaign which includes a 3-year Ad Council campaign (national and local TV, radio and print ads) focusing on the Hope Hotline (1-888-995-HOPE). They are also working on building foreclosure counseling capacity and creating “Hot Spot” coalitions. All this includes a focus on research to identify: local trends to inform local strategies, hot spot forecasting and best practices.

**Panel: Lender/Service Perspective**

Moderator: Joe Gonzales, NeighborWorks America

Panel members included Bonnie Boards (JPMorgan Chase), Jerry Durham (Countrywide), Joe Ohayon (Wells Fargo) and Sergio Barajas (Freddie Mac).

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 as well as information on their workout options. Best practices that they shared included: educate consumers early in delinquency, advocate housing counseling agencies, warn about foreclosure scams, conduct homeowner seminars to educate on workout options, and establish 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.

In addition, Sergio Barajas discussed the role of Freddie Mac and provided information from a Roper Public Affairs research study that set out to learn why more late-paying borrowers risk losing their homes rather than reaching out to their mortgage servicer. The study identified that sixty-one percent of delinquent borrowers said they were not aware of services that mortgage lenders could offer to a person having trouble with their mortgage payments. And, nearly all homeowners said that they would be more likely to contact their lender if they knew alternative repayment options could be offered. This message emphasized the importance of outreach to delinquent homeowners, encouraging them to contact their lender to discuss available options to avoid foreclosure.

**Panel: Community Response (local and national)**

Moderator: Bonnie Boards, JPMorgan Chase

Steve Barbier (NeighborWorks) discussed the work of the national Hope Hotline, including its structure and partnerships with counseling entities nationwide, as well as what the data is showing about the numbers of calls and the results/responses from the Hotline (1-888-995-HOPE). Steve also shared information on taskforces that other states have formed to address the foreclosure issues in their areas, including Texas, Arizona and Nevada. Suzanne Tucker (Salt Lake Neighborhood Housing Services) talked about what they are seeing and doing locally. Per Suzanne, they are seeing a significant increase in foreclosure counseling requests and have hired additional staff. Kim Datwyler

(Neighborhood Nonprofit Housing Corporation) joined the discussion to talk about the recently formed Utah Homebuyer Education Collaborative (UHEC) and its potential role in helping to address the issues in Utah. In closing, Bonnie Boards shared information from the Colorado initiative as Zach Urban was unable to join us. Colorado was one of the first Western states to experience a significant rise in foreclosures and formed a statewide initiative in 2005. Since October, 2006, they reported 22,000+ calls to their hotline. Information on that initiative is available on their website: [www.coloradoforeclosurehotline.org](http://www.coloradoforeclosurehotline.org)).

### **Reports from Small Groups & Summary Discussion**

Moderators: Tara Rollins (Utah Housing Coalition), Sheri Fitzpatrick (Perfect Home Living), Suzanne Tucker (Salt Lake NHS) and Kathy Hale (UBS Bank USA).

The small groups brainstormed the critical issues in Utah and then identified “needs and next steps”. The compiled comments indicated:

#### **Critical Issues:**

1. Greater awareness of the issues
2. No centralized clearinghouse to call on a statewide basis
3. Gap between servicers and counselors
4. Post purchase counseling – lack of consistency in education
5. Lack of data on scope of local problem
6. Communication of predatory schemes – lack of coordination
7. Counseling – geographic gaps – resources needed for travel
8. Education for professionals
9. Lack of unified front between lenders/investors regarding workout plans
10. Disconnect/isolation of agencies – need to work together – nonprofits, financial institutions, borrowers
11. Lenders do not require homebuyer education
12. Need for a rescue fund

#### **Needs & Next Steps**

1. Awareness campaign – hotline
2. Utilize 211
3. Borrower outreach -- statewide
4. Be proactive – and define how to measure success
5. Identify funding
6. Building capacity in the (counseling) agencies and the state
7. Work together – create a taskforce with lenders, counselors, realtors, title companies, government (Gov., AG), Utah Bankers Assoc, UHC, lawyers, religious groups.
8. Taskforce – Outreach, education, programs
9. Training for counselors and others
10. Invite another state’s taskforce leaders to come to share their experience

11. Education on the issue for local government
12. Get media involved, tell the stories & the impact
13. Educate stakeholders on the cost to them and how to get involved.
14. Education – speakers bureau, multiple languages
15. Public agencies should provide info on websites
16. Early intervention -- Outreach
17. Rescue fund
18. Need centralized/united front
19. Legislation
20. Counseling – teleconference class
21. Education and coalition partnerships – keep the community in mind, not just the borrower – framing success for strong communities
22. Program incentives for buyers – i.e. reduced rate/fee for attendance at homebuyer counseling classes

Preston Cochrane (AAA Fair Credit Foundation) facilitated the Summary Discussion which included a Report-Out from the moderated small group discussion. It was identified that there was energy behind exploring the creation of some form of coalition or task force in Utah.

At the Close, a Response Form was distributed with the comments indicating strong support for creating a coalition.

It is anticipated that there will be follow-up discussions in January, and those who are on this distribution list will receive further updates.

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**Additional Information:**

The FRBSF will be posting the powerpoint presentations from this forum on our website. The link to the webpage on Preserving Homeownership – Preserving Communities is:

<http://www.frbsf.org/community/issues/assets/preservation/index.html>

This site includes information from other forums around the Western states as well as links to further research, reports and publications on foreclosure issues.