



**National
Foreclosure
Mitigation
Counseling
Program**

National Foreclosure Mitigation Counseling Program

Congressional Update

Executive Summary

June 11, 2012



Executive Summary

In just over four years, the National Foreclosure Mitigation Counseling (NFMC) program has served 1.3 million at-risk homeowners across the country and helped to build the nation's foreclosure counseling capacity. Since December 2007, Congress has made six appropriations totaling \$619.87 million to fund the NFMC program. NeighborWorks® America (as authorized by the Neighborhood Reinvestment Corporation Act, 42 U.S.C. 8101-8107) was appointed to administer the NFMC program, and submits this report to Congress to provide an update on its status.

Funding Summary

As of March 19, 2012, NeighborWorks has awarded \$583.3 million in grants to 185 HUD-Approved Housing Counseling Intermediaries, State Housing Finance Agencies, and NeighborWorks organizations to fund foreclosure counseling and legal assistance to at-risk homeowners. Grant awards include:

- \$558.2 million for foreclosure mitigation counseling services
- \$25.1 million for legal assistance to homeowners

Congress has also allocated \$24 million to be used by NeighborWorks for counselor training and other capacity-building activities.

Highlights of Program Results

The most recent (sixth) appropriation was made in November 2011, and grants of those funds were awarded in March 2012. This report covers results of funding Rounds 1 through 5 only. Based on program data as of March 19, 2012, the following items highlight NFMC program achievements:

- The NFMC program has served a total of **1,360,689 homeowners** in all 50 states, the District of Columbia, and the U.S. territories.
- NeighborWorks used the NFMC program's dedicated training funds to help foreclosure intervention counselors enhance their skills by providing classroom training **scholarships to 10,853 housing counselors**, and creating three **online training courses for which 7,856 certificates of completion** were issued.
- The NFMC program **strengthened housing counseling organizations and enhanced their capacity** through grant funds that helped them create improved methods of foreclosure counseling, communicate more effectively with mortgage servicers, and make process improvements to streamline the counseling process.

An independent third-party evaluation of NFMC program outcomes (through 2010) conducted by the Urban Institute and published in December 2011 found that:

- NFMC clients who received a mortgage modification lowered their monthly mortgage payment, on average, **\$176 more per month** - which represents **\$372 million in annual savings** to NFMC-counseled homeowners.
- NFMC-counseled homeowners were at least **67%** more likely to remain current on their mortgage **9 months** after receiving a loan modification.
- Homeowners who received NFMC counseling were **nearly twice as likely** to obtain a mortgage modification.

Program Trends

The largest share of foreclosure mitigation counseling provided by the NFMC program has gone to assist homeowners in California and Florida, which are the states hardest hit by delinquencies and foreclosures. Women represent a little over half of all NFMC program clients. Minority and low-income homeowners and neighborhoods, which have been disproportionately impacted by the foreclosure crisis, are well-served by the NFMC program: 31 percent of NFMC program clients were identified as racial minority homeowners, 20 percent were of Hispanic origin, 66 percent were classified as low income.

With more fixed-rate mortgages and lower interest rates, mortgage terms are becoming more favorable for homeowners. The percentage of clients that reported having fixed-rate mortgages with interest rates below 8 percent increased from 30 percent in October 2008 to above 53 percent in March 2012. As with the last report, income loss or income reduction remains the primary challenge reported by NFMC counselors in helping clients mitigate foreclosures. Many clients face affordability challenges even without a loss of income. When they enter counseling, 38 percent of NFMC program clients are spending half or more of their income on their monthly mortgage payments for principal, interest, taxes, and insurance (PITI), and 19 percent are spending more than 75 percent of their income on PITI.

Counseling Successes and Challenges

Quarterly program reports from Grantees provide insight into common successes and challenges of foreclosure mitigation counseling. Consistent with the last report, Grantees continue to report that they achieve the most success through efficiency gains in the counseling process, improved methods of foreclosure counseling, and, to a lesser extent, progress in communicating with servicers.

Servicers appear to continue to struggle with the volume of delinquencies notwithstanding technological improvements brought about through the use of Hope LoanPort. NFMC counselors report that their greatest challenge continues to involve contacting and obtaining a timely response from servicers or engaging them in negotiations. As a category, *Efficient and Timely Communications with Servicers* remains the most-reported set of challenges for eight of the last nine reporting periods (and second-most reported in the first three and eleventh periods). The category had grown to 49 percent of all responses in the tenth reporting period, and held steady at 37 percent by the twelfth period.

Lack of adequate homeowner resources also remains a persistent problem, and recently has grown more acute. As a category, *Homeowner Resources and Interactions* has been the second, and occasionally first, most-reported type of challenge since the program began, and recently surged from 27 percent of responses in the tenth period to 36 percent in the twelfth, roughly tied for most-reported for the last two periods. Grantees indicate that persistent unemployment and underemployment are huge factors in determining a borrower's ability to qualify for a loan modification, afford modified loans, and stay motivated to seek help.

Conclusion

As the nation's foreclosure crisis continues, the NFMC program plays a crucial role by helping homeowners facing foreclosure find the best solution for their situation. For those able to stay in their homes, NFMC program clients have experienced greater reductions in their monthly payments and lower redefault rates than other homeowners. Overall, 1.3 million at-risk homeowners have been assisted by the NFMC program, with services most heavily provided in the states hardest hit by foreclosures, and to at-risk minority and low-income homeowners. Counselors across the country continue to provide foreclosure mitigation assistance to homeowners with the latest grant funds awarded earlier this year.