THE ROLE OF NEIGHBORWORKS AND HOUSING COUNSELING INTERMEDIARIES IN PREVENTING FORECLOSURES

HEARING

BEFORE THE

SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY

OF THE

COMMITTEE ON FINANCIAL SERVICES

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THE ROLE OF NEIGHBORWORKS AND HOUSING COUNSELING INTERMEDIARIES IN PREVENTING FORECLOSURES

Wednesday, May 13, 2009

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING AND
COMMUNITY OPPORTUNITY,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 2:05 p.m., in room 2128, Rayburn House Office Building, Hon. Maxine Waters [chairwoman of the subcommittee] presiding.

Members present: Representatives Waters, Cleaver, Green, Clay; Capito, Biggert, Neugebauer, Marchant, Jenkins, and Lee.

Chairwoman WATERS. Good afternoon, ladies and gentleman. I would like to thank Ranking Member Shelley Moore Capito and the other members of the Subcommittee on Housing and Community Opportunity for joining me for today's hearing on, "The Role of NeighborWorks and Housing Counseling Intermediaries in Preventing Foreclosures."

According to the Center for Responsible Lending, there have been over 77,000 new foreclosures since the beginning of this year. The Center estimates that by the end of this year, 2.4 million foreclosures will have occurred, with 9 million projected over the next 4 years.

We know that we have to do more to not only prevent foreclosures, but also to ensure that the loan modifications and repayment plans provided to borrowers are sustainable over the long term.

Nonprofit housing counselors can play an important role in this regard. However, many of these counselors face significant challenges in assisting homeowners. In spite of the mortgage servicing industry's claims that they are modifying more loans, housing counselors are still encountering uncooperative and unresponsive mortgage servicers.

In fact, according to NeighborWorks' own research, counselors have reported that they face significant challenges in dealing with servicers.

Specifically, they report that servicers are generally uncooperative, take at least 45 days to respond to requests, appear to be understaffed and overworked, and frequently lose documents.

While the Making Home Affordable Program is a good start, it is clear that unless servicers are required to engage in loss mitigation, the rate of foreclosures will only continue to increase. Given the obstacles faced by housing counselors, it is important that they have the resources they need to assist struggling homeowners. Unfortunately, that is often not the case.

In spite of the $410 million this Congress has provided for the NeighborWorks National Foreclosure Mitigation Counseling Program, adequate and equitable distribution of that funding remains the major concern of the national housing intermediaries whose affiliates provide the bulk of this counseling.

These intermediaries have raised several concerns about how NeighborWorks' system for providing funding is impacting their ability to provide much-needed counseling services to homeowners. While I understand that funding is limited, it seems that some of NeighborWorks' decisions on what to fund and how to fund it could be having impacts on the level of counseling received by homeowners.

Specifically, I'm concerned about the seeming over-reliance of NeighborWorks on Level 1 counseling. This is counseling that consists of intake and developing a budget for the homeowner.

This type of counseling does not actually include getting a loan modification, or repayment plan for the services. However, this type of counseling makes up 69 percent of all counseling performed.

Level 2 and Level 3 counseling, by contrast, are more in-depth and more hands-on. These are the kinds of counseling typically performed by some of the intermediaries who will be testifying later on today.

Given the rising rates of foreclosures, I'm interested to hear from our witnesses why Level 1 counseling constitutes such a large percentage of the counseling provided.

I'm also aware of several reimbursement issues that are causing difficulties for counseling intermediaries.

For example, the number of duplicate homeowners requesting housing counseling services has frequently been pointed to by intermediaries as a leading cause for why they are underfunded. Duplications occur when the same homeowners contact different counseling agencies to receive help with their mortgages. However, only one housing counseling agency can receive payment.

While I understand NeighborWorks' concern about the need to restrict funding for duplicates, there are several legitimate reasons why a homeowner may contact several different housing counseling agencies.

First, the homeowner may have received insufficient counseling from one agency and is trying to procure counseling that is more suited to his or her needs.

Second, the homeowner may have obtained a loan modification or repayment plan that was unsustainable, and may be in need of a new workout.

Another reimbursement issue is that amount of funding provided for these housing counseling activities.

Level 1 counseling has a lower reimbursement rate of $150 for homeowners than Level 2, $250, or Level 3, $350 counseling.

However, according to some of the intermediaries testifying today, these rates fall well short of the true cost of providing counseling, which actually lies between $750 and $1,000.

While some intermediaries receive direct funding for mortgage services, and can absorb the shortfall, others cannot. This is an important point.

Again, I look forward to hearing the witnesses' views on these very important issues.

I would now like to recognize our ranking member.

I'm sorry. Ranking Member Capito is ranking to Mrs. Biggert, but because Mrs. Biggert has another appointment she has to take, I will recognize her for 3 minutes.

Mrs. BIGGERT. I thank the chairwoman, and I thank the ranking member for yielding to me, and I would also like to thank Chairwoman Waters for holding today's hearing and for her dedication to the issue of housing counseling, which I have been working on for it seems like many, many years.

Most Americans can benefit from housing counseling, a kind of financial literacy that builds a financial foundation so that families can succeed as homeowners. Counselors are at the front lines of our Nation's housing crisis. They can help homeowners into a loan that best meets their budget and needs, steering them away from possible foreclosure down the road.

To that regard, I would like to thank NeighborWorks and all of their housing counseling affiliates who have been spearheading efforts to help homeowners across the country keep their homes. Thank you.

For the record, I would also like to thank DuPage and Will County of Illinois housing counselors, who put in long hours to help my constituents. The work of our counselors is vital to our housing recovery and the future of homeownership.

Recently, for the third time, and as Title 4 of H.R. 1728, the House passed my bill, the Expand and Preserve Homeownership Through Counseling Act.

The bill elevates housing counseling within HUD by establishing an office of housing counseling that expands the availability of HUD-approved housing counseling services, offers grants to State and local agencies, and launches a national outreach campaign.

It requires HUD to consider appropriate ways, such as through technology, to streamline and improve the housing counseling grant process—review, approval, and award processes.

The goal is to lighten the paperwork burden on counseling agencies, especially smaller agencies, so that they can devote more time and resources to counseling the homeowners.

In that regard, I'm interested in learning about how NeighborWorks could partner with such an office at HUD and implement similar streamlining efforts. To meet the current unprecedented demand, we need our counselors to have the resources and technology available to devote time to counseling homeowners versus unnecessarily filling out forms.

At the same time, the counseling agencies should be able to easily implement transparency measures to ensure that housing counselors are effectively utilizing time and resources to provide housing counseling to our constituents.

In conclusion, I look forward to working with my colleagues on the committee, as well as the groups represented here today, to strengthen the housing counseling efforts across the country.

With that, I yield back, and I thank you.

Chairwoman WATERS. Thank you very much.

Mr. Cleaver, for 2 minutes.

Mr. CLEAVER. Thank you, Madam Chairwoman. Thank you very much for calling this hearing to deal with, "The Role of NeighborWorks and Housing Counseling Intermediaries in Preventing Foreclosures."

This is unquestionably the most significantly depressed moment in U.S. history economically, since October of 1929, which launched the beginning of the Great Depression. This is the Great Recession, and each time unemployment rises, we can expect a corresponding rise in the number of foreclosures.

And if we're going to have this kind of a problem, we have to make sure that the efforts by the U.S. Government to fix the problems do, in fact, provide remedy.

I do understand that intermediaries have some concerns about how NeighborWorks distributes funds and how much is paid out for services rendered, and so I am anxious to hear our witness, Mr. Wade, today, delve into these issues.

And Madam Chairwoman, I yield back the balance of my time.

Chairwoman WATERS. Thank you very much.

I will now recognize Ms. Capito, our ranking member.

Mrs. CAPITO. Madam Chairwoman, thank you for holding this hearing to assess the effectiveness of the counseling programs funded by the Neighborhood Reinvestment Corporation, or NeighborWorks, as it is now called. NeighborWorks provides a wide range of housing and economic services to primarily low- and moderate-income people.

This could include homeownership counseling and construction rehab, multi-family housing production, and management and economic development, and there are 236 of these partnerships operating in thousands of communities in all of the 50 States, Puerto Rico, and the District of Columbia.

All of them are independent, tax-exempt, community-based, nonprofit entities and use the NeighborWorks funds to leverage other private and public funding to achieve their mission.

While NeighborWorks has traditionally provided housing counseling to home buyers and homeowners, in 2005, NeighborWorks turned its focus to the growing number of mortgage loan borrowers facing foreclosure by creating the NeighborWorks Center for Foreclosure Solutions.

In 2007, Congress created the National Foreclosure Mitigation Counseling Program, and NeighborWorks was tasked with its administration.

During the Bush Administration, NeighborWorks received $380 million through Fiscal Year 2008, and shortly after the Obama Administration took over, President Obama announced his plan to help troubled borrowers facing foreclosure. Congress appropriated an additional $50 million for NeighborWorks in Fiscal Year 2009 in the omnibus bill.

Counseling is an important tool in helping potential homeowners understand the homeownership process and where they are in the process. It can also help troubled borrowers facing foreclosure due to the loss of a job, unexpected health problem, or other life event creating financial hardship.

NeighborWorks received over $410 million in counseling funds over the last 2 years, and I think it's important that Congress conduct the appropriate oversight over these programs to make sure the money is being used for its intended purpose, and specifically that funding recipients are using the funds in an efficient and effective manner.

Thank you again for holding this hearing. I look forward to the witnesses' testimony.

Chairwoman WATERS. Thank you very much.

Mr. Green, you are recognized for 2 minutes.

Mr. GREEN. Thank you, Madam Chairwoman.

Madam Chairwoman, I would like to associate myself with your comments. I think you spoke eloquently on this subject. And I would like to focus for a moment on the servicers.

Madam Chairwoman, we have had hearing after hearing wherein the servicers have been pointed to as a source of a bottleneck in the process, and I am eager to hear more about this, because I have intelligence indicating that—as you have mentioned—it takes servicers 45 to 60 days or more to routinely give a response.

I'm also concerned about different representatives from servicers giving different responses and different solutions, about the documentation that allegedly is being lost, about refinancing that is not affordable to the borrowers, and about the fact that modifications are often a lot less than repayment plans are offered.

Many persons are upside down, and the economy and the housing crisis has contributed to this, and many of these persons can benefit from servicers that are willing to benefit from many of the laws that we have passed here in Congress so that they can help persons to make modifications such that they can stay in their homes.

So again, I associate myself with your comments, and I'm eager to hear more about what the servicers should be doing and what they actually are doing.

I will yield back the balance of my time. Thank you.

Chairwoman WATERS. Thank you very much.

Mr. Marchant, for 1 minute.

No? All right.

Mr. Neugebauer?

No? No opening statement?

Mr. Clay, for 1 minute.

Mr. CLAY. Thank you, Madam Chairwoman, and thank you so much for calling this hearing today.

Hopefully, we can get to some of the systemic causes of this foreclosure crisis.

Now, we just got recently released data in the last week that tells us that African Americans, Hispanic Americans, people of color, were twice as likely to be pushed into subprime loans when they didn't necessarily have to have those subprime loans.

So because of that was that now they are twice as likely to be going through foreclosure, when they didn't have to be.

And so hopefully, this hearing today will be an airing of those circumstances, what caused people to go into foreclosure, and how we can prevent that from ever happening again.

Madam Chairwoman, I yield back, and thank you for the opportunity.

Chairwoman WATERS. Thank you very much.

And at this time, I'm pleased to welcome our distinguished first panel. Our first witness will be Mr. Ken Wade, the chief executive officer of NeighborWorks America.

I want to thank you for appearing before the subcommittee today, and without objection, your written statement will be made a part of the record. You will now be recognized for a 5-minute summary of your testimony.

STATEMENT OF KENNETH D. WADE, CHIEF EXECUTIVE OFFICER, NEIGHBORHOOD REINVESTMENT CORPORATION (NOW DOING BUSINESS AS NEIGHBORWORKS AMERICA), ACCOMPANIED BY JEANNIE FEKADE-SELLASSIE, PROGRAM ADMINISTRATOR, NATIONAL FORECLOSURE MITIGATION COUNSELING PROGRAM

Mr. WADE. Thank you, Chairwoman Waters.

I am pleased to be able to be here before the committee and Ranking Member Capito, to highlight the successes of NeighborWorks America's efforts in the foreclosure mitigation area, and particularly NeighborWorks' efforts to administer the National Foreclosure Mitigation Counseling Program.

Given the limited time, I will be brief in my oral remarks, allowing for ample opportunity for committee members to ask specific questions, but my written testimony does include an extensive program overview and information in response to a series of questions that we did receive from the committee.

So in my oral remarks, I'll provide a brief background on NeighborWorks America, touch on some of our broader efforts to address the current foreclosure crisis, and then focus the remainder of my statement on discussing the National Foreclosure Mitigation Counseling Program.

I do also have with me the person who administers that program on a day to day basis, Jeannie Fekade-Sellassie. She's right behind me here. And I may from time to time turn to her for responses that might be more detailed and would require me to consult with her.

NeighborWorks America, as you know, was established in 1978 by Congress. We receive an annual appropriation from the Transportation, Housing and Urban Development, and Related Agencies Appropriations Act.

Our board of directors is made up of representatives of the Federal financial regulatory agencies—the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Comptroller of the Currency, the Office of Thrift Supervision, and the National Credit Union Administration, along with HUD.

The primary mission of our organization is to extend affordable housing opportunities, both rental and homeownership, and to strengthen distressed urban, suburban, and rural communities across America.

Much of our work is carried out through the NeighborWorks network, which is comprised of 235 affiliated community-based organizations serving more than 4,500 urban, suburban, and rural communities in all 50 States, Puerto Rico, and the District of Columbia.

With the growing foreclosure crisis, NeighborWorks America expanded its efforts on behalf of the Nation's neighborhoods. Throughout our history, we have had an opportunity to support community-based practitioners as they work to improve their communities; and because of our work and presence in those communities, we were an early leader in calling out the growing problem of foreclosures.

We started the NeighborWorks Center for Foreclosure Solutions more than 5 years ago. We have been a national leader in training and certifying foreclosure counselors. We have convened groups to establish the national industry standards for housing and foreclosure counseling.

We have supported local and Statewide foreclosure coalitions in areas that have been hard-hit by the foreclosure crisis, and we sponsored a public education outreach campaign to reach troubled borrowers.

Let me just summarize briefly our results to date in the national foreclosure mitigation counseling program.

To date, a total of $410 million has been appropriated, and the first appropriation required that we distribute a minimum of that funding, $50 million, within 60 days of award, and NeighborWorks was able to award $130 million in the first 60 days. This included designing the program from scratch, identifying the eligible applicants, and doing all the work to get a program up and running.

Because Congress' funding to NeighborWorks provided funding for training as well, we were able to provide training to 1,600 counseling organizations throughout the country. We funded the counselors who have assisted more than 410,000 families facing foreclosure to date.

The majority of the people counseled have been minorities, 53 percent. NFMC grantees also are doing well in serving areas that were targeted by subprime and predatory lenders. Thirty-seven percent of the clients are in ZIP Codes where the majority of clients are minorities. Forty-two NFMC grantees said that they would target their services also to low- and moderate-income minority neighborhoods or homeowners.

One of the key statutory requirements that Congress had was for the NFMC program to ensure that a substantial portion of the funding went to areas of greatest need.

I see I am running out of time here. So let me just say, we have had overall great success with the program, we have learned a lot in trying to administer this program, and we look forward to whatever questions the committee might have.

[The prepared statement of Mr. Wade can be found on page 102 of the appendix.]

Chairwoman WATERS. Thank you very much. I appreciate your being here today.

I will recognize myself for 5 minutes.

Most of what I'm concerned about I placed in my opening statement, but let's get right to this funding issue.

Mr. WADE. Sure.

Chairwoman WATERS. I could go into long detail about the counseling services and where I think the strengths and weaknesses are, but let's deal with this duplication issue.

Will you explain to us how you determine that there are duplicative services, and how you pay, and who gets paid?

Mr. WADE. Sure. The program was designed to ensure that we could get the maximum number of borrowers served with the funding that was provided, so what we did was set up a program that reimbursed the counseling organizations based on their number of consumers served, and the level of service that they provided to those homeowners.

We also wanted to ensure again that we could serve the maximum number of customers or borrowers, and so we did not allow organizations to serve, or we did not allow a consumer or borrower to be served more than by one organization except for in one case, where a borrower might receive a Level 1 counseling service, and would then be eligible to receive a Level 2 service from another organization or for the same service.

Chairwoman WATERS. How do you determine that?

Mr. WADE. That is determined based on the date that the organizations essentially upload the data into the system that would then determine who would get the reimbursement for that particular homeowner. So it would be a first-come-first-served basis.

Chairwoman WATERS. Technologically, how do you determine that?

Mr. WADE. That's based on the date that the organization puts the person counseled into the system, because they're required to report on a per-homeowner basis.

Chairwoman WATERS. So how do you see, if there are two or three organizations who have served this person, how is that determined?

I know it's determined by date. So everything comes to you by date, and you have a computer model of some kind—

Mr. WADE. Yes.

Chairwoman WATERS. —that kicks out the duplication? Will you explain that to us?

Mr. WADE. Sure. What happens is that we use a third-party vendor. The organizations are required to upload their data into the system. It records the date that a borrowers information is recorded, and the organization that submits that homeowner into the system first is the person that would get credited for serving that borrower.

Chairwoman WATERS. Who is your vendor?

Mr. WADE. Socialserve. We did a competition to select a vendor to build this system. We didn't want to create a permanent infrastructure—

Chairwoman WATERS. How much did they charge you for this?

Mr. WADE. Offhand, I don't know the charge for—

Chairwoman WATERS. Ask the young lady behind you—

Mr. WADE. —but I do know that—do you know?

Yes. We didn't bring that, but as you might recall, we were restricted in the amount of money we could use to administer the program, so all of that is within the cost of the administrative cap of 4 percent that was imposed on the administration of the program.

Chairwoman WATERS. All right. We're also hearing that many intermediaries believe that NeighborWorks favors Level 1 counseling, which is not as in-depth, over Level 2 counseling.

In your opinion, does NeighborWorks place more of an emphasis on Level 1 counseling? If so, what implication does this have for reducing foreclosures?

I understand 69 percent of the counseling is in Level 1. Is that true?

Mr. WADE. Sure. And we don't favor the level of counseling. All of that is determined by the local organization. They proposed the level of counseling that they would provide when they made their application, and they're allowed to upload borrowers into the system based on how they have served the customer.

So we don't play any role in choosing how they serve the customer. That's totally driven by the—

Chairwoman WATERS. So do they have to determine when they first sign up, for lack of a better description, what level they want to deal with, and are they locked into that level?

If I sign up, and I say, "I want to do Level 1, because that's all I know and understand," and then I discover that, really, I can do Level 2 or 3, how do I rearrange my contract so that I could do that?

Mr. WADE. That is a good question. The organizations did propose, on the front end, what they would propose to do.

Chairwoman WATERS. Yes.

Mr. WADE. In most cases, the Level 1, the number of Level 1 counseling units delivered are larger than what was originally proposed by the organizations who have been funded, and I think some of the organizations would be better prepared to tell you what some of the challenges have been with ending up with more Level 1s than they had initially expected.

Chairwoman WATERS. So you're saying that, in addition to those who signed up for Level 1, some of those who said, "I can do 2 and 3," are now doing more Level 1s?

Mr. WADE. Yes. And we—

Chairwoman WATERS. Do you have any way of correcting that—

Mr. WADE. Yes.

Chairwoman WATERS. —so that you can get more to the modifications work with the servicers?

Mr. WADE. We allow the organizations a 50 percent variance, because again, we allow them to respond to the homeowners that they encounter, and determine the level of service that they think is appropriate for them.

So we give them wide latitude over the original proposed way that they had structured their program, given, you know, the challenges with any new program.

Chairwoman WATERS. All right.

And lastly, I understand that some of those providing services also are getting paid by the servicers $1,000 when they can accept the $1,000 plus whatever you pay, also?

Mr. WADE. We have limitations in the program that do not allow—will have a limited number amount of reimbursement that an organization can receive—

Chairwoman WATERS. What does that mean?

Mr. WADE. —for a specific homeowner that they have received reimbursement from the program.

Chairwoman WATERS. So if you have an organization that is receiving monies from the servicers, $1,000, how many $1,000 reimbursements can they receive?

Mr. WADE. Sure.

Chairwoman WATERS. What percentage?

Mr. WADE. Sure. So the way that we have structured the program, they are limited to take from the foreclosure mitigation program the amount that we reimburse, and then they could take from the servicer only an amount up to and what it cost for them to provide the service.

And we do require that they bill the servicer first if they have that arrangement. So, in other words, the public money is used as a last resort.

So as an example, there are a number of organizations that had relationships with servicers before this program got up and running.

Chairwoman WATERS. My question is, do they get that $1,000 in addition to reimbursement from you if they're doing Level 1, 2, or 3 under your definition?

Mr. WADE. No, they would not.

Chairwoman WATERS. So—

Mr. WADE. They can receive reimbursement for homeowners that they have not billed NFMC for.

Chairwoman WATERS. Well, maybe we'll get into that a little bit more.

Thank you very much. I will now recognize Ranking Member Capito.

Mrs. CAPITO. Thank you. Thank you.

Mr. Wade, can you explain to me the $410 million at NeighborWorks, and I know that's a conglomeration of a couple different pots of money, and in your notes, it goes to 230 nonprofits.

Then, does it then go to other organizations from there? So does it pass through more than one?

What I'm trying to get here is—

Mr. WADE. Sure.

Mrs. CAPITO. —I know you're limited to 4 percent administrative, but how many other administrative costs are loaded onto this by the time it actually gets to the consumer?

Mr. WADE. The way this program is structured, there were eligible applicants prescribed in the legislation, so those included HUD-approved housing counseling intermediaries, and I think there are about 21 or so in total in the country; every State housing finance agency was eligible; and then NeighborWorks organizations who were part of that 235 organizations in our network.

The national intermediaries and the State housing finance agencies, many of them have sub-recipients who actually carry out the counseling activities, and so they were responsible for setting up the program, assembling a number of sub-grantees, and then passing the funding on to those organizations to actually carry out the program.

Mrs. CAPITO. So would there be an administrative fee, then, for them, as well?

Mr. WADE. Yes.

Chairwoman WATERS. What is that percentage, do you know?

Mr. WADE. It is 5 to 7 percent, so that we limited the administrative cost to the State housing finance agencies and the intermediaries to anywhere from 5 to 7 percent, and each of them proposed in their application what percentage they would request in order to carry out the program.

And that's essentially to deal with the reporting requirements they're responsible for, the program administration costs that they have, and the follow-up and the documentation that they to do to ensure that the grantees are in compliance.

Mrs. CAPITO. Okay. Now, I'm kind of picking up from your comments that people are—that the organizations are reimbursed; in other words, you perform the service, and then you're reimbursed for it. Is that correct?

Mr. WADE. Well—

Chairwoman WATERS. Excuse me. Before answering that, I have never done this before, but I'm going to interrupt.

Mrs. CAPITO. Okay.

Chairwoman WATERS. There are less than 5 minutes on the vote, and you can pick it up and complete your question when we return.

I would like to ask for your patience while we take three votes, and we will be right back. Thank you. The hearing is in recess.

[recess]

Chairwoman WATERS. Ms. Capito, I interrupted you when you were in the middle of your question, so you can start off again with your 5 minutes.

Mrs. CAPITO. Thank you, Madam Chairwoman. Thank you.

I believe, as I recall where we were, I was asking you when somebody comes in for, or somebody, a client gets, say, the Tier 1 counseling, then is the organization reimbursed after the counseling occurs when they report?

Mr. WADE. Right. That's a good question. The reimbursement level is based on the level of service.

Mrs. CAPITO. Right.

Mr. WADE. But clearly, in the first draw, an organization actually receives 68 percent of their total award at first—excuse me—at second draw.

Yes, the first draw is—

Mrs. CAPITO. What?

Mr. WADE. We have three draws, a four draw schedule set up.

Mrs. CAPITO. Oh.

Mr. WADE. At first draw, once you execute the contract and all of the paperwork is in order, you draw down 40 percent of your total award before you have delivered any service.

Then at draw two, you're able to draw down 68 percent of your total award.

But the reimbursement is based on a per homeowner reimbursement level, and it's reconciled to ensure that basically, at the end of draw four, you will not exceed the total amount of your award.

So you're always in a forward-funded position. That was one of the things that groups were concerned about, would there be an opportunity to have funding up front in order to get started, even though the reimbursement was based on a per homeowner basis.

Mrs. CAPITO. So when the grant is given, you're estimating the number of people they would serve?

Mr. WADE. Yes, absolutely.

Mrs. CAPITO. Okay. And what if they don't meet those expectations? Then in the fourth tranche, they don't get their final—

Mr. WADE. Right, right. So the idea—

Mrs. CAPITO. Is that a year schedule for—

Mr. WADE. I'm sorry?

Mrs. CAPITO. A disbursement schedule over a year, or over 6 months, or—

Mr. WADE. Well, it's based on the level of programmatic activity that they have achieved.

So, for instance, for level—the second draw, once an organization achieves, yes, 25 percent of their units of service, then they're allowed to take the second draw.

Mrs. CAPITO. Okay. So that's an accountability measure for you—

Mr. WADE. Yes.

Mrs. CAPITO. —and a transparency measure. I appreciate that.

Mr. WADE. Right.

Mrs. CAPITO. I noticed that of the $180 million that was funded through the NFMC, $30 million of that was for legal services.

Mr. WADE. Yes.

Mrs. CAPITO. Can you tell me how you're tracking that, how that has been expended—

Mr. WADE. Sure.

Mrs. CAPITO. —and any other information about—

Mr. WADE. A little bit. Sure.

Now, that funding had a limitation on what it could be used for. It was not allowed to be used for any civil litigation. It could be used to assist a homeowner who had any other variety of issues that might need legal consultation.

The funding goes—

Mrs. CAPITO. Surrounding the purchase of a home, or I mean surrounding—

Mr. WADE. No, no, around—

Mrs. CAPITO. —their foreclosure?

Mr. WADE. —around their foreclosure—

Mrs. CAPITO. Not other issues?

Mr. WADE. Right. No, no. You're absolutely right. Around foreclosure-related issues.

So, for instance, there were consumers whom a counselor might have thought had been defrauded, as an example, so you could consult a legal organization in order to help you understand whether there might be a cause of action that could be brought on behalf of that homeowner.

Mrs. CAPITO. How much of that has been expended, do you know?

Mr. WADE. We have awarded roughly $25 million of it; $5 million was returned to the Treasury because there was a lack of demand for that in the second round of applications, so we did not fully award the total $30 million. And so roughly $25 million was awarded.

Mrs. CAPITO. Could those go to like a legal aid or something of that nature?

Mr. WADE. Well, the organizations were the eligible applicants, so they had to be the counseling organizations that actually received the funding.

They could, in partnership with a legal aid organization, pay the legal aid attorneys to do the work. They could hire attorneys themselves. We allowed either arrangement.

Mrs. CAPITO. Okay. Last question on the servicers.

I think that's a real sore spot in terms—I know in my office, trying to help people reach their servicer is very difficult and frustrating, and then a lot of strong-arming or, you know, at least not being able to get the answers quickly, and I noticed that's part of the complaints by a lot of the counselors, where the weaknesses are.

What steps should be taken to help mitigate this problem?

Mr. WADE. Well, clearly, one of the things that will be helpful, we assume, would be the new program that has been rolled out.

Up until this point, there had not been a widespread program that most servicers subscribed to. There were a lot of initiatives that one servicer or one lender might have, but was not broadly available.

You also had the complication of servicers who typically service for a variety of investors, all of whom had different rules, and that created confusion, additional time and energy for both servicers to sort through what they could do with a customer who might be in a loan that was owned by Fannie Mae or Freddie Mac versus something that was in a private label security, and those caused complications, as well.

So we think the new program will go a long ways toward helping address that. We also assume that the incentive payments that are being paid to servicers through the TARP program give them an additional incentive to get consumers either refinanced or modified. So we think that will be a great help.

And presumably, that additional funding will also help them address the capacity challenges, because I mean, at some point, at the end of the day, it just seemed like they didn't have enough people to deal with the demand as it scaled up.

Mrs. CAPITO. Okay. Thank you, Madam Chairwoman.

Chairwoman WATERS. You're welcome.

Mr. Cleaver, for 5 minutes.

Mr. CLEAVER. Thank you, Madam Chairwoman.

Mr. Wade, thank you for being here.

Are the individual intermediaries who provide telephone counseling compensated at the same rate as those who perform face-to-face counseling?

Mr. WADE. That's a good question.

I mean, really, we have organized the reimbursement based on the level of service you provide, irrespective of modality. So Level 1 can be delivered by telephone or in person, as can the other levels of counseling, as well. So it's not tied to whether it's telephonic or in person. It's the level of service you provide the homeowner.

Mr. CLEAVER. Do you have any data that would suggest that either of the services, either by telephone or in person, is more impactful? You know, when you audit the program at the end of the year, I mean—

Mr. WADE. No, that's a good question.

One of the challenges we have right now is, we don't get performance data from the servicers, so we have hired Urban Institute to use a third-party service that all the servicers report in to, that has loan performance in it.

We will be doing matches with the homeowners assisted through this program to be able to track the performance of those homeowners over time. So we will be in a position to answer that question more definitively.

We have a preliminary report where they have done some preliminary matches that we think we'll be able to release by the end of this month that will give us some initial data, but I would say the early matches have suggested that about, in total, about 76 percent of the homeowners who have been helped in this program, or have been counseled, are still in their homes.

Now, we don't have that broken out by type of service, but we will be able to do that.

Mr. CLEAVER. Madam Chairwoman, I don't know when that information would be available to the committee, but if the Chair would so embrace, I would love to have some information on that research as soon as possible.

Mr. WADE. Yes.

Chairwoman WATERS. Thank you very much.

The Chair will, for the record, ask that the research be submitted to us—

Mr. WADE. Sure, absolutely.

Chairwoman WATERS. —as soon as possible.

Mr. WADE. Absolutely.

Mr. CLEAVER. It's all trying to make sure that, at this difficult moment economically, we do what is working.

Do you encourage the borrower to contact the community-based agencies who are providing the service?

Mr. WADE. Absolutely. I mean, NeighborWorks, we do provide a Web site where a consumer can go and look up the local organization that's closest to them. We also refer consumers to the homeownership preservation homeowners hotline.

And so we provide the opportunity to refer borrowers to the range of counseling opportunities that are available to them.

Mr. CLEAVER. Other than public service announcements, and I have heard a few in Kansas City—we have an agency in Kansas City that does, in fact, subcontract with you.

But other than the public service announcements I have heard, and of course I'm only home on the weekends, but I have not seen any other advertisement that would attract people who are in trouble to go to them.

In the budget, are there dollars expended for getting the word out?

Mr. WADE. Right. We have in the grants that were made to the eligible applicants, they are allowed to use a portion of those grant funds for outreach.

We have, through our own efforts as well, contributed to a range of outreach efforts. We have worked with local organizations to do local outreach fairs.

We have done work with local organizations to do local telethons, to provide literature or resources so they could do door-to-door outreach. We have done a couple of telethons with Univision, one in Boston and I don't remember where the other one was offhand, in order to reach borrowers.

So we're trying a variety of means. I would say we have not done anything in any extensive way to do paid advertising.

That's very expensive, and so we have not spent any money on paid advertising, other than maybe a few times when we might have been participating, and folks bought an ad in a local community-based newspaper or something like that.

Mr. CLEAVER. Well, I just think marketing is so critically important in this arena. It's amazing how little, I mean, with all of the modes of communication we have today, it's amazing.

Congressman John Lewis was asked the question, at a town hall meeting, "Do you live in the White House?" And of course, he told them no.

But at a time when all this information seems to be available, the truth is, it seems that no information is available.

I run into people over and over and over again who are unaware of the program, in spite of the fact that I know in Kansas City, the agency involved is doing everything all day, 24 hours a day, but it doesn't seem to be resonating like it should, and I would just suggest that we think about marketing.

I yield back—I don't have any more time.

Chairwoman WATERS. Thank you, Mr. Cleaver.

Mr. Green.

Mr. GREEN. He yields back the time that he has borrowed. Thank you.

And, Mr. Cleaver, am I to understand that Mr. Lewis has moved out of the White House?

Thank you for appearing, Mr. Wade. I will try to be as brief as possible.

But I do want to know if I am getting some sort of mixed signal, because on the one hand, we get indications of servicers wanting to modify, not refinance, not give a payment plan, but wanting to modify, and on the other hand, I have information here today indicating that there is some degree of difficulty associated with getting modifications.

So which is correct, please?

Mr. WADE. Well, early on, when this program first began, there were only a handful of modification programs out there that were substantially reducing the payments of homeowners. I think that's a fact.

So early on in the program's history, the vast majority of modifications offered to homeowners were basically repayment plans, and they were probably not sustainable, although our data will probably help validate that.

Over time, as new programs were introduced, more servicers were providing more substantial modifications.

And I would say it really wasn't until the IndyMac program that got initiated by the FDIC, was there, in a sense, with the whole portfolio, an approach that created a modification opportunity that was driven by the borrower's ability to pay.

And I think that's the standard that was set with the IndyMac program, that was built on based on the new Administration's program.

Mr. GREEN. If I may, are you receiving some resistance, no resistance? Kindly give me some indication as to what the circumstance is.

Mr. WADE. The interface with the servicers is still a big problem. So even with the new program, it's—you know, we had a feedback session again with some counseling organizations last week.

A number of them indicated that even though many of the servicers have signed up for the Administration's program, when they contacted the servicer to get their, you know, borrower engaged, they were told that, "We have signed up, we're not ready yet, our systems aren't up and running yet."

So I think there are still challenges with the servicers, no question about it. It's still a problem.

Mr. GREEN. Have you received any intelligence indicating that servicers may have been amenable, or maybe I should say more amenable, to modification when there was the possibility of the bankruptcy option, and now that the possibility has been removed, there is less compliance, or less of a desire to modify?

What I'm getting at is very simply this: Did bankruptcy have an impact, the possibility of bankruptcy have an impact on the behavior of servicers?

Can you kindly respond?

Mr. WADE. We have not done anything to do any broad-based survey in that regard.

Mr. GREEN. Any anecdotal?

Mr. WADE. Right. No, no.

I have been on a couple of panels, in places where servicers have participated, and there was an assumption that, if homeowners were allowed to have their principal residence considered in bankruptcy, that it would create a backstop that would motivate more servicers to be more aggressive with their modifications.

Mr. GREEN. Thank you, Madam Chairwoman. I'll yield back.

Chairwoman WATERS. Thank you very much.

I would like to yield to each member additional time. We have so few members here today.

And I yield to myself an additional 2 minutes, because it's very important for us to learn more about what is happening with NeighborWorks, because of the concerns that have been raised in several quarters.

First, I would like to ask you, for those counseling agencies that put a value on their work, and they are getting paid from the servicers, if they say that their work is worth $1,000, and the servicers give them $600, can they get a maximum, what, $350, from you to make up for what they value their services at?

Mr. WADE. Well, I think theoretically, they could, in this regard. The program is designed—

Chairwoman WATERS. Not theoretically. What are the rules?

Mr. WADE. Well, when I say, the rules are that an organization that has a contract with the servicer must take the servicer payment first.

If that does not fully cover their costs, then they can also bill the NFMC program for the balance of what their total costs might be.

Chairwoman WATERS. So you have some counselors who are making a lot more money than other counselors?

Mr. WADE. We don't think that is the case, because we have done 179 on-site compliance reviews, and in no case in those reviews were any of those groups billing the NFMC program and receiving a payment from the servicer for the same client.

So we do monitor that, because we want to ensure that, number one, the taxpayers' money is the last—

Chairwoman WATERS. Of course, but what I'm asking, what I really want to know is what the rules are, if, in fact, they say, "My services are worth $1,000," and they have a contract—I don't know what the contract says, with the servicers. The contract should cover whatever it is they agreed upon.

But if the servicer says, "I'm not paying you $1,000," and they bill you $350 of that, they can get the $650 or whatever from the servicer plus $350 from you, if they decide to ask you for it?

Mr. WADE. Yes, I would say the rules probably do permit that, but again, we have had no occasion from our on-site reviews where that has been the case, and we have been pretty clear in the program guidance that there are limitations on what this program is willing to reimburse for the services provided.

Chairwoman WATERS. Okay, I don't quite understand your answer.

If those are the rules that they are working by, you are saying that they don't really apply the rules, and they don't ask for what the rules say they can have, but that's a part of the rules, that they could do that?

Mr. WADE. Well, I would say this. A group would have to demonstrate that what they are providing, just as an example, to follow your example, say that they say that what they do costs $1,500, they would have to document that and we would have to accept that it was accurate and appropriate—

Chairwoman WATERS. Can all of the counselors in the program do that, or just certain ones who have contracts with servicers?

Mr. WADE. Now, do which piece? The—

Chairwoman WATERS. Does everyone have the opportunity to request reimbursement from the servicers and from you?

Mr. WADE. Yes. Yes. Everyone has that opportunity.

I mean, if they have an agreement with the servicer, we don't control that—

Chairwoman WATERS. So everyone does not have that opportunity? For those counselors who don't have contracts with servicers, they cannot get the same amount that someone else is getting because they have a contract? Is that right?

Mr. WADE. That is true. That is true.

Chairwoman WATERS. Okay. Secondly, let me ask, you talked about the HUD-approved counselors, the housing finance agencies, and NeighborWorks.

Do your reimbursements work the same for each of these agencies?

Mr. WADE. Yes. Exactly the same. There's no difference.

Chairwoman WATERS. Okay—

Mr. WADE. Well, only in one case. The intermediaries and the State housing finance agencies get an additional amount. They can bill up to 7 percent for administrative—

Chairwoman WATERS. Why?

Mr. WADE. Because they are typically administering a program that has sub-recipients, and so we allowed for that.

So for instance, NeighborWorks organizations are only allowed reimbursement on a per-person basis up to now, in round two, the $450, and an additional 20 percent for programmatic support, as all counseling agencies can receive, and then the State housing finance agencies and national intermediaries are also allowed up to an additional 7 percent to administer a group of sub-recipients.

Chairwoman WATERS. Let me just move on, and I want to note that, so that we can take a closer look at that.

Intermediaries are also concerned that NeighborWorks' various reporting requirements are confusing, change frequently without notice, and are time-consuming, and punitive.

For example, if one field is left unfilled, the intermediary won't be paid. So they do the work, they submit, and they have fields that they have to fill out, or close in, or however you do it. If one is left unfilled, then what do you do, kick it back to them?

Mr. WADE. We have a number of fields that they are required to report. There are some fields that are optional.

The required reporting elements are required to be completed before they are allowed to get reimbursed for the service provided.

Chairwoman WATERS. Did you recently change your guidelines so that a number of these counseling agencies had to re-enter their 600 data files?

Mr. WADE. Well, we—how many data files, I'm sorry?

Chairwoman WATERS. Six hundred.

Mr. WADE. I'm not aware of the number of—

Chairwoman WATERS. Did you recently change some guidelines?

Mr. WADE. We have made some changes. For round two, we did add some additional data elements, because there were some additional requirements that came with the second round of funding, that we had to include.

We did make some changes in round one to allow a little more flexibility, so there were some data elements that started out as being required, that we moved to optional in order to give groups additional flexibility.

Chairwoman WATERS. So the question becomes, when you make changes, and your counseling agencies don't know about those changes, they are not informed in a timely fashion, if they submit under the old rules, are you penalizing them?

Mr. WADE. No, we give groups adequate notice on changes that are made to the reporting, and we don't penalize groups.

We always allow groups to—so, for instance, if you submit information on a client and it's not complete, you are notified, and you have the opportunity to correct that and get it back in the system so you can get reimbursed.

Chairwoman WATERS. Okay. Thank you very much. We appreciate your being here today. We will continue our questioning with the next panel, unless we have members who have additional—yes?

Mr. GREEN. I have. Yes, thank you.

Chairwoman WATERS. Yes, please, Mr. Green.

Mr. GREEN. Thank you, Madam Chairwoman.

Mr. Wade, let's quickly visit on the question of diversity within your business model. I'm talking now about Asian Americans and Pacific Islanders, specifically, as well as others.

But can you address the question of diversity in terms of how you're able to communicate with communities that have rich cultures, but require, I think, some linguistic talents available to them?

Mr. WADE. Well, we did ask all organizations to clarify the population groups they were going to serve, what language capacities they had to serve that client base, and we took that into account in both the awards that were made, and we do, you know, obviously capture demographic information on who the agencies have served.

Mr. GREEN. Have you made awards to organizations that are identifiably Asian American or Pacific Islander, in terms of the community that they will perform outreach to?

Mr. WADE. We have done a few awards to NeighborWorks organizations who fit that category.

As I recall, none of the State housing finance agencies or HUD intermediaries would qualify as Asian American or Pacific Islander organizations.

Mr. GREEN. And is there some reason why they wouldn't qualify?

Mr. WADE. Well, just, they're not—no one has become a HUD housing counseling intermediary, so that was a limitation in the legislation.

Now, there are sub-recipients of State housing finance agencies and the other intermediaries who would qualify as organizations based in that community, but there is no—there are no HUD housing counseling intermediaries that meet that qualification.

Mr. GREEN. Because my time is up, let me just ask if you would, in writing, give me the list of those that cater to the communities that I have called to your attention?

Mr. WADE. Sure. Absolutely.

Mr. GREEN. All right. Thank you very much. Thank you, Madam Chairwoman.

Chairwoman WATERS. Thank you very much.

Mr. Cleaver, did you have any additional questions?

Mr. CLEAVER. One question, Madam Chairwoman. Thank you.

One of the problems we have, and our Chair has been dealing with this, in the Financial Services Committee, we try to get small, minority businesses involved, and one of the problems we always run into is the payment schedule.

You know, you have a subcontractor who is doing work for a major, and if they are 45 days late, you know, paying the subcontractor, it could almost put him or her out of business.

And I guess the same question I'm asking of you, about those who are involved in the program, is there any undue length of time between the time there's a submission or an invoice—I don't know how—

Mr. WADE. Absolutely. I understand the question.

And we provided guidance to all the national intermediaries that they should provide reimbursement to the sub-recipients within 14 days, because we did understand the challenge with smaller organizations who, you know, are trying to provide this service—

Mr. CLEAVER. Is it happening? Do you know—

Mr. WADE. We do understand that there are a couple of State housing finance agencies that have chosen to do this on a strictly cost-reimbursement basis, but otherwise—

Mr. CLEAVER. That should be unacceptable.

Mr. WADE. Right.

Mr. CLEAVER. That's unacceptable. I mean, we can run people out of business.

Mr. WADE. Right.

Mr. CLEAVER. And these are not-for-profit agencies, which means they don't have a reserve, or anything else. I don't know how we address this, but I really—

Mr. WADE. We did learn that recently, in a debriefing session that we had. We are going to follow-up with those couple of State housing finance agencies to understand exactly, you know, what's going on there. And we are considering whether there are additional requirements that we need to develop in order to address that issue.

Mr. CLEAVER. Thank you, Madam Chairwoman.

Chairwoman WATERS. Thank you very much.

And again, I appreciate your testifying before us today, and I assure you that one of the things we're going to have to do is to make sure that the complaints that we are getting are followed up and investigated, for those agencies who feel that they are not being paid properly, that their work has been consigned to the Number 1 level, etc., and they feel that other agencies are getting paid more, or you have this business about those who are contracting with servicers getting paid more.

We really do have to make sure that we have fairness and equality in the payment for these services. Otherwise, this whole thing is going to unravel.

Thank you very much for being here today.

The Chair notes that some members may have additional questions for this witness, which they may wish to submit in writing. Without objection, the hearing record will remain open for 30 days for members to submit written questions to this witness and to place his responses in the record.

This panel is now dismissed, and I would like to welcome again the second panel: Ms. Colleen Hernandez, president and CEO, Homeownership Preservation Foundation; Ms. Susan Keating, president and CEO, National Foundation for Credit Counseling; Ms. Lisa Hasegawa, executive director, National Coalition for

Asian Pacific American Community Development; Mr. Cy Richardson, vice president, housing and community development, National Urban League; and Ms. Janis Bowdler, associate director, Wealth-Building Policy Project, NCLR.

Thank you all for being here today.

Again, without objection, your written statements will be made a part of the record.

You will now be recognized for a 5-minute summary of your testimony, starting with Ms. Colleen Hernandez.

STATEMENT OF COLLEEN HERNANDEZ, PRESIDENT AND CHIEF EXECUTIVE OFFICER, HOMEOWNERSHIP PRESERVATION FOUNDATION

Ms. HERNANDEZ. Thank you, Madam Chairwoman.

I am president of the Homeownership Preservation Foundation, and I certainly appreciate the opportunity to testify today, along with my colleagues in the housing industry, to share some of the challenges that we face in serving homeowners.

My group was formed in 2003, and our mission is to be the trusted ally to the homeowner, providing help and hope and support for folks facing foreclosure.

We own and operate the Homeowner's HOPE Hotline, 888–995–HOPE, which provides free telephone counseling service to distressed homeowners. The hotline operates 24/7, all over America.

In the last 16 months, we have counseled 486,000 homeowners. On an average day now, we receive 7,000 calls.

So today, I would like to discuss how and where we do our work, where our funding comes from, what results we produce, and what challenges we face.

How does the hotline work? When you dial this number, you talk to a call center worker who answers your questions. About 30 percent of the people who call simply have questions. And then they dispatch the call to counselors.

Now, we give all homeowners a choice. We say to them when they want counseling, "Would you rather have face-to-face counseling or telephone counseling?"

If they say face-to-face counseling, our locator database finds the counseling agencies who have asked us to receive calls, and tells the caller what the three closest agencies to them are.

If they choose a telephone counselor, they're connected to one of our 600 counselors at 9 HUD-approved nonprofits in our network: Auriton; Springobard; Novadebt; Money Management International; Greenpath; By Design; and the Consumer Credit Counseling Services of Atlanta, San Francisco, and Dallas.

Our counselors are the trusted allies of homeowners. As a reference, I provide in the packet the information, an article in the Washington Post that describes a day in the life of a hotline counselor, and what transpires during a counseling session.

Counselors basically listen to the story of the homeowner. They say, "You're behind in your mortgage. What happened?" And then they listen for as long as it takes to that story, and within the story are the nuggets of the solution.

After that, they review, in great detail, the income and expenses, and during that time, the light bulbs begin going off in the mind of the homeowner about the choices that they have on how they earn their money, how they spend their money, and how they might dedicate more resources to their mortgage.

We are a trusted third party that takes fresh eyes and an independent look at their options and helps them determine the best bet for saving their home. We are also a bridge to the servicers.

Where do we do our work? All over America. In America, there are 43,000 ZIP Codes, and last year we counseled people in 22,777 of them. That's part of the beauty of the hotline. Everybody with access to a telephone can access this service, and they can do it at their convenience, any time of the day or night.

Where does our funding come from? This year is $62 million: $15 million comes from NFMC, NeighborWorks; $46 million from mortgage servicers, who are reimbursed by investors; $1 million from HUD; and $720,000 from Fannie Mae.

The funding we receive from industry is significant, because it's flexible. The more we counsel, the more they pay. But more importantly, it's helpful to homeowners, because in the counseling process, we capture data from them which we transfer instantaneously to the servicer, to give them the jumpstart that they need to resolve the problem.

Does the work that we do produce results? Every day I ask myself that question, and the answer is yes. And here's how we know.

A member of our network, CCCS of Atlanta, studied 21,000 people who received counseling in 2007. After 1 year, they looked at data from the credit reports, and they saw that, in fact, 71 percent of the people counseled were still in their homes and had avoided foreclosure. Copies of that research are on our Web site.

So when we evaluate the effectiveness of the hotline, we asked the following:

Did homeowners reach out for help? Yes. About 7,000 a day.

Did they go through counseling? Yes. About 2,000 a day.

Did their information get to servicers? Yes. 100 percent of the time.

Did they avoid foreclosure? Yes. About 70 percent of the time.

There are a couple of challenges that I would like to highlight for your attention today, and the first is that scams are proliferating.

Every day, the first thing I do in the morning is Google foreclosure prevention, and every day there is a new scam that promises results for just a couple thousand dollars, and I know you're aware of that and are doing what you can.

The second challenge is, there is so much talent and commitment in the housing counseling industry, much of it represented at this table, and yet the resources don't match the demand.

Our desire at the Homeowner's HOPE Hotline is to give every consumer who calls the choice between face-to-face counseling and telephone counseling, and to make sure that there are adequate resources. The homeowners in America count on the counseling industry, and we are counting on you.

Thank you.

[The prepared statement of Ms. Hernandez can be found on page 69 of the appendix.]

Chairwoman WATERS. Thank you very much.

Ms. Susan Keating.

STATEMENT OF SUSAN C. KEATING, PRESIDENT AND CHIEF EXECUTIVE OFFICER, NATIONAL FOUNDATION FOR CREDIT COUNSELING (NFCC)

Ms. KEATING. Thank you, Madam Chairwoman.

I am Susan Keating, the president and CEO of the National Foundation for Credit Counseling.

And just by way of background, the NFCC is the Nation's oldest and largest network of community-based nonprofit financial counseling agencies.

We have been in existence for almost 6 decades, and have 106 member agencies that provide services in nearly 850 communities across this country.

As the largest HUD housing counseling intermediary, and as one of the largest recipients of funding under the National Foreclosure Mitigation Counseling Program, the NFCC is very proud of its ability to provide housing-related counseling, as well as a broad range of financial counseling and education services. Last year alone, NFCC member agencies provided services to over 3 million consumers.

The NFCC commends Congress for recognizing the value of counseling in stemming the tide of foreclosures and for providing funding to make counseling available to those at risk of losing their homes.

Has the NFMC Program made a difference? The answer is an unequivocal yes. While I could provide you with literally thousands of stories of the people the NFCC has assisted, let me give you two examples.

A couple in Sumter, South Carolina, were both tragically diagnosed with cancer 7 months apart. Because of their medical expenses, they were 3 months delinquent on their mortgage and home equity loan. We helped them to get both loans modified with significantly reduced interest rates, resulting in a savings of $375 per month.

A single parent in Thousand Oaks, California, went through a divorce and then lost her job. The ARM on her home reset, and she could not afford the new payments. In an effort to save her home, she turned to a "workout company" that charged fees, but provided no assistance. Then she came to us. We helped her structure a household budget, modified her mortgage, and her savings was $600 per month.

Through the NFMC Program, Congress has made it possible for thousands of American families to not only keep their homes, but to begin the process of rebuilding their financial lives. However, there is lots more still to be done, and I would really like to focus on four specific areas.

First of all, the mortgage crisis reflects a national failure to promote housing counseling. As a consequence, a significant number of homeowners bought homes they could not afford with mortgages they did not understand.

The remedy is pre-purchase counseling for first-time home buyers, and also for those who are considering subprime or non-traditional mortgages.

The creation of the Office of Housing Counseling within HUD, as passed by the House last week, represents a major step forward.

Second, if we are to sustain housing-related counseling, there must be long-term funding for the NFMC Program and other counseling initiatives.

Federal grants have helped finance the expansion of housing counseling, but without additional and dedicated Federal funding, nonprofit agencies will not be able to provide these vital services.

Third, it is imperative that consumers have access to counseling services that meet their individual needs. The NFCC was critical of the Bush Administration's efforts to funnel all mortgage foreclosure prevention inquiries through a government-sanctioned hotline operated by a single intermediary, which in turn utilized the services of only 10 counseling agencies.

Given the size and scope of the problem, it made no sense to limit the resources being used to address it when there were many other HUD-approved agencies that were ready and able to provide assistance.

While there have been some improvements, it is unfortunate that the new Administration has not recognized this weakness and is following along the same path.

When homeowners call the government-sanctioned hotline, they should be entitled to seek counseling services through a qualified entity that best represents their needs, whether that be the local NFCC member agency, a faith-based organization, or another community-based group. Consumers should have access to all available resources, and that has not happened.

Fourth, today we are focused on fixing financial problems. Looking forward, we have to do more to prevent financial problems with broad-based financial education and literacy programs.

The NFCC's recent financial literacy survey found that 41 percent of Americans grade themselves a C, D, or F on personal financial knowledge. Only 42 percent keep track of their spending, and more than one-quarter say they do not pay their bills on time.

Twenty-eight percent of mortgage holders admit that their mortgages have different terms than what they thought they had when they took out the loan. Is it any wonder why we had a financial meltdown?

We believe there has to be a national strategy for financial literacy, and a national system of delivery. We must empower consumers to better understand the services and products that are being offered.

Chairwoman WATERS. Thank you so much.

Ms. KEATING. Thank you, and thank you for this opportunity.

[The prepared statement of Ms. Keating can be found on page 79 of the appendix.]

Chairwoman WATERS. Thank you.

Ms. Hasegawa.

STATEMENT OF LISA HASEGAWA, EXECUTIVE DIRECTOR, NATIONAL COALITION FOR ASIAN PACIFIC AMERICAN COMMUNITY DEVELOPMENT (NATIONAL CAPACD)

Ms. HASEGAWA. Thank you, Chairwoman Waters, and members of the committee.

And I just want to also thank Congressman Green, for your leadership with the Congressional APA Caucus' Housing Task Force. So I thank you.

I am Lisa Hasegawa, and I'm the executive director of the National Coalition for Asian Pacific American Community Development. We're celebrating our 10-year anniversary this year.

And I'm here today to really highlight what some of the structural issues have been in terms of access to NFMC funding for Asian American and Pacific Islanders serving community-based organizations.

Unfortunately for Asian Americans and Pacific Islanders, historically, the system of housing counseling basically has been like NFMC—I'm sorry—the NeighborWorks affiliates and mainstream organizations, and there hasn't been—at this time, there are probably about five API-specific HUD-approved housing counseling organizations, and none of them receive funding from HUD.

And so I think that there's a major gap in terms of the existing system for serving our communities in a linguistically and culturally competent manner.

Now, we have been working, over the past several years, with NeighborWorks, with the Homeownership Preservation Foundation, etc., to build that capacity, but it has been a challenge.

I think that what unintentionally has happened with the infusion of resources with the NFMC program has actually widened the capacity gap.

It was—I think it made sense for the—for NeighborWorks America, when they were designing this program, to invest resources where there was existing capacity, but unfortunately for Asian Americans and Pacific Islanders, it infused resources into a system that didn't serve us to begin with.

And so let me just go over a little bit about what we are doing to try to partner.

Again, we are currently working with the National Council of La Raza, and several of our member organizations have been able to get NFMC contracts through partnering with the National Council of La Raza. So Seema Agnani, who was here earlier, with Chhaya CDC from New York, they are an organization that has language capacity in five different South Asian languages, and they're serving the Queens Community in New York and Jackson Heights.

And they just recently did a study, for example, doing their own data and research, looking at the foreclosure listings, and doing a name count, and they came out with a study that basically said that over 50 percent of the foreclosures in a particular time period in certain ZIP Codes were with South Asian families, and they think that was a conservative estimate.

We have been seeing those kinds of stories from our organizations, particularly those that are serving the Filipino community in California, the Korean community in Southern California, the Southeast Asian community in Central Valley in Minnesota, and the South Asian community, particularly in the Jackson Heights area.

There's a recent Federal Reserve report that came out that validated that, where they looked at our population data, and overlaid that with a map of where Asian Americans and Pacific Islanders were living, and so there was a lot of correlation.

Unfortunately, Home Mortgage Disclosure Act data does not disaggregate by Asian American and Pacific Islander sub-populations, so it has been very difficult to really show the challenges our communities have been facing. I have additional statistics in my written testimony that go further to show that need.

There have been some positive steps forward. We have been working with Bank of America and Freddie Mac in particular to fund some of the work that we have been doing that hasn't fit within the prescripted eligible activities and grants requirements that is currently existing with NeighborWorks America's NFMC program.

And so those flexible dollars have been really helpful for us to build the capacity of our organizations. We have gotten—NeighborWorks has given us scholarships to their trainings, to train more counselors who are bilingual and bicultural, but that kind of capacity building takes time.

And so what we have been trying to do, for example, is to create systems and models where community-based organizations that have a lot of expertise and a lot of capacity, that have the language capabilities, that have the trust with the communities, they can play a role in this foreclosure crisis.

They really want to play a role, but because only certified housing counseling and foreclosure counseling organizations were eligible for that funding, basically, they have been telling me that they are blocking the doors for some of the NFMC counseling organizations, because they are being asked to set up the—do the outreach, recruit people, provide the translation, provide the space, and all of that work, for no compensation whatsoever, because they are not eligible to receive NFMC funding. And so it's a real challenge for a community-based organization.

So I encourage us to all think about ways in which we can compensate community-based organizations for the translation and interpretation services that they provide, and also for the case management that they provide.

I think earlier we were talking about the differences between the face-to-face counseling versus the phone counseling, so a lot of folks will come and have many multiple issues, mental health issues, etc., that often can't be dealt with over the phone, and so you have this network of community-based groups who haven't been able to meet those needs with the current funding systems.

So I appreciate the opportunity to testify, and the rest of my comments are in my written statement.

Thank you.

[The prepared statement of Ms. Hasegawa can be found on page 58 of the appendix.]

Chairwoman WATERS. Thank you very much.

Mr. Cy Richardson.

STATEMENT OF CY RICHARDSON, VICE PRESIDENT, HOUSING AND COMMUNITY DEVELOPMENT, NATIONAL URBAN LEAGUE

Mr. RICHARDSON. Chairwoman Waters, I am Cy Richardson, vice president for housing and community development at the National Urban League.

And I very much thank you for the invitation to testify before the subcommittee today on the issue of foreclosure prevention, the role of housing counseling intermediaries, in this vitally important field of service delivery.

Our views are based on decades of program-delivered experience, but many of the key findings are culled from lessons learned from the past 18 months through our participation as a grantee under the National Foreclosure Mitigation Counseling Program administered by NeighborWorks.

The National Urban League has been a certified HUD housing counseling intermediary since 1997, and through the excellent work of our local affiliates, we provide various types of housing counseling and education services to individuals on a one-on-one basis, including the critically important heavy touch, face-to-face counseling under the NFMC program.

I need to be clear that the Urban League believes that in-person, one-on-one, face-to-face counseling is the most effective form of foreclosure intervention and prevention for individuals in crisis.

An internal census taken to gauge the service delivery characteristics of our affiliates in this area reveals that approximately 70 percent of our clients are African American, 20 percent are white, and roughly 10 percent are Hispanic.

And over the last three fiscal years, we have seen exponential growth in the number of homeowners coming to the Urban League in search of foreclosure counseling services across each of these racial categories.

It must be stated, though, up front, that the National Urban League certainly appreciates NeighborWorks' dedication and diligence with regard to devising the NFMC program design, not to mention the sheer hard work it takes to manage the emergency funding for foreclosure prevention nationwide.

However, for the purposes of this hearing, I would like to briefly describe the major issues and concerns we have found with NeighborWorks and their administration of the program, along with clear recommendations for problem resolution.

First, the way the program is structured, by tying payment to goals by geography set at the onset of the year is highly burdensome and problematic, and ultimately, it creates an ineffective and rigid obstacle course that prevents effective draw funds for timely reimbursement of services rendered.

This is a moving, breathing crisis that is changing every day, and in real terms, any goals projected are based on old and outdated information as soon as they are made, and are likely to be inaccurate. I hope we can revisit this today.

Disaggregation of data is an important problem for us. We recommend a disaggregated approach to payment to intermediaries for their affiliates' work, and there are a number of ways this could be done, including payment to intermediaries, the full draw payments, when the overall threshold is met, or possibly increasing the number and pace of draws to the intermediary, possibly even on a monthly basis.

With regard to variances and the locality service delivery that Mr. Wade talked about earlier, currently, variance thresholds are at 25 percent, and we must meet or exceed at least 75 percent of each established MSA goal or risk deductions from our counseling funds.

We believe NeighborWorks should increase the MSA variance threshold to 50 percent, allowing more room for the real and unknown vagaries of client flow and keeping the funds flowing to our top performers. This will give our intermediaries more flexibility to reallocate goals as needed, and keep the payments flowing to those areas that are on pace.

We're also recommending that NeighborWorks reduce and simplify the administrative requirements involved in reporting and management, as well as increasing the amount of program-related support funds that are allowed for the total counseling award, or otherwise helping supplement this funding for other resources. Our colleagues can speak about this issue a bit later.

With regard to issues of client duplication, under the circumstances, we support the idea put forth by NeighborWorks of applying a set percentage threshold to all intermediaries on this issue, but we believe this percentage should be at least 5 percent.

The national average, according to NeighborWorks, from the database, is 5 percent, not the 3 percent, as they finally agreed and codified in recent weeks.

Finally, in terms of much-needed marketing supports, we recommend that NeighborWorks allocate $2 million of the $6 million recently awarded to them for a rescue scam awareness campaign, or some other agreed-upon amount that we can collectively agree upon, to facilitate expansion of the campaign and ensure greater reach into minority neighborhoods. I know my colleagues will speak on this, as well.

We also believe that together we can make effective changes to the design and cooperation of this program that works for both Congress and for the agencies doing the actual work to stem the foreclosure crisis.

We trust that you will give due consideration to these issues that we have laid out today, as they are obstacles to effective program delivery, and it's in all of our best interests to get this done.

Thank you very much.

[The prepared statement of Mr. Richardson can be found on page 85 of the appendix.]

Chairwoman WATERS. Thank you.

Our last witness will be Janis Bowdler.

STATEMENT OF JANIS BOWDLER, ASSOCIATE DIRECTOR, WEALTH-BUILDING POLICY PROJECT, NATIONAL COUNCIL OF LA RAZA (NCLR)

Ms. BOWDLER. Good afternoon. I am Janis Bowdler, the associate director of the Wealth-Building Policy Project at NCLR. Thank you so much for inviting me. All of you have been really great champions of the Housing Counseling Program, and that is clear to us. We thank you for your support.

Latino communities are watching a generation of wealth slip through their fingers, and nonprofit housing counseling agencies are really on the front lines of this battle, yet support for their work has not kept up with demand.

Congress must strengthen the counseling infrastructure, and doing so will ensure that services are widely available to combat foreclosure, and in the future, help homeowners avoid common lending traps.

In my testimony today, I'm going to talk a little bit about NCLR's approach to housing counseling, and then I'm also going to talk about some of the challenges to implementing the NFMC program.

As you have heard from all of my colleagues already, NCLR is one of a couple dozen housing counseling intermediaries. Not many people have talked about the role of intermediaries, but that's important, as well.

Intermediaries provide quality control, training, partnerships, develop technology, do a lot of work to advance the housing counseling field in general, and NCLR is the only network that focuses specifically on the Latino community.

Over the last decade, NCLR has used one-on-one counseling to help thousands of families secure their first home. As my colleague Cy stated, this is the most effective way to reach our communities. There are several studies that show that this is a proven methodology, especially for communities of color.

When the foreclosure crisis hit, we applied the same approach to foreclosure prevention counseling. In the last 12 months, we counseled over 750,000 delinquent homeowners—I'm sorry—7,500—I added a couple of zeroes there, my mistake—in the last 12 months, which is a 250 percent increase over our previous year.

But this approach is not without its costs. On average, it takes our counselors 15 hours to help a family through the process. We focus on in-depth counseling, because we need to help homeowners understand their options, find the best possible resolution, and get connected to other resources.

We don't focus on phone counseling or provide referrals. Instead, we keep our clients in-house, and we work with them all the way to the solution.

The demand for foreclosure prevention is on the rise, but we're concerned that demand is outpacing capacity, and without a robust system in place, families are going to get lost with the foreclosure scam artists, which brings me to the NFMC program established last year.

The funding was appropriated to NeighborWorks America for quick turnaround to counseling agencies. They did successfully turn the money around quickly, which is not to be underestimated.

They are one of our partner intermediaries. We have sat with them, worked on the industry standards that Mr. Wade testified about earlier, and we have often worked together on public policy issues.

But it's important for us to bring up the challenges in implementing this program, because it's having a crippling effect on the nonprofits out there trying to meet the needs of their community.

Several of the challenges have already been covered, and there's more detail in my testimony, so instead of the five that we have outlined in the full testimony, I want to focus on two.

And that is that the reporting requirements have been extremely burdensome. We already had a reporting system in place for HUD that had been working for decades, but when this program came in place, we had some over 40 additional data fields that we had to complete. Technology did not keep up with that. So we all work from one of two or three technology platforms.

Every time they make a change to the system, we have to wait for the technology to be updated, which means that we're all busy doing work, but the technology is not capturing the data. That creates a lag, and homeowners fall through the cracks. We don't get reimbursed.

As an example, in our first quarter of reporting, NCLR reported to HUD 2,000 families. We could only report to NeighborWorks 465 families.

Our increased cost to administer the program, you heard that we can only capture a small amount of that, our cost increased by 40 percent to administer these programs, based on TA that we had to provide to our network and expanding technology, etc.

The other is this issue on how the fee structure actually incentivizes Level 1 counseling over the more in-depth counseling. So let me talk a little bit about this, because it's very important.

You get paid, what is it, $100, $150 for that Level 1. It takes about 20 minutes to an hour. You can spend all day, over and over, doing intake and referral, and earn as many $150 fees as you have 20 minutes in a day.

But it takes up to 15 hours over the course of 3 to 6 months, with all the challenges working with the servicers, to get reimbursed for that last $250.

Now, there are other challenges that I can go into more in the Q&A, but in this way, it makes more sense, and it incentivizes that initial intake and referral to get the quick buck, rather than take the time to do the most effective counseling, which is the one-on-one, and which takes a lot longer, and only pays out a little bit more money.

So that's why we think we see these really high numbers in Level 1, because the incentive is not there. You don't get paid until all the way out at that 6th month, when you have been putting time and incurring staff expenses, until you see that resolution. That is a huge problem.

So I'm running out of my time, I'm going to stop there. But the rest is in my written statement.

[The prepared statement of Ms. Bowdler can be found on page 48 of the appendix.]

Chairwoman WATERS. Thank you all very much.

I will now recognize myself for 5 minutes.

Let me first start with Ms. Hernandez.

Could you quickly explain to me how you're connected to the HOPE NOW Hotline in a different way than other counselors are? You said something about that.

Ms. HERNANDEZ. Yes, I certainly can.

First of all, there is no HOPE NOW Hotline. There is only the Homeowner's HOPE Hotline. And the way we are connected to the HOPE NOW Alliance is that we are a partner with them, and they use their considerable industry outreach capacity to send borrowers to the hotline, in hopes that we will capture the data that they need to give a jumpstart to the resolution.

Chairwoman WATERS. Okay. I'm sorry. Is that any different from any of the other counseling agencies?

Ms. HERNANDEZ. Yes, I think it is. I think we got preferential treatment in the HOPE NOW Alliance when Secretary Hank Paulson formed the HOPE NOW Alliance in October of 2007, and in order for people to be admitted to it, the threshold criteria was they would agree to fund counseling at the Homeowner's HOPE Hotline.

So we're a partner with HOPE NOW, and we receive funding, $150 per case, per completed case, from the servicers, so in your earlier questions about the funding stream, ours is pretty clean.

A homeowner comes in, and they tell us who their servicer is. We do a 60-minute counseling session with them. We transmit the data to the servicer, and at the end of the month, we bill the servicer.

And there are—80 percent of the people who call us have loans owned by members of the HOPE NOW Alliance. The other 20 percent call us—

Chairwoman WATERS. Do you also bill NeighborWorks?

Ms. HERNANDEZ. We bill NeighborWorks. Right.

Chairwoman WATERS. And how do you get paid for that? I mean, the service that you just described, that you get $150 from the servicers for? How do you calculate or value?

Ms. HERNANDEZ. Oh. It costs, our service costs $150. So between our overhead and the triage call center, the call center workers who do the intake, and the counselors, the 9 counseling agencies, the cost is $150 altogether. So we collect $150 from the servicer. We retain, from the servicer payment, $30 of that for our overhead in triage—

Chairwoman WATERS. No, no, no, no. My question is, how much do you collect from NeighborWorks?

Ms. HERNANDEZ. And then, yes, so we collect $150 per session from NeighborWorks.

Chairwoman WATERS. So you're getting $150 from the servicer and $150 from NeighborWorks?

Ms. HERNANDEZ. No. Every session is only funded by either a servicer or NeighborWorks.

Chairwoman WATERS. Oh.

Ms. HERNANDEZ. There's never—

Chairwoman WATERS. Is that right?

Ms. HERNANDEZ. Right.

Chairwoman WATERS. Okay.

Ms. HERNANDEZ. So we use the NeighborWorks money to fund the counseling for borrowers who don't belong to the HOPE NOW Alliance servicer ranks.

Chairwoman WATERS. So do you do face-to-face counseling, also?

Ms. HERNANDEZ. We don't. We only do telephone counseling.

Chairwoman WATERS. How large is your organization? I mean, where are you located, and do you have chapters, or offices in places other than one city or one State?

Ms. HERNANDEZ. Yes. We are a 501C-3. Our headquarters is in Minneapolis. We contract with nine large HUD-approved nonprofit counseling agencies all over the country. And they are, I think, in about 23 cities. So they are on contract with us. They are vendors for this service.

Chairwoman WATERS. How do they—

Ms. HERNANDEZ. We have 10 people on our core staff and 6 members on our board.

Chairwoman WATERS. Okay. How do your—those that you contract with, how do they get paid, and do they get paid $150, also?

Ms. HERNANDEZ. They get paid—we retain $30 of the servicer money. They get paid $120. So we develop an annual contract with them, and they have performance goals, and they have standards of excellence that they must meet, and we have quality control audits—

Chairwoman WATERS. So that get $120 whether or not they're doing what would be considered Level 1 or Level 2 or Level 3, it doesn't matter?

Ms. HERNANDEZ. It's all Level 1.

Chairwoman WATERS. All Level 1?

Ms. HERNANDEZ. Yes.

Chairwoman WATERS. So this $150 for you, $120 for those you contract with, simply is for answering the phone and taking a name and telephone number, and referring them someplace else?

Ms. HERNANDEZ. No. No. The $150 that we collect from either servicers or NeighborWorks is for a comprehensive counseling session. That's the only way we reimburse, is for a comprehensive counseling session—

Chairwoman WATERS. What does that mean? Does that mean you—

Ms. HERNANDEZ. That means that the—

Chairwoman WATERS. —you follow through to loan modifications?

Ms. HERNANDEZ. We follow through with the servicer to send the data. If there is a foreclosure date pending, we're on the phone with the servicer. If the homeowner chooses, they can contact their counselor back and say, "They have offered me this mod or this repayment, do you think it's a good deal?"

Chairwoman WATERS. Okay. Let me just say this. I have done implementation of loan modifications from my office, and what happens is, when I contact the servicer, any number of things can happen.

One is, they could they inexperienced. They give me a waiver, my constituent, to talk to the servicer.

If that servicer has not taken into consideration, for example, that Social Security is income that has not been calculated into the consideration, and I bring that up and I say, "And maybe you should consider this and that and the other," and they have been talking with them already, and then they say, "Okay, all right, we'll take another look at this," and I follow it, follow it, follow it, until either I get a loan modification or not.

Is that what you're doing?

Ms. HERNANDEZ. No.

Chairwoman WATERS. Okay. All right.

Ms. HERNANDEZ. Can I just compliment you on—

Chairwoman WATERS. No, no, no. I'm going to go on to—well, my time is up, so I'm going to go to Mr. Cleaver, and then perhaps we'll have another round. Thank you.

Mr. Cleaver?

Mr. CLEAVER. Thank you, Madam Chairwoman.

Let me welcome Colleen Hernandez from the Fifth Congressional District, who was pretty much the housing czar with the Kansas City Neighborhood Alliance for years in Kansas City, and I wanted to welcome her here.

I want to go to Mr. Richardson, first of all.

I don't know if you were here when Mr. Wade was giving testimony. I asked him the question about the face-to-face versus telephone.

I mean, it's not a trick question. I don't know. But you seem to be a bit more emphatic that face-to-face was far more workable than—Mr. Wade suggested that there needed to be research, empirical data.

Mr. RICHARDSON. No. I would take issue with that statement, for two reasons.

One, there is quantitative data to suggest that one-on-one, face-to-face customized counseling generates the best and better outcomes for clients.

And two, for organizations like ours that are interested in stabilizing households, you have to develop relationships that cannot be generated telephonically.

They can only be understood, diagnosed, and possibly solved through many hours, as my colleague Janis said, of in-depth conversation and relationship building with the client, so there's no controversy around that, as far as we're concerned.

Mr. CLEAVER. Are you sure?

Mr. RICHARDSON. Yes, sir.

Mr. CLEAVER. I'm—that's a rhetorical question.

Ms. HASEGAWA. Second. Third.

Mr. CLEAVER. Oh, okay. Well, yes. Then—

Mr. RICHARDSON. Mr. Cleaver, if I can just add, treating clients as commodities in this crisis is wrong.

Mr. CLEAVER. Well, then, if you're right, if you're correct, and I don't have any reason to question the authenticity of what you and Ms. Bowdler have stated, then don't you think we can maybe make some adjustments?

Mr. RICHARDSON. Absolutely. I think we need to address some of the key points that we have made in terms of program design amendments.

NeighborWorks needs to understand that most groups that are serving a predominantly minority constituency are dealing with the hardest to serve cases. These cannot be solved over the phone. These can be solved only by rolling one's sleeves up and asking the core, key questions that will get to the root cause.

In many cases, as it was identified in the New York Times today, it's our folks who are in these bad products. You cannot get them out of these bad products in 20 minutes on the telephone. It takes time, effort, and we do—80 percent of our work is Level 3, that face-to-face counseling that should end in a resolution.

Only about a quarter of our work is Level 1, and we prefer to see it through until we get folks to Level 3.

Mr. CLEAVER. I'm assuming ditto, ditto?

Ms. HASEGAWA. I'll just say one thing about the phone counseling. I think that there are situations where, for our communities, you know, some of our counseling organizations, like that speak Thai, for example, they're getting calls from across the country, because they don't have those, you know, services that are available and accessible in the language.

So that's why we are working to provide some telephonic interpretation services, but I still think that the preference would be for the face-to-face in terms of the long-term wellbeing of the families.

Mr. CLEAVER. We need the face-to-face. That would be the predominant of dealing with the crisis. But we would also need to have telephonic—

Ms. HASEGAWA. Supplement, as a supplement, absolutely.

Mr. CLEAVER. Yes, okay.

Yes, Ms. Keating?

Ms. KEATING. Congressman Cleaver, the NFCC's position is it ought to be about client choice. Services ought to be delivered in any way that is going to get us to a solution and help stabilize that family.

Mr. CLEAVER. Yes, I am for that. I don't think you're going to find anybody in here who—well, let me just speak for myself. I agree with you. And that is why I have been raising the question, trying to find out what works, because I think whatever it is that works is what people will move toward.

And so I want to come back—Ms. Hernandez, is the best technology being utilized presently?

Ms. HERNANDEZ. No, it's not.

And if I could comment on something that was just said a few minutes ago, we do not envision this as a battle between telephone counseling and face-to-face counseling. I agree 100 percent with what Susan Keating just said, that the consumer should have a choice in how they want this service delivered.

In the first week in February, we convened a meeting where we said to every intermediary that we could talk to, "Can we send calls straight to you from our triage call center?"; and in response to that, we have added 600 new agencies, so that we say to the consumer, "Do you want this in person or do you want it on the phone?"

Ten percent want it in person, and 90 percent want it on the phone. Why do they want it on the phone? Mainly because it's free and it's convenient, and partly because there's a measure of anonymity. They're a little bit embarrassed, and they like the fact that they can get the help that they need.

So I would take issue with the fact that this is commoditizing a client, that in fact, ours is a full, comprehensive real counseling service that takes it through resolution if the homeowner decides to engage us at that level.

But in response to your question, and I'm delighted to have that question, is technology being used to the fullest, we all know that servicers are at capacity, that it takes too long to get to resolution, and one of our affiliates, the Consumer Credit Counseling Services of Atlanta, has piloted a technological solution with Wells Fargo, and now with Bank of America, called Early Resolution Counseling Portal, and they are having, to your point, they are having tremendous results in expediting with every single person who calls.

What happens is, when a telephone counselor, somebody calls in and they listen to the story on the phone, they can get on their computer screen what the loan facts are, how delinquent are they, who is their servicer. But the most important thing they get is, what are the investor work rules.

So when they propose a solution to the servicer, that has already been vetted through the investor work rules. That's one of the biggest impediments that slows things down.

This technology has been piloted for the last 16 months in Atlanta with Wells Fargo. We believe that industry should migrate to that and migrate quickly. We think it would greatly expedite—

Mr. CLEAVER. Why isn't it happening?

Ms. HERNANDEZ. I think that's a good question for the committee to ask the servicing industry. I don't know why it isn't happening. We're certainly doing everything we can to promote it.

Mr. CLEAVER. Ms. Bowdler?

Ms. BOWDLER. A follow-up on something. Coming back to the issue of telephone counseling versus in-person counseling, I don't doubt that folks who come through the hotline, that a certain percentage of them in fact prefer phone counseling, but I think what's important for the communities that we serve, the communities of color, they have been hardest hit. They have the most complicated of situations. They were the targets of predatory lending. They are in the communities where they're seeing their home values go down.

It's infinitely more complicated to deal with that, which doesn't lend itself well to the phone issue.

On the technology issue, excellent points on the need for better technology to relate to the servicers, but we're still also struggling for technology to relate with one another.

So a constant problem is, on the one hand, we want to be able to partner with the hotline and get those referrals, but oftentimes, we get referrals without information, which means we have to start from scratch, but because the hotline has already inputted that data, as Mr. Wade was describing earlier, they get credit for that Level 1, which means our initial $150 is already spent. We have $200 left to collect. And we have to work for the next 6 months in a dysfunctional system to try to collect it.

Mr. CLEAVER. Thank you, Madam Chairwoman.

Chairwoman WATERS. Thank you very much.

Mr. Green.

Mr. GREEN. Thank you, Madam Chairwoman.

And I would like to, Madam Chairwoman, recognize Ms. Hasegawa, Lisa, for her outstanding work. She has been working on these issues for some time now, and a lot of what she does is done without any degree of compensation other than just knowing that you have done a good deed, and my suspicion is that applies to all of you.

Let me ask, if you would, Lisa, could you kindly give us some examples of why we might need to be sensitive to culture, some reasons why culture, having persons who can relate to cultures is important?

Ms. HASEGAWA. Sure, absolutely.

I think that I'll use an Asian American example and a Native American Hawaiian example.

With Native Hawaiian communities, we are working with the Council for Native Hawaiian Advancement and the Hawaiian Community Assets.

Even though language is not an issue in that situation, culture and understanding of how some of the loans are structured on Native Hawaiian homelands, and sort of the communication style, even in English, right, with Native Hawaiians, and that trust is extremely important, because there is a mistrust of existing government systems, right, and programs, that have for years and years discriminated against Native Hawaiian communities.

And so I think that is the approach, the trust and the relationships that the Native Hawaiian community-based organizations have, has been critical to their success, and this is where language is not an issue.

And then similarly, I think that because of the linguistic isolation of many of the communities, there are a lot of referrals to friend or family, etc., and so it creates this environment where they don't have access to accurate information about what options are available, and so because of that, we have heard, for example, of some scams that were going on in the Lao community in Minnesota.

They were offering, you know, to do a refi. So they were in actually really good loans, and then, like 7 percent, and then they got into 14 percent loans for a cashout refi, and the whole scam basically was saying that you would get two tickets to go home to Laos, right.

And so these are things that prey upon, you know, people's lifelong dreams to go home, right, and to take their families with them, and so some people took that, thinking that their, you know, price for their home was going to go up, etc., and then they found themselves in a really bad situation.

So there are things like that that are happening, that are very, you know—and I talked to some community leaders in Minnesota, and they said, "Oh, we thought that the foreclosure crisis was only going on in Minneapolis," you know, with the Lao community, because there's just that lack of information in those communities, except for the scams that are being taken advantage of with ethnic media.

The people who are at the scam are really good at doing outreach and using ethnic media, and so if they can do it, we should be able to do it.

Mr. GREEN. And with reference to intermediaries, is it true that—I think this has been addressed—we have no AAPI intermediaries?

Ms. HASEGAWA. That is correct. We have been building—one of the criteria to become a national HUD housing counseling intermediary is, you have to have a nine-State network.

And so we have been working very hard to make sure that we have HUD-approved counseling agencies that are also funded and have the capacity to be able to have that nine-State network. Then we would have to apply to become a HUD housing counseling intermediary, and then that would just be the eligibility, and then we would have to then apply to get funding from HUD, and then to able to partner.

So it is a process that we have had to go through, and we have talked to HUD about the possibility, and they are awaiting our application.

Mr. GREEN. Well, I would like to offer assistance with this process, and if you need the assistance, please contact the congressional office so that we can be of assistance to you.

Ms. HASEGAWA. Thank you, Congressman.

Mr. GREEN. And I'm concerned about this, because in my congressional district—

Ms. HASEGAWA. That's right.

Mr. GREEN. —we have the ballot printed in three languages.

Ms. HASEGAWA. Yes.

Mr. GREEN. The ballot is in English, Spanish, and Vietnamese—

Ms. HASEGAWA. Yes.

Mr. GREEN. —soon to be in Chinese, and if we can diversify with a ballot to this extent, surely we can diversity with the intermediaries and make sure that all communities are receiving the kind of assistance that's available and that's necessary.

Ms. HASEGAWA. Absolutely.

I'll just bring up one comment that I have in my testimony, and that's Title 6, and obligations of NeighborWorks America, Freddie Mac and Fannie Mae, and HUD in particular, with the Making Home Affordable Program.

One of the qualifications, eligibility requirements to have access to some of these products is that you have to have housing counseling, go through a housing counseling session, and that's all well and good if you speak English, or if, you know, you happen to live in a city where there is a bilingual HUD-certified housing counseling organization or counselor.

And so that we are very concerned about the disparate impact and access that our communities are going to and other limited English-proficient communities are going to have to those products, given the problems with the system that currently exists.

So Title 6 is the discrimination based on race and national origin, and discrimination based on language spoken is one of those forms of discrimination.

NeighborWorks has consistently told us that they don't feel that they are obligated to Title 6 because they get a direct appropriation from Congress and that it's not a Federal grant.

So we have been going back and forth with them on that, and I think that one of my recommendations was to get clarification on that issue, and also now that Freddie Mac and Fannie Mae are also regulated by HUD in a new way, I would ask to reconsider whether they also may be obligated.

But it is the case that financial services organizations are not obligated, and so that has been a challenge.

And I would also say that any recipient of HUD funding is obligated to Title 6.

And so there's the obligation and then there's also the enforcement of the obligation—

Mr. GREEN. My time is up, but I'm going to ask you, if you would, to contact our office so that we can further these discussions.

Ms. HASEGAWA. Absolutely.

Mr. GREEN. Thank you.

Thank you, Madam Chairwoman.

Chairwoman WATERS. Thank you very much.

Ms. Capito.

Mrs. CAPITO. Thank you.

I would just like to go down the row. I want to ask—I'll ask three questions, and they should be fairly short.

How many people have you served with your—through the counseling, housing counseling; how much money has your organization received; and have you received any of the money for the legal counsel, or the legal assistance?

Ms. Hernandez?

Ms. HERNANDEZ. In the last 16 months, we have served 486,000 people with the Homeowner's HOPE Hotline counseling. The Federal grant that we have—our annual budget is $62 million; $15 million of that is from Federal sources, from NeighborWorks NFMC. And your third question on legal, we have received no legal funding.

Mrs. CAPITO. Okay. Thank you.

Ms. Keating?

Ms. KEATING. Do you want me to answer that question?

Mrs. CAPITO. Sure.

Ms. KEATING. Actually, through the NFMCP, our intermediary agencies have conducted just under 70,000 actual sessions, and we have received the highest level award available in Round 1, which was the $15 million in NeighborWorks funding.

Mrs. CAPITO. And did you get any of the legal?

Ms. KEATING. Yes, we did, $1.7 million.

Mrs. CAPITO. Have you spent that?

Ms. KEATING. No, we have not. We are in the process now of executing against that.

Mrs. CAPITO. Let me ask you, as a clarification question, you receive your funding from NeighborWorks and then you fund down to a sub-grantee, correct?

Ms. KEATING. Yes, we do.

Mrs. CAPITO. And then what is your administrative fee on that?

Ms. KEATING. It is 4 percent. There were also program dollars available in Round 1. We distributed most of the program dollars out to agencies so that they could actually build capacity and basically address the needs of their communities.

Mrs. CAPITO. Okay. Thank you.

Ms. HASEGAWA. We currently don't get any money directly from NFMC for the reasons I stated earlier. We do have a contract with the Homeownership Preservation Foundation for translation for their hotline, that we're currently working on the technological systems issues, to try to figure out.

We had a $15,000 grant, which I do not think was NFMC funding, to do outreach planning, and that was from NeighborWorks, but we currently don't get any funding. Some of our member organizations do get funding through the National Council of La Raza as sub-grantees.

In terms of the numbers of people, it would be included in Janis' numbers, and we don't—we're not collecting that data, because we're not the intermediary, and we don't get any legal money, either.

Mrs. CAPITO. Okay. Thank you.

Mr. RICHARDSON. In Round 1, we served approximately 4,600 clients and our appropriation was about $1.2 million, in Round 1, NFMC, and we did not go in for any of the legal assistance funds.

Mrs. CAPITO. Thank you.

Ms. BOWDLER. Also for Round 1, we got $2 million. We served 7,500 families—this time I got my number right—and we received no legal assistance, money for legal assistance. And we include six national capacities groups.

Mrs. CAPITO. Your funding comes down through NeighborWorks, then, right?

Ms. BOWDLER. That was just the money we got through the NFMC program, yes, through NeighborWorks.

Mrs. CAPITO. Okay. That's really all I wanted to know, just for informational purposes. Thank you.

Chairwoman WATERS. Thank you very much.

I would like to also give this panel a second round, since we have so few members here, and I will first yield myself another 5 minutes.

I would like to go back to the Homeownership Preservation Foundation, and let me just say this, that you do have a lot of support, all of you, all of the counseling agencies in and the Congress of the United States. We're anxious to have families have counseling assistance and services.

We're really focused on the foreclosure problem that we have, and we really want these counseling services to be very, very strong in helping to get loan modifications.

So I am trying to figure out how to do that. The numbers are rising, and we don't seem to be making much of a dent that we can see.

And one of the things I'm going to have to do is find out how you calculate, how do you get your numbers, because there is some confusion here.

Let me first understand, Homeownership Preservation Foundation, you get your referrals through the HOPE line; is that right?

Ms. HERNANDEZ. We own and operate the Homeowner's HOPE Hotline.

Chairwoman WATERS. Okay. And then do you refer them to these other counseling agencies, or do you do what is necessary to connect those callers with the servicer? What do you do?

Ms. HERNANDEZ. We do all three of those things, and we are very focused on doing what the consumer asks to be done. So—

Chairwoman WATERS. Do you follow up when you do—a consumer calls you, and you connect them or put them in touch with the servicer; do you follow up to see if there was a loan modification, or you simply turn it over to the servicer?

Ms. HERNANDEZ. We leave it to the—at the end of a 60-minute counseling session, the counselor says, "Here's my name, here's my direct number. I'm sending your file to the servicer. And if you don't hear back from them in 5 to 10 business days, call me back and let's follow up." That's one kind of case.

Another kind of case is if there is a foreclosure date pending, the counselor gets the servicer on the phone and they work towards a resolution.

The third kind of case is the one through ERCP, where they have live connection between the counselor and the servicer, both focused on the solution, while the homeowner is on the line. That, frankly, is our preference, because it expedites resolution.

Chairwoman WATERS. Now, all of those you consider in the Group 1 category where you get paid $150 for each of those kinds of services?

Ms. HERNANDEZ. Yes.

Chairwoman WATERS. Okay. And how many referrals do you make to other counseling agencies?

Ms. HERNANDEZ. Not as many as we would like. When the homeowner calls the hotline, 30 percent of the time, they don't want to talk to a counselor, they just have a question, they just have a simple question like, "Is your service in Spanish, are you open on Sunday, how do I reach my servicer," etc.

The other 70 percent want to talk to a counselor, and at that point, the call center worker says, "Do you want this service in person, in your community, or do you want it on the telephone now?"

And the person—if they want it in person, in their community, then we have a locator database that we have requested the intermediaries join, and if somebody says, "I want it in person," we find in our locator database the three counseling agencies nearest to them, and we give them the contact information. That's the end of it. We don't bill anybody for that.

Then, when they call the intermediary, they call the agency that we referred them to, that agency can bill NFMC for a Level 3 $450 session if, in fact, that's what they conduct. So—

Chairwoman WATERS. So if a citizen calls you and you refer them to the servicer, you get information, you connect with their servicer, and they call another agency, is that considered a duplication?

Ms. HERNANDEZ. If we counsel them—yes, if we counsel them through Level 1, and at the end of that, we connect them to a servicer, and we file first, then—and somebody else files later, then that would be considered a duplication.

Chairwoman WATERS. So if that person that you refer them to, if that person—if the person you referred says, "Well, the servicer was supposed to call me back, I never heard from him, so I called back, and I was referred to this other place, and I called this other counseling agency, and guess what they did? They not only got the servicer, but they got me a loan modification." Is that a duplication?

Ms. BOWDLER. The way I understand how it works is, if through the hotline they receive that initial intake, they bill, they get $150.

If they were to come see an NCLR group, even if we had to start from scratch, we can still only bill for Level 2 and 3, which is $200.

So if they were to have come to me first, I could bill for the whole thing, but because they went there first, I can still bill for that $200, but I can't get the initial payment. That would be considered a duplication.

And then as I stated, the impact is that we end up doing work that takes months, and we only—not only do we only get paid $200 for it, but—

Chairwoman WATERS. How many—rather than how many, how many of you feel that you're getting—you're servicing in what would be described as a duplicative way, clients who have talked to someone else first, and didn't get satisfaction, or maybe they were connected to a servicer who didn't follow up, and you're doing the second and third level work; how many of you find yourselves in that position?

Ms. KEATING. Chairwoman, if I—

Chairwoman WATERS. Yes.

Ms. KEATING. —may, we do see examples of that.

I think one of the issues, and you have been touching on this throughout the hearing, is on how the government-sponsored hotline was initially set up, it was very focused through one intermediary.

Those agencies were only providing Level 1 services, and that created this artificial notion of what is Level 1 or Level 2, rather than starting with the homeowner, and—whether it is face-to-face, by phone, or whatever—getting at the root cause and working towards solutions.

So I would just say, even though there have been some recent changes with the hotline, where a second question is being asked, there is spillover. If this is going to be the government-sanctioned hotline, we have to figure out how to use the full capacity of all the HUD intermediaries and all those agencies, whether it be by phone, face-to-face, whatever, and provide all the resources to deal with this problem right now. Even with all of our resources together, we cannot fix what has happened in America here.

Chairwoman WATERS. Let me just ask, do you any of you believe that every housing counseling agency should train and develop people to really help implement loan modifications, and from intake to finish, you should be responsible for it?

Ms. KEATING. I would say it really depends on the client and what the situation is.

Congresswoman, I would say that's really going to vary. It's also going to vary depending upon the type of the loan and so forth.

So I would just say I think we need very well-trained counselors. For instance, at the NFCC, all counselors are certified. They go through extensive housing certification and so forth, to provide these services.

Can they actually be negotiating all the loans, given the complexity, and the creative that are out there? They can probably take it to a point.

What they have to be able to do is reach the servicer and be able to talk and be the advocate for the consumer, and have all the facts, and have taken the time to get all the facts and information, so that they can be that advocate, and work through, again, to get a modification taken care of.

Chairwoman WATERS. Thank you very much.

Mr. Green.

Mr. GREEN. Yes. I would like to follow up on what the Chair is bringing to our attention, because it seems to me that we're encouraging, as has been said, the intake process, which is 20 minutes, and then we find some other entities having to go through this 20-week process, which will net a lot less, I hate to say cash, but money, and a lot of the people are working, trying to make a living, who are performing the services.

So why would we not want the intake person or entity to take this to fruition, as opposed to passing on the hard work to someone else? That was the question. And I would like to just hear another answer to that question.

Why is it that we won't pursue it with one entity, so that we don't find this incentive to take the 20-minute way out, as opposed to the 20-week way out?

Ms. HERNANDEZ. Could I respond?

Mr. GREEN. Please.

Ms. HERNANDEZ. First of all, the work that we do is not 20-minute work. Our average counseling session is 60 minutes, and that's at the consumer's choice. We can complete that process in 60 minutes.

We, as I mentioned, when Congressman Cleaver was asking, what works, we're very focused on what keeps the homeowner in the home and helps them avoid foreclosure. Seventy percent of the time, our people stay in the home a year later, and avoid foreclosure. So we are completely committed to resolution in our model set.

And so there is an intake function that is our call center, but what is not being clear here is that, from the call center, we transfer people, we—if the consumer wants to talk to a face-to-face counselor, and that's their choice, then we transfer them immediately. We don't bill anybody for that. We're not competing with that.

We're saying to the consumer, "What do you want?" And if they want face-to-face—10 percent of the time they do—then we connect them, if there is somebody in their community who offers that service.

Mr. GREEN. Ms. Hernandez, permit me to ask, and this is only for edification purposes, if you take 60 minutes, let's make it 60 minutes, but when you're finished, you receive about $150 for the Level 1, right?

Ms. HERNANDEZ. Yes.

Mr. GREEN. Now, assuming that the problem is not arrested at this point, the Level 2 is where there may be many more minutes than 60, many more hours.

And the concern that I'm raising is, if we don't do something with the 60-minute process that sort of connects the 60-minute person with the longevity, what we have done is, we're passing the toughest part of this battle to people who are going to receive a lot less in terms of an emolument.

Now, if I'm incorrect, I would like to have someone to help me. Would you like to jump in, Mr. Richardson?

Mr. RICHARDSON. Yes. I would like to—

Mr. GREEN. Please.

Mr. RICHARDSON. —as a coda to that point, I'll say this. We gladly take on that work, because—and hopefully, we'll be able to resolve the compensation issues with NeighborWorks.

But we gladly take on that work, because we are in the household stabilization business. We ask the question, what is the root cause of the foreclosure; is it a job loss; is it a health crisis; is it a family crisis? And we, and La Raza and others, have programs that respond to that.

We try to stabilize the entire situation, and not look myopically at just the question about what caused—

Mr. GREEN. Well, permit me to ask you this: What percentage of your cases start out as Level 1 cases?

Mr. RICHARDSON. Roughly a quarter.

Mr. GREEN. So 75 percent do not start out as Level 1?

Mr. RICHARDSON. Correct.

Mr. GREEN. See, listen, now. We're talking about fundamental fairness at this point. If 75 percent of your cases don't start out as Level 1, then I have in my mind a concern with reference to whether or not you should be getting the other 75 percent of that Level 1 business, as well.

We want everybody to be treated fairly. That's all that I'm trying to raise now. And I think Ms. Bowdler, I think you initiated this.

What percentage of your business is Level 1?

Ms. BOWDLER. How many do we get referred from the hotline?

Mr. GREEN. Yes.

Ms. BOWDLER. That I don't actually know. I think a larger portion of ours probably come in the door straightaway.

But we get a lot of—we have heard a lot of complaints and issues around Spanish language capacity. So we have a lot of overflow of folks who weren't able to get Spanish language service from other places. So we have to start over at Level 1 with everybody.

Mr. GREEN. I believe you start at Level 1, but you're not compensated at Level 1.

Ms. BOWDLER. Right, that's right.

Mr. GREEN. Okay. So I'm really looking at a compensation issue now.

Ms. BOWDLER. That number, I'm sorry, I don't know off the top of my head, but I can get it to you.

Mr. GREEN. Okay.

Madam Chairwoman, my time is up, but I can sense that there is a fairness and equity issue that we have not quite addressed appropriately, and I'm not sure where we go, but I can sense it.

Chairwoman WATERS. Mr. Green, I think you're right, and we have been trying to get at that, because we're unveiling information that we simply did not understand or know prior to today. I think it's becoming clearer to us what is happening.

Like I said, we want good counseling. We want everybody to be involved. But there appears to be something here that we're going to have to correct, and namely, one of the things that I see is precisely what you're getting at, and that is, it appears that one agency that's getting the referrals is getting paid for the Level 1. I don't know whether they're spending 20 minutes or 1 hour, or they're referring to the servicer with no followup, and they're getting paid.

They're showing back up, perhaps, are the ones who are taking them from start to finish, or putting more time, more work in. But certainly, when they show back up, they're not getting the Level 1 $150.

One more question, if I may, and that is, I would like to know, Ms. Hernandez, where do you get your 70 percent? And tell me—I'm told by my staff that somehow you're relying on RealtyTrac to help you come up with these numbers. How do you do that?

Ms. HERNANDEZ. No, not RealtyTrac, the credit bureaus. So this was a study done by our affiliate, Consumer Credit Counseling Services of Atlanta on 21,234 people that they counseled through the HOPE Hotline with comprehensive counseling in 2007.

They took that case file, they fast-forwarded a year, and they looked at credit bureau statistics to say, "Have you in fact gone through foreclosure?" Then they also bumped that data up against the address, up against RealtyTrac, to see if, in fact, the address a year later was the same as the address the client reported.

So their data, that it was in fact 71 percent were still in their homes, and had avoided foreclosure, came from credit bureaus, so that foreclosure shows up on the credit report, and it did not show up on these credit reports.

Chairwoman WATERS. Our information says after 1 year, they collected data from credit bureaus and RealtyTrac.

Ms. HERNANDEZ. Yes. So that's what I—

Chairwoman WATERS. Well, I want to know, what role did RealtyTrac play?

Ms. HERNANDEZ. The RealtyTrac was just the address, so if a client reported, "I'm at this address when I'm counseled," and a year later, am I still at the same address, did that address go through foreclosure, that's what RealtyTrac tracks.

Then we would know from that part of the database whether or not the property had gone through foreclosure, but we know from the homeowner, from their credit bureaus, that they did not go to foreclosure, they avoided foreclosure, they were still in their homes.

Chairwoman WATERS. We're going to have to take a look at this.

Ms. HERNANDEZ. We welcome that.

Chairwoman WATERS. The calculation of data. Yes. I'm sorry. We have held you here for a long time.

And Mr. Cleaver, did you have any last questions that you would like to ask?

Mr. CLEAVER. No.

Chairwoman WATERS. Let me just say to our panelists today, thank you so very much. Don't forget, we're committed to strengthening counseling. None of us here are afraid to ask for money. We want to do that.

But we have to make sure that we have fairness in the system, we have to make sure that we're not simply a referral agency going back to the same people who have been collecting the fees and doing the foreclosures to begin with.

Don't forget, we're talking to servicers, and we don't want to just leave people in the hands of servicers and not follow it through, and know whether or not, for sure, without relying on data that's coming from places that, you know, we can't really confirm.

Based on our own work, we want to know whether they got a modification or not.

And so I'm going to try and lead this committee through changing some of the rules of this game so that everybody has access, everybody's getting paid. I would like to see you get more money.

But I'm not so sure about this Level 1, 2, 3, stuff. I want people who know how to do it, and know how to get those loan modifications and not simply refer people and leave them in the hands of servicers.

So thank you so much for being here today. We look forward to working with you.

Ms. KEATING. Thank you very much.

Chairwoman WATERS. The Chair notes that some members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 30 days for members to submit written questions to these witnesses and to place their responses in the record.

The panel is now dismissed. Thank you very much.

Before we adjourn, the written statement of the following organization will be made part of the record of this hearing: The Housing Partnership Network.

The hearing is now adjourned. Thank you very much.

[Whereupon, at 5:13 p.m., the hearing was adjourned.]

A P P E N D I X

May 13, 2009

NCLR
NATIONAL COUNCIL OF LA RAZA

Significance of Housing Counseling in Stabilizing Minority and Latino Homeownership

Presented at:

Hearing on "The Role of NeighborWorks and Housing Counseling Intermediaries in Preventing Foreclosures"

Before:

Subcommittee on Housing and Community Opportunity
United States House of Representatives

May 13, 2009

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My name is Janis Bowdler, and I am Associate Director of the Wealth-Building Policy Project at the National Council of La Raza (NCLR). NCLR is the largest national Hispanic[1] civil rights and advocacy organization in the United States, dedicated to improving opportunities for Hispanic Americans. I oversee our research and advocacy on issues related to increasing financial security and asset ownership for Hispanic families. While at NCLR, I have published on a number of issues important to the Latino community, including *Saving Homes, Saving Families: Hispanic Brokers Speak Out on Latino Homeownership* and *Jeopardizing Hispanic Homeownership: Predatory Practices in the Homebuying Market,* and provided expert testimony before the U.S. House Financial Services Committee on several occasions, as well as before the U.S. Senate Committee on Banking, Housing, and Urban Affairs and the Board of Governors of the Federal Reserve. In addition, I have served as a technical assistant to grantees of the NCLR Homeownership Network. Prior to coming to NCLR, I worked for a large community development corporation (CDC) in Cleveland, Ohio, as a Project Manager developing affordable housing. On behalf of NCLR, I would like to thank Chairwoman Maxine Waters and Ranking Member Shelley Moore Capito for inviting us to this hearing.

For more than two decades, NCLR has actively engaged in relevant public policy issues such as preserving and strengthening the Community Reinvestment Act (CRA) and the Home Ownership and Equity Protection Act (HOEPA), supporting strong fair housing and fair lending laws, increasing access to financial services for low-income people, and promoting homeownership in the Latino community. For the last 11 years, NCLR has been helping Latino families become homeowners by supporting local housing counseling agencies. The NCLR Homeownership Network (NHN), a network of 51 community-based housing counseling providers, works with more than 40,000 families annually and nurtured more than 25,000 first-time homebuyers in its first decade. Recently, our focus has shifted to helping families keep their homes. In addition, NCLR was awarded a Housing Counseling Training grant by the Department of Housing and Urban Development (HUD) to provide training and certify housing counselors nationwide in 2008. Our subsidiary, the Raza Development Fund (RDF), is the nation's largest Hispanic community development financial institution (CDFI). Since 1999, RDF has provided $400 million in financing to locally based development projects throughout the country. This work has substantively increased NCLR's institutional knowledge of how Latinos interact with the mortgage market, their credit and capital needs, and the impact of government regulation on financial services markets.

Right now, Latino communities are watching a generation of wealth acquired through homeownership slip through their fingers. It will take years to fully understand the implications of our current foreclosure and economic crisis, but it is clear that Latino, minority, and immigrant communities are among the hardest-hit Americans. Their ability to enjoy a secure retirement, send their children to college, and weather financial emergencies is in severe jeopardy. Nonprofit housing counseling agencies are on the frontlines of providing assistance to our families. Yet, support for this work has not kept up with demand. We hope Congress will commit to strengthening the counseling infrastructure and ensure these services are more widely available to combat foreclosures and help future homebuyers avoid common lending traps.

[1] The terms "Hispanic" and "Latino" are used interchangeably by the U.S. Census Bureau and throughout this document to identify persons of Mexican, Puerto Rican, Cuban, Central and South American, Dominican, and Spanish descent; they may be of any race.

Several members of this Committee have long championed the work of housing counselors, and we thank you for your support. In particular, we would like to thank Chairwoman Maxine Waters (D–CA) and Representatives Nydia Velázquez (D–NY), Ruben Hinojosa (D–NY), and Judy Biggert (R–IL) for their continued support, as well as Chairman Barney Frank (D–MA) and Representative Spencer Bachus (R–AL) for their leadership in this area.

In my testimony today, I will discuss NCLR's work in the housing counseling field, the important role of housing counseling intermediaries, and the strengths and weaknesses of the National Foreclosure Mitigation Counseling program. I will close with a series of recommendations.

Background

For decades, many of us have worked together to build wealth in Latino and other underserved communities. Like all Americans, Latinos rely on homeownership to build wealth for their long-term financial well-being. Unfortunately, the mortgage market did not serve the Latino and immigrant communities well. Hispanic and immigrant borrowers often have unique profiles, including lack of traditional credit history, multiple co-borrowers, and cash income, which makes them unattractive to lenders who rely heavily on automated underwriting. While prime lenders, the Federal Housing Administration (FHA), and the Veteran's Administration (VA) offered loans that could accommodate these families, most lenders referred hard-to-serve borrowers to their subprime affiliates or simply did not market themselves in certain communities. This created a vacuum that subprime and predatory lenders quickly filled. Reckless and deceptive lending has now led to record-high foreclosure rates in Latino and minority communities. Research shows that Latinos are 30% more likely than Whites to receive high-cost loans when purchasing their homes.[2] As a result, as many as 400,000 Latino families are at risk of losing their homes to foreclosure this year alone.[3]

Responding to early warning signs, NCLR engaged in a number of efforts to better understand how to prevent foreclosures among Hispanic and immigrant households. Three years ago, NCLR began providing advanced foreclosure prevention training for NHN housing counselors through a partnership with the National Consumer Law Center. Last year, NCLR launched the NCLR Home Rescue Campaign to help community-based organizations address the rising rate of foreclosure. The campaign features funding for foreclosure prevention counseling, a Home Rescue Fair pilot program, and a tool kit on foreclosure prevention for community-based organizations. NCLR also helped form the Alliance for Stabilizing Our Communities in partnership with the National Urban League (NUL) and the National Coalition for Asian Pacific American Community Development (National CAPACD) with support from Bank of America. The Alliance works to expand the capacity of minority- and immigrant-serving nonprofits to combat the effects of foreclosures.

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[2] Debbie Gruenstein Bocian, Keith S. Ernst, and Wei Li, *Unfair Lending: The Effect of Race and Ethnicity on Price of Subprime Mortgages* (Durham, NC: Center for Responsible Lending, 2006).
[3] *Projected Foreclosures to Latinos by State* (Durham, NC: Center for Responsible Lending, 2009).

Community-Based Foreclosure Prevention Responses
Housing Counseling Intermediaries

The HUD Housing Counseling Program funds more than a dozen housing counseling intermediaries, of which NCLR is one. Intermediaries are designated and approved by HUD to distribute HUD housing counseling funds to their networks based on work plan goals and outcomes. These organizations compete for funding each year, and awards are based on the quality of counseling work, quantity of clients seen, past performance, demand for services, depth and breadth of the delivery network, and other criteria. NCLR has been a HUD intermediary for more than 11 years and is the only such network to focus principally on the Latino community.

Housing counseling intermediaries play a crucial role in the housing counseling field. Intermediaries work closely with HUD to expand the availability of counseling services to new communities and identify the needs of communities and the nonprofits that serve them. The intermediaries provide leadership in four specific areas, strengthening the counseling field and improving the quality and professionalism of counseling services.

- **Quality control:** Intermediaries are responsible for ensuring that the organizations they fund comply with HUD standards, as laid out in the *HUD Housing Counseling Program Handbook.* In most cases, intermediaries enforce professional and ethical standards above those called for in the handbook. NCLR is one of several national intermediaries that sits on the NeighborWorks Counseling and Homebuyer Education Committee (NCHEC) and worked to develop industry standards for homeownership counselors and educational professionals. These standards have been endorsed or adopted by more than 700 national and local counseling agencies and funders across the country.[4] All HUD-certified agencies are audited biennially. Should a HUD intermediary's grantee fail an audit, funding for their entire network would be jeopardized.

- **Training and capacity-building:** Intermediaries work closely with their networks to train new staff on proper counseling materials, technology, reporting requirements, and management techniques. This is an important part of ensuring that HUD standards are met. However, it is also critical to helping organizations remain stable over time. NCLR's work with counseling agencies helps to smooth transitions in times of leadership or staff turnover, plug gaps in funding, introduce new partnerships, and expand services to additional localities. As a result of our approach, NCLR has helped to open more than 16 housing counseling programs in as many states—almost a third of our housing counseling network. This has been especially critical to communities in the Southeast and Midwest where the Hispanic population has been growing rapidly, but where few agencies have the capacity to provide bilingual services.

- **Partnerships:** Intermediaries have played a leading role in crafting partnerships that have become models for the counseling industry. For example, NCLR, NeighborWorks America, Housing Partnership Network, and ACORN Housing worked together to push lenders to pay agencies for well-counseled borrowers, who have been shown to default

[4] To review standards, visit: http://www.homeownershipstandards.com.

less than similarly situated peers though less informed peers. We came together again to share information and models for dealing with foreclosures, partnering with servicers, and combating the foreclosure crisis. We are particularly proud of the Alliance for Stabilizing Our Communities. As a result of our collaborative work, counseling agencies in our network have greater access to funding, exclusive mortgage products, and streamlined approaches to foreclosure mitigation.

- **Technology and product development:** The national intermediaries have pioneered counseling technology that is now widely available to all counseling agencies. The two major technology platforms—Home Counselor Online and CounselorMax— have continued to evolve to allow counselors to better evaluate each borrower's or homeowner's financial circumstances. The counseling intermediaries have also worked closely with mortgage lenders to develop home loans that meet the needs of clients without sacrificing sound lending principles. Last year, NCLR introduced new origination technology to our network that will increase the efficiency of lending to our low- and moderate-income clients.

NCLR Homeownership Network

NCLR has been creating homeownership opportunities in low- and moderate-income Latino communities for more than 11 years. Housing counselors play a crucial role as independent, third parties that offer unbiased information and advice to homebuyers, renters, victims of predatory lending, and families facing a financial emergency. NHN counselors emphasize one-on-one counseling—in person whenever possible—that has been shown to be a more effective way to generate positive outcomes for Latino families.[5] This approach helps the family feel more comfortable, allows them to have private questions answered, and gives the counselor the opportunity to evaluate their situation and develop tailored solutions for the family's personal finances. We have used this proven methodology to help thousands of families secure their first homes. As the foreclosure crisis hit, we began applying the same approach to homeowners at risk of foreclosure. Over the last 12 months we have counseled more than 7,500 homeowners facing foreclosure, a 250% increase from the previous year, the vast majority of which are families that never received homeownership counseling before they purchased their homes.

Our approach is not without its costs. On average, it takes NHN counselors 15 hours to help a family through the foreclosure prevention process. Counselors use this time to establish a family budget, evaluate the client's mortgage and financial circumstances, draft a hardship letter, and negotiate with the servicer on the family's behalf for an affordable mortgage. The hours spent per client can quickly exceed this average when mortgage servicers are unresponsive, causing counselors to have to resend workout packets[6] multiple times, or when mortgage servicers do not

[5] Ryan M. Johnson, Elsa Macias, *Home to Own. A New Model for Community-Based Low-Income Mortgage Lending.* (Arizona: Morrison Institute for Public Policy, 1995). See also: Brenda Muniz, *Financial Education in Latino Communities: An Analysis of Programs, Products, and Results/Effects.* (Washington, DC: National Council of La Raza, 2004). Janis Bowdler, *Financial Literacy and Education: The Effectiveness of Governmental and Private Sector Initiatives.* (Washington, DC: National Council of La Raza, 2008); and Eric Rodriguez, *Licensing and Registration in the Mortgage Industry.* (Washington, DC: National Council of La Raza, 2005).

[6] Workout packets usually include a borrower's expense budget, bank statements, proof of income, hardship letter, and request for loan modification, pre-foreclosure sale, or deed-in-lieu.

have bilingual staff and counselors are asked to interpret calls and translate documents. NHN counselors focus on in-depth counseling sessions which ensure that at-risk homeowners understand all of their options, find the best possible resolution, and get connected to other resources such as job training, mental health, and family counseling. For this reason, we do not focus on phone counseling or providing referrals. We keep our clients in-house and counsel them until a resolution is met.

To augment the services provided by our network, NCLR has established strategic partnerships with mortgage servicers to generate marketing, outreach, and funding opportunities. For example, NCLR, NUL, and National CAPACD have launched the Alliance for Strengthening Communities campaign with Bank of America. This campaign includes funding to hire housing counselors in areas hard hit by the foreclosure crisis, marketing and outreach materials for Home Rescue fairs that can reach borrowers in the early stages of default, and funding to distribute a tool kit on community-based responses to the foreclosure crisis. Our Home Rescue Fairs have drawn crowds of up to 1,000 people who are seeking foreclosure prevention assistance. This program has helped NCLR build capacity in areas of need and promote crucial services that will help many families save their homes from foreclosure. NCLR has also established a partnership with Ocwen Financial Corporation, a leading servicer of subprime mortgages. This partnership is designed to protect the significant financial investment made by low-income families when they purchased a home as well as to support nonprofit counseling agencies that serve these families. NHN agencies and Ocwen jointly promote foreclosure prevention services for families with delinquent mortgage loans being serviced by Ocwen. Funding is provided to NHN agencies to market foreclosure services, and agencies are reimbursed for their work with each client.

The demand for foreclosure prevention assistance is on the rise. This is due in part to the success of the NCLR counseling model. Word-of-mouth referrals generate the majority of our new clients. New initiatives launched by Congress, HUD, and the presidential administration, have also sparked demand.[7] We are concerned, however, that demand is outpacing capacity. More than one-third of our agencies report that they are routinely forced to turn families away because they do not have the capacity to serve them. Without a robust counseling system that can provide in-person, one-on-one counseling, we fear that families will not be able to access foreclosure prevention solutions or will fall prey to foreclosure rescue scam artists.

National Foreclosure Mitigation Counseling Program

Last year, in response to the foreclosure crisis, Congress and the administration authorized two rounds of $180 million for a National Foreclosure Mitigation Counseling (NFMC) program. This funding was allocated to NeighborWorks America for quick and efficient turnaround to community-based housing counseling agencies. NeighborWorks successfully awarded grants to 130 community-based organizations within 60 days of the legislation's approval, as required by

[7] The Neighborhood Stabilization Program requires borrowers purchasing a foreclosed property that has been rehabilitated under the program to first complete homebuyer counseling. The administration's Home Affordable Modification plan requires struggling homeowners with a debt-to-income ratio above 55% to meet with a housing counselor before their modifications can be approved. Counselors must be trained in all of the different program areas to properly assist families.

the statute. Funding was also used to expand NeighborWorks's training program to certify housing counselors in foreclosure prevention methods.

NeighborWorks is one of NCLR's partner HUD intermediaries. NCLR sits on the NeighborWorks Center for Homeownership Education and Counseling (NCHEC) Advisory committee, and we often work together to shape public policy and provide information to stakeholders on the role and needs of nonprofits. We are reluctant to be put in a position where we may appear to be critical of a partner; however, we need to express our concerns about the challenges that community-based organizations have had with the implementation of the NFMC program. In particular, NCLR has five major concerns:

- **NFMC reporting requirements created challenges and additional expenses.** The NFMC reporting requirements are far more complex than the HUD reporting requirements for the housing counseling program. While we welcome a high level of accountability and data collection, these requirements were not clear at the outset of the granting period, nor is it clear now that there is a need for the additional requirements. The 42 data-point collection for each client is burdensome. This reporting has taken time away from counselors, disrupting their focus on counseling. For many agencies, hiring additional support staff to assist with data collection and reporting has been necessary to maintaining client services. In addition, the major technology systems employed by the majority of counseling agencies took several months to update, thus counselors were unable to capture the new reporting fields for the first four months of the program. As a result, many organizations were forced to report far fewer sessions than were actually completed and therefore earned far less income than expected. For example, for our first quarter of reporting to NFMC, NHN agencies reported nearly 2,000 clients to HUD, but only 465 clients to NFMC. This caused a delay in much-needed funding for our community-based organizations and spread disillusionment with the program. Furthermore, NHN agencies necessitated extensive technical assistance, and NCLR's operating costs for administration of the NFMC program increased by 40%.

- **NFMC does not incentivize in-depth foreclosure counseling.** NFMC's elaborate fee structure does not prioritize in-person, one-on-one foreclosure prevention counseling, which is shown to produce better outcomes among Hispanic families. Grantees earn fees for each level of counseling (see chart below). Because Level 1 is so much easier to complete, the fee structure creates an incentive to focus on providing information and referrals, which are not the heart of effective housing counseling. For groups to be paid for providing Levels 2 and 3, they must help secure a resolution for the homeowner at risk of foreclosure, which may take many months. Thus, because fees are paid on a reimbursement basis, many of our agencies are not paid the amount that they are expecting on a quarterly basis, despite having completed hours of negotiations with servicers. NeighborWorks reported that 70% of its first round of funding went toward Level 1, 8% to Level 2, and 22% Level 3. The fee structure perversely encourages Level 1 counseling and discourages the in-depth foreclosure counseling that is most likely to actually help families save their homes.

Level 1	Counselor conducts general intake, gathering initial information about the borrower, then refers the client for Level 2 counseling. This may take 20 minutes or up to one hour.
Level 2	Counselor verifies the client's information and provides loss mitigation services, such as negotiating with the servicer, working to secure a modification or other resolution.
Level 3	Counselor successfully completes the loss mitigation process with the client and has secured a resolution. This takes an average of 15 hours per client and can take between three and six months or longer to complete.
Level 4 (new level for Round 2)	Counselor helps the client to secure a modification or refinance according to the Making Home Affordable plan.

- **Funding was not targeted to build capacity.** Prior to what most agree is the worst housing and economic downturn in a generation, housing counseling programs were focused on helping first-time homebuyers. To meet the increased demand for foreclosure prevention counseling services, housing counseling agencies had to shift gears, hire and train staff, and market their new services to the community. The difficulty of this cannot be underestimated. In many cases, agencies were trying to create awareness among a new segment of their local markets—households that had not previously relied on nonprofits or attended counseling. Many agencies have struggled to reach families before their options have run out. NFMC provided a small amount of funding to mitigate this situation, but did not focus on building the capacity necessary to fully meet the demands of the crisis. A better approach would have been to dedicate a larger portion of the overall funding to developing capacity in foreclosure hot spots while also negotiating with servicers to pay housing counselors for their services.

- **The program lacks a long-term perspective.** To participate in the NFMC program, housing counseling agencies had to project the number of foreclosure counseling sessions they would provide and be reimbursed for. If their projections were wrong, the organizations ran the risk of budget deficits. Further complicating the calculation, NFMC failed to make clear whether there would be additional rounds of funding—a problem that continues in the field. Many agencies chose not to hire new staff until they were sure they would not have to lay off their employees due to a lack of funding. NCLR surveyed its network eight months after the implementation of the NFMC program, and found that 60% of NHN agencies need additional counselors, but do not have the funds to hire. Moreover, because of their experience with the first round of funding, NHN organizations generally have underestimated the number of foreclosure counseling sessions and requested less funding in an effort to minimize the risk of budget deficits in the second round of NFMC funding. The combination of the lack of upfront funding, reporting complications, and uncertainty of additional funding caused challenges for community groups to expand their staff and capacity in a meaningful way.

- **Funding did not appropriately target minority communities hit hard by predatory lending.** While Blacks, Hispanics, and Asians make up 32% of the total U.S. population, they represent at least 55% of individuals living in poverty, according to the United States Census,[8] and a larger portion of the low- to moderate-income population at risk of foreclosure. In addition, minority communities were twice as likely as non-minorities to be sold damaging subprime products. For example, 53% of mortgage loans to Blacks and 47% to Hispanics were subprime, compared to only 26% of loans to Whites in 2006.[9] Data for Asian Americans are only available on an aggregate basis and therefore mask the projected disproportionate number of high-cost loans to subpopulation groups that have higher rates of limited English proficiency or are more recently immigrated. We also know that the percentage of Native Hawaiians and Pacific Islanders receiving high-cost loans is 33%, exceeding the national average. If NFMC services were equitably targeted to low- and moderate-income populations disproportionately affected by the subprime foreclosure crisis, one would expect at least two-thirds to as much as three-quarters of recipients to be racial and ethnic minorities. The fact that 52% of families counseled so far are minorities is simply inadequate. As an organization with a public purpose and heavily funded by the federal government, NeighborWorks's target population should be low- and moderate-income families and underserved communities.

Investing in minority-serving institutions is about more than just the number of families served. Research and experience have shown that cultural competency is critical when reaching minority and immigrant populations. Community-based organizations located in the neighborhoods they serve have established relationships with local leaders and have their pulse on community needs. They are often the first point of contact for struggling families. By not investing in these organizations, NFMC is leaving behind entire neighborhoods that rely on them. Moreover, mainstream organizations often lack bilingual and bicultural staff necessary for fully meeting the needs of immigrant households. In a forthcoming publication, the Reinvestment Fund found that of 31 counseling agencies claiming to provide foreclosure counseling in Spanish, only 13 could actually do so when a secret shopper requested such services.[10] Finally, we also point out that as federally funded programs, the HUD Housing Counseling Program and NFMC are required to ensure that their services are fully accessible to language minorities as stated in Executive Order 13166, Improving Access to Services for Persons with Limited English Proficiency.[11] It is far

[8] These percentages are based on the poverty universe reflected in the "Annual Social and Economic Supplement," in the U.S. Census Bureau's *Current Population Survey*. The *Current Population Survey* is an annual survey of approximately 78,000 households nationwide. The poverty universe does not include unrelated individuals less than 15 years of age living in households.

[9] Wilhelmina A. Leigh and Danielle Huff, *African Americans and Homeownership: The Subprime Lending Experience, 1995 to 2007*, November 2007 (Washington, DC: Joint Center for Political and Economic Studies, 2008), 5.

[10] Ira Goldstein and Cathy Califano, *Impacts of Changes in the Home Mortgage Market on Hispanic Homeowners in Pennsylvania and Delaware*. A study by the Reinvestment Fund for the Federal Home Loan Bank of Pittsburgh and the Pennsylvania Housing Finance Agency, 2009.

[11] Clinton B. August 11, 2000. Improving Access to Services for Persons with Limited English Proficiency. Executive Order 13166. http://www.usdoj.gov/crt/cor/Pubs/eolep.php. Accessed May 2008.

from clear that NFMC, as currently administered, complies with this executive order. It is critical that our housing counseling infrastructure reflect all of America's communities and that efforts be made to build capacity and support institutions in historically underserved areas.

Recommendations

- **Improve services to minority and underserved communities.** In its report to Congress, NeighborWorks did not disaggregate its data by race and ethnicity, geography, and language. Doing so would shed more light on actual services provided to vulnerable communities and hold counseling providers accountable for serving all populations. We also recommend that an analysis be completed of any unspent, uncommitted funds. Available funds should be reprogrammed as appropriate to target organizations serving minority communities and hard-hit localities.

- **Create incentives for outcome-based counseling.** The NFMC fee structure should be retooled to prioritize in-person, one-on-one counseling, which has been shown to be most effective. An overreliance on intake and referral will lead to thousands of struggling homeowners stuck in the front end of the system with insufficient capacity at the back end, where foreclosures actually can be averted.

- **Increase funding support for housing counseling to $500 million.** We recommend that the House Financial Services Committee dramatically increase the authorization for housing counseling and that a portion of the funding be set aside for foreclosure prevention counseling. In addition, NCLR calls on industry leaders to support the foreclosure intervention services through funding and partnerships.

- **Create a robust national campaign against foreclosure**. The federal government and private stakeholders, such as lenders, servicers, and counselors, must come together to launch a national campaign that would combine social awareness, emergency assistance, and strong enforcement against fraudulent rescue scams. Public Service Announcements (PSAs) in various media and languages can build awareness of what to do in the case of mortgage delinquency and where to turn for help. The campaign should also direct families to HUD counseling services in their neighborhoods for further assistance.

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House Financial Services Committee

Statement of Lisa Hasegawa, Executive Director of the
National Coalition for Asian Pacific American Community Development
(National CAPACD)

Testimony Before the Subcommittee on Housing and Community
Opportunity of the House Financial Services Committee

May 13, 2009

Thank you, Chairwoman Waters, Ranking Member Capito and members of the House Financial Services Committee Subcommittee on Housing and Community Opportunity, for inviting me to testify on the "The Role of NeighborWorks and Housing Counseling Intermediaries in Preventing Foreclosures".

I want to particularly thank Chairwoman Waters and members of this subcommittee for your leadership on ensuring that communities that have faced disproportionate impacts of the foreclosure crisis and economic downturn receive equitable attention, support and resources, and for acknowledging the unique role that our organizations such as National CAPACD and our members have in reaching those that are most vulnerable – recent immigrants and refugees, people who are limited English proficient and Native Hawaiians and Pacific Islanders.

My name is Lisa Hasegawa and I serve as the Executive Director of the National Coalition for Asian Pacific American Community Development, (National CAPACD). Founded ten years ago, the National Coalition for Asian Pacific American Community Development is the first national policy advocacy organization dedicated to addressing the housing and community development needs of the diverse and growing Asian American and Pacific Islander (AAPI) communities in the United States. Our mission is to be a powerful voice for the unique community development needs of AAPI communities and to strengthen the capacity of community-based organizations to create neighborhoods of hope and opportunity.

The strength of our policy analysis and advocacy comes from the knowledge and insight of our network of over 100 member organizations, including community development corporations, preservation agencies, social service providers and advocacy groups, as well as national intermediaries and financial institutions. Working in over 17 states, our members implement innovative affordable housing, community development and community organizing strategies to improve the well-being of low-income AAPI communities. Our network is comprised of local community based agencies representing a diverse constituency including the wide diversity of Asian Americans, Pacific Islanders, Native Hawaiians, refugees, immigrants, and low-income families of all ethnicities.

National CAPACD works to address four core issue areas – Access to Housing, Data Policy, Economic Justice and Community Preservation and Revitalization. Our members respond to a wide range of cultural and linguistic complexities while dealing with housing and community development issues, human service needs and the civil liberties threats facing AAPI communities.

On behalf of the members of the National Coalition for Asian Pacific American Community Development (National CAPACD), I am here today to bring attention to serious structural barriers that we believe have and will continue to prevent Asian American, Native Hawaiian and Pacific Islander (AAPI) communities from accessing resources to respond to the continuing foreclosure crisis. We have been working with Neighborworks, Homeownership Preservation Foundation, Freddie Mac, and a number of financial institutions on our coordinated foreclosure response effort. We have greatly appreciated the partnership and support from the National Council of La Raza, the National Urban League and Home Free USA in both programmatic and strategic systems change efforts.

Together with our members, National CAPACD is well positioned to educate and support AAPIs at risk for foreclosures and rescue scams in the short term, and is committed to ensuring access to credit and a comprehensive asset building infrastructure for the long term. Just six months ago, we were able to form the national AAPI Foreclosure Response Network, a group of National CAPACD member organizations that are providing foreclosure services to their ethnic communities, but were not able to access any federal resources for these services because they did not fit the criteria of what the NFMC program typically would fund. National CAPACD, with support from Bank of America, Countrywide and Freddie Mac, was able to provide pass through grants to our member organizations so that they could build their capacity to serve their communities directly in the area of foreclosure and mitigation counseling services. This partnership with Bank of America, which includes the National Council of La Raza and the National Urban League and is called the Alliance for Stabilizing our Communities (ASC), has allowed our member organizations to have the crucial access to resources so that they can respond to the foreclosure counseling needs of their communities immediately. (See Attachment A for 2009-2010 plan). Bank of America has recognized the vital importance for trusted community-based entities to conduct the targeted outreach to communities of color that are at-risk of foreclosure. The ASC has allowed National CAPACD and our members to do what we do best – provide in-language and culturally appropriate services, and we expect to see positive outcomes for the families and communities affected by foreclosure because of this strategic investment. We plan to continue to work with Fannie Mae, Freddie Mac, financial institutions and federal agencies to engage them in further commitment to ensure that new loan products and federal initiatives are equally accessible to API borrowers, including the Making Home Affordable program, which currently does not provide materials or services that are accessible to LEP borrowers. The long-term outcomes of the National AAPI Foreclosure Response Network will also be able to ensure that low and moderate AAPIs are credit-ready borrowers who are prepared to participate in local NSP efforts, and remain in their homes.

UNMET NEED

We estimate that $6,446,424,000 in loans is at risk of foreclosure in AAPI communities. Subprime loans among Asian Americans almost tripled between 2004 and 2005. Native Hawaiians and Pacific Islanders have significantly higher percentages of high cost loans than the general population. Overall, the percentage of high cost loans to AAPIs is comparable to their percentage of the U.S. population. Lending disparities for Asian Americans and Pacific Islanders have also been documented across the country. In specific metropolitan statistical areas in California, Massachusetts, Nevada, Wisconsin, New Jersey, Hawaii, Minnesota and Washington, Asian American borrowers were significantly more likely to receive a high cost loan than White borrowers. There are significant AAPI populations in at least 25 of the areas of greatest need identified by NeighborWorks America (NWA), and also in several of the states that have rural areas of greatest need, most notably Hawaii, Minnesota, North Carolina and California.

Like other communities of color, many factors contribute to AAPI families being given high-cost loans. Few banks have bilingual, bicultural staff or offer information about the home-buying process for AAPI immigrant communities. Borrowers with limited understanding of credit and financial institutions and limited credit histories can be penalized, or treated inequitably, by traditional mortgage lending processes, even if they may be creditworthy. There are still very few linguistically and culturally competent housing counselors and financial education programs that specifically target our diverse communities, though we have worked hard over the past several years with Neighbor Works America and other financial institutions to change this fact. A successful model initiated by a financial institution that provides culturally-appropriate educational materials is Freddie Mac's CreditSmart Asian, which is available in multiple Asian languages, and was created in partnership with community-based organizations that serve AAPI and LEP communities.

More recently, the Federal Reserve Board found that there were several Asian sub-populations who were most adversely impacted by the foreclosure crisis. The Hmong community in the Minneapolis-St. Paul metropolitan area have higher current interest rates, are much less likely to be current on their loans. The data has also shown that Hmong families with sub-prime loans are more likely to be in ARMs and in REO than subprime loans in the metro as a whole. A recent study by Chhaya CDC, a member organization of National CAPACD, found that in certain sections of Queens, NY, fifty percent of homes in pre-foreclosure are owned by South Asian immigrants. Finally, in cities with the highest absolute presence of distressed loans across California, the Filipino community has held the highest number of distressed loans in AAPI concentrated communities.

The federal National Foreclosure Mitigation Counseling program currently **excludes** the vast number of CBOs that have the language and cultural expertise to reach diverse AAPI communities across the country. This is due to the fact that the NFMC program is structured to only fund organizations with high-capacity, and a long established history of foreclosure counseling. Many of National CAPACD's member organizations serve the communities in need, but are still in the process of building their foreclosure counseling programs. There has not been any systematic effort to outreach to AAPI communities via ethnic media or in formal communications in AAPI languages to encourage AAPIs to contact their lenders. There has been no systematic information dissemination to community based organizations serving AAPIs about how to assist or advise clients facing foreclosure. CBOs are often not compensated for providing interpretation or translation by organizations receiving funding for providing counseling services in their area. We are concerned that all of these factors will lead to unequal access to credible information about loan modification options and will allow rescue scams to proliferate in limited English proficient communities. A recent example of this occurred with a Hmong American family living in St. Paul, Minnesota. The family sought help from their bank and a non-profit housing counseling agency. Unfortunately, no one has been able to assist because of cultural/linguistic barriers and their particular financial situation which is not amenable to a solution. They were approached by a for-profit rescue company in their community which claimed they would be able to save their home if the family gave $2,900 up front to the company to initiate the modification process for the loan. If the company is unsuccessful in achieving an agreeable modification for the family, the family is still required to pay $900. This information came from a family that is aware of the rescue scams, but is unsure of who is trustworthy to help them in their situation. Further, they are desperate for help, since all other options have failed them. They are in an incredibly vulnerable position.

In light of the nationwide foreclosure crisis, Congress approved significant and needed appropriations to create the National Foreclosure Mitigation Counseling (NFMC) program. The program, focused on the rapid expansion in foreclosure intervention counseling in "areas of greatest need." [1] Given the immediacy of the crisis, that funds are being distributed exclusively to organizations with "demonstrated experience" in foreclosure intervention and loss mitigation counseling, and the grant applications explicitly stated that funds will not be used to establish new housing counseling agencies and new permanent positions that cannot be sustained without NFMC funds.

On the surface, the rationale behind this approach makes sense given the level of urgency. Unfortunately, this strategy will exclude many community-based organizations (CBO) that are best positioned to address this crisis in a culturally and linguistically competent manner with

AAPI communities across the country. These organizations have a proven track record in effectively outreaching to and servicing those in most need. The broader AAPI community is significantly impacted by this regulation because there are few, if any, foreclosure prevention agencies providing culturally and linguistically appropriate services to the 50+ distinct ethnic groups that comprise the AAPI community. We are concerned that the geographic criteria outlined by the NFMC program does not incorporate underserved ethnic communities with high numbers of people who have limited English proficiency.

Because of the lack of outreach, AAPIs facing foreclosure may not be coming to the organizations with the language capacity and cultural competency to help them. This means that the vast majority of AAPI CBOs have had very limited resources to provide the necessary outreach and education to their communities. Without access to the resources provided by NFMC and the design of the program, AAPI CBOs are limited in their ability to provide foreclosure counseling to serve community members at risk for foreclosures and document the need for these services for AAPIs.

In February 2008, National CAPACD made a number of recommendations to Neighborworks America and are committed to continuing the dialogue to design strategies and solutions to reach AAPIs and other communities of color with culturally and linguistically appropriate information and services. We made every effort to ensure that our member organizations were informed about the NMFC program, the availability of funding, the eligibility criteria, taking proactive steps to link organizations with eligible state housing finance agencies or existing HUD approved intermediaries. Our recommendations for NeighborWorks America to effectively address the foreclosure crisis in the AAPI community included the following:

1. **Commit resources to build capacity of CBOs serving AAPI communities to respond to the foreclosure crisis.** The NFMC Final Funding Announcement dated January 25, 2008 references NWA's authority to grant funding to organizations "with a strong track record of providing homeownership counseling services (not necessarily foreclosure counseling services)" to ensure that there is geographic coverage. In addition to geographic criteria, we urge that NWA take into consideration coverage of underserved communities such as those with Limited English Proficiency. Many CBOs serving a predominantly AA or PI community are eligible for funding under the "Factor 6: Strengthening Capacity" category. We

urge NWA to provide funding for Factor 6 eligible organizations that have counselors who speak Asian languages. We know that there are at least seven HUD certified housing counseling agencies with significant Asian or Pacific Islander clientele and language capabilities, and at least another ten who have successful homeownership counseling programs.

2. **Commit resources to educate the AAPI community about the foreclosure issue.** From numerous discussions with local members and national AAPI organizations, we understand that those at risk for foreclosure may be unaware of the options available to them. We urge that NeighborWorks America partners with National CAPACD and its members to create a comprehensive media and outreach campaign to AAPIs to ensure community members are aware of the issue and the resources available to them.

3. **Ensure that the 1-888-995-HOPE hotline is accessible for AAPIs with Limited English Proficiency (LEP).** With the demand exceeding the capacity of the hotline, we understand NeighborWorks and its affiliates must hire additional staff to respond to the number of calls. This is an opportunity to build capacity to serve LEP AAPIs as required by recipients of federal funds under Title VI of the Civil Rights Act.

4. **Contract with AAPI CBOs to receive referrals from AAPIs who call the hotline and need foreclosure mitigation and prevention counseling.** National CAPACD has a list of AAPI CBOs that have the cultural competency and language expertise to provide foreclosure counseling to their community members and that this expertise is necessary to get essential information and services to our communities.

5. **Provide scholarships to NeighborWorks Trainings on foreclosure prevention and mitigation for staff from AAPI CBOs to become certified foreclosure mitigation counselors.** AAPI CBOs have strong track records providing homeownership counseling but often lack capacity and training to provide counseling on mortgage defaults. A small investment in training for staff from AAPI CBOs would vastly increase the reach of existing foreclosure efforts.

Since last February, we have learned much about what the gaps and challenges are in the existing systems. Additionally, NeighborWorks has provided over 30 training scholarships to National CAPACD and we have a contract with the Homeownership Preservation Foundation to make the HOPE NOW hotline language accessible. These have been small steps forward and we look forward to continuing these partnerships. We also strongly support the recommendations and testimony provided here today by the National Council of La Raza and the National Urban League regarding the importance of the quality and accessibility of counseling and the priority on face to face counseling. Additionally, we also recommend the following:

- Commit resources for case management, translation and interpretation and a system to compensate community based organizations that are not providing direct housing or foreclosure counseling for the service and case management role that they play as trusted messengers to hard to reach populations.

- Ask NeighborWorks and HUD to conduct an assessment of underserved populations whose needs may not be met by the geographically based formulas to determine need.

- Clarify Title VI obligations for Freddie Mac, Fannie Mae and NeighborWorks America and the National Foreclosure Mitigation and Counseling grantees, which includes a prohibition on discrimination based on National Origin or language spoken.

- Look to the health care industry and the U.S. Department of Health and Human Services for models of culturally and linguistically competent care in preventive and primary health care, and the strategies to address minority health disparities, to develop similar strategies at the U.S. Department of Housing and Urban Development.

We stand ready to continue our partnership with federal agencies, intermediaries and financial institutions, and to working with members of this committee on shaping a strategy that ensures that <u>everyone</u> has equal access to information and opportunity, and hope for the future. I look forward to answering any questions that you may have.

Attachment A

NATIONAL CAPACD'S 2009-10 ACTION PLAN FOR AAPI HOUSING/FORECLOSURE COUNSELING NETWORK

Goal: To build a national foreclosure prevention response and counseling infrastructure serving the unique needs of Asian American, Native Hawaiian, and Pacific Islander communities.

Strategies:

1) Building capacity in specific ethnic/language groups that are particularly underserved by the banking industry and mainstream housing counseling agencies including Thai, Tagalog (Pilipino), Hmong, Lao, Bengali, Urdu, Hindi, and Korean
2) Supporting efforts of emerging organizations that were addressing high need areas (Southeast Asians in Minnesota, South Asians in Queens, Filipinos in California, Native Hawaiians and Pacific Islanders in Hawaii)
3) Supporting organizations that have a long-term interest in becoming a HUD Housing Counseling organization.

Tactics:

1) Building a Foreclosure Response Network
2) Building AAPI Capacity through Training and Peer-to-Peer Learning

1) Building a Foreclosure Response Network & Housing Counseling Infrastructure

National CAPACD recognizes the strength of our member organizations who work to mitigate the devastating effects of foreclosures on a day to day basis. **National CAPACD will expand and strengthen the network of community based organizations working in low income and/or limited English proficient AAPI communities by providing support for an ongoing a peer information sharing and problem solving network and technical assistance to strengthen culturally and linguistically competent housing counseling programs.**

National CAPACD's network of local organizations currently includes the following organizations/collaborations:

- National Korean American Service and Education Consortium (NAKASEC) and their two affiliates Korean Resource Center in Los Angeles and Korean Resource and Cultural Center in Chicago
- Chhaya CDC working in the South Asian community in Jackson Heights, NY
- Asian Pacific Policy and Planning Council, a coalition of Los Angeles-based organizations including Search to Involve Pilipino Americans, Thai CDC, Little Tokyo Service Center, and Chinatown Service Center.
- Council for Native Hawaiian Advancement and Hawaiian Community Assets in Hawaii addressing the needs of the Native Hawaiian population
- Hmong American Partnership and Lao Assistance Center in Minneapolis, MN
- Lao Family in Oakland, CA
- Lao Family in Merced, CA
- Asian Community Development Corporation in Boston, MA
- Philadelphia Chinatown Development Corporation in Philadelphia, PA

- Asian Americans for Equality in New York City
- Chinese American Service League in Chicago, IL
- Pacific Asian Consortium on Employment in Los Angeles, CA
- Union of Pan Asian Communities in San Diego, CA
- International District Housing Alliance in Seattle , WA

Members of the Foreclosure Response Network are the first responders to the crisis in hard hit AAPI communities. National CAPACD has conducted a capacity assessment of our member organizations and has identified 7 organizations that are HUD approved housing counseling agencies and are participating in the National Foreclosure Mitigation and Counseling Program through a partnership with National Council of La Raza or their state housing finance agency. Only a handful are receiving any direct funding from HUD and need additional technical assistance to successfully apply for this funding. This grant will support our work with another 10-15 organizations to build their capacity to be HUD approved and/or effectively partner with existing housing counseling organizations by providing them with one on one technical assistance and training opportunities. They are currently providing case management, referrals and interpretation services for foreclosure counseling with mainstream housing counseling agencies, helping to organize "rescue fairs", conduct outreach to ethnic media, and coordinate and conduct housing counseling services. Our intention is to build a 9 state network of HUD approved housing counseling organizations and to apply together to become a HUD housing counseling intermediary, dramatically increasing the stability and capacity of the national housing counseling infrastructure to provide linguistically and culturally competent services to low and moderate income AAPIs.

All of the groups listed above will be connected in a national advocacy network to interface with servicers and mainstream advocacy organizations through the coalition with NCLR and NUL. We are continuing to work with and support this broader network of AAPI organizations by:

- Being a liaison to the National Council of La Raza/National Foreclosure Mitigation Program,
- Coordinating participation of AAPI organizations in local rescue fairs with the National Urban League and the National Council of La Raza
- Building a network of multilingual trained housing and foreclosure counselors and promoting their work to federal agencies, intermediaries and financial institutions
- Providing a clearinghouse of translated materials in AAPI languages
- Provide access to training opportunities for housing and foreclosure counseling staff

2) <u>Building AAPI Capacity through Training and Alliances with Communities of Color</u>

Over the last year we have been working to create a pipeline of multilingual, culturally competent housing counseling and foreclosure mitigation counselors to reach out to AAPI borrowers in need. We created the Alliance for Stabilizing our Communities (ASC), a unified multicultural collaborative between **The National Council of La Raza, the National Urban League, and National CAPACD.** With current support from Bank of America, the collaborative seeks to build a comprehensive approach to creating sustainable and accessible homeownership and financial stability across ethnic communities by:

- Establishing a collective voice that represents communities of color in policy and priorities

- Creating increased capacity and efficiency for greater impact in serving families
- Creating, sharing and promoting best practices that lead to a stronger, comprehensive and diverse delivery of services and solutions in multicultural communities

We are working closely with the National Urban League and the National Council of La Raza to forge a coordinated advocacy response about the impacts of foreclosures and the economic downturn on communities of color. We have already participated in joint efforts to educate and advocate about the disparate impacts of the foreclosure crisis on communities of color by conducting joint congressional briefings, meetings with Neighborworks America, Hope Now Alliance, the Federal Reserve, HUD, Treasury, Freddie Mac, Fannie Mae and servicers. We continue to deepen the relationships and work together with other housing advocates to monitor federal housing recovery efforts and ensure that resources are allocated fairly and serve the needs of API communities and communities of color. We hope to play a leadership role for AAPI communities in ensuring compliance with fair lending and civil rights laws and with support from OSI, we would be better prepared to support or engage in litigation towards these ends. While the Federal Reserve conducted much needed research illuminating the impacts of foreclosures on AAPI communities, more research is needed and we hope to conduct additional research with our local partners to document the impacts of foreclosures and lack of access to credit in our communities. Additionally, we are seeking partnerships to develop a more comprehensive strategy to work with ethnic media to provide credible information about available solutions for borrowers at risk of foreclosure or people having challenges with accessing credit, and about in-language counseling services.

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Testimony of Colleen Hernandez, President of the Homeownership Preservation Foundation to the House Subcommittee on Housing and Community Opportunity
May 13, 2009

I am Colleen Hernandez, President of the Homeownership Preservation Foundation. I appreciate the invitation to testify, along with my colleagues in the housing industry, to share the challenges we face in serving homeowners. Founded in 2003, our mission is to be a trusted ally to the homeowner, providing help, hope and support for those fearing or facing foreclosure. We own and operate the Homeowner's Hope Hotline, 888-995-HOPE, which provides a free telephone counseling service to distressed homeowners. The hotline operates 24/7 all over America. In the last 16 months we've counseled 486,000 homeowners; on an average day, 7,000 people call the hotline.

So today I'd like to discuss how and where we do our work, where our funding comes from, what results we produce, what challenges we face and what additional resources are needed.

How does the hotline work? When you dial 888-995-HOPE, you talk to a warm and welcoming call center worker who answers questions and dispatches calls to counselors. We give all homeowners a choice of receiving counseling in person or on the phone. If the caller chooses in-person counseling, we find the three agencies closest to their home location. If they choose a telephone counselor, they are connected to one of our 600 counselors housed at one of the 9 HUD-approved nonprofits in our network: Auriton, Springboard, Novadebt, CCCS of Atlanta, CCCS of San Francisco, Money Management International, CCCS of Dallas, Greenpath and By Design Solutions (Clearpoint Credit Counseling Solutions). Our counselors **are** the true allies of homeowners. As a reference, I have provided a recent article written in the Washington Post that describes a day in the life of a counselor and what transpires during a counseling session. Counselors listen to the homeowner's story for however long it takes. They find out why they are behind on their mortgage, and what unique situation happened to the caller. They review where their money comes from and where it goes, so the homeowner begins to see what other choices they might have to earn more, spend less and dedicate more resources to their mortgage. We are that trusted third party that takes an independent look at their options ---determining their best bet for saving their home or avoiding foreclosure. We are also that bridge between the homeowner and their mortgage servicer,

Where do we do our work? All over America. In the United States, there are approximately 43,000 zip codes. Last year we took calls from 22,777. The color coded pie chart shows where we do our work. That's part of the beauty of the hotline---everybody with access to a phone can access our service and they can do it at their convenience, any time of the day or night.

Where does our funding come from? Our adopted budget this year is $62 Million. $15 Million comes from NeighborWorks, $46 Million from the mortgage servicing industry, $1 Million from HUD, and $720,000 from Fannie Mae. The funding we receive from industry is significant. This is flexible funding---the more counseling we do, the more revenue we collect. But more importantly, it helps homeowners because we capture their information, current contact, reason for default, and monthly surplus or deficit—we do 2,000 counseling sessions a day and transmit that data to servicers the same day, directly into their systems. That provides a jump start to the process: here's everything the servicers need to know to start resolving this homeowner's situation.

How would additional funding help? We use the NFMC and HUD funding to fund counseling for borrowers whose mortgage servicers aren't members of the HOPE NOW Alliance. Additional funding would provide a way to cover the cost for those sessions not funded by servicers. For every million dollars in revenue that we receive, we can counsel an additional 7,000 homeowners. And of course this additional funding would enable more community based groups to be a part of our network and take referral calls from the Hotline, allowing us to expand our reach.

Does the work we do produce results? The answer is yes and here's how we know: a member of our network, CCCS Atlanta, studied the 21,248 clients whom their Homeowner's Hope Hotline counselors worked with in 2007. After one year, they collected data from credit bureaus and RealtyTrac and found that 71% of those counseled had avoided foreclosure and were still in their homes one year later. You can find copies of that research report on our website, 995hope.org.

So when we evaluate the effectiveness of the Hotline, we ask the following:
Did homeowners reach out for help? We answer: Yes, 7165 times a day
Did they go through counseling? Yes, 2,000 a day
Did their information get to the servicer? Yes, 100% of the time it is sent the same day
Did they avoid foreclosure? Yes, 70% of the time.

I would like to highlight a few of the challenges that face us and the homeowners we help:

1. Scams are proliferating. People are desperate and are willing to pay for services that are offered free to save their homes.
2. There is so much talent and commitment in the housing counseling industry---much of it represented at this table—and yet the resources don't match the demand. Our desire at the Homeowners Hope Hotline is to connect every caller with the counselor of their choice, whether that be in person or on the phone. We can do that if Congress makes more funding available. American

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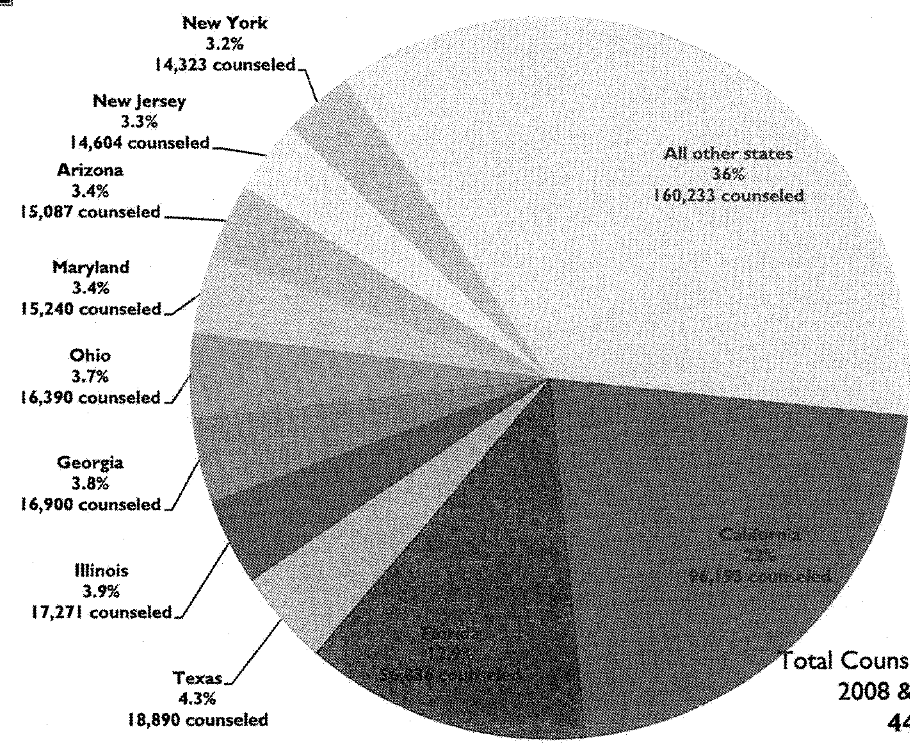
homeowners count on the counseling industry for help and we're counting on you. For many, this is a very complicated and confusing environment. Having a trained, trusted, professional ally for the homeowner both now and in the future is vital.

Counseling Sessions Completed 2008 & Q1 2009



Total Counseling Sessions for 2008 & Q1 2009 - **441,967**

The Washington Post Magazine

MARCH 1, 2009

TALK TO ME

A woman who once originated subprime mortgages now spends her days answering desperate calls from people in danger of foreclosure

By ELIZABETH RAZZI

THE HOME & REAL ESTATE ISSUE

The phone rings in Stacie Rillo's tiny gray cubicle at a Freehold, N.J., call center, the front line of one of the nation's most high-profile foreclosure-prevention efforts.

"Thank you for calling 888-995-HOPE," the 30-year-old mortgage counselor says in a crisp, friendly voice. "May I have your phone number, please? Are you behind on your mortgage right now?"

Rillo works at Novadebt, one of the 10 credit-counseling centers scattered across the nation where calls to the nonprofit, federally touted Homeowner's HOPE Hotline end up. She and about 30 other women (only a smattering of Novadebt's counselors are male) working this weekday shift are part of a nationwide network of 415 trained housing counselors. Those at Novadebt spend their days inside this nondescript, one-story industrial building trying to help troubled borrowers at risk of losing their homes to foreclosure. All day the counselors listen to pleas for help from people beleaguered by bad debt, bad decisions and bad luck.

Rillo's first caller, at 8:50 a.m. on this blustery January day, is a man from the Milwaukee area. His voice is raspy, and his tone verges on combative.

"Why would my mortgage company be willing to work with you and not with me?" he growls at Rillo. He has already asked his lender for a loan modification to reduce his interest rate from its current 7.875 percent, which he says he cannot afford. But the lender has told him he would need to refinance to get such a break. Refinancing, though, is not an option. About half of the homes in his neighborhood are already in foreclosure, and his home is probably worth about $85,000 less than he owes, he says.

The caller wants to know why his lender won't just cut his interest rate, instead of getting another foreclosure on its hands. He sounds as if he's ready for a fight. Rillo tries to soothe him, saying: "I completely understand, sir. I appreciate your opinion."

There is some irony to Rillo being on the receiving end of calls like this. She once profited from the loose-lending spree that led to many of today's foreclosures. From the late 1990s until she was laid off two years ago, Rillo was a loan officer at one of the country's most notorious subprime lenders, Ameriquest Mortgage Co.

In a lawsuit brought by officials in 49 states and the District, the company was accused of numerous illegal lending practices, including giving borrowers incorrect information about interest rates, inflating appraisals and persuading borrowers to refinance even though the new loans would give them no financial benefit compared with their existing loans. In 2006, Ameriquest agreed to pay borrowers $295 million to settle the lawsuit, and it ceased doing business in 2007.

"We were bottom feeders; that's what we would call ourselves," Rillo says of her days working for Ameriquest. Borrowers would turn to them when they had credit scores too low for mainstream lenders, or when their debt was too high, compared with the value of their home, for other lenders to accept.

"The borrowers knew the reason you're going with us is you're a high-risk borrower," says Rillo, who adds that all the homeowners she worked with understood every detail of the loans they took out. "I did not do anything illegal, by any means. There were no surprises for my borrowers whatsoever."

For the past two years, Rillo has had a much different job: finding ways to help distressed borrowers, many with the same type of subprime loans she used to originate and in danger of losing their homes to foreclosure. Novadebt has allowed a reporter to listen in as Rillo works, on the condition that callers not be identified.

Rillo's caller from Milwaukee asks about help from the government's HOPE for Homeowners refinancing program, which the U.S. Department of Housing and Urban Development launched with great fanfare in October. It was supposed to provide lower-cost government-backed mortgage refinances to borrowers whose home values are now worth less than the amount they owe on their loans. But, for borrowers to participate, lenders have to forgive tens of thousands of dollars of debt for each borrower they approve. In theory, lenders ought to be willing to absorb that kind of write-off because foreclosure could cost them even more. In practice, however, they have never quite warmed to the idea. By December, only 312 borrowers had formally applied, and federal officials began looking for people to blame for the program's failure.

Still, callers ask about the program when they call the hot line, which also has the word HOPE in its title. The hot line and the program aren't connected, though both have been promoted by federal officials.

Rillo knows her caller can't expect much help from the HOPE for Homeowners program. She steers the conversation to the details she'll need to talk to the man's lender about a loan modification. She asks about his monthly income and bills, then gets his permission to do a credit inquiry, which allows her to view his credit report. Her computer screen fills with details of loans he has previously taken out, including mortgage refinancings.

"We do a juggling act each month," he tells her.

"I know exactly what it feels like" to be juggling bills, Rillo commiserates. Thanks to the housing bust, her own fortunes are far more modest than they were during her go-go years in subprime lending.

Gradually, the caller's tone softens. When Rillo learns that his family is spending nearly $300 each month for health-care deductibles, he shares the specifics of the many medical procedures his family members have undergone recently. His family of five is also spending about $250 each week on groceries, which resonates with Rillo.

"I'm feeding a 4- and a 7-year-old, and they're eating me out of house and home," she tells him.

He and his wife have considered letting their home go into foreclosure, the caller says. He figures they could save $20,000 by not paying the mortgage until they are eventually forced to move out.

She neither encourages nor discourages the idea. "I can't knock you for doing [it] either way, but I do want you to know your options," Rillo says.

Based on their conversation and the man's credit report, it appears that his household income falls short of expenses, including the mortgage, by about $1,100 each month. With the caller's permission, Rillo phones his lender's loss-mitigation department. The caller, Rillo and the lender's representative are all on the line together.

"Good morning, Flo. This is Stacie with Novadebt," Rillo begins. She chats as if she and Flo are old friends, but Flo has a just-the-facts Joe Friday manner.

Rillo summarizes the caller's financial situation, explaining why he wants help from the lender. She notes his monthly budget shortfall and explains that he can't refinance because foreclosures in his neighborhood have driven his home value too low to qualify.

Flo listens and then tells the borrower to call back in five to seven days to check the status of his request for a loan modification. There are no promises, but this is a more positive response than the caller has received approaching the lender on his own.

Below, mortgage counselors at Novadebt.

PHOTOGRAPH BY MARK PETERSON / REDUX

After the lender's rep hangs up, Rillo and the borrower stay on the line. "Well, that was pretty painless," she says to him.

He laughs. "You must have a different number than we called."

Indeed, many borrowers have trouble finding their way to the loss-mitigation staff members whom Rillo calls directly. She speaks the right lingo, too, which helps her grab the attention of jaded lenders who listen to borrowers' woes all day long.

Rillo instructs the caller to work on cutting household expenses while he waits to hear back from the lender. He should look into finding a rent-paying boarder. His spouse, who doesn't hold a paying job, could explore part-time work, or the caller could get a second job.

Like most callers, he gets a referral to another counseling agency near his home, which may be better acquainted with lo-

"I know exactly what it feels like" to be juggling bills, Rillo commiserates with one borrower. Thanks to the housing bust, her own fortunes are far more modest than they were during her go-go years in subprime lending.

cal assistance programs. Rillo often gives referrals to local food banks and legal-aid services, which can advise people seeking bankruptcy protection or going into foreclosure. One of her favorite referrals is to Angel Food Ministries, a nationwide church-based ministry that provides participants about $65 worth of groceries per month in exchange for a $30 donation, regardless of income. Rillo tells the caller that Angel Food might be able to help trim his $250-a-week grocery tab.

"Tweak that food budget," she advises him. "The lender may come back and say you have too big a [monthly] deficit."

Budget deficits are tricky things in this business, Rillo says later. Some lenders will only work with borrowers who show that their income is short of their monthly expenses; others require a small budget surplus — enough to demonstrate that the borrower is going to be able to repay the loan if given some short-term help.

"Would they rather have the house, or would they rather have someone in it?" the caller asks Rillo.

"They can only do so much," she replies. After almost an hour and a half, Rillo leaves him with her direct phone number and instructions to follow up with her in a week.

"All right," he says. "Thanks so much for your help."

Rillo can identify with many of her callers. At Novadebt, she says, she earns about half of what she was making during her best years originating subprime loans. She has had to downsize her spending to match her reduced earnings.

"It was hard at first," she says, "but I stopped shopping in catalogues and online and at department stores." Instead she shops at discounters and buys generic store brands when possible.

She's not the only person in her household who has experienced financial difficulties. Rillo lives with her boyfriend, Salvatore LaMantia, and his daughters, Diana, 7, and Brianna, 4, in Beachwood, N.J., a 35-mile commute each way from Freehold. LaMantia, 30, was laid off in October from his job as a construction foreman; he now takes home about 60 percent less through part-time work as an electrician. Just like Rillo's callers, he's struggling to keep up with his mortgage.

In 2006, so his ex-wife could be removed from the mortgage, he refinanced to a new subprime loan that was fixed for three years, after which the rate would adjust every six months. The interest rate is now 7.865 percent, which translates to $500 more than when he took out the loan. He and Rillo, who contributes to the mortgage but isn't a co-borrower, were bracing for another $200 increase in February. With Rillo's help, LaMantia is trying to get his lender to modify the loan so he can handle it on his reduced income.

"We're going through exactly what this industry is talking about," Rillo says.

After months of prodding by Rillo, LaMantia's lender recently agreed to consider a modification. But getting the lender to even consider the request has been an ordeal. Since LaMantia's layoff, Rillo has called his lender three times asking for help, not disclosing that she's a credit counselor. Each time, the request was denied because LaMantia was still current on his payments.

"Once, I spent an hour on the phone with loss mitigation, saying, 'Why are you going to deny me because I'm current?' They actually recommended me to pay the mortgage late," Rillo says, so it would become eligible for a modification. But doing so would put LaMantia's credit rating at risk, with no guarantee the lender would then ease his loan terms. "My boyfriend refuses to pay his mortgage late."

At first, she was frustrated by her inability to get a modification of the loan backing the very home where she is living, even as she is able to help callers she has never met. She notes that she's had some callers get loan modifications approved with just a single call to the lender. "But just because Mr. Somebody is getting a great program, and I'm not, I'm not going to take it personally."

She's glad that she and LaMantia haven't fallen behind on the payments: "We will eat ramen noodles if we have to, and we will not fall behind. He signed a contract."

She also realizes, Rillo says, that they are in much better shape than many of the people she talks to all day. "It really gives you a perspective on how tough some other people have it."

Another call comes into the hot line, this one from a woman in Stafford County, Va. The caller bought her home in 2007 with a first mortgage at 7.55 percent interest and a second mortgage (which she used instead of a down payment) at more than 12 percent. The second mortgage will adjust to a higher rate in June.

"I can't afford it," she tells Rillo. She had a baby a year ago and has not been able to work extra hours at a second job.

The woman shares all the details that leave her unable to afford the loans. She was on bed rest and couldn't work before the baby's birth. The father didn't start paying child support until August. The refrigerator needed to be replaced. "Now my stove is acting up," she says.

Rillo listens patiently, then asks, "Is your goal to keep the home?"

Yes, the woman replies.

Rillo tells her to look into applying for government assistance through the WIC program in Stafford County, which supplies food to low-income mothers and young children. Since the caller's mother lives with her and the baby, Rillo advises her to evaluate both of their incomes and bills to figure out ways to cut their expenses.

As they talk, Rillo begins nibbling cereal out of a disposable white bowl. Like the other counselors around her, she usually eats lunch at her desk so she can quit work a half-hour earlier, an 8 a.m.-to-4 p.m. shift. She keeps a single-cup coffee brewer at the ready.

The caller continues laying out an overwhelming stream of expenses: medical bills, Pampers, new brakes for the car. Rillo sympathizes with her plight. "I understand," she says. "It's like: Who do I pay first, how do I prioritize? I completely understand."

As the caller grows more comfortable, she reveals that she is avoiding creditors' phone calls. Rillo tries to discourage the woman from hanging up on calls from her lenders. "You have to keep good relations with creditors, so in case they take you to court, you can show you didn't just ignore them," Rillo explains.

"I've been making partial payments on the big mortgage," the woman says, adding that one of the bank's customer service people told her to quit doing so. Banks generally don't accept partial payments on mortgages.

"When was the last time you sent in a full check?" Rillo asks.

"September or October, if I'm not mistaken," the woman replies, betraying no sense of alarm.

Although the caller says her income isn't covering the bills, Rillo's budget estimate comes as a surprise. "I'm seeing a very small surplus, $60.54 a month, so it would be better if you would sit with your bank statement and get a better picture," Rillo says. "We really need to figure out in black and white what's going on."

Rillo refers the caller to a local church that participates with Angel Food, reminds her to look into WIC benefits, and outlines what happens when mortgage payments go one, two or three months late. She warns the woman that her home could be lost to foreclosure.

"God forbid that happens," Rillo says. "But we don't want it to get to that point. Talk with your mom about what you can cut out so you can keep your home as a priority. I want you to please follow up with me."

"I want to know about that $700 billion bailout. Wasn't that to help us?" the caller asks.

"I can appreciate your opinion about that. I'd like to know where it's going, myself," Rillo says.

After she hangs up, Rillo reflects for a minute on the woman's troubles, which aren't only financial. "She wanted someone to talk to," Rillo observes. "She seemed very lonely."

Stress is an unavoidable part of manning the phones at Novadebt. Rillo is, by nature, upbeat and energetic. But she keeps a motivational letter from Colleen Hernandez, president and executive director of the Homeownership Preservation Foundation, which runs the Homeowner's HOPE Hotline, tacked to her cubicle wall.

"This is frustrating and stressful work," Hernandez writes. "We know from our conversations and visits with you and from our own experience that it is not easy to spend 100 percent of your time dealing with families in crisis. The stress comes from many sources, and yet you endure and continue to give this work your best effort."

The organization won't release figures, but Hernandez says burnout and turnover are problems, even as the organization tries to hire more staff to meet growing demand. "The emotional toll and the burnout are part of it," Hernandez says. "And there's not a great career ladder for counselors. There aren't that many supervisor jobs."

Much of the funding for the counseling network comes from the lenders it is trying to work with — a point that counselors routinely disclose to people who call the hot line. Novadebt pays new full-time counselors $16.50 an hour ($17.50 an hour if they speak English and Spanish), or about $34,320 a year, according to recent help-wanted advertisements. It wants only applicants who have experience in credit counseling, finance or banking. New employees are trained how to handle borrowers in distress and lenders who aren't necessarily eager to come to the rescue.

The hot line, which takes calls 24 hours a day, received more than 1 million calls last year, which led to more than 280,000 full counseling sessions across the country. The success rate is hard to measure. Hernandez says about one-third of the people who are counseled have a temporary problem, "a glitch in their ability to pay" that can be fixed with a small modification to their loan. Another third are "almost impossible" to rescue because there's just too great a gap between what they earn and what they owe. The remaining third, she says, "have layer after layer of problems, and that's where counselors spend most of their time."

Even when borrowers do receive a reprieve from their lenders, it often turns out to be temporary in staving off foreclosure. A study released by federal bank regulators in December said that for loans modified in the first three months of 2008, nearly 37 percent were more than 60 days late on payments, or in foreclosure, after six months.

Facing the prospect of losing their homes, some callers cry over the phone, Rillo says. Though it hasn't happened to her yet, callers occasionally say that they can't go on anymore — a statement that might mean they are thinking about suicide. Across the 10 credit counseling agencies that handle HOPE hot line calls, they will get a couple of potentially suicidal callers each week, says Rillo's supervisor, Michelle DiMauro. In those instances, counselors will make what they call a "warm transfer," a live-over-the-phone introduction to an outside counseling service that is trained to handle mental health-related crises.

Despite the pain and fear she encounters every day on the phone, Rillo says she doesn't feel overburdened. She can put a caller on hold when she needs a break, and supervisors are willing to listen whenever a counselor needs to unload. When she's on the phone, she places a plush purple spider with a smiley face between the small of her back and her office chair. If you squeeze it in the right spot, the bug giggles. "My spider," Rillo says, grinning. "Kohl's. Two dollars."

There's a constant hum of conversation emanating from the cubicles around Rillo, but sparse chatting among counselors. Each is plugged into her own headset, deep into the details of strangers' lives. Besides, Rillo says, they don't really want to dump their own pressures on each other. In warm weather, she'll sometimes take a walk outside to clear her head. At home, she decompresses on the treadmill.

"You really have to separate yourself from" the callers, she says. "You can only support them so much emotionally."

And the emotion is not all negative. "I get borrowers who are very grateful, who call me their angel," she says. "They're overwhelmed, and they feel that they've run out of options. That's why they call us."

Despite the pain and fear she encounters every day on the phone, Rillo says she doesn't feel overburdened: "I get borrowers who are very grateful, who call me their angel. They're overwhelmed, and they feel that they've run out of options."

Rillo places a follow-up call to a man from the Louisville area with whom she's been working. His loan charges 12 percent interest — a rate that's not uncommon for borrowers who have bad credit histories. She's been trying to help him get a loan modification, but the effort just hit a roadblock.

"They did approve another modification, but it was not what you were seeking?" Rillo says.

The man tells Rillo that his lender's loss-mitigation officer estimated a higher income for him than he is really earning. "Pretty much she made up her own numbers," he tells Rillo.

Rillo is surprised to hear that the lender came up with its own income estimate. "Did she bully you?" Rillo asks. "Don't let anyone bully you over the phone."

He has seven days to accept or reject the modification his lender offered, which keeps his interest rate at 12 percent, but cuts his mortgage payment by $100 a month, most likely by lengthening the loan's payback period.

"That doesn't help me. I need a lower interest rate," he says. A hundred bucks a month just isn't enough to make the loan affordable on his budget.

"Let's give them a call, then," Rillo suggests.

She phones Sharonda in the lender's loss-mitigation department. "The numbers were changed on Monday, but he doesn't agree to them. I'm calling for clarification," Rillo says.

"We lowered your payment by $100," Sharonda tells the caller.

"That's still way out of the ballpark," he answers.

A Catch-22 begins to unfold. Originally, he had asked for one of the HOPE for Homeowners refinances that calls for the lender to write off some of the debt. But he can't even get referred to the program unless he has been denied a loan modification. The lender did not deny his request for a loan modification; instead it boosted his income estimate so he could qualify.

Even though he says the loan modification is still unaffordable, just having received the offer rules out any chance to refinance. In other words, it's a break of $100 per month or nothing.

"Is this indeed the only option?" Rillo asks Sharonda.

Sharonda says the borrower can start from scratch and reapply for another loan modification, providing all his income and expense information, and writing a brand-new "hardship" letter to the lender explaining why he can't pay his loan.

After they finish talking with Sharonda, Rillo gives the borrower her unvarnished assessment of his situation. "Based on your credit, I don't see how you're going to get a better interest rate than 12 percent," she says.

The caller tells Rillo he wants to discuss the modification offer with his wife before deciding. Anyway, he adds, he knows a local lawyer who has a plan to improve his credit for a fee of $400.

Quick credit-repair offers abound in this recession. Some are outright scams; others offer negligible benefits, such as advice to challenge some of the debts listed on the client's credit record, even if they're legitimate, so that they are temporarily removed from the record while it's being appealed.

Rillo tries to talk him out of paying a credit-fixer. "In my opinion, they're short-term quick fixes," she warns. "I'm gonna say nine times out of 10, it's going to shoot back onto your credit record 60 days later. Four hundred dollars — that's a car payment right there."

She tells the caller he can appeal errors on his credit report without a lawyer's help. Then she gives him a toll-free number that he can use to request free copies of his credit report.

After she finishes talking to him, Rillo places another follow-up call to a woman she has been counseling. The woman floats the idea of increasing her income — on paper, at least — by having her mother write her a monthly check for the housework the daughter performs for her. But she'll hand the check back to her mother, uncashed. "Not lying, but ..." the caller says. She doesn't seem to have thought through the idea that an uncashed check wouldn't show up on her bank statements.

Rillo interrupts with a warning. "I don't want you getting a check from your mom and giving it back again because that would be fraud. The reality is, if there's a deficit, we want the lender to work with that deficit."

Just after 4 o'clock, Rillo logs off her computer and gathers her belongings into her black leather handbag. She's not weary or discouraged by the stories she's listened to all day. In fact, Rillo plans to stay in the credit-counseling business for the long term. "I would eventually like to become a senior housing counselor, which would oversee a team of 15 counselors on a daily basis," she says.

So far, the loan officer-turned counselor has ridden both mortgage-related waves that have dominated the first decade of the 21st century. Subprime lending helped fuel the housing boom that made nearly everyone feel richer during the first part of the decade; foreclosure counseling seeks to soften the bust as those riches evaporate in the second part. With foreclosure rates still rising, Rillo has managed to find the rarest commodity of all in this still-deepening recession: job security.

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Testimony of Susan C. Keating
President and CEO, National Foundation for Credit Counseling
Before the
United States House of Representatives Committee on Financial Services
Subcommittee on Housing and Community Opportunity
May 13, 2009

Introduction

Madame Chair, Ranking Member Capito, and members of the Subcommittee, I am Susan C. Keating, the President and CEO of the National Foundation for Credit Counseling. Thank you for the opportunity to participate in this afternoon's hearing to share the NFCC's perspective as a Housing Counseling Intermediary.

By way of background, the NFCC is the nation's oldest and largest network of traditional non-profit financial counseling agencies. We've been in existence for almost six decades, and have 106 Member Agencies that provide services in nearly 850 communities across the country. Those services are tailored to meet the needs and circumstances of the individual consumer. Because NFCC Member Agencies are community-based, we believe that they offer consumers some significant advantages. They are operated by local citizens with local leadership that understands their community's economic environment and the unique local factors that affect our clients' lives. Last year alone, NFCC Member Agencies provided financial counseling services and assistance to more than 3 million consumers.

The ability of NFCC Member Agencies to provide the full range of financial counseling and education services means that clients benefit from a holistic view of their entire financial situation rather than focusing on a single issue. Experience has taught us that consumers who are having trouble paying their mortgage are highly likely to have other financial problems, such as credit card debt, a car loan, student loans, etc. Attempting to address one issue, without addressing the others holistically, is a recipe for financial disaster for consumers.

The NFCC and Foreclosure Mitigation Counseling

The demand for housing-related counseling has climbed at an astounding rate over the past two years from about 179,000 sessions in 2006 to almost 617,000 in 2008 – an increase of 244 percent. The NFCC has played a significant role in helping homeowners avoid foreclosure. Calls to the NFCC's toll-free number have increased from an average of 24,000 per month to more than 39,000 per month. We created an online Homeowner Crisis Resource Center, including a Mortgage Reality Check, to help consumers assess their situation. We've widely circulated consumer tip sheets on how to find foreclosure mitigation assistance and other housing-related resources, including information to alert consumers of mortgage-related scams. In the past six months, we have distributed more than 5,000 DVDs with advice on how to avoid foreclosure. These materials are available in English and Spanish, and are free of charge to consumers.

I strongly commend Congress for recognizing the value of counseling in stemming the tide of foreclosures, and for providing the resources to make counseling services available to consumers at risk of losing their homes. By enacting and funding the National Foreclosure Mitigation Counseling Program, Congress has made it possible for thousands of American families to not only keep their homes, but to begin the process of rebuilding their financial lives and reaching the goal of financial security. As the largest HUD Housing Counseling Intermediary in the country, and as one of the largest recipients of funding under the NFMC Program, the NFCC is very proud of its ability to provide services across the country, especially in those areas of greatest need. However, there is much more that needs to be done.

I would note four specific areas for attention:

1. The depth of our current mortgage crisis in no small part reflects a national failure to have housing counseling readily available to our most vulnerable homebuyers. Looking back at the underlying causes of the economic meltdown, we know that a significant number of homebuyers bought homes they could not afford with mortgages they did not understand. The remedy is financial education and, specifically, pre-purchase counseling for first-time homebuyers and for those consumers who are considering subprime or non-traditional mortgages. The creation of the Office of Housing Counseling within HUD, which was championed by Members of this Committee, was passed by the House last week, and represents a major step forward.

2. If we are to sustain the effort of providing housing-related counseling, there must be continued and certain long-term funding for the NFMC program and for other housing-related counseling programs. Without funding, nonprofit agencies will not be able to provide the services to prevent homeowners from becoming at risk of foreclosure.

3. It is imperative that consumers have access to counseling services that meet their individual needs. The NFCC was critical of the Bush Administration's efforts to funnel all mortgage foreclosure prevention inquiries through a government-sanctioned hotline operated by a single Intermediary, which in turn utilized the services of only ten counseling agencies. Given the size and scope of the problem, it made no sense to limit the resources being used to address it when there were many other qualified HUD-approved agencies that were ready and able to provide assistance. While there have been some improvements, it is unfortunate that the new Administration has not recognized this weakness and is following the same path. When homeowners call the government-sanctioned hotline, they should be entitled to seek counseling services through a qualified entity that best represents their needs – whether that be the local NFCC Member Agency, a faith-based organization, or another community-based group. All available resources should be made readily available to consumers, and that has not happened.

4. Today, we are focused on *fixing* financial problems. Looking forward, we need to do more to *prevent* financial problems. The House of Representatives has passed legislation to protect consumers from abusive practices in the area of credit card and mortgage lending. However, the ultimate form of consumer protection in this area is broad-based financial education and literacy so that consumers better understand the services and products that are being offered so that they may choose the ones that best meet their needs and avoid the pitfalls of abusive practices and scams.

The Housing Crisis

Communities across the country are dealing with an historic meltdown in the housing market. Foreclosures have reached record levels – as many as 20 percent of all mortgages are underwater – and home prices have yet to stabilize in many parts of the country. While lower prices offer opportunity for some homebuyers, they also create the risk that foreclosures will continue to accelerate as homeowners discover that they owe more on their mortgage loan than their properties are worth.

The cause of the crisis was the combination of lenders making loans and offering mortgage money to practically anybody with heartbeat, and consumers who took out high-risk loans that they simply could not afford. Much of the lending and borrowing was premised on the notion that housing prices could and would only go up. Other mortgages, especially subprime loans, involved teaser rates that became unaffordable after rates adjusted upward. When the bubble burst, the real victims were the thousands of homeowners who did not understand the terms of their mortgages or the risks they were taking. Consider this: the NFCC's annual Financial Literacy Survey, recently released, revealed that 28 percent of Americans with a mortgage confessed that their mortgage terms, including such items as their monthly payment, interest rate, or loan length, turned out to be different than what they expected.

While I am not suggesting that the broader availability of pre-purchase housing counseling would have prevented the current crisis, I am certain – based on the experience of NFCC Member Agencies – that fewer Americans would be facing foreclosure if prospective homebuyers had received counseling before they took out a mortgage.

The National Foreclosure Mitigation Counseling Program

Has the National Foreclosure Mitigation Counseling Program made a big difference in people's lives? The answer is an unequivocal "yes." While I could provide you with literally thousands of stories of the people the NFCC has assisted, I will give you just two examples.

A couple in Sumter, South Carolina, were both, tragically, diagnosed with cancer seven months apart. Because of their medical expenses, they were three months delinquent on their mortgage and home equity loan. We were able to help them to get both loans modified, with significantly reduced interest rates, resulting in a savings to them of $375 per month.

A single parent in Thousand Oaks, California, went through a divorce and then lost her job. The Adjustable Rate Mortgage on her home reset, and she could not afford the new payments. In an effort to save her home, she turned to a "workout" company that charged her fees, but provided no assistance. She came to us. We helped her structure a household budget and modify her mortgage, saving her $600 per month.

The NFCC's approach to providing substantive counseling under the NFMC Program is this:

- Like any other sound money management session, foreclosure counseling should begin with an analysis of the client's overall financial circumstances and the development of a realistic budget. It is impossible to develop a realistic workout plan or design an action plan for long-term financial stability without this type of analysis at the start of the process.

- The most effective foreclosure counselors are heavily involved in their community and participate actively in local housing events. Keeping in touch in this way helps counselors learn about new opportunities and options for their clients. It also enables them to provide advice to potential new homeowners as part of pre-purchase counseling – which itself supports the stabilization of the housing market by reducing the likelihood of defaults by new buyers.

- Agencies must stay on top of changes in servicers' procedures and loan modification standards in order to identify the best options for their clients. Foreclosure counseling is a dynamic process. Options can change in response to new developments in the general economy and adjustments in government policies and programs.

The two biggest barriers to foreclosure mitigation are systemic failures on the part of some servicers and the unwillingness of some lenders to provide effective loan modifications.

Many servicers lack the infrastructure to provide effective updates on modification status. NFCC Member Agencies report that it can take several weeks, or even months, of faxes and phone calls to arrange for review of modification packets. As an industry, servicers have simply failed to establish uniform standards even for the fundamentals such as who counselors should contact for information and what departments are handling various types of cases.

In addition, workout options have often been inadequate with the result that, at times, 50 percent or more of modified loans are defaulting a second time. To be effective in staving off foreclosure, loan modifications generally need to reduce the consumer's monthly payment. The OCC reports that about 42 percent of modified loans resulted in lower payments last year, but that almost one-third lead to higher payments. By year's end, lenders appeared to become more realistic, and the percentage of modifications that reduced monthly payments exceeded 50 percent. Not surprisingly, the OCC also reports that consumers were far more likely to keep the modified loans current when their monthly payment was reduced.

Increased Funding is Necessary

Funding is an ongoing challenge for non-profit counseling agencies and NFCC Member Agencies are no exception. The challenge has grown more difficult in recent years as many traditional sources of funding – especially from the creditor community -- have reduced their levels of support. The funding challenge has been exacerbated by the recession as several traditional funders, such as Citicorp and Bank of America, have struggled with their own financial challenges.

Government grants, including funding for the NFMC Program, have helped finance the expansion in housing counseling services, but our Agencies remain under financial stress due to the increasing demand for overall counseling services. Without the dedicated funding for counseling from Congress, many agencies will not be able to keep their doors open and to provide a high level of service to the communities they serve.

While some economists believe that we have seen the worst of the current recession, there is a general consensus that recovery in employment and income will lag behind, and that the housing market may take longer to repair itself than other sectors. That suggests that the demand for housing-related counseling services will continue to increase for the foreseeable future.

Current proposed funding under the NFMC Program is projected to be sufficient to provide services to slightly less than 1.1 million homeowners – a significant achievement, but only about 21 percent of the estimated 5.18 million homeowners who were behind on their mortgage payments or already in foreclosure as of December 2008.

Absent additional funding, the counseling sector will not be able to meet the demand for housing assistance. That shortfall will increase the odds that foreclosures will climb faster than necessary.

Given this gap as well as the still fragile state of the economy, we need more money for counseling. We believe that Congress should provide an additional $500 million for the counseling component of the NFMC program and other foreclosure mitigation efforts. That funding would enable the counseling sector to reach additional homeowners and assist them with budget counseling and loan modification assistance.

Needed for America: A New Commitment to National Financial Literacy

Today, we are focused largely on damage control. But looking beyond the current crisis, the NFCC feels strongly that we need to do a better job of preventing personal financial problems through financial literacy programs that provide consumers with basic money management skills and the financial know-how to take charge of their personal finances and use credit responsibly. While good money management cannot offset the impact of external events such as losing a job or a costly health problem, it can help consumers to better weather economic ups and downs and enable them to avoid the types of financial mistakes that lead to mortgage defaults, bankruptcy, and general problems with credit. Better outcomes for individuals and families will collectively add strength to our national economy.

A recent *Wall Street Journal* article speculated that people tend to think they understand money because they've been handling it since grade school. "More likely," the *Journal* added, "they have a basic understanding of *spending*, which is why so many households are in such dire straits these days."

Whatever the reason, it is clear to us, from both our counseling experience and the NFCC's Financial Literacy Survey, that too many Americans lack the financial skills they need and too few are stepping forward to get help.

For example, our recent Financial Literacy Survey found that 41 percent of Americans grade themselves as a C, D, or F on personal financial knowledge; only 42 percent keep close track of their spending; and more than quarter say they do not pay their bills on time. As noted earlier, 28 percent of mortgage holders admit that their mortgages have turned out to be different than expected when they took out the loan. Numbers like these scream of the need for better financial education.

Toward that end, the NFCC believes that basic finance and money management should become a mandatory part of the standard school curricula in every state. Surveys show that financially literate consumers are more likely to make their loan payments on time and less likely to default. That should be a powerful incentive to everyone, especially creditors, to promote financial education. At a time when lenders are trying to reduce their risk, it is a good time for them to promote proven risk-reduction strategies such as financial education by offering incentives such as better credit terms to consumers who have completed such programs. Consumers, too, would certainly avoid problems if they took part in financial education *before* their finances deteriorated.

A number of organizations, including the NFCC, have been working on financial literacy for some time. Collectively, we've developed effective and relevant course materials and other education tools. What we don't have is a true *national* strategy or a national delivery system. If we are serious about financial education, we need to provide consumers as well as lenders and other third-parties involved with incentives to attend classes, secure funding to support education services, and also find a way to measure results so we know what works and what doesn't.

We are further convinced that the federal government can and must provide leadership in this area. Both Congress and the President support legislation to extend consumer protection by requiring new disclosure requirements for credit cards and restricting some practices that have made it easier for consumers to accumulate excessive debt and harder to pay it back. But no legislation can do more for consumers than they are willing to do for themselves. That is why we feel so strongly about financial education. Ultimately, financial education IS consumer protection, and it must be a priority.

Again, thank you for the opportunity to appear before you this afternoon, and I would be pleased to respond to any of your questions.

National Urban League | *Empowering Communities. Changing Lives.*

TESTIMONY OF

CY RICHARDSON

VICE PRESIDENT
HOUSING & COMMUNITY DEVELOPMENT
NATIONAL URBAN LEAGUE

Before the

SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY

Hearing on

"The Role of NeighborWorks and Housing Counseling Intermediaries in Preventing Foreclosures"

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"The Role of NeighborWorks and Housing Counseling Intermediaries in Preventing Foreclosures"

May 13, 2009

Chairwoman Waters, I am Cy Richardson, Vice President for Housing and Community Development at the National Urban League. I thank you for the invitation to testify before this subcommittee on the issue of foreclosure prevention and the role of housing counseling intermediaries in this vitally important field of service delivery. Our views are based on decades of program delivery experience, but many of the key findings are culled from lessons learned over the past eighteen months through our participation as a grantee under the National Foreclosure Mitigation Counseling program administered by NeighborWorks America.

Established in 1910, the National Urban League is the nation's oldest and largest civil rights and direct services organization serving 2 million people each year in over 100 urban communities. Economic Empowerment – assisting clients to attain economic self-sufficiency through job training, good jobs, homeownership, entrepreneurship and wealth accumulation – leads the five-pronged strategy to advance the mission of the Urban League Movement and is imperative to an improved "State of Black America." Today's hearing examining the role of housing counseling intermediaries in preventing foreclosures, and the efficacy of the NFMC program specifically, falls squarely within the economic empowerment discussion.

In my remarks I will discuss, from our perspective, the challenges and lessons learned in working with and on the behalf of clients at-risk of foreclosure, the broad state of the non-profit foreclosure prevention industry, and the specific opportunities and challenges presented by the NFMC program. I will highlight some of the challenges to implementing these strategies at a scale commensurate with the foreclosure problem. These challenges are significant, but they are not insurmountable roadblocks, and Congress needs to act now to ensure that meaningful and sustainable modifications are made to the NFMC program so that it remains a viable option for the myriad small, nonprofit service providers as well as dozens of national intermediaries and state housing finance agencies serving the millions of homeowners that will face foreclosure in the coming years.

I would like to begin by explaining why the growing number of foreclosures is of such critical importance to the Urban League and the communities we represent. Simply put, the right to the American Dream of homeownership has always been one of the most fundamental goals of the civil rights movement. It is vital because homeownership is the means by which most Americans build wealth and improve their own lives and the lives of their families, and homeownership is essential to the development of stable, healthy communities of which all Americans can be proud. For decades, the civil rights community has been struggling to not only break down the barriers to housing itself, but also to the credit that most Americans need to obtain housing. The resistance that racial and ethnic minority communities have faced in obtaining fair and sustainable mortgage loans, from the practice of redlining to the scourge of predatory lending, lies very much at the root of the crisis in which we now find ourselves today.

The National Urban League has been a certified HUD Housing Counseling National Intermediary agency since 1997, and through the excellent work of our local affiliates, we provide various types of housing counseling and education services to individuals on a one-on-one basis, including the critically important "heavy touch" face-to-face counseling under the NFMC program.

NUL believes in-person, one-on-one counseling is the most effective form of foreclosure intervention and prevention for individuals in crisis. However, as you will hear from subsequent witnesses, loss mitigation counseling on a one-on-one basis is an extremely time consuming and labor-intensive process. On average, to provide counseling assistance to one individual from beginning to end through the loss mitigation process takes approximately 10 to 20 hours of an experienced housing counselor's time. This time constraint far exceeds our network's normal HUD funded average counseling time of 2 to 4 hours per person for other counseling services.

We have provided comprehensive housing counseling and education services to 35,000 to 40,000 clients on average each year with approximately 30 affiliates. While fundamentally concerned with devising strategies and approaches to improving the African American condition in this nation, our affiliates are pleased to serve a diverse constituency. An internal census taken to gauge the service delivery characteristics of our affiliates in this area reveals that approximately 70% of our clients are African American, 20% are White, and roughly 10% are Hispanic. And over the last three fiscal years we have seen exponential growth in the number of homeowners coming to the Urban League in search of foreclosure counseling services across each of these racial categories. In FY07-08 with approximately 20 of these affiliates providing foreclosure prevention and intervention counseling services, we counseled 5,600 homeowners, an increase of over 55% from the previous fiscal year. And in the current FY08-09 fiscal year, already in the first 6 months of the year we have served nearly 5,000 homeowners in foreclosure prevention and project by year end to have served over 10,000, a more than 80% increase over FY07-08 volume. And each of these homeowners has received comprehensive one-on-one counseling services.

As the committee is aware, the National Foreclosure Mitigation Counseling program (NFMC) was created by Congress to be swiftly disseminated to address the immediate foreclosure crisis and to serve as many families as possible. Recognized as critical funding for non-profit HUD-approved housing counseling agencies, the NFMC funds are essential for these agencies to truly expand their operations and retain the counseling staff needed to meet the crisis. And these funds were appropriated by Congress with the understanding that they would be leveraged in the marketplace through private sector funds. However, while there have been some other sources supporting this work including local and state governments and a variety of private sources, they have been at much lower levels than what has been needed to address the crisis, and these funds have been shrinking dramatically over the last year with the economic downturn while demand has skyrocketed.

After an initial ramp-up period adjusting to the new reporting and tracking needs of the NFMC program, in the first Round of the NFMC program in 2008, we completed our projected client numbers and served 3,400 clients with 24 affiliate counseling agencies. It is also important to note that this is only a portion of the total foreclosure clients seen by this sub-set of our foreclosure counseling affiliates involved in this program. As you know, each agency has other funding that help support this work and for which they report client numbers separately, including HUD.

The National Urban League certainly appreciates NeighborWorks' dedication and diligence with regard to devising the NFMC program design – not to mention the sheer hard work it takes to manage the emergency funding for foreclosure prevention nationwide. We are certainly pleased to have been awarded grants under NFMC I and II to continue our critical work in this area. However, the way this has been designed and managed has been effectively hindering movement and limiting the capacity of our affiliates to do this work, especially those that do the most intensive "Level 3 counseling", which includes most of the organizations that serve a predominantly minority constituency. Indeed, it is our contention that several elements of the NFMC program design I and others will discuss today are making it increasingly difficult for our organizations to serve the most needy and vulnerable populations. For purposes of this hearing, I would like to briefly describe the major issues and concerns we have found with NeighborWorks and their administration of the NFMC program along with clear recommendations for problem resolution.

Structural Issues – Program Design and Its Impact

- **Issue: Goals and Payment Structure**

The way the program is structured tying payment to goals by geography set at the onset of the year is highly burdensome and ultimately an ineffective and rigid obstacle course preventing effective draw of funds for timely reimbursement of services rendered. We have been required to project goals by MSA and level of service for the year and are in effect not given sufficient room for the vagaries and realities of the crisis as it is playing out. In some areas these projections proved to be too low and the affiliates well exceeded these numbers, and in other areas they proved to be too high and the affiliate fell below the allowable 25% variance requirement from NeighborWorks.

This is a moving, breathing crisis that is changing every day, and in real terms any goals projected are based on old and outdated information as soon as they are made, and are likely to be inaccurate. Statistics in themselves are not a predictor of where and to what extent clients will actually come out for help, especially with growing confusion in the marketplace and the low level of effective marketing and promotion over the course of the year. Even with increased promotion through the President's housing plan, there is no way to effectively predict geographic location of client flow in any precise way.

However, the NFMC program is now designed to tie groups far too rigidly to their projected goals both overall and for every MSA in order to qualify for and receive payment draws for the entire network of affiliates involved. This aggregation of goals and payment process is causing undue hardship to the affiliates that are serving high and growing numbers of clients, as we are unable to reimburse the high producing affiliates in a timely and appropriate way to keep their services moving.

The result of this approach is that we are held up for months for payment beyond the point of having met the established draw threshold. Meanwhile, these services have already been rendered and the costs expended by the counseling agencies, most of which are small agencies with thin margins of additional leveraged resources to cover this waiting period. In many cases, this has resulted in layoffs and loss of critical trained counseling capacity in the field, setting us all back in the goal for this program – expansion to meet the crisis.

Another impact of this approach has been that given the established payment structure, the unknowns about client numbers and payment timing, has meant that many affiliates did not feel comfortable hiring the necessary counseling staff or did not hire in time to meet their production goals.

- **Issue: Administrative Costs and Their Impacts**

NeighborWorks structured the program to include 20% of counseling funds for "Program Related Support" designed to cover administration, data management, quality control, staff training, and marketing expenses related to this program. And while this set-aside was very useful, in reality the administrative costs have averaged more than 40% as this program has been highly time- and labor- consuming to manage.

In the early stages there was considerable confusion and numerous start-up challenges both at NeighborWorks and for the grantees in establishing, understanding and meeting the various data and program management requirements, which were completely different and more extensive than any other program before it. This led to a slow start for counseling agencies and a large number of clients that could not ultimately be counted towards the NFMC program due to data deficiencies. And even as things started to get more streamlined in some areas, there was an extensive increase in administrative work required in responding to and working through draw concerns and payment delays from NeighborWorks.

Recommendations- Structural:

To improve program operations and effective access to and utilization of these funds, we recommend the following:

- ***Disaggregation:***

    - We recommend a disaggregated approach to payment to intermediaries for their affiliates' work. In this model, once established benchmarks are met by any affiliate, the Intermediary has funds available to them to pay the affiliate promptly on pace with their production.

    - There are a number of ways this could be done including paying the intermediary the full draw amount when the overall threshold is met, or possibly increasing the number and pace of draws to the Intermediary possibly even to a monthly basis.

- This model leaves more flexibility for the Intermediaries to manage their network effectively maximizing local resources and operations, and holding the Intermediary accountable for paying producers and not paying under-producers based on an established formula.

- ***Variances and Intermediary Flexibility:***

Currently variance thresholds are at 25%, and we must meet or exceed at least 75% of each established MSA goal, or risk deductions from our counseling funds, even if the goals were exceeded in other areas. We certainly understand the need for accountability and the best coverage possible in areas of greatest need; however, since there is no way to control for client flow and we all want to be able to serve people anywhere they come in for help, we recommend the following:

- Increase the MSA variance threshold to 50% allowing more room for the real and unknown vagaries of client flow and keeping the funds flowing to the performers.

- Give Intermediaries more flexibility to reallocate goals as needed and keep the payments flowing to those areas that are on pace. In this scenario, the reallocation plans would include explanations and justifications but would be approved swiftly based on some basic criteria and then left to the Intermediary to manage the appropriate payments out to the field. Any deductions from counseling funds would be calculated by the Intermediary using an established formula.

- Reduce and simplify the administrative requirements involved in reporting and management.

- ***Administration***

  - Increase the amount of Program Related Support funds allowed from the total counseling award, or otherwise help supplement this funding with other resources.

  - Reduce and streamline reporting and management requirements, draw procedures and approvals.

Procedural Issues:

- ***Duplication:***

  NeighborWorks staff clearly understand the many legitimate reasons that clients may be served twice and by two different agencies or increasingly twice by the same agency. Among other reasons this includes clients that received no follow-up from one agency and possibly no outcomes; received a workout plan or loan modification that they couldn't afford and were unable to reach the other agency or get help from their servicer; and an increasing number of re-defaults born from either inappropriate or insufficient workout from the servicer or an additional change in circumstances such as a job loss.

In each of these cases, our affiliates serve these clients, get modifications or other outcomes, but cannot get paid because according to the NeighborWorks system another organization has submitted for reimbursement for this service to this client first and they are returned to our agencies from NeighborWorks as "duplicates." This happens more frequently to the agencies like ours that provide comprehensive and intensive one-on-one or "Level 3" service, as it takes longer for these groups to submit their data than for an agency that provides light touch "Level 1" service. In some cases this issue comes to a very significant percentage of total clients served, as much as 10% or more.

This issue must be resolved, since in these cases both agencies provided the service that was needed by the client to resolve their problem, the groups have expended the resources, and without compensation are being put further and further in the red, detracting from their ability to serve new clients. As explained before, these agencies do not have a sufficient cushion to absorb this loss, especially now that the declining economy has meant shrinking private resources for this work.

<u>Recommendation:</u>

- Under the circumstances we support the idea put forth by NeighborWorks of applying a set percentage threshold to all Intermediaries on this issue, but believe <u>this percentage</u>

should be at least 5%, the national average according to NeighborWorks from their database, not 3% as finally codified by NeighborWorks in recent weeks.

- And allow Intermediaries to make the case for greater threshold and payment on "Duplicate" services, demonstrating service received and outcomes achieved.

Marketing

While there was some investment in marketing on this issue through NeighborWorks in partnership with the Ad Council and naturally through the media as developments unfolded over the course of the year, most of this promotion directed client flow to the national HOPE hotline, with designs this would be an effective triage and portal for dispersion. However, things did not pan out as well as expected; our agencies in many cases received few to no referrals through this effort, and the hotline was inundated and caught short on staffing and structural capacity for the entire Round 1 period and counting.

While some solutions have begun to be implemented or experimented with in the last two months, the impact on minority and low-income homeowners has been severe. These homeowners weren't able to be reached by marketing efforts, weren't able to be served by the hotline, or didn't know where to turn for help, which in many areas meant low turnout to local counseling agencies.

To effectively reach the minority markets at the volume that they are impacted by this issue is going to take far more investment and targeted marketing strategies that in many ways are best done by Intermediaries in this case. The 20% margin in the PRS funds were more than consumed by administrative costs at both the local and Intermediary level and therefore have not been able to support this need.

- **Recommendations on Marketing:**
  - That NeighborWorks allocates sufficient resources within its purview and that additional resources are marshaled together for this purpose. Proposals will be forthcoming detailing the needs and marketing plans from the National Urban League and other Intermediaries for this purpose.

  - That NeighborWorks allocate $2 million of the $6 million recently awarded to NeighborWorks for a Rescue Scam Awareness Campaign, or some other agreed upon amount, to facilitate expansion of the campaign and ensure greater reach into minority communities.

  - That any plan for use of these Rescue Scam funds be developed in conjunction and partnership with the NFMC Intermediaries in order to ensure the most effective plan possible.

The Servicer Compensation Issue

In recent months, NUL and other Intermediaries providing this deep touch service have taken an in-depth look at costs for this Level 3 service and have found that it approximates $750 – $1,000 per client on average.

Yet maximum compensation under the NFMC program in Round 1 has been only $350, and in Round 2 is only up to $450 per client.

NeighborWorks and Congress always counted on servicer funds coming to the table to complement the NFMC funds for counseling services related to their troubled loans, but this has not happened yet for most of the groups providing the full slate of services that leads to actual outcomes (Level 3) like NUL. This funding is critical to compensating for the client expense not covered by the NFMC funds, yet only a designated few have been receiving these funds to date, and only those groups providing phone counseling like the HOPE hotline.

NeighborWorks has recently brokered a conference call with a number of the servicers and we hope that they will continue to broker this process and ultimately help bring sufficient funds to the table to help fairly compensate this work, for the sake of the future leveraging and effectiveness of the NFMC funds and the issue as a whole.

Moving Ahead from Round 1 into Round 2

In Round 1, our agencies had no meaningful marketing funds, few to no referrals from the HOPE hotline, confusion and start-up challenges with all of the new NFMC program requirements, difficulty managing the extensive reporting requirements given low staff capacity for this function in the field, and a lot of confusion over the course of the year.

We also have new affiliates beginning with this program that will have learning curves this year, which if things don't change may compound some of the problems moving forward.

- **Recommendation:** Given that some of the grantees and sub-grantees made production assumptions last February that simply did not pan out, we recommend that <u>any deficiencies from Round 1 should be put into Round 2 so we can all proceed.</u>

<u>Financial Data for Round One NFMC Funds</u>

To assist our collaborative efforts to better understand the NFMC investment in various eligible service levels of counseling, we have requested and would like to see Round 1 NFMC financial reports using NeighborWorks' most recent data. We have not received this data back from NeighborWorks at this time.

1. The aggregate Grant/Fee disbursement for NFMC in the following categories:
   A. Total Level 1 disbursement
   B. Total Level 2 disbursement
   C. Total Level 3 disbursement

2. The aggregate Grant/Fee disbursement matrix for NFMC categorized by each Intermediary and by:
   A. Total Level 1 disbursement
   B. Total Level 2 disbursement
   C. Total Level 3 disbursement

We believe that together we can make effective changes to the design and operation of this program that works for Congress and for the agencies doing the critical work to stem the foreclosure crisis. We trust that you will give due consideration to the issues we have laid out here as they are obstacles in the way of effective program operation, client service, and fund expenditure and we trust you will also give due weight to our recommendations for resolutions.

It is in all of our interests to make this program more efficient and effective and we look forward to working together to ensure success.

Written Testimony of

Kenneth D. Wade
Chief Executive Officer
Neighborhood Reinvestment Corporation
(now doing business as NeighborWorks® America)

Before the
House Financial Services Subcommittee on
Housing and Community Opportunity

May 13, 2009
2:00 PM

Chairwoman Waters, Ranking Member Capito and members of the Subcommittee, my name is Ken Wade, and I serve as the Chief Executive Officer of NeighborWorks America. I appreciate the opportunity to appear before you today to talk about NeighborWorks America's efforts to help address the mortgage crisis. I will focus my testimony on the National Foreclosure Mitigation Counseling (NFMC) program, which is administered by NeighborWorks America, but will also touch on some of the corporation's other efforts to prevent foreclosure. I have endeavored in this written testimony to respond to all of the questions raised

Background Information Regarding NeighborWorks America
By way of background, NeighborWorks America was established by Congress in 1978 as the Neighborhood Reinvestment Corporation. As you know, the corporation receives an annual federal appropriation from Congress through the Transportation, Housing and Urban Development, and Related Agencies Appropriations Subcommittees. By statute, NeighborWorks America's Board of Directors is comprised of the heads of the five financial regulatory agencies (the Federal Reserve Board, The Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, and the National Credit Union Administration) and a designee of the Secretary of the U.S. Department of Housing and Urban Development

NeighborWorks America's primary mission is to expand affordable housing opportunities (rental and homeownership) and to strengthen distressed urban, suburban and rural communities across America, working primarily through a national network of local community-based nonprofit organizations, known collectively as the NeighborWorks network.

The NeighborWorks network is comprised of more than 235 community-based organizations serving more than 4,500 urban, suburban and rural communities in all 50 states, Puerto Rico and the District of Columbia.

But with the growing foreclosure crisis, NeighborWorks expanded its efforts on behalf of the Nation's neighborhoods, and is now a nationally recognized leader in the fight against foreclosures.

NeighborWorks Center for Foreclosure Solutions

Five years ago, NeighborWorks America anticipated that the proliferation of sub-prime lending and non-traditional mortgage products would lead to an increase in foreclosures—particularly in the low-income and minority communities served by the NeighborWorks network – and created the NeighborWorks Center for Foreclosure Solutions.

The NeighborWorks Center for Foreclosure Solutions provides training and certification to foreclosure counselors, conducts public outreach campaigns, researches local and national trends to develop innovative solutions, and supports local and regional foreclosure intervention efforts.

In cities and states with high rates of foreclosure, the Center works with local leaders to create local coalitions and sustainable foreclosure intervention. For example, starting in 2005, NeighborWorks America has provided support to members of a statewide nonprofit coalition that is working to leverage their strategic partnerships and reduce foreclosures among low- and moderate-income families across Ohio.

NeighborWorks also provides a five-day training and certification course for foreclosure counselors as part of a new Foreclosure Prevention Counseling Certification series. In FY 2008, NeighborWorks awarded over 6,100 training certificates in foreclosure prevention-related coursework to individuals from more than 2,400 organizations at NeighborWorks' four National Training Institutes and 150 Place-Based Trainings in more than 60 cities. So far this year, more than 4,000 additional foreclosure counseling certificates have been awarded. In addition, as of May 11, 2009, more than 2,500 participants had completed a new e-learning Foreclosure Basics course. This has significantly increased the capacity of counselors and other foreclosure mitigation staff throughout the country.

National Public Outreach Campaign

To reach the hundreds of thousands of homeowners in danger of losing their homes, NeighborWorks America partnered with the Ad Council on a national public outreach campaign.

This campaign seeks to prevent home foreclosure by urging homeowners in financial trouble to call the "Homeowner's HOPE Hotline" (888-995-HOPE), the Homeownership Preservation Foundation's national foreclosure counseling hotline.

The hotline provides free foreclosure intervention counseling 24 hours a day, 7 days a week in both English and Spanish and links callers as appropriate with their lender or servicer, a local NeighborWorks organization or other HUD-approved nonprofit organization with certified foreclosure intervention housing counselors, for more extensive face-to-face counseling. The Ad Council campaign is being financed, almost entirely, by private sector funds from NeighborWorks partners.

The NeighborWorks campaign was in the top five of the most frequently aired Ad Council campaigns for 2008. In January 2009 (the latest month for which data is available) the Ad Council ads aired almost 24,000 times on TV, radio and cable around the country.

In the fourth quarter of 2008 alone, the broadcast television ads in English reached more than 60 million households, while the Spanish broadcast television ads reached 14 million households. The value of donated media as of December 31, 2008 totaled more than $94 million.

Further, the website associated with the Ad Council campaign, (foreclosurehelpandhope.org) received almost 470,000 hits in 2008.

NeighborWorks is also working to improve the technology tools available to housing counselors as they provide and track foreclosure assistance to homeowners. This has included updating the foreclosure modules in the homeownership client management systems, Counselor Max and Nstep and working with Just Priced Solutions on Best Fit – a tool to improve effective modifications and solutions?

Outreach to Minority Communities and Populations
Given the disproportionate impact of foreclosures within minority communities, NeighborWorks is further expanding the reach of its public outreach campaign by promoting the use of community organizing and community building strategies. NeighborWorks is developing an on-line library of best practices on its website, www.nw.org, which provides innovative outreach techniques and tools for hard-to-reach populations. Based on the success of foreclosure telethons produced by the Univision affiliates in Boston and Las Vegas, the corporation is also pursuing a broader partnership with Univision to carry information directly to the Latino community through foreclosure telethons.

Earlier this year, NeighborWorks America hosted a major work-session on outreach to minority communities and continues to work with a broad range of groups on this issue.

NeighborWorks and the HOPE NOW Alliance
In order to expand the reach of the public education campaign, NeighborWorks has served as the key co-sponsor and logistics manager for the majority of the HOPE NOW Alliance's 2008 Homeownership Preservation Workshops outreach events. More than 20,000 families in-need attended the workshops in 29 of the cities hardest hit by foreclosures in 2008.

Community Stabilization
The corporation is also working on a variety of fronts to combat the impact of foreclosure, and particularly abandoned, bank-owned (REO) properties, on neighboring families and communities.

NeighborWorks has joined forces with other housing intermediaries including Enterprise Community Partners, the Housing Partnership Network, the Local Initiatives Support Corporation (LISC), and the National Urban League to create the National Community Stabilization Trust to serve as a facilitator for the transfer of, or holder of, foreclosed and abandoned REO properties from financial institutions to local housing providers, returning the properties to the tax rolls and productive use in communities across the country.

The Trust is designed to promote efficient transactions in a transparent manner that complies with the requirements of the new Neighborhood Stabilization Program.

National Foreclosure Mitigation Counseling Program (NFMC) Highlights
NeighborWorks America also serves as administrator of the Congressionally-funded National Foreclosure Mitigation Counseling Program (NFMC).

The growing number of foreclosures has affected the entire country -- one family, one house, one neighborhood at a time-- and played a large part in creating the national and world-wide economic crisis we are experiencing today.

Because of the foresight of Congress in funding the National Foreclosure Mitigation Counseling program, NeighborWorks has been providing funding and training to approximately 1,600 counseling agencies across the country, who are working hard to help homeowners find solutions to their individual problems. A list of direct NFMC Grantees is included as Attachment A.

These agencies in all 50 states, the District of Columbia and Puerto Rico have served more than 410,000 individuals and families facing foreclosure in the last 15 months. As of April 30, 2009, self-reported outcome data from Grantees show that 20% of NFMC clients were able to retain their homes according to data reported by the counselors, 30% were continuing in counseling, 5% were foreclosed upon. The remaining had other outcomes, such as borrowers were counseled and referred to other agencies for social service or emergency assistance, entered bankruptcy or debt management program, referred for legal assistance, or withdrew from counseling.

According to a report to be released to Congress by NeighborWorks and the Urban Institute in the next two weeks, clients who received a loan modification that lowered the monthly payment were much more likely to bring their mortgage current and to avoid foreclosure than clients who did not receive a loan modification. Using outcome data that matched NFMC clients with information on loan performance from McDash Analytics, the report finds that only 6 percent of clients who received an affordable loan modification experienced foreclosure, compared to 26 percent of clients who did not receive a loan modification. Likewise, 57 percent of clients who received a loan modification became or remained current on their mortgage, compared to only 22 percent of those who did not receive a loan modification. While many clients are seeking counseling before becoming too delinquent, thereby improving the likelihood of retaining their home, nearly 20 percent of clients were already 121 days or more delinquent prior to seeking assistance. The majority of these individuals (60 percent) experienced foreclosure.

The majority of families and individuals served by NFMC agencies are minorities (more than 53%) reflecting in part the disproportionate impact of subprime lending and the foreclosure crisis on minority families and communities. Even more significantly, 37% of NFMC clients live in communities that are more than 50% minority (compared with 25% of the U.S. population) – areas that were often targeted by predatory lenders and subprime brokers.

To date, Congress has provided $410 million to support the National Foreclosure Mitigation Counseling program, including:

- $180 million in the Consolidated Appropriations Act of 2008 (PL 110-161)
- $180 million in the Housing Economic Recovery Act of 2008 (PL 110-289), and
- The Omnibus Appropriations Act of 2009 (PL 111-8) provides an additional $50 million for mortgage foreclosure mitigation activities, for a continuation of the National Foreclosure Mitigation Counseling (NFMC) program in 2009.

The President's budget, released last week, recommends an additional $33.8 million to continue the NFMC program into FY 2010.

With these highlights, I would like to review the development and progress of the National Foreclosure Mitigation Counseling program to date.

Development and Design of the National Foreclosure Mitigation Counseling Program
The statutory language in PL 110-161 (the Consolidated Appropriations Act of 2008) had a number of requirements including:

- Eligible applicants were limited to HUD-approved housing counseling intermediaries, state housing finance agencies and NeighborWorks Organizations with expertise and demonstrated experience in foreclosure prevention counseling
- The funding was to provide mortgage foreclosure mitigation assistance primarily to states and areas with high rates of defaults and foreclosures primarily in the sub-prime housing market
- Mortgage foreclosure assistance was to be limited to homeowners of owner-occupied homes with mortgages in default or in danger of default;
- The legislation stated that grantees should provide a 'match' of NFMC funds;
- $50 million in mortgage foreclosure mitigation grants was to be awarded within 60 days of enactment of the legislation;
- Up to $5 million may be made available to build the mortgage foreclosure and default mitigation counseling capacity of counseling intermediaries through training
- The NRC (NeighborWorks America) shall report bi-annually to the House and Senate Committees on Appropriations as well as the House Financial Services Committee and the Senate Banking Committee.

NFMC Provisions under the Housing Economic Recovery Act of 2008
The Housing Economic Recovery Act of 2008 (PL-110-289), provided an additional $180 million for the program and included the following new requirements governing Round 2 of NFMC:

- Not less than 15% of the funds shall be provided to counseling organizations that target counseling services regarding loss mitigation to minority and low-income homeowners or provide such services in neighborhoods with high concentrations of minority and low-income homeowners. **Note: NeighborWorks' fulfillment of this requirement is addressed on page 12 of this testimony.**

- NeighborWorks may consider, when appropriate, whether the applicants had implemented written plans for providing in-person counseling and making contact, including personal contact, with defaulted borrowers
- Grantees should identify and coordinate with nonprofit organizations operating national or statewide toll-free foreclosure hotlines
- \$30 million shall be used to make grants to counseling intermediaries approved by the Department of Housing and Urban Development or the NRC to hire attorneys to assist homeowners who have legal issues directly related to the homeowner's foreclosure, delinquency or short sale.
- Funds provided through the Housing Economic Recovery Act of 2008 were to remain available until December 31, 2008.

The \$50 million in Round 3 NFMC funding approved through the Omnibus Appropriations Act of 2009, follows the statutory provisions of the Round 1 NFMC funds, and does not include the provisions added for Round 2.

In response to the statutory framework of Round 1 of NFMC, the first foreclosure counseling grants provided through NFMC were awarded on February 24th 2008 – within 60 days of enactment of the initial NFMC legislation.

Since NeighborWorks had such a short time frame to meet the statutory deadline of 60 days and to be accountable as responsible stewards of taxpayer funding, we solicited a great deal of input into the design of the program and worked to design a program in which applications could be quickly reviewed and grantees could be held clearly accountable for performance. NeighborWorks also endeavored to be as transparent as possible in the design, review and implementation of the NFMC Program.

NeighborWorks used several strategies to garner input on design including:

- Received advice and guidance from staff of HUD's Housing Counseling Program,
- Created and sought guidance from an NFMC Advisory Group of governmental, philanthropic and policy experts,
- Review, input and guidance from the NeighborWorks America Board of Directors,
- Repeated consultation with the appropriations subcommittee on Transportation, Housing and Urban Development, where the statute originated
- A review of proposed design by the Office of Management and Budget, and
- Input sessions with all potential applicants to review proposed program parameters and get feedback and advice before finalizing any program parameters.

The following timeline indicates dates that key input was received that influenced the NFMC program design:

December 26, 2007	Legislation signed into law
December 27, 2007	Meeting with HUD's office of Single Family Program Development
January 3, 2008	Briefings with NFMC Grantees to receive input on program design

January 7, 2008	Call with staff members of NeighborWorks Board agencies to receive input on program design
January 7, 2008	Advisory Committee Meeting to receive input on program design
January 10, 2008	NFMC Program Design discussed at NeighborWorks Board Meeting

In addition, we have provided two formal reports to Congress to date and will issue a third report to Congress before the end of May. We also have provided many informal reports, briefings, and responses to requests for information to various Members of Congress.

NeighborWorks continues to seek and incorporate input from stakeholders. On April 17, 2009, NeighborWorks convened Intermediary and HFA grantees in Washington, DC with the explicit purpose of gathering input on suggestions for program improvement. A similar session was held on May 7, 2009 in Phoenix, AZ with NeighborWorks organization grantees during the NeighborWorks Training Institute. Input received at an April 17, 2009 convening, and under consideration is outlined in Attachment B.

Approval of Housing Counseling Agencies
The authorizing Legislation allowed NeighborWorks the authority to approve Housing Counseling Intermediaries. NeighborWorks determined that it would not exercise this authority, given:

- HUD has an established process for approving Housing Counseling Agencies, and NeighborWorks did not think it would be prudent to set up a separate and competing process.
- NeighborWorks needed to direct its resources to meet the short 60-day timeline to design the program; notify eligible applicants; seek feedback on the program; develop, test, and train applicants on the on-line grant application system; recruit and train more than 40 grant reviewers; determine funding amounts; and notify Grantees of award decisions.
- Given the 4% limit on program administration, funds could not be diverted to set up an approval process without compromising other aspects of the program.
- HUD agreed to expedite review of new applications for Housing Counseling Intermediaries in order to make determination of their approval prior to the closing of the NFMC applications. Two additional intermediaries were approved before the Round 1 application closed, and another two were approved before the Round 2 application closed.

The invitation to testify asked that NeighborWorks address the requirements to become a HUD and/or NeighborWorks-approved housing counseling intermediary and the average cost and time to become approved. For reasons discussed above, NeighborWorks is not independently certifying intermediaries. The eligibility of each applicant of NFMC is based on their approval by HUD.

The requirements and process for HUD approval and the application form HUD-9900 are posted on HUD's website at http://www.hud.gov/offices/hsg/sfh/hcc/hccprof13.cfm and are outlined in the Housing Counseling Program Handbook 7610.1.

The HUD website states that it takes at most 60 days for consideration (though they have expedited the process during the NFMC application periods.

The actual processing time depends on the quality and completeness of the application), and considers, among other things, the organization's:

- Nonprofit Status
- Community Base
- Experience
- Financial Audit
- Recordkeeping and Reporting
- Counseling Resources (Funding, Staff, Language skills)
- Knowledge of HUD Programs and Local Housing Market
- Relationships with Community Resources
- Adherence to State and Local Requirements
- Facilities

Use of Funds under the NFMC Program

The first NFMC statute directs NeighborWorks to award at least $167.8 million through a competitive grant process, while retaining up to $5 million to build the mortgage foreclosure and default mitigation counseling capacity of counseling intermediaries and their partners (except that private financial institutions that participate in such training shall pay market rates for the training). Up to 4% of the total funding may be used by NeighborWorks America for associated administrative expenses to carry-out activities.

The program design provides a performance-based fee-for-service plan where funding provided to counseling agencies is based on the number of at-risk homeowners actually served. A number of factors went into determining the level of fees eventually established for the NFMC program, including, among other things:

- Extensive consultation with HUD representatives and review of a survey by HUD on the costs of housing counseling
- Information from a number of nonprofits and loan servicers on what fees servicers provided to nonprofit counselors for foreclosure intervention counseling;
- Discussions with, and information/statistics obtained from, HUD-approved counseling intermediaries and affiliated NeighborWorks organizations regarding their costs of housing counseling and foreclosure counseling.
- Statutory language required a 20% "match" -- which indicated the full cost of counseling was not intended to be covered by the NFMC program.

The NFMC payment structure consists of three components:

1. Operational Oversight funds of up to 5 – 7% of the counseling award for HUD Counseling Intermediaries and Housing Finance Agencies to cover their management and oversight costs as intermediaries and HFAs ;
2. NFMC Applicants can also apply for an amount up to 20% of their Counseling Award for Program-Related Support, utilized primarily to support direct costs associated with increasing the effectiveness and efficiency of Sub-grantees' or Branches' ability to provide quality foreclosure counseling; and

3. Counseling Fees for the actual counseling activity with the client.

Eligible uses of Program-Related Support could include a range of activities, including (but not limited to):

- Outreach to delinquent clients, especially in areas of greatest need;
- Group orientation and education sessions to help use counseling time more effectively;
- Establishing a triage system that makes more effective and efficient use of counseling time; and
- Technology and systems enhancement and purchases.

Recognizing that the actual counseling activity can include a range of activities depending on the specific client's financial situation, the grantee's business model and capacity and the severity of the mortgage delinquency, NeighborWorks America developed a three-tiered counseling fee structure. Initially, those fees were:

- Level One counseling fee, set at $150 – essentially, to:
    - Conduct an intake, including client name and address, basic demographic information, lender and loan information, and reason for delinquency.
    - Obtain a signed authorization form from the client.
    - Develop a budget for the client based on client's representation of their expenses, debts, and available sources of income; and
    - Develop a written Action Plan for follow up activities to be taken by the client, and review this Action Plan with the client.

- Level Two counseling fee, set at $200 (initially) – essentially to:
    - Engage in budget verification during which the counselor reviews documented evidence provided by the client to establish true debt obligations (credit report), monthly expenses (monthly bills and banks statements) and spending patterns, and realistic opportunities for income (tax returns and pay stubs).
    - If not already on file, organization shall collect a signed authorization form from the client, submit client-level information to the data collection system for this grant, open files to be reviewed for program monitoring and compliance purposes, pull credit record, and provide client with its privacy policy statement.
    - Steps to obtain a solution outlined in the written Action Plan are taken and documented, including draft and submit to the servicer a hardship letter that describes the situation of the client, reason for delinquency, factors that should be considered when developing a work-out plan, and an estimate of the housing cost the client can afford to pay; documented attempt to contact the servicer or lender and, if a workout is possible, fill out and submit forms required by the servicer to move forward with a workout plan, loan modification or other available program; Complete and submit application for local resource options including refinance programs or rescue funds; Assist in situations where client elects to pursue sale options; complete close-out documentation.

- Level Three counseling fee, set at $350, combines the services offered under Levels One and Two, provided in succession by the same organization. Initially, the maximum fee that could be credited per individual counseling client was $350.

These initial counseling fees have been modified two times:

- In response to the increased work-load and challenges facing counseling agencies in dealing with servicers, in September 2008, NeighborWorks approved an increase in Level 2 counseling to $300 – which also raised the Level 3 funding to $450 per client – for Round Two NFMC funding.
- More recently, in response to the added counseling demand and guidelines generated by the "Making Home Affordable" program recently announced by the Obama Administration, a new Level 4 counseling has been added, which provides a $450 counseling fee for each client counseled under the Making Home Affordable post modification counseling requirements. This Level 4 counseling assists troubled homeowners with their back-end debt-to-income ratios (helping to address non-housing debt obligations) and does not have to be provided in conjunction with other NFMC counseling. Level 4 counseling may be combined with Levels 1, 2 or 3 for a maximum counseling fee per client of $900.

In setting up the NFMC payment structure, NeighborWorks America tried to reach a balance that would allow the limited funds to reach as many troubled homeowners as possible, while providing a reasonable level of payment to counseling agencies to assist them in providing foreclosure intervention counseling services. As mentioned, we consulted with HUD approved counseling intermediaries, NeighborWorks organizations, HUD and industry representatives, the NFMC Advisory Committee and TTHUD Subcommittees in the House and Senate in designing the program and payment structure, and conducted briefings and feedback sessions with HUD approved counseling intermediaries, state housing finance agency representatives, and NeighborWorks organizations and used their feedback to further improve the program.

NeighborWorks has also worked with a number of HUD-approved counseling intermediaries, the Department of Treasury, the HOPE NOW Alliance, and others, to encourage more servicers to provide cost reimbursement for counseling services to more nonprofit counseling agencies. While a limited number of HUD-approved counseling agencies or local nonprofit counseling agencies (including some NeighborWorks organizations) receive cost reimbursement, fees or philanthropic grants for their foreclosure counseling, the servicers and investors are not adequately contributing to the cost of counseling. Unfortunately, due to current economic conditions, philanthropic grants and corporate contributions to support counseling have been cut back just as the demand for foreclosure intervention counseling has risen to all time highs.

NeighborWorks has been working closely with some HUD approved intermediaries and the HOPE NOW Alliance to utilize the NFMC data points that we have collected to enable NFMC grantees to collect additional counseling fees or cost reimbursement from the servicers – most likely $150 per customer (this is the amount stipulated in the guidelines issued by the American Securitization Forum in October of 2007). NeighborWorks is planning to invest in additional technology solutions to make this a reality. However, each servicer will have to sign a contract with each counseling agency. We are hopeful that the servicers will actively engage and commit to executing these contracts.

The role of the servicers is critical. The NFMC quarterly reports ask each grantee what the most significant challenges are, and the most common challenge cited in the last three quarterly reports has been the servicer responsiveness. Counselors routinely report spending hours and hours on back-and-forth communication with the servicers (typically over a period of many weeks and months). The fact that counselors often spend more time trying to get a response from the servicers than counseling the customer is problematic. In addition, counselors often have to spend a great deal of time pushing back on unrealistic solutions offered by the servicers – loan modifications that have no chance of success or temporary solutions that are not sustainable for the life of the loan. With 14 servicers agreeing to participate in President Obama's making Home Affordable Program (as of May 12, 2009) we are hopeful that at least those servicers will no longer offer unrealistic or unreasonable solutions.

While the servicer communication, lack of responsiveness and offering of unrealistic solutions has been a major problem, many counseling agencies have also learned how to revise their business models and personnel structure to be more efficient and effective in their delivery of foreclosure counseling services. As NeighborWorks has learned more about these structures, it is sharing information on them and incorporating some examples into its training courses and curriculum. One of the key changes that many counseling agencies have made over the last 12 months to address the much greater demand for their foreclosure services is to better utilize triage, intake and group education to collect data, documents, etc. and to provide the basic understanding of the foreclosure and counseling process -- and to reserve expert counseling time for the activities best delivered one-on-one. Several agencies have also started segregating the counseling and servicer negotiating functions, and have reported much greater success with that model. They hire dedicated negotiators to work with the servicers to achieve the best solution for the customer. Finally, several organizations are utilizing improved technology to create efficiencies and to better and more consistently communicate with the servicers. NeighborWorks is also providing some support to explore and utilize additional technology solutions.

Finally, in the next month, NeighborWorks will hire a third-party to survey all NFMC grantees, to provide feedback on their actual costs of counseling, and to give some estimates of how those costs are broken out over a range of functions – triage, intake, counseling, negotiating, following up with servicers, etc. We hope that the NFMC grantees will fully participate so that we can better understand their actual costs. We will also seek to work closely with HUD's Counseling Program Staff in analyzing and interpreting this response.

To address the need to have cash to hire and pay counselors and meet up front costs, the NFMC program is designed such that the typical Grantee receives 40.5% of its award upfront. Once 25% of the homeowners the grantee projected to serve within the program parameters are counseled, the grantee receives an additional draw at which point it will have received 68% of its award. Once 60% of the borrowers the grantee projected to serve within the program parameters are counseled, the grantee receives an additional draw at which point it will have received 96% of its award. The remaining amount is disbursed half when the final programmatic report is complete and half when the grantee has completed their participation in the statutorily-directed

NFMC evaluation. A list of allowable exceptions to this draw procedure is included as Attachment C.

Service to "Areas of Greatest Need"
By statute, NFMC counseling must be directed primarily to areas of Greatest Need. NeighborWorks defined Areas of Greatest need as Metropolitan Statistical Areas (MSAs) and rural areas of states that had the highest number or percentage of delinquent loans, the highest percentage of foreclosures, or the highest percentage of subprime loans. Each Applicant projected the number of counseling units they would provide by MSA in their grant applications. These numbers were proportionately reduced, based on each Grantee's award amount, and Grantees were given the opportunity to revise them before starting the Grant. Before award decisions were made, NeighborWorks analyzed whether, overall, the counseling proposed would be primarily targeted to Areas of Greatest Need and also whether counseling would be provided in the majority of the MSAs and rural areas deemed Areas of Greatest Need. At each draw trigger, NeighborWorks analyzes whether Grantees have remained within an allowable variance in serving the MSAs and rural areas it was contracted to serve. Because some Grantees have found it difficult to serve some of the areas they projected serving due to changing market conditions, outreach strategies not proving to be as effective as projected, clients from adjacent MSAs seeking the organization's services, etc. NeighborWorks has allowed some flexibility to Grantees in meeting this requirement; Attachment C outlines when exceptions are made that allow Grantees to waive some or all of their contracted obligations by geographic area.

Reporting Requirements
NFMC Grantees are required to report in two ways. First, they are required to report individual data on clients served through a secure, encrypted web-based data collection system. Second, Grantees must submit quarterly reports that, among other items, comment on successes and challenges of the administering the program to date. The individual data points and quarterly report questions are included as Attachment D.

Service to Low-Income and Minority Homeowners and Neighborhoods
With regard to the Round 2 requirement that at least 15% of NFMC funds be awarded to grantees serving low-income and minority homeowners or neighborhoods, NeighborWorks ensured this requirement was met when it awarded the second round of funding. A total of $73,778,070 (or 41% of the appropriation) was awarded to 42 organizations for which **all** of the following is true:

- Applicant must have said "yes" to application questions that asked if they intentionally target their services to low-income and minority homeowners OR to low-income and minority neighborhoods. This was true for 114 of the 135 applicants.

- Applicants were scored based on their experience serving low-income and minority homeowners and neighborhoods, the strength of their marketing plans to these homeowners and neighborhoods, and the percentage of total service to minority and low-income homeowners and neighborhoods. Applicants must have received a perfect score of 6 out of 6 to be counted in this category. This narrowed the number of organizations to 51.

- For applicants who received Round 1 funding, NeighborWorks reviewed their program production to verify that the majority of the applicant's Round 1 clients were minority AND low-income. This narrowed the number of organizations to 42.

An analysis of Grantees' service to minority and low-income borrowers and communities, as well as an account of the number of borrowers served by NeighborWorks organizations and each of the Housing Counseling Intermediaries as of March 31, 2009 is included as Attachment E.

According to Claritas 2007 data, 70 million people (or 25% of the U.S. population) live in zip codes where the majority of residents are minorities. Of these, 13 million are homeowners, and 7.8 million are minority homeowners. NeighborWorks conducted an analysis of NFMC Program penetration into these zip codes as of March 31, 2009. A total of 139,539 NFMC Program clients, or 37% of all clients, reside in one of them, and $30 million of counseling funds have been delivered to these zip codes. In aggregate, HUD-Approved Housing Counseling Intermediaries have provided 38% of their services to clients in these zip codes, State Housing Finance Agencies have provided 33% of their counseling services to these zip codes, and NeighborWorks organizations have provided 48% of their overall counseling to clients in these zip codes.

SERVICE OF NFMC INTERMEDIARIES TO MINORITY AND LOW-INCOME PEOPLE AND NEIGHBORHOODS

Data as of March 31, 2009- Combines NFMC RD1 and RD2

Grantee Name	Total Clients	# of Clients from Majority Minority Zips	% of Clients from Majority Minority Zips	# of Clients from Low-Income (<80% AMI) Zips	% of Clients from Low-Income (<80% AMI) Zips	# of Clients with Self Reported Incomes <80%	% of Clients with Self Reported Incomes <80% AMI	# of Minority Clients	% of Clients Served that are Minorities
ACORN HOUSING CORPORATION	21,758	12,045	55%	7,698	35%	17,450	80%	16,172	74%
CATHOLIC CHARITIES USA	1,369	252	18%	348	25%	864	63%	571	42%
CITIZENS' HOUSING AND PLANNING ASSOCIATION, INC.	291	111	38%	140	48%	212	73%	119	41%
HOMEFREE - U S A	8,309	4,351	52%	2,840	34%	6,233	75%	6,076	73%
HOMEOWNERSHIP PRESERVATION FOUNDATION	92,082	30,191	33%	18,400	20%	54,046	59%	38,132	41%
HOUSING									

PARTNERSHIP NETWORK	7,507	2,756	37%	2,835	38%	5,589	74%	4,047	54%
MISSION OF PEACE	12,862	5,569	43%	4,466	35%	9,602	75%	7,240	56%
MONEY MANAGEMENT INTERNATIONAL INC.	12,848	4,819	38%	2,655	21%	6,232	49%	5,534	43%
NEIGHBORHOOD ASSISTANCE CORPORATION OF AMERICA	37,313	20,484	55%	11,084	30%	37,165	100%	31,138	83%
NATIONAL ASSOCIATION OF REAL ESTATE BROKERS-INVESTMENT DIVISION, INC	375	253	67%	159	42%	249	66%	321	86%
NATIONAL COMMUNITY REINVESTMENT COALITION	1,206	739	61%	642	53%	909	75%	894	74%
NATIONAL COUNCIL OF LA RAZA	3,791	2,196	58%	1,440	38%	2,551	67%	3,105	82%
NATIONAL FOUNDATION FOR CREDIT COUNSELING, INC.	64,195	14,368	22%	9,301	14%	34,149	53%	23,315	36%
NATIONAL URBAN LEAGUE	3,698	2,008	54%	1,808	49%	2,679	72%	2,880	78%
NEIGHBORWORKS AMERICA	25,070	12,152	48%	9,307	37%	17,829	71%	16,436	66%
STRUCTURED EMPLOYMENT ECONOMIC DEVELOPMENT CO	2,534	1,574	62%	973	38%	1,832	72%	2,184	86%
WEST TENNESSEE LEGAL SERVICES, INCORPORATED	2,556	841	33%	705	28%	1,866	73%	1,248	49%
Grand Total of Intermediary Service	**272,694**	**102,557**	**38%**	**65,494**	**24%**	**181,628**	**67%**	**142,976**	**52%**

When looking at nationwide delivery of services to minorities, HUD-Approved Housing Counseling Intermediaries have provided 52% of their services to minority clients, State Housing Finance Agencies have provided 49% of their counseling services to minorities, and NeighborWorks organizations have provided 66% of their NFMC Program counseling services to minority clients.

This equates to $42.6 million of counseling being provided to minorities as of March 31, 2009.

NFMC Program has also been providing services to low-income homeowners. According to Claritas 2007 data, 56 million people (or 20% of the U.S. population) live in zip codes with less than 80% of the Area Median Income (AMI), and 10 million homeowners live in these zip codes. When looking at NFMC Program penetration into these zip codes, 26% of program clients reside in them, and nearly $21 million in counseling has been provided to these zip codes. HUD-Approved Housing Counseling Intermediaries have provided 24% of their NFMC Program counseling to clients in these zip codes, State Housing Finance Agencies have provided 28% of their counseling to these clients, and NeighborWorks organizations have provided 37% of their counseling to clients in these zip codes.

Overall in the NFMC Program, 67% of clients report having incomes less than 80% of their AMI, and $52 million has been utilized to counsel these clients. HUD-Approved Housing Counseling Intermediaries have provided 67% of their services to clients who report making less than 80% AMI, .State Housing Finance Agencies have provided 64% of their counseling services to these clients, and NeighborWorks organizations have provided 71% of their NFMC Program counseling services to clients who report making less than 80% AMI.

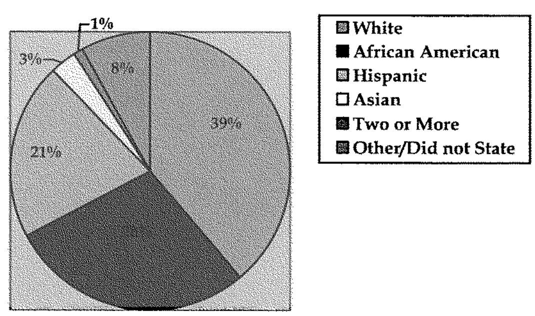
Results of NFMC Program as of March 31, 2009

To date, more than 410,000 homeowners facing foreclosure have received counseling through the NFMC Program. An analysis of the borrowers reported receiving services as of March 31, 2009 follows, and includes data from more than 373,000 borrowers served.

As part of the program design requirements, NeighborWorks America is collecting a significant amount of information on these homeowners, their loans, and the counseling efforts they receive.

The majority of NFMC Program clients, 53%, are minorities – defined as African American, Hispanic, American Indian, Alaskan Native, Asian or Pacific Islander.

Race and Ethnicity of NFMC Program Clients



Source: NFMC Program Reported Data

Overall:

- Whites represent 39% of all NFMC Program clients, while 79% of the nation's homeowners are white.
- African Americans account for 28%, though only 8% of homeowners in the nation are African-American. However, 19% of subprime loans were originated to African Americans.
- Hispanics represent 21%, again, though only 8% of the nation's homeowners. However, 18.3% of subprime loans were originated to Hispanics.
- Asians account for 3%, compared to 2% of homeowners nationwide. 2.8% % of subprime loans were originated to Asians.

(Sources: NFMC Data, Claritas 2007, and NeighborWorks analysis of Home Mortgage Disclosure Act 2007)

Race	Total Loans 2006-07 (Refi and Purchase)	% of Total	Total Higher Priced (Subprime)	Subprime as a percentage of all loans to this group	Percent% of All Subprime loans that went to this group
Amer Indian /Alaskan Nat	82,550	0.7%	24,357	29.5%	0.8%
Asian	569,806	4.6%	81,257	14.3%	2.8%
Pacific Island.	70,411	0.6%	20,197	28.7%	0.7%
Hispanic	1,465,401	11.7	537,999	36.7	18.3%
African Amer	1,179,796	9.4%	559,005	47.4%	19.0%
White	9,128,728	73.0%	1,718,214	18.8%	58.4%
Totals	12,496,692	2,941,029	100%	23.5%	100%

42% of all NFMC Program clients had household incomes less than 50% of their Area Median Income (AMI), and overall, 67% of clients had household incomes less than 80% of their AMIs.

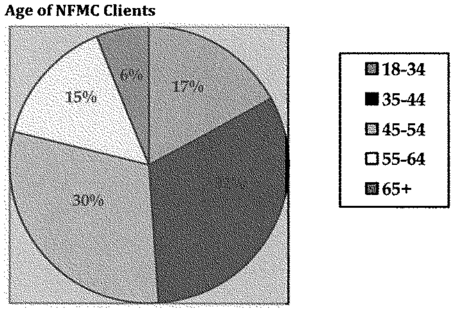
Income of NFMC Program Clients by Area Median Income (AMI)

Percentage of AMI	Number	Percent
Less than 50% AMI	155,289	42%
50-79% AMI	92,634	25%
80-100% AMI	60,971	16%
Greater than 100% AMI	62,317	17%

Source: NFMC Program Reported Data

Clients receiving counseling through the NFMC Program are on average 44 years of age. 62% of clients are between the ages of 35 and 54, and 21% are over the age of 55 (6% are over 65).

Age of NFMC Clients



Source: NFMC Program Reported Data
Note: Entries under 17 years of age excluded

Nearly half – 49% – of clients report they are facing foreclosure due to a reduction in or loss of income. This number has consistently increased with every data analysis we conduct. In September of 2008, 41% of clients reported this as the reason why they are facing foreclosure, and in January of this year, 45% reported this. Only 7% of clients receiving counseling through March 31st report an increase in their loan payment as the reason they are seeking counseling.

Primary Reason for Default

Primary Reason for Default	Percent
Reduction in Income	30%
Loss of Income	19%
Medical Issues	8%
Increase in Loan Payment	7%
Poor Budget Management Skills	7%
Increase in Expense	5%
Divorce/Separation	4%
Death of Family Member	2%
Business Venture Failed	2%
Other	19%

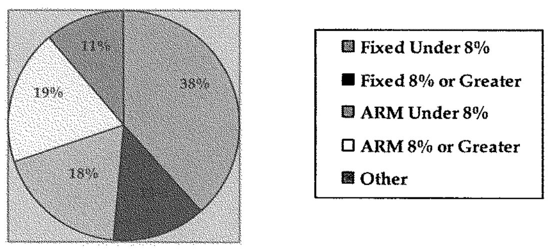
Source: NFMC Program Reported Data

The NFMC Program was created to address the high number of homeowners holding subprime mortgages who were defaulting or in danger of defaulting on those mortgages.

The program uses an interest rate of 8% as a proxy to indicate subprime loans. However, 56% of clients held loans with interest rates below 8%, and 38% of all clients held loans with a fixed interest rate under 8%, the most desirable type of mortgage.

37% of NFMC Program clients reported holding adjustable rate mortgages (ARMs), while more than half, or 52%, reported holding fixed-rate mortgages. While the percentage of clients seeking assistance with fixed rate mortgages is increasing, the fact that nearly two out of five clients hold ARMs continues to reflect concerns with these mortgages, given that only 20% of mortgages nationwide are ARMs. (Source: Mortgage Bankers Association National Delinquency Survey, Fourth Quarter 2008, and NFMC Program Reported Data)

Loan Type



Source: NFMC Program Reported Data

Compared to all loans nationwide, the data show that NFMC Program clients holding subprime fixed-rate loans are seeking counseling at a much higher rate than these loans exist in the market. Only 6% of all U.S. mortgages are subprime fixed-rate loans, but 13% of NFMC Program clients hold these mortgages. This is particularly relevant given that the NFMC legislation specifically targeted defaults and foreclosures primarily in the sub prime housing market.

Another interesting statistic is that more than half (52%) of NFMC Program clients are less than 60 days late on their mortgage when they seek assistance, and 30% are current. However, more than one in five NFMC Program clients (22%) are over 120 days delinquent. The fact that so many clients are either current on their mortgage or just entering delinquency is both positive and negative. It shows that these homeowners are attempting to thwart foreclosure and reestablish financial solvency, yet counselors report that their clients who seek a loan modification often cannot receive one as some servicers are triaging borrowers based on the foreclosure timeline and will not explore a modification until the borrower is officially in foreclosure or seriously delinquent. Counselors can work with these clients to review their income and expenses and determine how the client can continue to pay their mortgage, but unless they are facing a determined foreclosure date they are often not able to fully address their situation.

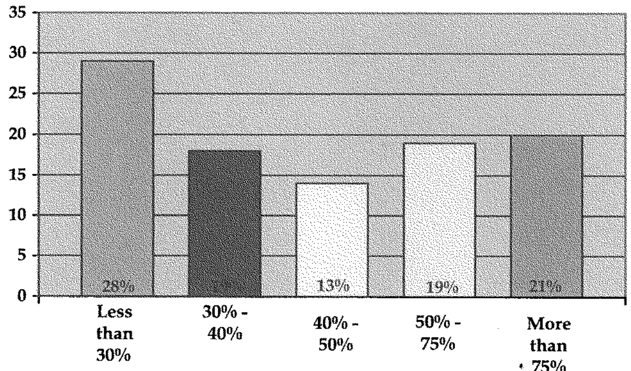
Loan Status at Intake

Loan Status	Percent
Current	30%
30-60 Days Late	22%
61-90 Days Late	17%
91-120 Days Late	9%
121+ Days Late	22%

Source: NFMC Program Reported Data

20% of all NFMC Program clients are paying more than 75% of their income on housing costs. In total, 39% are paying more than 50% of their monthly income toward PITI. President Obama's Making Home Affordable program underwriting guidelines require this "front-end ratio" to be at most 31%.

Percentage of NFMC Program Clients by Percentage of Income Paid to PITI



Source: NFMC Program Reported Data
Note: Extreme outliers removed from PITI. Total of .05% cases trimmed from highest and lowest values.

We are very interested in how NFMC Program clients have fared in the long-run. NFMC grantees report client status and outcomes, when known, to NeighborWorks as part of the ongoing reporting requirements of the program. Grantees are required to provide a much more in-depth analysis of outcomes at aggregate levels in their quarterly reports.

According to analysis based on information received from Grantees through their February 1, 2009 quarterly reports and supplemented to the extent possible with reported data through March 31, 2009, the most prevalent status/outcome reported is that the client is still in counseling (26%). Grantees continue to report that servicers take between 45 and 60 days to respond to requests for work-outs, thus clients will require long-term assistance and counseling to remediate their financial situation.

25% of NFMC Program clients reported a positive outcome, which is an outcome that allows a client to either remain in their home or possibly retain some of the equity they had in their property, while 14% of clients reported a negative outcome, which is a situation where a client will likely have to leave their home as in the case of a foreclosure, short sale, or deed in lieu of foreclosure.

Reported Outcomes

Outcomes	Percentage
Currently receiving foreclosure prevention/budget counseling	27%
Initiated forbearance agreement/repayment plan	14%
Counseled and referred to another social service or emergency assistance agency	13%
Mortgage modified	6%
Pre-foreclosure sale/short sale	4%
Brought mortgage current	4%
Withdrew from counseling	4%
Counseled and referred for legal assistance	3%
Bankruptcy	3%
Entered debt management plan	2%
Mortgage foreclosed	2%
Sold property/chose alternative housing solution	1%
Mortgage refinanced	1%
Executed deed-in-lieu	0%
*Mortgage refinanced with non-FHA product	0%
*Mortgage modified with PITI less than or equal to 38% w/ at least 5yr fixed rate	0%
*Mortgage modified with PITI greater than 38% or interest rate fixed less than 5yrs & appears sustainable	0%
*Mortgage modified with PITI greater than 38% or interest rate fixed less than 5yrs & appears NOT sustainable	0%
Received second mortgage	0%
Obtained partial claim loan from FHA lender	0%
*Brought mortgage current without rescue funds	0%
*Currently in negotiation with servicer; outcome unknown	0%
*Referred homeowner to servicer w/action plan & no further counseling activity; outcome unknown	0%
*Foreclosure put on hold or in moratorium; final outcome unknown	0%
*Homeowner(s) sold property-not short sale	0%
*Counseled on debt management or referred to debt management agency	0%
Other	18%
Total	100%

Source NFMC Program Reported Data

* New outcome option for Round 2 – the numbers here are low because the first Round 2 report was due on May 1, 2009 and Grantees are just beginning to report on activity during Round 2

One of the key requirements Congress had for the NFMC Program funds was that a substantial portion went to the areas of the nation with high foreclosure rates and thus a more prevalent need for counseling. Overall, 363,420 units of counseling have been provided in areas of greatest need. This is 88% of the overall delivered units through March 31, 2009. The Washington, DC, Los Angeles and Chicago MSAs rank the highest for NFMC Program counseling units delivered by Metropolitan Statistical Area (MSA).

Top 15 MSAs of Greatest Need

Metropolitan Statistical Area	Counseling Units Awarded	Counseling Units Delivered
Washington-Arlington-Alexandria, DC-VA-MD-WV	35,491	20,682
Los Angeles-Long Beach-Santa Ana, CA	48,357	16,309
Chicago-Naperville-Joliet, IL-IN-WI	40,004	16,034
New York-Northern New Jersey-Long Island, NY-NJ-PA	36,902	14,120
Atlanta-Sandy Springs-Marietta, GA	24,443	13,349
Riverside-San Bernardino-Ontario, CA	26,029	12,593
Miami-Fort Lauderdale-Pompano Beach, FL	21,028	11,677
Minneapolis-St. Paul-Bloomington, MN-WI	25,908	11,446
Detroit-Warren-Livonia, MI	46,304	10,387
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	27,961	9,721
Phoenix-Mesa-Scottsdale, AZ	22,221	8,861
San Francisco-Oakland-Fremont, CA	21,982	7,443
Cleveland-Elyria-Mentor, OH	20,595	7,248
San Diego-Carlsbad-San Marcos, CA	16,838	6,823
Baltimore-Towson, MD	13,739	6,390

Source: NFMC Program Reported Data

When we look at the statewide level, more NFMC Program counseling was conducted in California than any other state – 66,404 units of counseling have been delivered in California. In Florida, 33,100 units of counseling have been delivered, and 27,960 units have been delivered in Ohio.

Top 10 States by Units Delivered

State	Counseling Units Delivered
California	66,404
Florida	33,100
Ohio	27,960
Maryland	21,858
Georgia	18,730
Michigan	18,110
Illinois	17,956
Pennsylvania	15,740
Minnesota	15,675
Texas	14,087

Source NFMC Program Reported Data

With the additional Congressional funding for FY 2009, the NFMC Program will continue to provide the nation's homeowners with much needed assistance in their struggle to survive the economic downturn and remain in their homes. However, the added counseling demand generated by President Obama's "Making Home Affordable" program may cause NFMC grantees to draw these funds down sooner. We will of course keep Congress informed of the program's progress and any significant changes we encounter on the counseling front.

Training / Building Foreclosure and Default Mitigation Counseling Capacity
The NFMC legislation directed NeighborWorks America to use up to $5 million of the funds from Round 1 and up to $5 million in funds each from Rounds 2 and Round 3, to build the mortgage foreclosure and default mitigation counseling capacity of counseling intermediaries and their partners. NeighborWorks America is training foreclosure counselors across the country through a combination of multi-course, weeklong trainings at NeighborWorks Training Institutes and other venues, local place-based training events and e-learning courses.

As of April 30, 2009:

- 4,475 scholarships have been provided to counselors and staff to attend trainings
- 10,204 certificates of course completion have been issued. Of these, 2,549 certificates of course completion have been issued for e-learning course Foreclosure Basics
- Hosted 46 local place-based training events in 30 states and regional multi course training in 11 states... which enabled counselors to have training closer to home.

NFMC-funded Counseling in conjunction with the "Making Home Affordable" plan
The "Making Home Affordable" (MHA) plan is part of President Obama's broader Homeowner Affordability and Stability Plan (HASP), designed to get the economy and the housing market back on track. The "Making Home Affordable" plan could help up to 9 million families restructure or refinance their mortgages to avoid foreclosure.

A specific component of the "Making Home Affordable" plan includes foreclosure counseling. The "Making Home Affordable" plan specifies that borrowers with over 55% debt to income must agree to meet with a counselor from a HUD-approved housing counseling agency or a National Foreclosure Mitigation Counseling Program counseling agency.

The NFMC Program has been modified to encourage participating foreclosure counseling agencies to work with troubled borrowers to create an action plan that includes steps and a timeline to eliminate unnecessary debt, minimize expenses, increase income and create savings. The action plan will also establish a follow-up schedule with the foreclosure counselor. A detailed protocol describing the required components of this counseling is posted at HUD's website: http://www.hud.gov/offices/hsg/sfh/hcc/fc/

Under the terms of the "Making Home Affordable" program, servicers may refer borrowers to specific counseling agencies that provide foreclosure prevention services under the NFMC program or HUD Grant programs.

Servicers may also direct borrowers to the nationwide Hope Hotline, 888-995-HOPE, and to NFMC- or HUD-funding foreclosure counseling agencies located at http://www.hud.gov/offices/hsg/sfh/hcc/fc/

To assist borrowers seeking approved counselors, NeighborWorks America has established a new web site (www.findaforeclosurecounselor.org) which lists all housing counseling agencies (both direct grantees and sub-grantees) funded through the National Foreclosure Mitigation Counseling Program, administered by NeighborWorks America, to provide borrowers with the information and assistance they need to avoid foreclosure through the Making Home Affordable program.

NFMC Program Administration

NeighborWorks continues to be a responsible steward of this special appropriation, and has used the four percent allowed through the legislation for program administration to ensure it is successful and transparent. Program administration activities pertaining to the initial funding round include:

- **Quality Control and Compliance:** Mayer Hoffman McCann, a CPA firm based in Kansas City, was awarded a competitively bid contract to conduct the quality control and compliance monitoring of NFMC Program Grantees and applicable Sub-grantees. They provided a report to NeighborWorks in March 2009 that covers Grantee compliance with their Grant Agreement and mandatory certifications; delivery of counseling services; financial transparency (expenditure verification, budget, etc.); compliance with program requirements, including record retention and adequate insurance coverage; appropriate Sub-grantee oversight; and verification of service delivery through clients reported to the program.

  Mayer Hoffman McCann conducted remote reviews of 99 Grantees that included document collection and case file review. The remaining 30 Grantees – selected through a risk rating system that took into account size of award, years of experience providing foreclosure counseling, findings from A-133 reviews and litigation disclosures, and other factors – were subject to site visits that included evaluation of all information obtained in remote reviews and additional examination of items including availability of translation services, accessibility of services for people with disabilities, and file maintenance. A Grantee that returned all funds and is no longer participating in the program was not subject to a compliance review.

  NeighborWorks also retained consultants to ensure that counseling services provided met the program and statutory requirements of the NFMC Program. The consultants conducted site visits to 48 Grantees to observe counseling sessions, counselors' interaction with clients, and appropriateness of counselors' recommended action plans or work-out solutions. The consultants are also reviewing 91 case files from Grantees and testing whether the Grantees are adhering to the *National Industry Standards for Homeownership Counseling – Foreclosure Intervention Specialty.*

NeighborWorks competitively awarded a contract to the Urban Institute to conduct a two-year evaluation of the NFMC Program design and the impact of foreclosure counseling on the likelihood of foreclosure. The Urban Institute's first periodic progress report was provided to Congress with the first NFMC Program report. Later this month (May 2009) the Urban Institute will provide a second report to NeighborWorks, which will build on the initial evaluation of program execution, present research into the counseling process and the challenges counselors face, provide a more robust data analysis on NFMC Program clients and outcomes, and offer a preliminary look at the impact counseling has on helping homeowners avoid foreclosure. This report will be shared with Congress once available. The Urban Institute will also provide subsequent reports containing information on program design and effectiveness, and foreclosure counseling and its ability to curtail foreclosures.

- **Internal Audit:** NeighborWorks America's Internal Audit team and additional temporary staff, reporting to the NeighborWorks Board of Directors, has initiated their audit of the NFMC Program, which includes individual audits of ten aspects of the program: compliance with legislative and program requirements; quality control of counseling services; outsourced Data Collection System; production and quarterly reporting; grant recapture; program design, scoring and funding recommendations; complaint management; staffing and management of outsourced services; grant disbursement and related accounting; and non-grant expenditures, related and miscellaneous accounting.

- **Board Oversight:** NeighborWorks America has an active Board of Directors which consists of senior leadership of the Federal banking regulatory agencies and HUD. The NFMC Program is a standing agenda item on the regular quarterly Board meetings as well as meetings of the Finance, Budget and Program Committee, and the Audit Committee. Officers of the corporation, NFMC Program staff, and Internal Audit provide written and oral reports to the Board, respond to members' questions and receive input and direction during these meetings.

  Staff members of Board agencies have also been given the opportunity to participate in many aspects of the program, from providing input into the program design and contributing as grant application reviewers to observing the application reviewer trainings and applicant debriefings.

- **Budget and Cash Management:** In accordance with prescribed uses of the funds as outlined in P.L. 110-161 and P.L. 110-289 (including grants, training, administrative expenses, legal assistance grants, etc.), NeighborWorks America prepared, and continues to monitor on an on-going basis, a comprehensive program budget for the NFMC Program indicating the breakdown and summary of planned costs by major program and cost category. The budget serves as a key financial control to manage all program expenditures. Additionally, separate bank accounts were instituted for the program to effect clean segregation of funds for management activities and fiscal accountability.

Finally, components of the program design also incorporate internal and program control elements that help to effect a proper balance of risk management between the program objectives and financial oversight. Each of these considerations reflects the overall commitment to preserving the high quality that NeighborWorks maintains with regard to its financial management function.

Round 2 NFMC Program Administration

On July 30, 2008, Congress passed the Housing and Economic Recovery Act of 2008 (P.L. 110-289), which appropriated an additional $180 million to the NFMC Program, with $30 million dedicated to funding legal assistance. The funds had to be awarded before December 31, 2008.

NeighborWorks created a second round of counseling awards, and $39.72 million of funding from the first round was added to this second round. This included money held from Round 1 with the intention of being awarded as the program progressed and performance and need were further assessed, as well as a small amount of deobligated funds. These combined funds were awarded on December 3, 2008. Funding Announcements detailing program design for both rounds of the counseling program and the legal assistance program can be found at www.nw.org/nfmc.

Anti-Scam Efforts

Finally, I would mention that the recently approved Omnibus Appropriations Act of 2009 included $6 million for NeighborWorks America to conduct a consumer mortgage public education campaign, aimed at helping troubled borrowers avoid the growing scourge of rescue-scams, and mortgage modification scams.

NeighborWorks America has been consulting with a variety of groups regarding this growing problem, including state and federal regulatory agencies, the Federal Trade Commission, the National Association of Attorneys General, individual State Attorneys General, HUD, Treasury and others. We are making encouraging progress toward implementing an anti-scam public education campaign, and anticipate that we will be able to announce the specifics of this approach within the next 30 to 60 days.

I was privileged to be part of the April 6, 2009 announcement by Treasury Secretary Tim Geithner, U.S. Attorney General Eric Holder, HUD Secretary Shaun Donovan, FTC Chairman Jon Leibowitz and others, announcing the much-needed federal crackdown on foreclosure rescue scams.

Rescue scams are proliferating at a rapid pace and more homeowners are falling prey to the slick advertising and sales pitches that falsely 'guarantee' to keep them in their homes. The coordinated effort announced by the Administration aims to stop predatory and fraudulent 'rescue' practices not only through enforcement but also by educating vulnerable homeowners so they can avoid these scams in the first place.

NeighborWorks America is working with the FTC to develop a national public education campaign to make borrowers aware of how to avoid foreclosure prevention scam artists.

Homeowners in danger of foreclosure should never pay up-front for counseling help (though it is common for some to pay a nominal fee for a credit report), and should instead seek assistance from nonprofit housing counseling agencies that are HUD-approved or meet the standards for HUD approval including those found at www.findaforeclosurecounselor.org and www.makinghomeaffordable.gov.

NeighborWorks America has been working with the FTC and the federal and state agencies involved in the recent announcement to develop a comprehensive approach that draws on the resources and enforcement powers of the various regulatory agencies to stem the tide of rescue scams. This public education campaign will include advertising, direct borrower outreach and information, and will be coordinated with efforts by the FTC.

Foreclosure rescue scam artists frequently demand upfront payment for their services and "guarantee" to modify, refinance, or reinstate a borrower's mortgage. The payment demanded is typically anywhere from $1,000-$5,000.

One of our local affiliates, NeighborWorks Waco, located in Waco, Texas, recently worked with a homeowner who was scammed out of $2,000 by a company that promised to work with the borrower's lender to reinstate the homeowner's mortgage. In reality, the company did nothing, leaving the borrower with the same problem and without the borrower's $2,000.

Since January, NeighborWorks America has filed several trademark complaints with online search engines to protect consumers from falling prey to foreclosure rescue scams. The trademark complaints filed by NeighborWorks sought to remove online ads paid for by so-called mortgage rescue companies that used the NeighborWorks name and logo and offered foreclosure help for a fee. The companies have no affiliation with NeighborWorks.

Our message to borrowers is simple. If you are facing foreclosure, do not pay any person or company up front for services. Homeowners facing foreclosure need to be aware that foreclosure rescue scam artists are out in full force and see this as a prime opportunity to make money.

Attachments

A. List of NFMC Grantees and Award Amounts
B. Input received from HFAs and Intermediaries at April 17, 2009 convening
C. NMFC Award Draw Requirements
D. Individual Data Points and Quarterly Report Questions
E. NFMC Grantees' Service to Minority and Low-Income Communities, Including Number of Clients Served by Intermediaries and NeighborWorks Organizations.
F. Maps of NFMC service areas

Attachment A. List of NFMC Grantees and Award Amounts -- Round 1 and Round 2.

Grantee Name	**Grantee Type**	Round 1 Counseling Award ($)	Round 2 Counseling Award ($)	Legal Assistance Award ($)
Arizona Department of Housing/Arizona Housing Finance Authority	Housing Finance Agency	1,333,069	533,060	150,000
California Housing Finance Agency	Housing Finance Agency	8,016,487	7,377,050	405,500
Colorado Housing and Finance Authority	Housing Finance Agency	1,508,136	1,719,940	-
Connecticut Housing Finance Authority	Housing Finance Agency		681,230	-
Delaware State Housing Authority	Housing Finance Agency	163,565	203,050	10,000
Florida Housing Finance Corporation	Housing Finance Agency	1,015,389	2,294,700	1,545,000
Georgia Department of Community Affairs	Housing Finance Agency	887,004	940,690	500,000
Hawaii Housing Finance and Development Corporation	Housing Finance Agency		298,470	100,000
Idaho Housing and Finance Association	Housing Finance Agency	182,455	135,510	40,000
Illinois Housing Development Authority	Housing Finance Agency	1,572,554	3,084,940	100,000
Indiana Housing and Community Development Authority	Housing Finance Agency	446,429	638,250	55,000
Iowa Finance Authority	Housing Finance Agency	1,503,757	651,750	-
Kentucky Housing Corporation	Housing Finance Agency		1,279,020	300,000
Louisiana Housing Finance Agency	Housing Finance Agency		201,660	-
MaineHousing	Housing Finance Agency	44,931		
Maryland Department of Housing and Community Development	Housing Finance Agency	901,697	1,391,260	500,000
MassHousing	Housing Finance Agency		407,340	-
Michigan State Housing Development Authority	Housing Finance Agency	661,916	3,060,730	617,646
Minnesota Housing	Housing Finance			

Grantee Name	Grantee Type	Round 1 Counseling Award ($)	Round 2 Counseling Award ($)	Legal Assistance Award ($)
	Agency	4,329,847	4,041,560	418,950
Mississippi Home Corporation	Housing Finance Agency	184,742		
Missouri Housing Development Commission	Housing Finance Agency	729,851		
Montana Board of Housing/Housing Division	Housing Finance Agency	277,328	276,000	125,000
Nebraska Investment Finance Authority	Housing Finance Agency	106,691	233,390	-
Nevada Housing Division	Housing Finance Agency	218,314	349,880	-
New Jersey Housing and Mortgage Finance Agency	Housing Finance Agency	984,523	244,210	75,000
New Mexico Mortgage Finance Authority	Housing Finance Agency	262,004	52,500	65,000
North Carolina Housing Finance Agency	Housing Finance Agency	3,033,462	1,897,200	600,000
Ohio Housing Finance Agency	Housing Finance Agency	3,066,394	2,522,440	1,925,000
Oregon Housing and Community Services	Housing Finance Agency	327,004	91,500	141,250
Pennsylvania Housing Finance Agency	Housing Finance Agency	3,485,573	8,786,440	2,079,300
Rhode Island Housing	Housing Finance Agency	243,777	876,380	-
South Dakota Housing Development Authority	Housing Finance Agency	52,979	93,780	-
State of New York Mortgage Agency/New York State Housing Finance Agency	Housing Finance Agency	747,718	1,295,660	186,410
Tennessee Housing Development Agency	Housing Finance Agency	1,329,799	735,190	25,000
Texas Department of Housing and Community Affairs	Housing Finance Agency		491,490	-
Virginia Housing Development Authority	Housing Finance Agency	274,402	206,090	-
Washington State Housing Finance Commission	Housing Finance Agency	334,911	628,880	-
Wisconsin Housing and Economic Development Authority	Housing Finance Agency	437,808	173,630	175,000
ACORN HOUSING CORPORATION	HUD Approved Intermediary	7,850,939	16,000,000	1,200,000

Grantee Name	Grantee Type	Round 1 Counseling Award ($)	Round 2 Counseling Award ($)	Legal Assistance Award ($)
CATHOLIC CHARITIES USA	HUD Approved Intermediary	843,497	873,750	-
CITIZENS' HOUSING AND PLANNING ASSOCIATION, INC.	HUD Approved Intermediary	249,272		
HOMEFREE - U S A	HUD Approved Intermediary	2,746,828	5,687,630	1,200,000
HOMEOWNERSHIP PRESERVATION FOUNDATION	HUD Approved Intermediary	15,000,000	16,000,000	-
HOUSING PARTNERSHIP NETWORK	HUD Approved Intermediary	7,429,993	5,074,500	-
MISSION OF PEACE	HUD Approved Intermediary	5,503,646	5,079,810	-
MISSISSIPPI HOMEBUYER EDUCATION CENTER-INITIATIVE	HUD Approved Intermediary	32,597		
MONEY MANAGEMENT INTERNATIONAL INC.	HUD Approved Intermediary	2,390,422	16,000,000	-
NATIONAL ASSOCIATION OF REAL ESTATE BROKERS-INVESTMENT DIVISION, INC	HUD Approved Intermediary		7,807,810	600,000
NATIONAL COMMUNITY REINVESTMENT COALITION	HUD Approved Intermediary	2,122,615	1,618,840	-
NATIONAL COUNCIL OF LA RAZA	HUD Approved Intermediary	2,092,601	1,315,690	-
NATIONAL FOUNDATION FOR CREDIT COUNSELING, INC.	HUD Approved Intermediary	15,000,000	16,000,000	1,346,035
NATIONAL URBAN LEAGUE	HUD Approved Intermediary	1,445,703	5,311,500	-
NEIGHBORHOOD ASSISTANCE CORPORATION OF AMERICA	HUD Approved Intermediary	15,000,000	16,000,000	3,496,500
STRUCTURED EMPLOYMENT ECONOMIC DEVELOPMENT CO	HUD Approved Intermediary	1,163,745	1,304,250	-
WEST TENNESSEE LEGAL SERVICES,	HUD Approved			

Grantee Name	Grantee Type	Round 1 Counseling Award ($)	Round 2 Counseling Award ($)	Legal Assistance Award ($)
INCORPORATED	Intermediary	1,484,533	1,956,380	2,224,375
Affordable Housing Education and Development, Inc.	Neighborworks Organization	44,900	57,600	-
Avenue Community Development Corporation	Neighborworks Organization		10,080	-
BCL of Texas	Neighborworks Organization	83,201	130,860	-
Beyond Housing / Neighborhood Housing Services of St. Louis	Neighborworks Organization	188,902	456,840	-
Brand New Day, Inc.	Neighborworks Organization	51,490	39,780	-
Cabrillo Economic Development Corp.	Neighborworks Organization	167,462	431,640	-
Centro Campesino Farmworker Center, Inc.	Neighborworks Organization	70,222	144,000	-
Chautauqua Home Rehabilitation and Improvement Corporation	Neighborworks Organization		10,260	-
Coachella Valley Housing Coalition	Neighborworks Organization		19,440	-
Coalition for a Better Acre	Neighborworks Organization	25,871	94,140	-
Cobb Housing, Inc.	Neighborworks Organization	101,458	164,700	-
Colorado Rural Housing Development Corporation	Neighborworks Organization	116,404	147,960	-
Community Development Corporation of Long Island, .	Neighborworks Organization	94,475	94,140	-
Community Housing Development Corporation of North Richmond	Neighborworks Organization	220,559	208,800	118,890
Community Housing Services of Wichita/Sedgwick County	Neighborworks Organization	30,442	-	-
Community HousingWorks	Neighborworks Organization	136,904	578,880	-
Community Service Programs of West Alabama, Inc.	Neighborworks Organization	16,076	31,680	27,300
Community Ventures Corporation	Neighborworks Organization	85,442	229,320	201,600
Corporation to Develop Communities of Tampa	Neighborworks Organization	41,062	108,900	-

Grantee Name	Grantee Type	Round 1 Counseling Award ($)	Round 2 Counseling Award ($)	Legal Assistance Award ($)
Family Services, Inc.	Neighborworks Organization	364,774	1,364,220	1,741,425
Gilman Housing Trust, Inc.	Neighborworks Organization		33,300	-
Home HeadQuarters, Inc.	Neighborworks Organization	46,450	63,170	-
Home Ownership Center of Greater Cincinnati, Inc., The	Neighborworks Organization	247,033	450,000	500,000
Housing Assistance Program of Essex County, Inc.	Neighborworks Organization	10,000		
Housing Partnership, Inc.	Neighborworks Organization		52,200	-
Housing Resources of Western Colorado	Neighborworks Organization	24,204		
Housing Resources, Inc.	Neighborworks Organization		116,100	-
Hudson River Housing, Inc.	Neighborworks Organization	58,122	57,700	-
Kalamazoo Neighborhood Housing Services, Inc.	Neighborworks Organization	64,980	77,400	-
Kennebec Valley Community Action Program Housing Services	Neighborworks Organization	26,155		
LaCasa, Inc.	Neighborworks Organization		92,340	-
Laredo-Webb Neighborhood Housing Services, Inc.	Neighborworks Organization		45,900	-
Lawrence CommunityWorks, Inc.	Neighborworks Organization	69,625	70,560	-
Los Angeles Neighborhood Housing Services, Inc.	Neighborworks Organization	2,550,026	598,680	600,000
Marshall Heights Community Development Organization, c.	Neighborworks Organization	50,899	90,720	-
Miami-Dade Neighborhood Housing Services, Inc.	Neighborworks Organization	155,544	475,200	150,000
Mid Central Community Action	Neighborworks Organization		27,180	11,500
National Council on Agricultural Life and Labor Research Fund, Inc.	Neighborworks Organization	44,951	34,380	-
Neighbor to Neighbor, Inc.	Neighborworks Organization	29,968	48,940	-
Neighborhood Development	Neighborworks			

Grantee Name	Grantee Type	Round 1 Counseling Award ($)	Round 2 Counseling Award ($)	Legal Assistance Award ($)
Services	Organization	79,786	172,800	40,000
Neighborhood Finance Corporation	Neighborworks Organization	39,154	10,620	-
Neighborhood Housing & Development Corporation	Neighborworks Organization	14,546	11,700	-
Neighborhood Housing Partnership of Greater Springfield, Inc.	Neighborworks Organization	59,965	155,880	-
Neighborhood Housing Services of Beloit, Inc.	Neighborworks Organization		41,040	-
Neighborhood Housing Services of Birmingham, Inc.	Neighborworks Organization	46,140	57,600	-
Neighborhood Housing Services of Chicago, Inc.	Neighborworks Organization	820,529	576,360	-
Neighborhood Housing Services of Duluth, Inc.	Neighborworks Organization		10,080	-
Neighborhood Housing Services of Greater Cleveland,	Neighborworks Organization	595,626	532,800	100,000
Neighborhood Housing Services of Greater Nashua,	Neighborworks Organization	65,954		
Neighborhood Housing Services of Hamilton, Inc.	Neighborworks Organization	21,082	60,040	-
Neighborhood Housing Services of Kansas City, Inc.	Neighborworks Organization	72,546	74,300	-
Neighborhood Housing Services of Lackawanna County	Neighborworks Organization	93,176	40,500	-
Neighborhood Housing Services of New Haven, Inc.	Neighborworks Organization	141,943	176,220	26,316
Neighborhood Housing Services of New York City, Inc.	Neighborworks Organization	738,127	317,520	60,000
Neighborhood Housing Services of Oklahoma City,	Neighborworks Organization	10,216	79,200	6,000
Neighborhood Housing Services of Orange County,	Neighborworks Organization	66,808	342,000	241,500
Neighborhood Housing Services of Phoenix, Inc.	Neighborworks Organization	62,965	260,820	10,000
Neighborhood Housing Services of Reading, Inc	Neighborworks Organization	32,864		
Neighborhood Housing Services of Southern Nevada,	Neighborworks Organization		111,600	-

Grantee Name	Grantee Type	Round 1 Counseling Award ($)	Round 2 Counseling Award ($)	Legal Assistance Award ($)
Neighborhood Housing Services of the Inland Empire,	Neighborworks Organization	233,405	214,380	-
Neighborhood Housing Services of the South Shore, .	Neighborworks Organization	152,852	200,700	-
Neighborhood Housing Services of Toledo, Inc.	Neighborworks Organization	39,272		
Neighborhood Housing Services Silicon Valley	Neighborworks Organization		558,360	
Neighborhood of Affordable Housing, Inc.	Neighborworks Organization	141,203	187,200	-
Neighborhood Partnership Housing Services	Neighborworks Organization	119,796	88,200	-
Neighborhoods Inc. of Battle Creek	Neighborworks Organization	135,652	106,380	-
NeighborWorks Columbus (GA)	Neighborworks Organization		45,360	42,525
NeighborWorks Greater Manchester	Neighborworks Organization	24,733		
NeighborWorks Green Bay	Neighborworks Organization		51,300	-
NeighborWorks HomeOwnership Center Sacramento Region	Neighborworks Organization	107,277	306,900	200,000
NeighborWorks Lincoln	Neighborworks Organization	127,847		
NeighborWorks of Pueblo	Neighborworks Organization	91,560	75,240	-
NeighborWorks of Western Vermont	Neighborworks Organization		24,120	-
NeighborWorks Resource Group	Neighborworks Organization	12,204	38,160	-
NeighborWorks Salt Lake	Neighborworks Organization	21,577		
NeighborWorks Waco	Neighborworks Organization	30,044	49,680	-
North East Community Action Corporation	Neighborworks Organization	142,646	144,180	100,000
Nuestra Comunidad Development Corp.	Neighborworks Organization		40,500	-
Oak Hill Community Development Corp.	Neighborworks Organization	151,852		
Opportunities for Chenango, Inc.	Neighborworks Organization		21,420	-

Grantee Name	Grantee Type	Round 1 Counseling Award ($)	Round 2 Counseling Award ($)	Legal Assistance Award ($)
Pasadena Neighborhood Housing Services, Inc.	Neighborworks Organization	64,907		
Reynoldstown Revitalization Corporation	Neighborworks Organization	18,564	130,320	-
Richmond (CA) Neighborhood Housing Services, Inc.	Neighborworks Organization	135,796		
Rockingham Area Community Land Trust, Inc.	Neighborworks Organization		27,900	-
Sacramento Mutual Housing Association, Inc.	Neighborworks Organization		28,980	-
Salisbury Neighborhood Housing Services, Inc.	Neighborworks Organization	43,354		
San Juan Neighborhood Housing Services, Inc.	Neighborworks Organization	77,162	114,840	-
Select Milwaukee, Inc.	Neighborworks Organization		176,940	-
Self-Help Enterprises	Neighborworks Organization	129,346	60,150	100,000
Southwest Solutions	Neighborworks Organization	315,652		
Springfield Neighborhood Housing Services, Inc.	Neighborworks Organization	161,798	113,940	-
St. Lawrence County Housing Council, Inc.	Neighborworks Organization	10,000		
St. Mary Development Corporation	Neighborworks Organization	237,970	570,780	240,000
The Primavera Foundation, Inc	Neighborworks Organization	54,233	105,840	78,750
The Unity Council	Neighborworks Organization	217,414	142,020	250,000
Tierra del Sol Housing Corporation	Neighborworks Organization	22,940	10,800	-
Tri-County Housing & Community Development Corporation	Neighborworks Organization	10,000		
Troy Rehabilitation & Improvement Program, Inc.	Neighborworks Organization	12,786	18,360	9,575
Twin Cities Community Development Corp.	Neighborworks Organization	34,866	56,700	18,000
UNHS NeighborWorks HomeOwnership Center	Neighborworks Organization	10,000		
Urban Edge Housing	Neighborworks			

Grantee Name	**Grantee Type**	Round 1 Counseling Award ($)	Round 2 Counseling Award ($)	Legal Assistance Award ($)
Corporation	Organization	45,124	113,000	25,000
West Elmwood Housing Development Corp.	Neighborworks Organization	94,503	86,400	-
West Side Neighborhood Housing Services, Inc.	Neighborworks Organization	10,138		
SUB-TOTAL – NeighborWorks Organizations		130,438,408	177,522,170	25,104,347

ATTACHMENT B.
Input Received from HFAs and Intermediaries at April 17, 2009 Convening:

TOPIC 1: Working with Servicers

- **Recommendations for NFMC**
    - Provide current servicer contact information on the NFMC Grantee site:
        - Maintain a database of servicers' current phone/fax/forms and update it monthly. Provide contact information for loss mitigation departments, not customer service or collections.
        - Make lenders' loan mod packages available for download on the site
    - Encourage servicers to adopt systems that "talk" to one another
    - Ask HOPE NOW if they can make progress to (a) standardize everything in the loss mitigation process – the timeline of when servicers must process and respond, and the forms and documents required for all servicers' packets and (b) have servicers assign specific "team" of staff persons to each state – they will know the law, know the market, know the players, and be responsible to counseling agencies within that state
    - Create a Servicer Watch Group to monitor noncompliant servicers, report them to some administrative agency, or send feedback to servicer's management.

TOPIC 2: Adjusting Service Delivery in Response to the Current Demand

- **No Recommendations for NFMC, but General Comments:**
    - Call volume is up; loan modifications rate is up
    - There are more for-profit modification companies
    - Due to the media blitz, there are more calls from homeowners who are current on their payments, but still curious about a better deal through new programs
    - DEBATE ON TIMING: More homeowners are coming in for help sooner VS. More homeowners are coming in for help at the last minute when sale date is set.
    - DEBATE ON RE-DEFAULT TRENDS: increase in loan modifications correlates with the increase in re-defaults because they all have poor terms (like temporary freeze in rates) VS. increase in good loan modifications and the higher re-default rate applies only to those with no real benefit (such as lower payment, interest rate reduction, or term extension) to the client.

TOPIC 3: Program Design

- **Recommendations for NFMC**
    - Continue regular trainings for all Grantees on the NFMC process (billing, reporting, contacts, etc.)
    - Revise the NFMC Duplicates Policy
        - the first counseling treatment is sometimes not sufficient, and agencies that accept referrals for Level 2 counseling find themselves "re-doing" Level 1 counseling.
        - enable a pre-appointment search to see if the client has already received services, reset the dupe check every six months
    - Tie all "rate changes" for counseling reimbursements to a certain date, rather than to performance in a certain Round.

  - Create standardized NFMC Forms for intake, client authorization, privacy policy, and make them all available on the member website.
  - Vary reporting requirements/reimbursements for whether the counseling was done on the phone or face-to-face
  - Allow more flexibility (and frequency) in reallocating MSA goals and production units at each level
- Allow more flexibility for Grantee reimbursements, because the 14 day rule is a problem
- Use a shorter application in Round 3 for grantees who have already performed well in Rounds 1 and 2
- Raise the value of each level of counseling - amounts are still too low for the amount of time we spend counseling and reporting

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TOPIC 4: Program Administration

- **Recommendations for NFMC**
  - The application has too many redundant questions (ex: about marketing)
  - Draw requests should not require aggregate data from sub-grantees – give the grantee more frequent draws
  - Make the funds recapture policy and practice stress accountability and specify how long sub-grantees have to spend the funds
  - Communications from NFMC are too broad and too legalese to know the actual "do" and "do-not" rules of the program
  - Overlap of Round 1 and Round 2 is a problem. It makes us unable to reimburse our sub-grantees that are in Round 2 until the others have completed Round 1.
  - 14 day disbursement requirement is a problem. Grantees need more control, and need ideas for how to deal with underperforming sub-grantees.
  - Provide grantees with:
    - more templates
    - a compliance (quality control) checklist for use with sub-grantees
    - clear and concise communication about program changes/updates
    - a "Grantees Only" message board to share best practices and discuss administrative issues
    - biannual training on program administration
    - the ability to save uploads so a grantee can see what has been reported even after it has been reported

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TOPIC 5: Legal Assistance Program

- **Recommendation for NFMC**
  - Develop a simple menu of the legal services that can be provided under NFMC legal assistance in judicial and non-judicial states.
  - Create a checklist and provide accompanying examples for counselors to use when determining whether to refer clients to receive legal assistance

ATTACHMENT C.
NFMC Counseling Award Draw Requirements

1. Draw 1 (Draw 1 = 70% of PRS; 35% of Counseling; 35% of OO) For the typical Grantee[1], this represents 40.5% of its total NFMC award.

Released upon ratification of Grant Agreement. Round 1 must be closed out before the first draw of Round 2 will be released.

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2. Draw 2 (Draw 2 = 15% of PRS; 30% of Counseling; 30% of OO)
Total disbursed to Grantee at this point is 85% of PRS; 65% of counseling; 65% of OO. For the typical Grantee[1], this represents 68% of its total NFMC award.

Released when 25% of production is complete and:

A. Grantee has no significant compliance findings
B. Grantee has submitted proof of the requisite match funds
C. Grantee is within allowable variances by Level and geographic area[2]
D. For Round 2, Grantees with contracted requirements to provide a certain amount of counseling sessions in low-income and minority communities and to low-income and minority homeowners will be required to achieve at least the contracted percentage of production in those areas

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3. Draw 3 (Draw 3 = 15% of PRS; 30% of Counseling; 30% of OO)
Total disbursed to Grantee at this point is 100% of PRS; 95% of counseling; 95% of OO. For the typical Grantee[1], this represents 96% of its total NFMC award.

Released when 60% of production is complete and:

A. Grantee has no significant compliance findings
B. Grantee has submitted proof of the requisite match funds
C. Grantee is within allowable variances by Level and geographic area[2]
D. For Round 2, Grantees with contracted requirements to provide a certain amount of counseling sessions in low-income and minority communities and to low-income and minority homeowners will be required to achieve at least the contracted percentage of production in those areas
E. Grantee has counseled enough borrowers to spend down 60% of its counseling funds[3]

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4. Draw 4 (Draw 3 = 2.5% of counseling; 2.5% of OO)
Total disbursed to Grantee is 100% of PRS; 97.5% of counseling; 97.5% of OO. For the typical Grantee[1], this represents 98% of its total NFMC award.

Released when:

A. Grantee has no significant compliance findings
B. Grantee has completed 100% of its units of counseling
C. Grantee has submitted proof of the requisite match funds

D. Grantee has counseled enough borrowers to fully spend down 100% of the dollar amount awarded to it in Counseling Funds[3]. Note: NFMC will allow up to 3% of the Grantee's counseling award to be used to cover duplicate clients that were not self-duplicates. This will be applied at Draw 4 and may reduce the dollar amount and/or units of counseling needing to be achieved before releasing Draw 4.)
E. At least 75% of the Grantee's production was provided in Areas of Greatest need. If the Grantee was contracted to provide less than 75% of its units of counseling in Areas of Greatest need, it must be within 5% of its contracted percentage. *For example, if a Grantee was contracted to provide 65% of its total units of counseling in Areas of Greatest Need, it must provide at least 60% in AGN to close out the grant.*
F. For Round 2, Grantees with contracted requirements to provide a certain amount of counseling sessions in low-income and minority communities and to low-income and minority homeowners will be required to achieve at least the contracted percentage of production in those areas.
G. Grantee has completed its Final NFMC Programmatic Report

Exceptions to be considered:

The executed Grant Agreements required that Grantees meet certain goals. The following provisions have been established to allow Grantees to draw down some of their NFMC funds and continue providing counseling services if they have not met the contracted requirements but have sufficiently documented the reasons why and have proven they have made best efforts to achieve their goals.

At the time of the 2nd draw, If Grantee is not within allowable variances by Level, geographic area, or (if applicable) by service to low-income and minority homeowners or communities, Grantee must send an e-mail detailing its plan to get back on track. Once this is reviewed and accepted, NFMC will release Draw 2.

At the time of the 3rd draw, if Grantee is unable to meet the Level and/or geographic area requirements, Grantee must send an e-mail giving a satisfactory explanation for how they will make best efforts get back on track. Once this is reviewed and accepted, NFMC will release half of Draw 3.

To receive the second half of the third draw, Grantee must upload additional units of counseling, and NFMC staff must analyze progress to date on the Levels and geographic areas where Grantee was below acceptable variances at the time of the 3rd draw. If Grantee has increased production so it is within the variance, then the second half of the third draw will be authorized.

If Grantee has not increased production to be within the variance, NFMC staff will review the documented best efforts reported by the Grantee to address the variance. Factors that may allow a waiver of the Grant Agreement requirements would include: the geographic area is not an Area of Greatest Need, the geographic area is being served satisfactorily by the program overall, Grantee makes up less than 15% of the overall proposed production for that geographic area, production in immediately adjacent MSAs or rural areas of a state make up for the units of counseling not delivered in the contracted geographic area, documentation that clients were served in the under-reported geographic areas but billed to another funding source, or documentation that specific outreach and efforts to affiliate new sub-Grantees (if applicable) have not produced the required volume of borrowers to allow Grantee to meet its goal.

[1] This percentage may vary slightly, as not all Grantees applied for or were awarded the maximum amount of Operational Oversight and Program Related Support they were eligible to receive. NeighborWorks Organizations were not eligible to apply for Operational Oversight funds.

[2] To determine if Grantee is within allowable variances by Level and geographic area, NFMC looks at the following:

- For geographic variances, Grantee must have achieved at least 75% of the units of counseling expected at each draw for each MSA and rural area of a state it was contracted to serve. NFMC will not penalize Grantees that achieve more than 125% of its counseling goals, provided this does not cause other geographic areas Grantee was contracted to serve to fall below its goals. *Draw 2 Example: If a Grantee was contracted to provide 800 units of counseling in the Atlanta MSA, it would reach the Draw 2 trigger when it had uploaded 200 units of counseling (or 25% of the contracted units). If at least 75% of those units (or 150 units of counseling) were provided in the Atlanta MSA, the Grantee is considered to be within the allowable variance. Draw 3 Example: That same Grantee would reach the Draw 3 trigger when it had uploaded 480 units of counseling (or 60% of the contracted units). If at least 75% of those units (or 350 units of counseling) were provided in the Atlanta MSA, the Grantee is considered to be within the allowable variance.* If it is determined that Grantee is under-producing in rural areas, NFMC will analyze whether the Grantee has produced units of counseling in rural areas of MSAs using the USDA 502 rural definition. If this is the case, units of counseling that fall within these areas can be counted toward the Grantee's rural production.

- For Level variances, this means that the Grantee must have delivered Level 1, 2 and 3 counseling as contracted in the Grant Agreement, within a 50% variance. When evaluating this, NFMC staff looks at Level 2 and Level 3 numbers together, as we recognize that some Grantees have adopted the practice of reporting their Level 3 clients separately at Level 1 and in a subsequent data upload for Level 2.

[3] To determine if Grantee has counseled enough borrowers to spend down 60% or 100% of its counseling funds, NFMC multiplies the number of units produced at Level 1 by 150, adds to that the number of units produced at Level 2 by 200 (or 300 for Round 2), and adds to that the number of units of counseling produced at Level 3 by 350 (or 450 for Round 2). The resulting amount must equal or exceed 60% or 100% of the Grantee's counseling award, depending on the Draw being released.

ATTACHMENT D.
Individual Data Points and Quarterly Report Questions:

NFMC Data Points

Data Point	Description
1	Branch ID
2	Client Unique Identifier
3	Counseling Level
4	Counseling Intake Date
5	Counseling Mode
6	First Name
7	Last Name
8	Age
9	Race
10	Ethnicity
11	Gender
12	Head of Household
13	Household Family Income
14	Household Income Category (% of AMI)
15	House Number
16	Street
17	City
18	State
19	Zip
20	Total Individual Counseling Hours Received
21	Total Group Education Hours Received
22	Name of Originating Lender
23	FDIC/NCUA # or Originating Mortgage Co. name
24	Original loan Number
25	Current Servicer
26	FDIC/NCUA # or Current Servicer name
27	Loan Number Assigned by Curent Servicer
28	Credit Score
29	If No Credit Score
30	Source of Credit Score
31	PITI at Intake
32	Which loan are you reporting on, first or second?
33	If it is a first loan, does the homeowner have a second loan?
34	Type of Loan at Intake
35	Interest Only Loan

36	Hybrid ARM
37	Option ARM
38	FHA or VA Insured Loan
39	Privately Held Loan
40	Has Interest Rate Reset on ARM loan
41	Primary Reason for Default
42	Loan Status at First Contact
43	Counseling Outcome
44	Counseling Outcome Date
45	Back End Debt to Income (DTI) ratio - new for Level 4

NFMC Quarterly Report Questions

Aggregate Client Information

1. Number of clients reported to NFMC during reporting period.
   a) Total # of NFMC borrowers serviced during the reporting period: (#)
   b) Total # of NFMC units of counseling delivered by level:
      Level 1 (#) Level 2 (#) Level 3 (#)
   c) Do levels differ by more than 50% from those agreed to in your Grant Agreement? (Yes/No) If yes, please explain why:

2. Number of clients served during reporting period that achieved each of the following outcomes:

3. Number of counseling units that were provided via the following modes during the reporting period?

Foreclosure Counselor Capacity

4. How many previously employed Staff or volunteers were retrained or reassigned to be foreclosure counselors during the reporting period?

5. How many new counselors or volunteers were put into service during the reporting period?

6. How many foreclosure counselors received additional foreclosure related training during the reporting period?

Progress on overall program activities

7. Did you meet or exceed your quarterly production goals for this quarter as outlined in Exhibit B to your grant agreement?

If no, please explain factors that inhibited you from reaching your goal:

8. Please estimate the percentage of program-related support funds used for the following activities:

The legislation enabling these funds requires that we collect the following information:

10. Please name and describe a few key factors or strategies that contributed to the successes you encountered in helping clients avoid foreclosure, mitigate losses, or ensure the affordability of mortgages when clients retain their homes, and estimate the percentage of clients for whom each strategy has been successful.

11. Please name and describe a few key challenges encountered in helping clients avoid foreclosure, mitigate losses, or ensure the affordability of mortgages when clients retain their homes.

Success Stories

12. Please provide the name and contact information of one person that received services as a result of NFMC funds who is willing to be contacted to discuss their situation and possibly be highlighted in future NFMC reports, with their approval.

Compliance

13. Are you/are your sub-grantees or branches in compliance with all terms and conditions of the grant agreement and funding announcement, including OMB Circulars?
    If no, how will you remedy during the upcoming quarter?

Languages

14. Please note the languages of which you and/or your sub grantees offer counseling services.
    Note how many counselors provide services for each language.

The Final Quarterly Report also includes questions about revenue and expenditures

ATTACHMENT E.
NFMC Grantees Service to Minority and Low-Income Communities,
Including Number of Clients Served by Intermediaries and NeighborWorks Organizations
SERVICE OF NFMC INTERMEDIARIES TO MINORITY AND LOW-INCOME PEOPLE AND NEIGHBORHOODS

Data as of March 31, 2009- Combines NFMC RD1 and RD2

SUMMARY STATEMENT Grantee Name	Total Clients	# of Clients from Majority Minority Zips	% of Clients from Majority Minority Zips	# of Clients from Low-Income (<80% AMI) Zips	% of Clients from Low-Income (<80% AMI) Zips	# of Clients with Self Reported Incomes <80%	% of Clients with Self Reported Incomes <80% AMI	# of Minority Clients	% of Clients Served that are Minorities
ACORN HOUSING CORPORATION	21,758	12,045	55%	7,698	35%	17,450	80%	16,172	74%
CATHOLIC CHARITIES USA	1,369	252	18%	348	25%	864	63%	571	42%
CITIZENS' HOUSING AND PLANNING ASSOCIATION, INC.	291	111	38%	140	48%	212	73%	119	41%
HOMEFREE - U S A	8,309	4,351	52%	2,840	34%	6,233	75%	6,076	73%
HOMEOWNERSHIP PRESERVATION FOUNDATION	92,082	30,191	33%	18,400	20%	54,046	59%	38,132	41%
HOUSING PARTNERSHIP NETWORK	7,507	2,756	37%	2,835	38%	5,589	74%	4,047	54%
MISSION OF PEACE	12,862	5,569	43%	4,466	35%	9,602	75%	7,240	56%
MONEY MANAGEMENT INTERNATIONAL INC.	12,848	4,819	38%	2,655	21%	6,232	49%	5,534	43%
NEIGHBORHOOD ASSISTANCE CORPORATION OF AMERICA	37,313	20,484	55%	11,084	30%	37,165	100%	31,138	83%
NATIONAL ASSOCIATION OF REAL ESTATE BROKERS-INVESTMENT DIVISION	375	253	67%	159	42%	249	66%	321	86%
NATIONAL COMMUNITY REINVESTMENT COALITION	1,206	739	61%	642	53%	909	75%	894	74%
NATIONAL COUNCIL OF LA RAZA	3,791	2,196	58%	1,440	38%	2,551	67%	3,105	82%
NATIONAL FOUNDATION FOR CREDIT COUNSELING, INC.	64,195	14,368	22%	9,301	14%	34,149	53%	23,315	36%
NATIONAL URBAN LEAGUE	3,698	2,008	54%	1,808	49%	2,679	72%	2,880	78%
NEIGHBORWORKS AMERICA	25,070	12,152	48%	9,307	37%	17,829	71%	16,436	66%
STRUCTURED EMPLOYMENT ECONOMIC DEVELOPMENT CO	2,534	1,574	62%	973	38%	1,832	72%	2,184	86%
WEST TENNESSEE LEGAL SERVICES, INCORPORATED	2,556	841	33%	705	28%	1,866	73%	1,248	49%
Grand Total of Intermediary Service	**272,694**	**102,557**	**38%**	**65,494**	**24%**	**181,628**	**67%**	**142,976**	**52%**

Data as of March 31, 2009- Combines NFMC RD1 and RD2

NEIGHBORWORKS ORGANIZATIONS **Grantee Name**	Total Clients	# of Clients from Majority Minority Zips	% of Clients from Majority Minority Zips	# of Clients from Low-Income (<80% AMI) Zips	% of Clients from Low-Income (<80% AMI) Zips	# of Clients with Self Reported Incomes <80%	% of Clients with Self Reported Incomes <80% AMI	# of Minority Clients	% of Clients Served that are Minorities
Affordable Housing Education and Development, Inc.	142		0%		0%	108	76%	3	2%
BCL of Texas	193	95	49%	42	22%	121	63%	105	54%
Beyond Housing / Neighborhood Housing Services of St. Louis	618	366	59%	398	64%	528	85%	469	76%
Brand New Day, Inc.	140	80	57%	66	47%	95	68%	112	80%
Cabrillo Economic Development Corp.	461	266	58%	226	49%	365	79%	396	86%
Centro Campesino Farmworker Center, Inc.	136	128	94%	51	38%	88	65%	62	46%
Coalition for a Better Acre	78	5	6%	45	58%	55	71%	44	56%
Cobb Housing, Inc.	321	94	29%	22	7%	233	73%	250	78%
Colorado Rural Housing Development Corporation	463	115	25%	126	27%	314	68%	199	43%
Community Development Corporation of Long Island, Inc.	465	132	28%	5	1%	289	62%	225	48%
Community Housing Development Corporation of North Richmond	532	408	77%	285	54%	305	57%	446	84%
Community Housing Services of Wichita/Sedgwick County	21	2	10%	9	43%	16	76%	8	38%
Community HousingWorks	438	244	56%	81	18%	255	58%	312	71%

Community Service Programs of West Alabama, Inc.	38	10	26%	10	26%	30	79%	29	76%
Community Ventures Corporation	491	1	0%	74	15%	360	73%	121	25%
Corporation to Develop Communities of Tampa	160	58	36%	30	19%	112	70%	105	66%
Family Services, Inc.	1,782	560	31%	261	15%	1,630	91%	1,253	70%
Home HeadQuarters, Inc.	131	19	15%	60	46%	100	76%	71	54%
Home Ownership Center of Greater Cincinnati, Inc., The	878	291	33%	280	32%	694	79%	526	60%
Housing Assistance Program of Essex County, Inc.	1		0%		0%	1	100%		0%
Housing Resources of Western Colorado	19	1	5%	1	5%	11	58%	3	16%
Housing Resources, Inc.	48	25	52%	25	52%	28	58%	29	60%
Hudson River Housing, Inc.	236	22	9%	25	11%	116	49%	117	50%
Kalamazoo Neighborhood Housing Services, Inc.	166	12	7%	40	24%	127	77%	56	34%
Kennebec Valley Community Action Program Housing Services	82		0%	2	2%	63	77%	2	2%
Lawrence CommunityWorks, Inc.	147	109	74%	111	76%	122	83%	133	90%
Los Angeles Neighborhood Housing Services, Inc.	2,032	1,610	79%	860	42%	1,137	56%	1,752	86%
Marshall Heights Community Development Organization, Inc.	93	93	100%	85	91%	65	70%	93	100%
Miami-Dade Neighborhood Housing Services, Inc.	535	472	88%	226	42%	400	75%	485	91%
National Council on Agricultural Life and Labor Research Fund, Inc.	144		0%	4	3%	45	31%	74	51%
Neighbor to Neighbor, Inc.	118		0%	9	8%	102	86%	16	14%
Neighborhood Development Services	332	7	2%	20	6%	254	77%	32	10%
Neighborhood Finance Corporation			9%		84%		81%		22%

	32	3		27		26		7	
Neighborhood Housing & Development Corporation	75	8	11%	10	13%	50	67%	36	48%
Neighborhood Housing Partnership of Greater Springfield, Inc.	215		0%	26	12%	161	75%	28	13%
Neighborhood Housing Services of Birmingham, Inc.	196	111	57%	67	34%	157	80%	160	82%
Neighborhood Housing Services of Chicago, Inc.	1,593	1,427	90%	1,218	76%	1,298	81%	1,365	86%
Neighborhood Housing Services of Greater Cleveland, Inc.	1,569	664	42%	643	41%	1,217	78%	887	57%
Neighborhood Housing Services of Greater Nashua, Inc.	31		0%	6	19%	22	71%	4	13%
Neighborhood Housing Services of Hamilton, Inc.	281		0%	3	1%	208	74%	65	23%
Neighborhood Housing Services of Kansas City, Inc.	115	53	46%	63	55%	95	83%	68	59%
Neighborhood Housing Services of Lackawanna County	115	10	9%	8	7%	70	61%	26	23%
Neighborhood Housing Services of New Haven, Inc.	367	155	42%	162	44%	245	67%	261	71%
Neighborhood Housing Services of New York City, Inc.	1,210	989	82%	613	51%	800	66%	1,067	88%
Neighborhood Housing Services of Oklahoma City, Inc.	13	3	23%	4	31%	7	54%	11	85%
Neighborhood Housing Services of Orange County, Inc.	242	143	59%	11	5%	152	63%	177	73%
Neighborhood Housing Services of Phoenix, Inc.	217	115	53%	105	48%	147	68%	155	71%
Neighborhood Housing Services of Reading, Inc	58	20	34%	20	34%	34	59%	31	53%
Neighborhood Housing Services of the Inland Empire, Inc.	564	422	75%	147	26%	338	60%	380	67%
Neighborhood Housing Services of the South Shore, Inc.	306	112	37%	162	53%	223	73%	172	56%
Neighborhood Housing Services of Toledo, Inc.	80	19	24%	31	39%	64	80%	47	59%
Neighborhood of Affordable Housing, Inc.			36%		73%		69%		74%

	450	160		330		312		334	
Neighborhood Partnership Housing Services	548	458	84%	100	18%	316	58%	451	82%
Neighborhoods Inc. of Battle Creek	469	15	3%	51	11%	389	83%	124	26%
NeighborWorks Greater Manchester	71		0%	31	44%	54	76%	13	18%
NeighborWorks HomeOwnership Center Sacramento Region	373	141	38%	129	35%	226	61%	262	70%
NeighborWorks Lincoln	107	2	2%	16	15%	94	88%	18	17%
NeighborWorks of Pueblo	271	138	51%	136	50%	204	75%	172	63%
NeighborWorks Resource Group	56	31	55%	28	50%	32	57%	50	89%
NeighborWorks Salt Lake	29	4	14%	6	21%	20	69%	8	28%
NeighborWorks Waco	120	35	29%	35	29%	83	69%	71	59%
North East Community Action Corporation	123	1	1%	2	2%	80	65%	12	10%
Oak Hill Community Development Corp.	296	2	1%	149	50%	187	63%	139	47%
Pasadena Neighborhood Housing Services, Inc.	70	53	76%	19	27%	56	80%	49	70%
Reynoldstown Revitalization Corporation	66	52	79%	25	38%	57	86%	64	97%
Richmond (CA) Neighborhood Housing Services, Inc.	230	182	79%	103	45%	155	67%	196	85%
Salisbury Neighborhood Housing Services, Inc.	116	9	8%	15	13%	94	81%	52	45%
San Juan Neighborhood Housing Services, Inc.	223		0%		0%	122	55%	223	100%
Select Milwaukee, Inc.	6	3	50%	2	33%	2	33%	3	50%
Self-Help Enterprises	159	108	68%	25	16%	49	31%	125	79%
Southwest Solutions	428	272	64%	275	64%	343	80%	323	75%
Springfield Neighborhood Housing Services, Inc.			47%		52%		67%		60%

	236	110		122		159		141	
St. Lawrence County Housing Council, Inc.	29		0%		0%	23	79%		0%
St. Mary Development Corporation	698	263	38%	268	38%	499	71%	302	43%
The Primavera Foundation, Inc	188	113	60%	94	50%	123	65%	149	79%
The Unity Council	291	228	78%	143	49%	196	67%	255	88%
Tierra del Sol Housing Corporation	48	43	90%	12	25%	38	79%	44	92%
Tri-County Housing & Community Development Corporation	22	5	23%		0%	14	64%	11	50%
Troy Rehabilitation & Improvement Program, Inc.	33	1	3%	17	52%	26	79%	6	18%
Twin Cities Community Development Corp.	129		0%	79	61%	78	60%	54	42%
UNHS NeighborWorks HomeOwnership Center	23		0%	3	13%	18	78%	1	4%
Urban Edge Housing Corporation	136	92	68%	91	67%	54	40%	115	85%
West Elmwood Housing Development Corp.	286	147	51%	185	65%	224	78%	187	65%
West Side Neighborhood Housing Services, Inc.	20	5	25%	11	55%	19	95%	7	35%
Grand Total	**25,070**	**12,152**	**48%**	**9,307**	**37%**	**17,829**	**71%**	**16,436**	**66%**

Data as of March 31, 2009- Combines NFMC RD1 and RD2

INTERMEDIARIES Grantee Name	Total Clients	# of Clients from Majority Minority Zips	% of Clients from Majority Minority Zips	# of Clients from Low-Income (<80% AMI) Zips	% of Clients from Low-Income (<80% AMI) Zips	# of Clients with Self Reported Incomes <80%	% of Clients with Self Reported Incomes <80% AMI	# of Minority Clients	% of Clients Served that are Minorities
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Data as of March 31, 2009- Combines NFMC RD1 and RD2

STATE HOUSING FINANCE AGENCIES Grantee Name	Total Clients	# of Clients from Majority Minority Zips	% of Clients from Majority Minority Zips	# of Clients from Low-Income (<80% AMI) Zips	% of Clients from Low-Income (<80% AMI) Zips	# of Clients with Self Reported Incomes <80%	% of Clients with Self Reported Incomes <80% AMI	# of Minority Clients	% of Clients Served that are Minorities
Arizona Department of Housing/Arizona Housing Finance Authority	1,704	592	35%	495	29%	1,121	66%	936	55%
California Housing Finance Agency	12,936	8,205	63%	3,340	26%	5,711	44%	9,106	70%
Colorado Housing and Finance Authority	3,532	989	28%	1,067	30%	2,362	67%	1,552	44%
Delaware State Housing Authority	394	36	9%	43	11%	259	66%	222	56%
Florida Housing Finance Corporation	2,783	837	30%	721	26%	1,776	64%	1,759	63%
Georgia Department of Community Affairs	2,760	1,023	37%	484	18%	1,564	57%	1,297	47%
Idaho Housing and Finance Association	183		0%	27	15%	155	85%	34	19%
Illinois Housing Development Authority	3,670	2,035	55%	1,621	44%	2,586	70%	2,747	75%
Indiana Housing and Community Development Authority	199	8	4%	19	10%	118	59%	34	17%
Iowa Finance Authority	1,511	14	1%	312	21%	1,103	73%	135	9%
MaineHousing	44		0%	1	2%	34	77%	7	16%
Maryland Department of Housing and Community Development	1,974	929	47%	654	33%	1,304	66%	1,355	69%
Michigan State Housing Development Authority	1,811	334	18%	455	25%	1,184	65%	628	35%
Minnesota Housing	11,625	742	6%	2,501	22%	9,093	78%	3,146	27%

Mississippi Home Corporation	42	17	40%	11	26%	31	74%	30	71%
Missouri Housing Development Commission	1,098	578	53%	598	54%	841	77%	720	66%
Montana Board of Housing/Housing Division	1,102	1	0%	86	8%	613	56%	54	5%
Nebraska Investment Finance Authority	138	24	17%	49	36%	112	81%	49	36%
Nevada Housing Division	458	101	22%	77	17%	248	54%	265	58%
New Jersey Housing and Mortgage Finance Agency	875	284	32%	164	19%	620	71%	584	67%
New Mexico Mortgage Finance Authority	159	97	61%	11	7%	150	94%	115	72%
North Carolina Housing Finance Agency	3,010	863	29%	425	14%	2,029	67%	1,527	51%
Ohio Housing Finance Agency	5,016	1,401	28%	1,699	34%	3,691	74%	2,284	46%
Oregon Housing and Community Services	519	3	1%	38	7%	352	68%	159	31%
Pennsylvania Housing Finance Agency	8,709	2,580	30%	3,417	39%	4,985	57%	3,518	40%
Rhode Island Housing	1,009	394	39%	470	47%	552	55%	465	46%
South Dakota Housing Development Authority	154	1	1%		0%	73	47%	20	13%
State of New York Mortgage Agency/New York State Housing Finance Agency	2,450	985	40%	594	24%	1,651	67%	1,369	56%
Tennessee Housing Development Agency	3,770	1,347	36%	1,052	28%	2,917	77%	2,321	62%
Texas Department of Housing and Community Affairs	76	35	46%	23	30%	57	75%	62	82%
Virginia Housing Development Authority	497	172	35%	119	24%	394	79%	310	62%
Washington State Housing Finance Commission	592	5	1%	73	12%	361	61%	151	26%
Wisconsin Housing and Economic Development Authority	566	198	35%	221	39%	391	69%	251	44%
Sub- Total – State Housing Finance Agencies	**75,366**	**24,830**	**33%**	**20,867**	**28%**	**48,438**	**64%**	**37,212**	**49%**

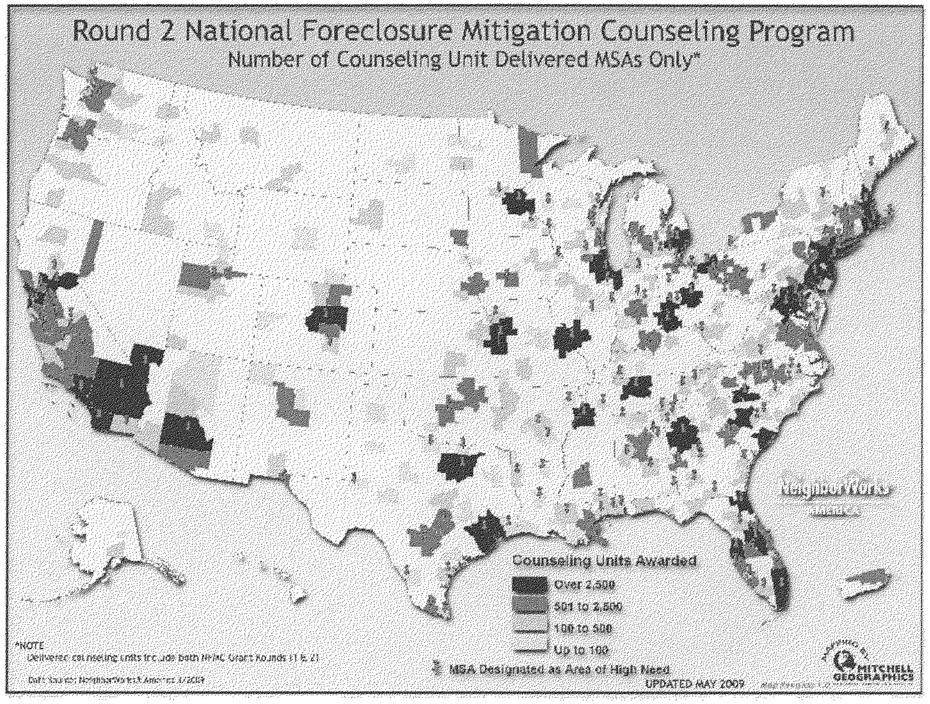
RD1 & RD2 DATA
3-31-09

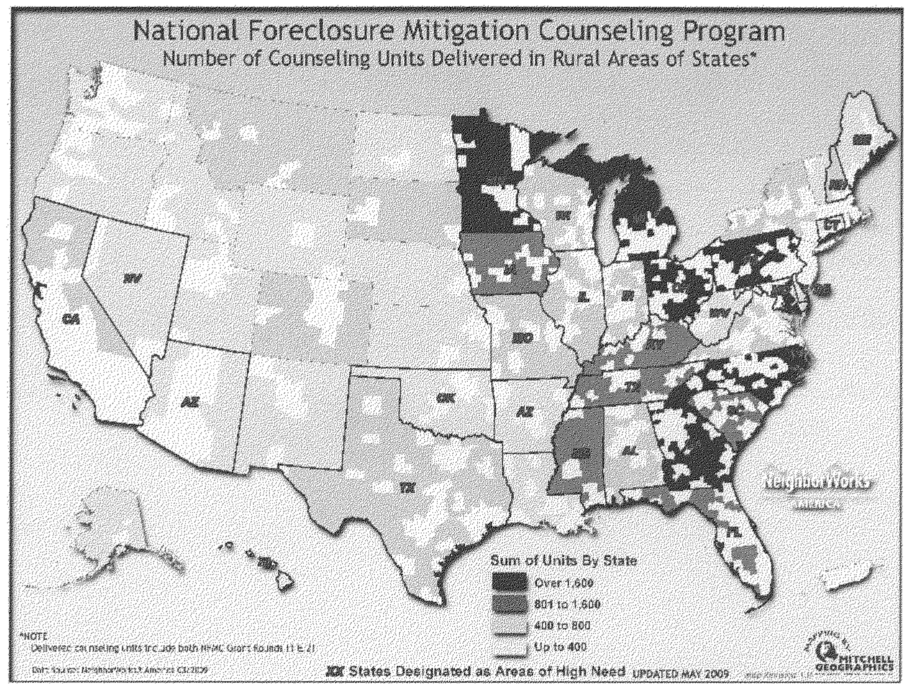
Note: 39 total cases excluded as missing

TYPE	(All)		Neighborworks Organization			HUD Approved Intermediary			Housing Finance Agency		
Row Labels	Total NFMC Clients	% Overall	Row Labels	Total NFMC Clients	% Over all	Row Labels	Total NFMC Clients	% Over all	Row Labels	Total NFMC Clients	% Over all
AK	499	0%	AL	233	1%	AK	498	0%	AK	1	0%
AL	2,951	1%	AZ	406	2%	AL	2,706	1%	AL	12	0%
AR	1,425	0%	CA	5,933	24%	AR	1,420	1%	AR	5	0%
AZ	10,430	3%	CO	892	4%	AZ	8,283	3%	AZ	1,741	2%
CA	61,051	16%	CT	374	1%	CA	42,546	16%	CA	12,572	17%
CO	8,001	2%	DC	68	0%	CO	3,574	1%	CO	3,535	5%
CT	4,053	1%	DE	142	1%	CT	3,674	1%	CT	5	0%
DC	1,381	0%	FL	912	4%	DC	1,307	0%	DC	6	0%
DE	1,701	0%	GA	391	2%	DE	1,163	0%	DE	396	1%
FL	30,085	8%	HI	1	0%	FL	26,326	10%	FL	2,847	4%
GA	16,484	4%	IA	34	0%	GA	13,325	5%	GA	2,768	4%
GU	2	0%	IL	1,651	7%	GU	2	0%	HI	5	0%
HI	276	0%	IN	13	0%	HI	270	0%	IA	1,510	2%
IA	2,543	1%	KS	42	0%	IA	999	0%	ID	187	0%
ID	642	0%	KY	534	2%	ID	455	0%	IL	3,677	5%
IL	16,217	4%	MA	1,778	7%	IL	10,889	4%	IN	217	0%

IN	4,280	1%	MD	143	1%	IN	4,050	1%	KS	2	0%
KS	1,279	0%	ME	82	0%	KS	1,235	0%	KY	4	0%
KY	3,720	1%	MI	1,065	4%	KY	3,182	1%	LA	14	0%
LA	2,010	1%	MO	777	3%	LA	1,996	1%	MA	3	0%
MA	8,588	2%	MS	3	0%	MA	6,807	2%	MD	2,003	3%
MD	18,946	5%	NC	39	0%	MD	16,800	6%	ME	46	0%
ME	945	0%	NE	105	0%	ME	817	0%	MI	1,823	2%
MI	15,993	4%	NH	245	1%	MI	13,105	5%	MN	11,626	15%
MN	13,957	4%	NJ	146	1%	MN	2,331	1%	MO	1,098	1%
MO	7,568	2%	NM	44	0%	MO	5,693	2%	MS	63	0%
MS	2,860	1%	NV	2	0%	MS	2,794	1%	MT	1,103	1%
MT	1,250	0%	NY	2,146	9%	MT	147	0%	NC	3,021	4%
NC	10,646	3%	OH	3,992	16%	NC	7,586	3%	ND	1	0%
ND	189	0%	OK	13	0%	ND	188	0%	NE	142	0%
NE	799	0%	OR	1	0%	NE	552	0%	NJ	890	1%
NH	947	0%	PA	175	1%	NH	702	0%	NM	161	0%
NJ	7,037	2%	PR	223	1%	NJ	6,001	2%	NV	470	1%
NM	1,143	0%	RI	274	1%	NM	938	0%	NY	2,453	3%
NV	6,948	2%	SC	1,734	7%	NV	6,476	2%	OH	5,018	7%
NY	11,276	3%	SD	1	0%	NY	6,677	2%	OK	6	0%
OH		7%	TX		1%	OH		6%	OR		1%

	25,031			316			16,021			535	
OK	1,807	0%	UT	29	0%	OK	1,788	1%	PA	8,714	12%
OR	1,988	1%	VA	56	0%	OR	1,452	1%	RI	1,009	1%
PA	14,432	4%	WA	1	0%	PA	5,543	2%	SC	8	0%
PR	1,903	1%	WI	54	0%	PR	1,680	1%	SD	150	0%
RI	2,114	1%				RI	831	0%	TN	3,772	5%
SC	7,640	2%				SC	5,898	2%	TX	97	0%
SD	1,106	0%				SD	955	0%	UT	3	0%
TN	7,640	2%				TN	3,868	1%	VA	492	1%
TX	12,742	3%				TX	12,329	5%	WA	584	1%
UT	1,187	0%				UT	1,155	0%	WI	570	1%
VA	8,050	2%				VA	7,502	3%	WV	1	0%
VI	6	0%				VI	6	0%			
VT	132	0%				VT	132	0%			
WA	3,566	1%				WA	2,981	1%			
WI	4,527	1%				WI	3,903	1%			
WV	984	0%				WV	983	0%			
WY	153	0%				WY	153	0%			
Grand Total	**373,130**	**100%**	**Grand Total**	**25,070**	**100 %**	**Grand Total**	**272,694**	**100 %**	**Grand Total**	**75,366**	**100 %**


Round 2 National Foreclosure Mitigation Counseling Program
Number of Counseling Unit Delivered MSAs Only*
Counseling Units Awarded
Over 2,500
501 to 2,500
100 to 500
Up to 100
MSA Designated as Area of High Need
UPDATED MAY 2009
*NOTE
MITCHELL GEOGRAPHICS


National Foreclosure Mitigation Counseling Program
Number of Counseling Units Delivered in Rural Areas of States*
Sum of Units By State
Over 1,600
801 to 1,600
400 to 800
Up to 400
XX States Designated as Areas of High Need
UPDATED MAY 2009
*NOTE
MITCHELL GEOGRAPHICS

Housing Partnership Network

Testimony by

Charles Wehrwein
President, Housing Partnership Exchange
The Housing Partnership Network

to the

Subcommittee on Housing and Community Opportunity,
Committee on Financial Services

U.S. House of Representatives

May 13, 2009

Thank you, Congresswoman Waters and Ranking Member Capito, for this opportunity to provide feedback on the National Foreclosure Mitigation Counseling Program. The Housing Partnership Network is an award winning business alliance of the nation's top performing nonprofit housing developers, lenders, and counselors. The Network has been a HUD Housing Counseling Intermediary since 1995. In this capacity we have distributed more than $18 million in HUD funds to participating members. Network members are among the highest capacity producers in the counseling industry, with close connections to their local markets, and strong partnerships with local government, financial institutions and other nonprofit agencies that allow them to leverage a wide range of resources for their customers, such as emergency assistance funds, refinance products, legal services, and other social supports. With this support, combined with significant local leverage, our members have provided counseling and education to over 400,000 families. (See attached Exhibit A for list of counseling members and their geographic locations.)

The foreclosure crisis sweeping the nation has significantly increased Network member focus on post-purchase and foreclosure intervention. Given their trusted position and strong track records, Network members are seeing a dramatic surge in demand for foreclosure intervention services: foreclosure counseling demand has doubled each year since 2006, and is on track to double again in 2009. With continued resources to support their foreclosure mitigation counseling efforts, Network members will be able to meet this demand, and sustain affordable homeownership for thousands of households.

The Network has been a recipient of National Foreclosure Mitigation Counseling funds since they were appropriated by Congress in 2007. In the current program year, the Network will receive $5 million in NFMC funds, to support the counseling efforts of 25 members in 18 states. We applaud NeighborWorks America on their ability to distribute these funds swiftly, thereby enabling them to have an immediate, positive impact on communities of greatest need. Below we have highlighted four issues of concern that if addressed, we believe would greatly improve the NFMC program. Following this, we also stress the importance of continued support for housing counseling. This includes foreclosure mitigation counseling but must also extend to pre-purchase counseling for the long term benefits that accrue to renters, prospective homeowners, first-time homeowners and the safety and soundness of the mortgage industry as a whole.

Non-Compensation of Duplicate Counseling

There is a serious concern among Network members that the current NFMC policy regarding duplicate counseling does not recognize the practical experience of organizations in the field, nor the legitimate reasons that clients may seek additional counseling from another organization. Under the current policy, organizations do not receive compensation for counseling efforts if clients have already been counseled and reported on by a different agency. Generally, the first agency to report on a client receives compensation for the work completed. Although we have recently learned that there will be a program change providing for a 3% duplicate allowance for all grantees, the cost to organizations of duplicate counseling sessions will continue to be much higher than this, and the 3% allowance does not resolve the issue. The Network asserts that if a client is counseled per the standards and requirements of the NFMC program, an agency should receive compensation for the work completed, regardless of duplicated efforts.

Clients at risk of foreclosure may seek counseling from multiple agencies because they are dissatisfied with the outcome of the initial counseling session or the service they received, or they dropped out of the process with an organization and would rather start anew with another, or in some cases clients 'shop around.' These clients do not always indicate they have received counseling elsewhere, even when asked. Therefore, the organization pursues effective counseling in good faith. Even if the organization is aware that the client received services elsewhere, consistent with the requirements of HUD-approved counseling agencies, they cannot turn clients away, and will have to conduct all of the counseling work needed to provide full service to the client, effectively causing these mission-driven agencies already stretched to the max to provide a service for which they are not compensated. In many cases, this additional counseling helps families achieve positive outcomes that they would not otherwise achieve based upon their first counseling session.

There is precedence for federal funds to support multiple counseling sessions. The HUD Housing Counseling Program allows for this practice. As HUD-approved housing counseling agencies, Network sub grantees cannot refuse counseling to anyone, even if they are duplicating counseling efforts with other agencies. Under the NFMC program, Network members report that they almost always have to repeat Level 1 intake with a client even if that client was referred from another agency. In many cases, clients reach out to foreclosure hotlines for Level 1 phone counseling prior to receiving more intensive face-to-face services. Often the client does not bring the paperwork from the initial session, or Network members find that it is necessary to repeat the intake process for their records for the more intensive Level 2 counseling.

The Network strongly believes that permitting agencies to be compensated for all counseling efforts will support the fundamental goal of the NFMC program to prevent foreclosures and stabilize communities, and that the current policy should be modified to reflect the true foreclosure intervention counseling process.

Allowable Level/MSA Variances

The Network contends that the NFMC program would more accurately reflect the current foreclosure counseling landscape if there were a variance allowance built into the program that holds grantees harmless if the level of counseling or geographic location of clients changes from that proposed in the application for funds.

When building the NFMC grant request in the application for funds, prospective grantees make client projections based on current demand and current and increased capacity. Within that total expected number of clients projected, organizations also project the level of counseling each prospective client will receive. Grantees are funded based on this projection, with a specific fee attached to the counseling level ($150 for Level 1, $300 for Level 2, $450 for Level 3 - a combination of Levels 1 & 2).

Counseling agencies build their staffing and organization around these projections but cannot be sure that demand will exactly match. Their good faith estimates to staff and serve the requisite number of clients, just not the exact level required should be supported. The Network believes that if grantees achieve 100% of total unit production, but within a 25% variance by level and a 25% variance by geography (as defined by MSA), grantees should receive 100% of their NFMC award. It is very difficult to predict with 100% accuracy the actual demand for foreclosure prevention counseling an organization will experience within one year, especially as new programs such as Making Home Affordable are released that influence counseling demand, expertise and technology. In addition, because many Network members serve clients from multiple geographic locations, there is potential that homeowners served are located in MSAs other than those predicted. While Network members have been highly accurate in their geographic projections, there are cases in which homeowners from geographic areas outside the MSA seek their services. The Network believes that allowances of 25% for Level of counseling and 25% of MSA are realistic variances that hold organizations harmless for fluctuations in client demand they could not predict at the time of application for funds.

Relevance of "Level 3" Clients

In 2007, the Housing Partnership Network partnered with HUD, NeighborWorks, and other members of the Hope Now Alliance to develop a structure for a potential fee for service relationship between nonprofit housing counseling organizations and mortgage servicers. This is where the concept of "Levels" of foreclosure counseling first originated. The basis for the different Levels was that an organization that only provides phone counseling would be paid at "Level 1" for less intensive services, while organizations such as Network members, who provide more intensive face to face counseling, often with multiple sessions that last several months, provide "Level 2" counseling and should be compensated at a greater rate.

The NFMC program adopted this concept of counseling Levels. To account for instances in which a Level 1 provider refers clients to local agencies for more intensive counseling, a new Level ("Level 3") was created. Level 2 now exists for clients referred by a Level 1 agency, and Level 3 applies to clients who receive Level 1 and Level 2 counseling from the same agency. However, in practice Network members find this model problematic. It is often a challenge to complete all loss mitigation for Level 3 clients in one quarter. Servicer back logs and the need for follow up sessions to complete intensive counseling often require that counseling production occurs over multiple quarters. It is more practical, therefore, for Network sub grantees to report on Level 3 clients as "Level 1" in the first quarter, and as "Level 2" in subsequent quarters, especially given the current reality that requires organizations to enter clients into the system quickly, because under the NFMC duplicate policy described above, organizations risk non payment for counseling services if they do not report right away.

Thus, the Network would propose eliminating the Level 3 client altogether, and allow grantees instead to report on these clients as Level 1 and Level 2.

Improved Communication Structure

There is a need for improved communication between NFMC program staff and grantees. In our 14 years as a HUD Intermediary, we have seen the effectiveness of the model the Housing Counseling Program has established for communication between HUD and HCP grantees. With each intermediary assigned to a specific GTR, there is always the ability for swift and efficient communication regarding programmatic or policy questions or concerns. The NFMC program currently does not have such a structure. Instead, grantees send comments and questions to a general email address or phone number. Implementing a structure for NFMC similar to the HUD GTR model would allow for improved communication and would likely increase the efficiency of program management.

Essential Resources for Housing Counseling

As mentioned above, Network members have been greatly impacted by the national foreclosure crisis. The surging demand for foreclosure intervention services is seen clearly with Network data, as foreclosure clients have doubled each year since 2006, and are set to double again in the current program year. NFMC funds have been essential to Network member ability to ramp up capacity and respond to the dramatically increased demand. These funds have also enabled members to increase their outreach efforts to reach at-risk borrowers and prevent thousands of foreclosures and evictions. However, there is no indication that the demand will slow in coming months; rather with the recent implementation of Making Home Affordable under the Homeowner Affordability and Stability Plan, the flow of clients into member agencies has increased, thus, there is a continued need for foreclosure prevention resources.

Accompanying this increased demand for foreclosure counseling has been a marked increase in demand for pre-purchase (homeownership) counseling. Network members across the country have reported this trend, which is a bright spot in cities such as Cleveland (location of Network member Cleveland Housing Network), that have been ravaged by the foreclosure crisis. The falling housing market, combined with a growing portfolio of REO properties has opened the door to homeownership for families for whom owning a home had previously been unattainable.

However, to increase their foreclosure counseling capacity, organizations have reallocated limited counseling resources away from essential service types such as pre-purchase. While this reprogramming of resources may prevent foreclosures in the short term, it is only with homeownership counseling that our communities will be stabilized for the long term. As Neighborhood Stabilization Program funds work their way into communities nationwide, it will be essential that the new households who occupy this revitalized housing are educated consumers, prepared to achieve and sustain homeownership. To facilitate this, and prevent a similar foreclosure crisis in the future, it is crucial that we invest additional resources into pre purchase counseling.

This concludes our testimony. Again, we thank you for this opportunity to provide feedback. Of course, do not hesitate to contact the Network with additional questions regarding the NFMC program or housing counseling in general. Please direct your questions to me or Danielle Samalin, Housing Counseling Program Director: samalin@housingpartnership.net or (617) 720-1999 x.216.

Exhibit A: Housing Partnership Network Counseling Members

ACTION-Housing, Inc. (Pittsburg, PA)
Affordable Housing Partnership (Albany, NY)
Cleveland Housing Network, Inc. (OH)
Columbus Housing Partnership (OH)
Community Action Project of Tulsa County (OK)
Community Development Corporation of Brownsville (TX)
Community Development Corporation of Utah (Salt Lake City, UT)
Community Housing Partners Corporation (Richmond, VA)

Community Services of Arizona (Phoenix, AZ)
Enterprise Corporation for the Delta (Jackson, MS)
HAP, Inc. (Springfield, MA)
Housing Assistance Corporation (Hyannis, MA)
Housing Development Fund (Stamford, CT)
Housing Partnership, Charlotte Mecklenburg (NC)
Housing Partnership, Louisville (KY)
Housing Partnership of Northeast Florida (Jacksonville, FL)
Indianapolis Neighborhood Housing Partnership (IN)
Metro Housing Partnership (Flint, MI)
Metropolitan Boston Housing Partnership (Boston, MA)
Minnesota Home Ownership Center (St. Paul, MN)
Mississippi Housing Partnership (Jackson, MS)
Neighborhood Housing Services Chicago (IL)
New Orleans Neighborhood Development Foundation (LA)
New York Mortgage Coalition (NY)
Religious Coalition for Community Renewal (Charleston, WV)
Long Island Housing Partnership (NY)
San Antonio Alternative Housing Corporation (TX)
Santa Fe Community Housing Trust Fund (NM)
South Shore Housing Development Corporation (MA)
Southwest Minnesota Housing Partnership (MN)
St. Ambrose Housing Aid Center (Baltimore, MD)
Tarrant County Housing Partnership (Fort Worth, TX)