

National Foreclosure Mitigation Counseling Program



Congressional Report Foreclosure Counseling Successes & Challenges

September 24, 2015

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Executive Summary

The National Foreclosure Mitigation Counseling (NFMC) Program was launched in December 2007 with funds appropriated by Congress to address the nationwide foreclosure crisis by dramatically increasing the availability of housing counseling for families at risk of foreclosure. In just over seven and a half years, the NFMC Program has served more than 1.9 million homeowners at risk of foreclosure and helped build the nation's foreclosure counseling capacity.

Highlights of Program Results

- ▶ NeighborWorks has awarded more than \$762 million in grants to 25 HUD-Approved Housing Counseling Intermediaries, 40 State Housing Finance Agencies and 133 NeighborWorks organizations to fund foreclosure counseling and legal assistance to at-risk homeowners. Upwards of 1,700 nonprofit counseling agencies and local NeighborWorks organizations across the country have participated in the NFMC Program.
- ▶ The most recent (ninth) appropriation was made in December 2014, and grants of those funds were awarded on March 13, 2015.

Counseling Successes and Challenges

Over the course of the NFMC Program, Grantees have fulfilled comprehensive reporting requirements, including quarterly and annual reports. These reports collect client level data and outcomes from counseling sessions. While the annual reports focus on reporting activity in relation to the goals established under the grant, the quarterly reports from NFMC Program Grantees provide insight into common successes and challenges of foreclosure mitigation counseling. These insights are important because they have helped NeighborWorks America adapt the program to achieve better efficiencies over time, helped organizations see the need to get borrowers into the process earlier and have helped NeighborWorks to look at trends around underemployed and unemployed borrowers.

NFMC Program Grantees describe in their quarterly reports the key successes and challenges they face in operating their foreclosure counseling programs - over 21 reporting periods - from August 1, 2008 to February 1, 2015. These reporting periods reflect the data captured in the three quarterly reports required by Grantees for each round of funding. NFMC Program Grantees provide insight into common successes and challenges of foreclosure mitigation counseling. Since the inception of the NFMC Program, Grantees reported that they achieve the most success as their counseling processes become more efficient, as they improve methods of foreclosure counseling and, to a lesser extent, as they progress in communicating with servicers. Although this category has decreased in recent years, counselors for the NFMC Program continue to report that a big challenge is communicating with servicers. Lack of adequate homeowner resources also remains a persistent problem and is a growing challenge for counselors. Counselors report that homeowners being unprepared for counseling sessions and not following through on counselor assigned tasks is a significant challenge at 10 percent of all counselor challenges. Additionally, reduction in income due to job loss or underemployment discourages homeowners from seeking assistance. Grantees indicate that unemployment and underemployment are significant factors in determining a borrower's ability to qualify for a loan modification, afford modified loans and stay motivated to seek help. Many homeowners in these situations have other financial responsibilities and are overwhelmed by the daunting amount of paperwork it takes to submit a workout package. Counselors also consider rescue funds to be critical tools to assist borrowers at risk of foreclosure. Equally, the use of Hope LoanPort[®] to streamline the loan modification submission process with servicers is considered an efficient method by many Grantees.

Conclusion

Foreclosure rates are waning nationwide; however, the crisis continues to plague many areas of the country in a significant way. Over the course of the NFMC Program, counselors have faced many successes and challenges as they provided foreclosure counseling. Despite many of the challenges counselors faced with foreclosure counseling earlier in the NFMC Program, they have risen to the task by streamlining operations, developing better relationships with servicers, cross-training staff, and expanding counseling services to meet the need of homeowners in crisis. NFMC counselors across the country continue to provide foreclosure mitigation assistance to homeowners with the funds appropriated by Congress.

Introduction

Congress created the National Foreclosure Mitigation Counseling (NFMC) Program to address the mortgage foreclosure crisis by increasing the availability of foreclosure counseling and strengthening the capacity of the nation’s counseling agencies. The NFMC Program was created by the Consolidated Appropriations Act of 2008 (P.L. 110-161) in December 2007, and Congress has authorized \$ 813,185,000 to the program since its inception. The legislation named the Neighborhood Reinvestment Corporation Act, 42 U.S.C. 8101-8107 d.b.a. NeighborWorks® America, administrator of the program. NeighborWorks submits this report to update Congress on the foreclosure challenges and successes faced by NFMC Program counselors.

In just over seven and a half years, the NFMC Program has served more than 1.9 million homeowners at risk of foreclosure. Although foreclosure rates are decreasing nationwide, the crisis continues to plague many parts of the country. The NFMC Program plays a critical role by helping homeowners facing foreclosure find the best mitigation option for their situation.

The details of counseling awards to Grantees by organization type are shown in Table 1.

Table 1: Counseling Services Grant Request and Awards in Funding Rounds 1 (FY2008) through 9 (FY2015)

Grantee Type	Number Funded	Amount Requested	Amount Awarded
HUD-approved Housing Counseling Intermediaries	25	\$804,267,830.50	\$436,279,274.50
State Housing Finance Agencies	40	\$448,274,616.68	\$248,648,611.00
NeighborWorks organizations	133	\$134,020,655.18	\$77,290,282.00
Total	198	\$1,386,563,102.36*	\$762,218,167.50

Source: NFMC Program data (as of 7/31/2015)

*Note: Starting in Round 2 NeighborWorks imposed caps on the requests, so the amount requested does not accurately reflect demand.

NeighborWorks continues to be an outstanding steward of federal resources with the NFMC Program by developing an efficient application review processes, grant and program administration process, and compliance monitoring protocol. Grant funds are disbursed quickly each funding round to ensure that families in need can be assisted in a timely manner. In 2014, the Urban Institute completed a four-year evaluation of Rounds 3 (FY 2009) through 5 (FY 2011) of the NFMC Program, which showed that NFMC counseling continues to have positive effects for homeowners participating in the program, as follows:

- ▶ Counseling greatly increased a homeowner’s ability to cure a serious delinquency or foreclosure.
- ▶ Counseled homeowners were about 1.5 times more likely to not have their mortgage re-enter a troubled status after receiving a loan modification cure.
- ▶ Counseled homeowners are nearly three times as likely to receive a loan modification cure compared to non-counseled homeowners

NFMC counseled homeowners who received a modification had their annual payment reduced by an average of \$4,980. Overall, the Urban Institute evaluation demonstrates that the NFMC Program is having its intended effect of helping homeowners facing loss of their homes through foreclosure.

Training & Information Sharing

Thousands of nonprofit professionals and counselors look to NeighborWorks every year for training in homeownership, financial education, community lending and post-purchase counseling. The NFMC

Program's training funds are utilized to expand NeighborWorks' foreclosure-related training opportunities, making them available and affordable for more counselors across the country. These opportunities include offering additional regional and local training courses, increasing the number of courses available at the national NeighborWorks Training Institutes (NTIs), providing scholarships to housing counselors and other housing counseling agency staff members to attend training events, and developing online courses that counselors and staff can complete at their convenience.

NeighborWorks also provides a private website for the NFMC Program (www.nfmcmembers.org) that allows counselors to share information, receive updates on foreclosure-related matters, and provide feedback to NFMC Program staff about servicer programs and other items. A key component of the site is a message board that allows counselors to discuss issues with their peers. Conversations typically pertain to servicer communication, counseling delivery methods, potential workout options, and assistance for clients that have been denied loan modifications or have fallen prey to loan scams. The site is an efficient way to reach NFMC Program counselors and to tap into their knowledge about homeowner concerns and national and regional trends. Additionally, Grantees have the ability to share best practices with other Grantees, learn about NFMC Program changes, and get updates on national and federal programs through the monthly NFMC newsletter and peer learning webinar.

Counseling Successes & Challenges

Since the program's inception, NFMC Grantees have fulfilled comprehensive reporting requirements, including quarterly and annual reports. While the annual reports focus on reporting activity in relation to the goals established under the grant, the quarterly reports from NFMC Program Grantees provide insight into common successes and challenges of foreclosure mitigation counseling. These insights are important because they have helped NeighborWorks America adapt the program to achieve better efficiencies over time, helped organizations see the need to get borrowers into the process earlier and have helped NeighborWorks to look at trends around underemployed and unemployed borrowers.

Consistently, Grantees report that they achieve the most success as their counseling processes become more efficient, as they improve methods of foreclosure counseling and, to a lesser extent, as they progress in communicating with

John and Hildred White

Charlotte, NC



John and Hildred White have lived in their Charlotte, NC, home for more than 40 years – most of their married lives. They can't, Hildred says, imagine being anywhere else.

However, in January 2012, they almost lost it.

Hildred, 71, had been on disability since 1991. When John retired from the local power company, social security replaced his salary and their income suddenly plummeted. Then Hildred needed two surgeries, and they no longer had insurance; the couple had decided they couldn't afford it. Despite John's efforts to find part-time and even new full-time work, it was a losing battle. They fell behind on their mortgage.

When they were two months behind, however, Wells Fargo sent the couple to the nonprofit Prosperity Unlimited, a sub-grantee of North Carolina Housing Finance Agency (NCHFA), which turned out to be their salvation.

The couple received counseling and, with the help of the NCHFA, their assigned counselor prepared the package needed to apply for a loan modification. The housing counselor was diligent in following up with the servicer, resulting in a modification two months later that dropped their mortgage payment from \$690 to \$495. At the same time, their credit union was able to consolidate and lower their three other loans.

"We were a bit afraid, but we never gave up. Prosperity Unlimited did their part, and we did ours. That's what it takes: faith, and everyone working together."

Hildred White

servicers. Counselors for the NFMC Program continue to report that communicating with servicers remains a challenge. Lack of adequate homeowner resources also remains a persistent problem. Grantees indicate that unemployment and underemployment are significant factors in determining a borrower’s ability to qualify for a loan modification, afford modified loans and stay motivated to seek help. These factors often make it difficult for homeowners to qualify for federal or other servicer-related programs because of current income requirements for eligibility.

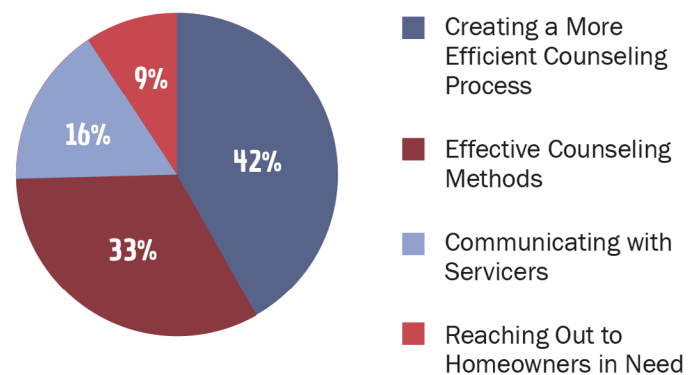
Counseling Successes

Grantees describe their successes through narrative comments in their quarterly reports. The NFMC Program organizes these diverse responses into themes that fit into four categories:

- ▶ Creating a More Efficient Counseling Process
- ▶ Using Specific Effective Counseling Methods
- ▶ Communicating with Servicers
- ▶ Reaching Out to Homeowners in Need

The most frequently reported successes involved making counseling processes more efficient to better manage demand for services (42 percent of responses), which has remained the number one success from August 2012 to February 2015. Specific methods of providing effective counseling accounted for 33 percent of all successes reported and has held the second spot for most of the NFMC program’s life cycle. Grantees attributed success to communicating with servicers 16 percent of the time, and it has remained the third highest overall success category since August 2014. Although less frequently reported as a success, Grantees have seen improvement in the success of their outreach strategies to homeowners in need since August 2014 when it was at 6 percent. More recently, 9 percent of Grantees reported this success in the most recent quarterly report in February 2015 (see Figures 1 and 2).

Figure 1: Successes by Category



Source: NFMC Program reported data (as of 2/1/2015)

“Counseling provides a good foundation to clients to make informed decisions regarding their housing needs.”

Chauncy A. Hall, Arundel Community Development Services, Inc. (sub-grantee of Maryland Department of Housing and Community Development)

Within each of these four categories, Grantee responses are organized according to subcategories of more specific types of success (See Table 2 below). Early in the NFMC Program, the number one success subcategory of Creating a More Efficient Counseling Process was hiring additional staff, expanding services, and having staff be available around the clock. In the most recent quarterly report in February 2015, the number one reported success in this subcategory involved using efficient organizational methods to increase production and quality of counseling, such as sticking to appointment times, using standard processes and forms when working with servicers, using electronic data gathering systems, and dividing labor instead of using case-management styles. This large subcategory totaled nearly 9 percent.

standard processes and forms when working with servicers, using electronic data gathering systems, and dividing labor instead of using case-management styles. This large subcategory totaled nearly 9 percent.

The second most reported success strategy Effective Counseling Methods involved counselors helping borrowers create a budget and action plan to better manage their finances and sustain their mortgage loans,

which is also the top individual success in this subcategory at nearly 10 percent. Additionally, educating clients on the foreclosure process, what different loss mitigation options are, what they can expect from the counselor, and what the expectations of the client are, so they really “own” the outcome has been a success strategy for counselors at 4 percent of responses. Program successes are communicated to Grantees during NFMC Program monthly webinars and in the monthly newsletter. Table 2 below shows individual subcategories by each of the four success types.

Table 2: Counseling Success Subcategories by Success Type

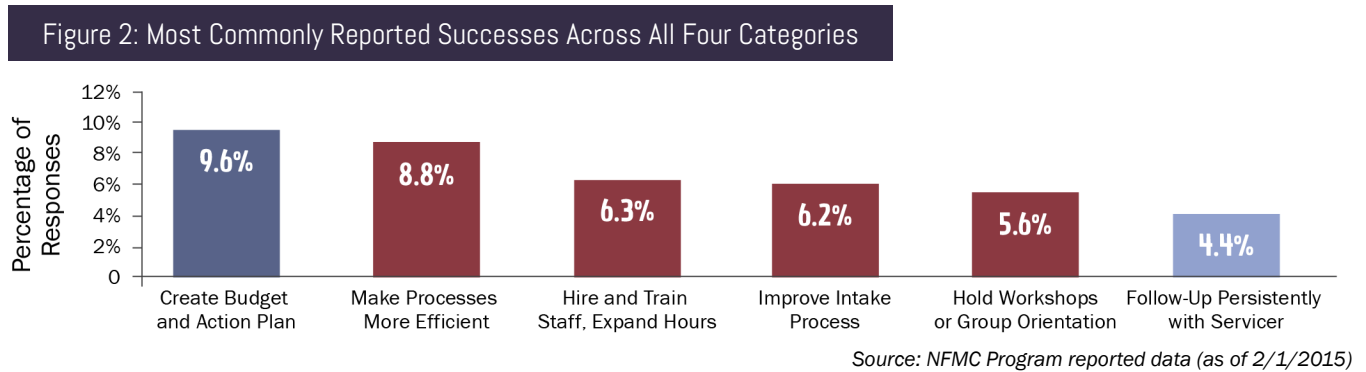
Creating a More Efficient Counseling Process	Percent of Category	Percent of Total
Making the intake system more efficient, including requiring the client to have documentation at the first meeting, having intake information and documents online, etc.	14.84%	6.21%
Holding foreclosure prevention or group orientation sessions, often because the demand for counseling was so high that it gave counselors more time to focus on counseling instead of introductions and intake.	13.27%	5.55%
Establish a triage system or making a current triage system more efficient.	5.95%	2.49%
Having rescue funds or private loan assistance available for clients.	5.69%	2.38%
Partnering with outside organizations to help in other aspects of the foreclosure process, including short-sale realtors, and organizations that provide social services or financial assistance (utility assistance, unemployment).	3.94%	1.65%
Holding face-to-face, one-on-one counseling sessions. Sometimes in-home counseling sessions.	3.37%	1.41%
Holding counseling sessions over the phone.	1.14%	0.48%
Sharing information between counselors both internally and with other counseling agencies including networking with other agencies' counselors so that counselors can learn from each other—(i.e., by attending calls and using the NFMC message board.)	3.77%	1.58%
TOTAL		41.87%
Effective Counseling Methods	Percent of Category	Percent of Total
Helping client create budget and action plan, which includes gathering all necessary information and getting to the bottom of the client's financial problems; developing a crisis budget; and orienting all budgeting and planning to affordable and sustainable solutions.	29.28%	9.57%
Educating the client on the foreclosure process, what different loss mitigation options are, what they can expect from the counselor, and what the expectations of the client are; assign the homeowner specific tasks so they really "own" the outcome.	13.07%	4.27%
Listening to the client, giving them an opportunity to explain everything, being understanding instead of judging the client, earning the client's trust.	2.97%	0.97%
Encouraging and empower the client and family to actively participate in the loss mitigation process.	8.02%	2.62%
Facilitate communication between servicers and borrowers, by phone, or by holding events during which the servicers and borrowers can sit down face-to-face.	9.48%	3.10%
Submitting a well-compiled, complete loss mitigation package, including extensive underwriting of the property and market conditions of the area, helping the client submit a good hardship letter, initiating the workout package instead of waiting for the servicer to do so; waiting to submit a complete packet all at once; preparing packet and all documents before calling the servicer.	11.10%	3.63%

Having the client attend financial fitness classes or engage in other forms of money management training; emphasize this preventive measure for families not yet delinquent.	2.24%	0.73%
Exploring multiple loss mitigation tools for clients and asking for multiple options; know more options so you can recommend the best option to your client.	8.92%	2.91%
Know the new laws and regulations, so you can use them to protect your clients.	2.13%	0.70%
Use the Making Home Affordable Program; screen early and use it as the baseline for negotiations on behalf of eligible clients.	12.79%	4.18%
TOTAL		32.69%

Communication with Servicers	Percent of Category	Percent of Total
Being persistent with the lender, following up with the servicer routinely, and countering the servicers' offers when they are not affordable for the client.	27.55%	4.40%
Escalating cases to higher level management within the servicing company, or with banking or other government officials, sometimes contacting investors.	16.76%	2.68%
Communicating efficiently with servicers, maintaining lists of contact information with them.	26.64%	4.25%
Using the HOPE Now servicer contact list.	4.71%	0.75%
Creating good working relationships with servicers, including signing formal agreements with them, as well as maintaining a good rapport with a few of the same people within the servicing company, attending servicer events to foster these relationships.	22.04%	3.52%
Initiating early communication with servicers.	2.30%	0.37%
TOTAL		15.97%

Reaching Out to Homeowners in Need	Percent of Category	Percent of Total
Participating in a statewide network that engages in outreach for all participating organizations and/or supplies a hotline central referral service; relying on government partners' outreach.	11.22%	1.06%
Sending the message to the public to seek help as early in the foreclosure process as possible, or before they are delinquent.	8.90%	0.84%
Getting referrals from the HOPE network hotline.	1.35%	0.13%
Participating in events to advertise services.	9.28%	0.88%
Creating partnerships within the community with faith-based organizations, employers, utility companies, local task forces, and public officials to encourage people to access counseling services. Sometimes hold events with these organizations.	34.82%	3.30%
Producing various forms of advertising including flyers (in multiple languages), billboards, TV and radio spots, etc.	18.57%	1.76%
Targeting homeowners that may be in default or have entered the foreclosure process by sending mailings about counseling services in foreclosure notices, finding listings in newspapers, and searching public records for information on delinquency.	12.96%	1.23%
Using word of mouth and previous client referral.	2.90%	0.27%
TOTAL		9.48%

Figure 2 shows the most commonly reported successes across all four success categories.



Several NFMC Program Grantees have implemented ongoing successful strategies as they relate to Creating a More Efficient Counseling Process and Communicating with Servicers. For example, Grantees have found success with holding workshops or group orientations, which can streamline the information-sharing process with potential clients. Although communicating with servicers is seen as both a success and a challenge for counselors, many counselors state they communicate efficiently with servicers by maintaining lists of contact information so they have single points of contact to escalate client cases to if needed and by utilizing various technology platforms to share information with servicers.

Trends in Reported Successes

There have been 21 NFMC reporting periods since the program began in 2008. The most recent reporting periods have brought some changes to which successes are reported more often, as shown in Figure 3 below.

Creating a More Efficient Counseling Process remained the most reported category of success at 48 percent overall and 46 percent in February 2015, the most recent NFMC reporting period. Counselors noted using efficient organizational methods to increase production and quality of counseling, such as sticking to appointment times, using standard processes and forms when working with servicers, using electronic data gathering systems, and dividing labor instead of using case-management styles. Also, utilizing Hope LoanPort, a web-based platform that allows housing counselors to submit complete modification packages has helped improve efficiency according to Grantees.

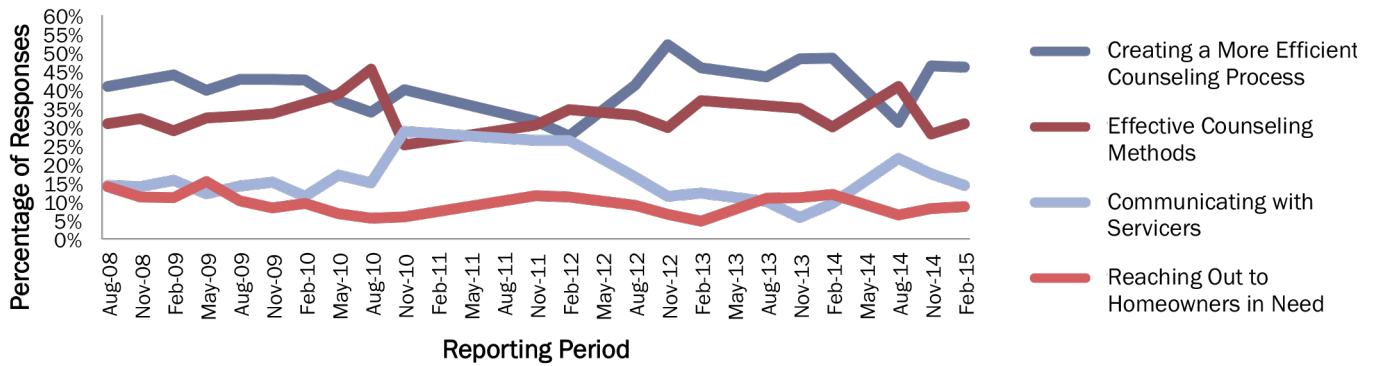
Effective Counseling Methods is the second most reported category of success at 33 percent overall and 31 percent in the most recent period. Grantees consistently over the course of the NFMC Program, note the importance of working with clients to modify their budgets and create action plans as tools to ensure homeowners meet their goals. Additionally, educating homeowners on various loss mitigation program, so they are aware of the ins and outs of the program remains an important strategy of success.

The category Communicating with Servicers is the third most reported category of success at 16 percent overall and at 14 percent in the most recent reporting period. This category is down from 22 percent in August 2014, but up 4 percent from its lowest point in February 2013. According to Grantees, success in this category stems from establishing consistent points of contacts with servicers and deepening working relationships of counselors with these servicers as well as regulatory agencies. Although there have been spikes in this category over the years, counselors have established better communications methods with services and are looking at new and creative ways to improve that communication in the future.

Success related to Reaching Out to Homeowners in Need was reported as the fourth most reported

category of success at 9 percent overall and for the most recent reporting period. This category of success has remained relatively low over the years. Grantees reported success with partnering with legal aid organizations, churches, and local community groups to market services. Additionally, Grantees utilize consumer helplines and partner with servicers and mortgage companies to conduct outreach events which are attended by homeowners looking for foreclosure mitigation assistance.

Figure 3: Trend Analysis of Successful Strategies by Category



Source: NFMCC Program reported data (as of 2/1/2015)

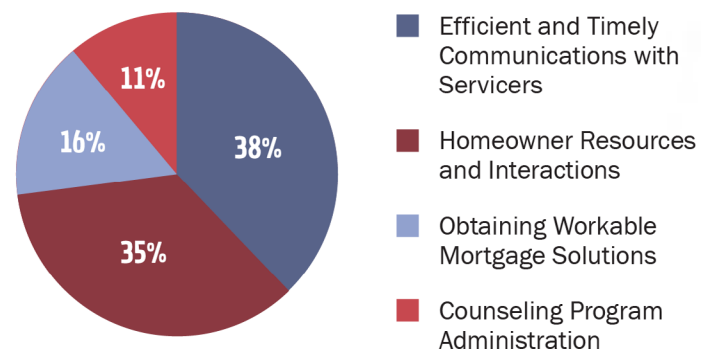
Counseling Challenges

Grantees also describe their counseling challenges through narrative comments in their quarterly reports. The NFMCC Program organizes these diverse responses into themes that fit into four categories:

- ▶ Efficient and Timely Communication with Servicers
- ▶ Homeowner Resources and Interactions
- ▶ Obtaining Workable Mortgage Solutions
- ▶ Counseling Program Administration

Efficient and Timely Communication with Servicers is the most frequently reported challenge overall at 38 percent of all responses, but has dropped since August 2013. Grantees reported difficulty with contacting servicers due to staff changes and changing point of contacts. However, Grantees also report that utilizing Hope LoanPort, a technology-based communications platform between counselors and servicers, has helped improve communication. Homeowner Resources and Interactions is the second most reported challenge category at 35 percent, but has grown steadily since August 2014. This challenge is attributed to borrowers' not providing necessary documentation or sticking to the proposed budget or action plan. Counselors report that having clients sign agreements to hold themselves accountable has helped with this challenge.

Figure 4: Challenges by Category



Source: NFMCC Program reported data (as of 2/1/2015)

Obtaining Workable Mortgage Solutions and Counseling Program Administration were reported less frequently (16 percent and 11 percent respectively) as shown in Figure 4. Challenges with these categories include confusion around MHA Program requirements and counselor burnout. Both of these categories have seen declines since August 2014. Counselors working with borrowers before they contact the servicer has

led to more affordable modifications and counseling organizations that have streamlined services are better able to manage the time of their counselors, which helps with avoiding burnout.

There are eight subsets of challenges in the category of Efficient and Timely Communication with Servicers (See Table 3 below). At nearly 9 percent, the individual challenge most commonly reported in this category by Grantees is general difficulty communicating with servicers. Having a point of contact and maintaining relationships with servicers have helped counselors overcome this challenge. The next most commonly reported challenge in this category relates to servicers taking a long time to follow up on their calls regarding case status (roughly 7 percent). Counselors continue to report a lack of consistency in servicer programs, which has attributed to longer wait times to obtain a resolution for homeowners at 6 percent. However, counselors note the use of Hope LoanPort helps to expedite case resolutions and eliminates the issue of lost paperwork.

Table 3: Counseling Challenges Subcategories by Challenge Type

Efficient and Timely Communication with Servicers	Percent of Category	Percent of Total
Difficulty communicating with servicer -- no one answers, contact information changes, no one returns calls, cannot contact the loss mitigation department (the actual decision makers), cannot figure out who to contact because of bank mergers and acquisitions.	22.6%	8.6%
Obtaining a response from lenders/servicers routinely takes between 45 days up to 150 days.	4.6%	1.7%
Obtaining a response from lenders/servicers routinely takes a long time - not providing programmatic information.	17.5%	6.6%
Uncooperative lenders refuse to negotiate, will not put offers in writing, prefer to liquidate assets, halt negotiations because of expected "bail out" money, attempt to deceive the borrower or counselor, and are rude to counselors and borrowers. Not transparent in their offers or decision-making process.	12.9%	4.9%
Documentation faxed or mailed to lender/servicers lost repeatedly, so that counselors had to send documentation multiple times. Lenders constantly require new documents to be resent because the old ones have expired or because they require a new format.	12.6%	4.8%
Servicers contact borrower directly rather than recognizing the counselor's role, or discourage borrower from using housing counseling services. Complications where lender will not recognize counselor's Third Party Authorization.	4.7%	1.8%
Lack of consistency in both the servicer industry and the individual servicers about the process, timing, options, or requirements. Servicers fail to comply with program guidelines and their own stated policies.	17.0%	6.4%
Understaffed, overworked, untrained lender/servicer loss mitigation departments; sometimes provide inaccurate information to borrowers and counselors.	8.1%	3.1%
TOTAL		37.9%
Homeowner Resources and Interactions	Percent of Category	Percent of Total
Lack of borrower follow through or cooperation, including (most commonly) borrowers not providing necessary documentation, borrowers not sticking to the proposed budget, borrowers not being truthful when disclosing information.	29.5%	10.3%
Borrower needs legal assistance (including mediation services).	1.7%	0.6%

Reduction in income due to job loss and underemployment; results in default or redefault.	18.9%	6.6%
Borrowers seek help too late in foreclosure process.	10.3%	3.6%
Borrower has poor money management skills, a lack of knowledge about mortgage products and loan terms, bad credit, or high debt.	7.4%	2.6%
Hard to get borrowers into the office because of stigma, distance, denial, etc.	9.0%	3.1%
Declining housing values leave borrowers with mortgages worth more than their current house's value, or make it difficult to sell home.	2.9%	1.0%
Borrower's income is too low, budget is not balanced.	5.6%	1.9%
Borrower has other issues that complicate assistance (ex: not on loan, emergency relief recipient, hurt by the effects of a natural disaster, self-employed, recently divorced, judgement, for-profit counseling agencies, etc.).	9.9%	3.5%
Inaccurate information portrayed in the media about housing counseling; includes the apparent prevalence of rescue funds, loan modification availability, and counseling timetables; often leads to unreasonable borrower expectations	4.1%	1.5%
Rising cost of living, such as food, gas, and utility prices	0.8%	0.3%

TOTAL		35.0%
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Obtaining Workable Mortgage Restructuring for Borrowers	Percent of Category	Percent of Total
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Resolutions proposed by servicers/lenders are not affordable to borrowers, and lead to redefaults; servicers are inflexible in their offers.	23.2%	3.7%
Subprime mortgage is no longer affordable for the borrower. Rate resets too high. Because of restrictions, it is extremely difficult to obtain a loan modification for these loans.	3.7%	0.6%
Borrowers had obtained loans that were not affordable in the first place.	4.9%	0.8%
Repayment plans offered frequently, loan modifications offered with less frequency, but forbearance or principle write-downs not offered (and they are what is needed most!).	4.9%	0.8%
Confusion about the availability of and qualifications for programs created through federal legislation (Hope For Homeowners), with lots of inaccurate public relations. This includes Veterans Administration, Federal Housing Administration, and U.S. Department of Agriculture programs.	3.8%	0.6%
Confusion about the availability of and qualifications for the Making Home Affordable federal program.	30.2%	4.8%
Trial modifications do not convert to permanent modifications; servicers proceed to foreclosure even when the client has successfully completed the trial modification period; servicers will not put trial mod offers in writing; servicers attempt to steer clients to other modification products.	13.1%	2.1%
Lack of incentives for servicers to refinance properties. The investors would rather complete foreclosure, and servicers are not free to negotiate.	4.4%	0.7%
Borrower "not delinquent enough" to get help or attention, or current on loan and foreseeing problems, but not able to get help or attention.	5.1%	0.8%
People falling prey to scammers, or borrower confusion in finding a trusted housing counseling provider.	6.7%	1.1%

TOTAL		15.8%
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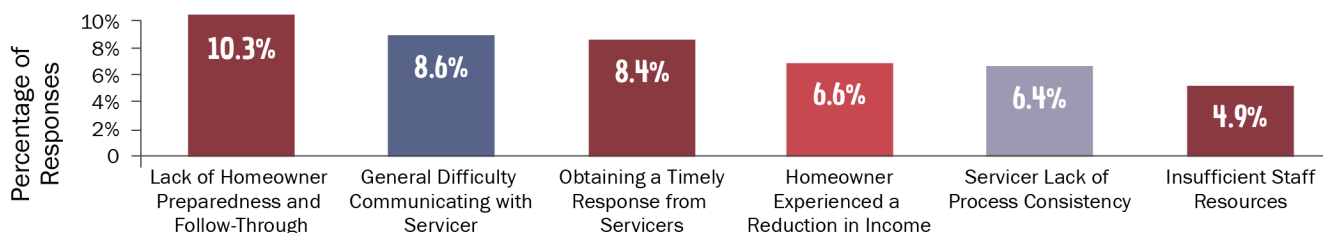
Program Administration	Percent of Category	Percent of Total
Insufficient staff to meet the demand; staff gets burned out; lack of funding for additional staff; existing staff and structure is unable to respond to the overwhelming demand and volume for counseling services; it's difficult to maintain quality with such high demand.	43.8%	4.93%
NFMC Program requires too much information to be gathered on each borrower, which takes valuable time to gather. Required information does not correspond to HUD required information.	14.2%	1.60%
Lack of rescue funds, or borrower doesn't qualify for available rescue funds; servicer requires funds up front to initiate a workout and client has no savings.	12.3%	1.38%
Difficulty with computerized reporting systems, including setting them up, having them available and running without flaws, and having adequate data fields to accurately reflect borrower information.	13.9%	1.56%
Referral process does not work properly, so we repeat work and are not paid.	2.9%	0.33%
Administering the program is burdensome; issues with variances and duplicates result in repeated counseling for which we are not paid.	4.7%	0.53%
Inefficient counseling processes can't respond to the demand.	8.2%	0.92%
TOTAL		11.2%

The Homeowner Resources and Interactions category is a growing challenge for counselors. The most frequently reported challenge of the subset in this category are homeowners being unprepared for counseling sessions and not following through on counselor assigned tasks at 10 percent. Reduction in income due to job loss or underemployment discourages homeowners from seeking assistance. Many homeowners in these situations have other financial responsibilities and are overwhelmed by the daunting amount of paperwork it takes to submit a workout package. This is also a significant issue for counselors in determining a viable mitigation solution, because the homeowner doesn't know when he or she will secure employment.

Obtaining a Workable Mortgage Solution is a category of challenges reported less frequently. Confusion surrounding the qualifications and requirements of the Making Home Affordable (MHA) Program is the most reported challenge in this category. However, this challenge has decreased - accounting for nearly 5 percent of responses in the most recent reporting period - February 2015. This is a decrease of 18 percentage points from November 2011. The second most reported challenge reported in this category, at 3.7 percent, is that resolutions offered by servicers are unaffordable for the borrower leading to default or redefault. Counselors report that referring borrowers to debt management services and providing education and counseling has helped with overcoming this challenge.

In the Program Administration category, the most reported challenge is in this category relates to reduced staff, with this comprising 5 percent of challenges reported. Streamlining services and the use of volunteers has helped according to counselors. Challenges with the NFMC Program is the second most reported challenge in this category at almost 2 percent. However, challenges related to NFMC Program participation remain low across all reported individual challenges due to the longevity of the program and Grantees' familiarity with its guidelines.

Figure 5: Most Commonly Reported Challenges Across All Success Categories

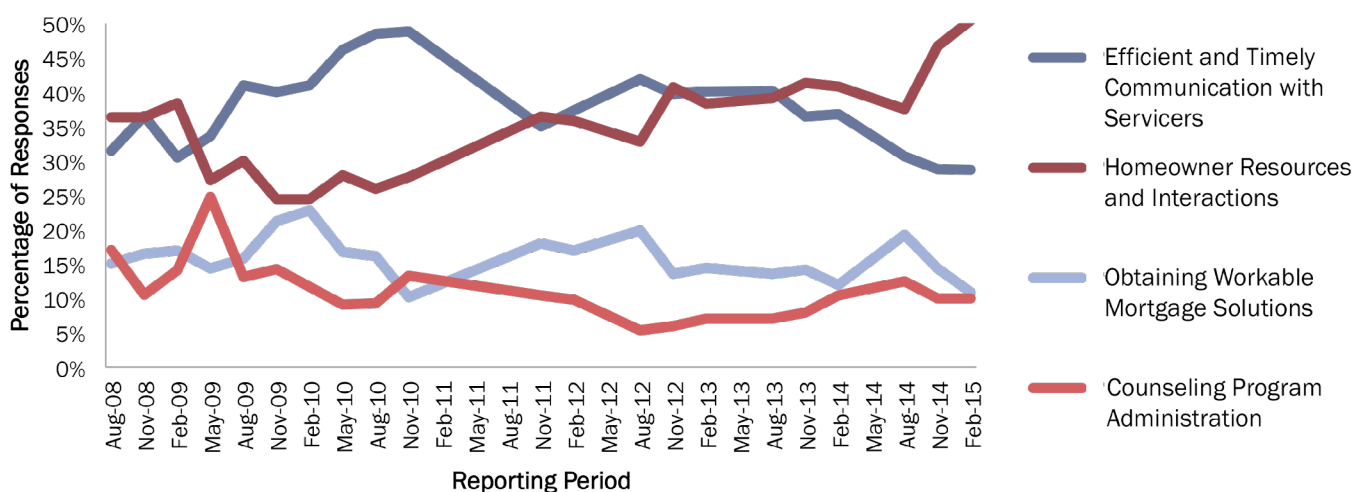


Source: NFMCC Program reported data (as of 2/1/2015)

Trends in Reported Challenges

The rank and proportion of the four categories of challenges have fluctuated over the 21 reporting periods of the NFMCC Program, as shown in Figure 6.

Figure 6: Trends in Challenges by Category



Source: NFMCC Program reported data (as of 2/1/2015)

Reported challenges with Efficient and Timely Communication With Servicers were significant earlier in the NFMCC Program and have seen a steady decline since August 2012. From 2009 to 2011, counselors reported challenges with response times from lenders, untrained lender staff, and general difficulty communicating with servicers. In the two most recent reporting periods, November 2014 and February 2015, counselors reported this challenge category at 29 percent respectively, which is an 8 percentage point decrease from February 2014. Specific challenges in this category include delayed responses and decisions by servicers and inconsistency regarding industry program policies and servicer requirements. Counselors report the use of HopeLoan Port has helped improve servicer response times and having point of contacts at mortgage and servicer companies has helped ensure policies are consistent from one client to the next.

Homeowner Resources and Interactions remains a significant challenge area and has seen an increase in recent reporting periods. Earlier in the NFMCC Program, counselors were challenged with homeowners coming to the office due to stigma, distance, and denial of having an issue with their mortgage. In recent years, reductions in borrower income and the inability of clients to adopt revised household budgets have undermined borrower morale and impacted the effectiveness of counseling. In the most recent reporting periods, there has been a significant increase in this category - up from 38 percent in the August 2014 to 50 percent in February 2015 - the highest percentage it has ever been in all 21 reporting periods. An

additional obstacle to mitigating foreclosure is that some clients seek counseling too late in the foreclosure process. Counselor agreements and client outreach have been tools that counselors use to hold clients accountable and to get them in the door before it is too late.

Challenges in Obtaining Workable Mortgage Solutions was the highest from August 2009 through February 2010, when it reached 23 percent. Counselors were frustrated earlier in the NFMC Program with servicer changing policies and unwillingness to negotiate. In February 2015, this category has fallen to 11 percent. The issue currently for counselors is the confusion and availability of the MHA Program. Counselors note that the eligibility requirements for MHA often make it difficult for clients to qualify for a modification. However, this challenge has dropped 13 percentage points from November 2011 to 5 percent in February 2015.

The number of Grantees reporting challenges in Counseling Program Administration has continued to remain low at 10 percent in February 2015 – only reaching between 5 percent and 13 percent since November 2011. When the NFMC program began, this category was a bigger challenge due to counselors having issues with setting up computerized tracking mechanisms and a lack of staff. The highest percentage for this category was in May 2009 when it was at 25 percent. More recently, counselors continue to find they have insufficient staff due to reduced funding and staff burnout has made it difficult to maintain quality staff.

“In addition to the vast knowledge and resources Housing Counselors add to the equation, they bring compassion and a sense of partnership, assuring struggling homeowners they are not alone on this difficult path. These benefits of Housing Counseling, that are not easily quantified, make a tangible difference in the borrower recovering from this experience.”

Mary Linge, Hudson River Housing, Inc.

Michael Williams

Tallahassee, FL



Michael Williams, 50, was ecstatic when he became a first-time homebuyer about 10 years ago. “It was wonderful to have my own home after renting all those years,” he recalls. “The Tallahassee Lenders Consortium made it possible. They helped me with my down payment and taught me all the things I needed to do, before I moved in and after too.”

One of the “tips” Williams learned in the post-purchase class offered by the consortium, a member of NeighborWorks America in Florida, is to come back for help as soon as he anticipates trouble making mortgage payments. When he lost his job as a school custodian two years ago, he remembered and heeded that advice.

“My head was spinning and I didn’t know what to do... except I did know to go back to Tallahassee Lenders,” he says, adding that’s why he knew to seek help before he actually fell behind on his payments.

“The instructors had told me to document everything, and not to be embarrassed if I started to have financial problems. They said I should go back right away, instead of waiting. I’m so glad I did.”

Tallahassee Lenders is one of the state administrators of the federal Hardest Hit Fund, which was established in 2010 in part to help unemployed homeowners like Williams remain in their homes while they search for another job. The organization helped Williams compile the necessary documentation to receive “rescue funds” until he found a job as a hospital custodian about seven months later.

Williams adds that his \$619 monthly payment isn’t easy to make, since his job is low-income, and although he has not been successful yet, he is seeking a loan modification – with Tallahassee Lenders’ help. “A lot of people are reluctant to let others know their personal business’, especially things like income,” says Williams, when asked what advice he’d share with other homeowners. “But it’s not the end of the world, and it’s the only way to get the help you need.”

Mr. Williams was not only proactive regarding his situation by coming in before he was behind, he was also prompt and timely with getting documents and information back to his counselors as requested. This made his situation easier to process and keep current for his counselors.

Conclusion

The NFMC Program helps homeowners facing foreclosure find the best option to mitigate their situation. Clients are more likely to cure a serious delinquency or foreclosure with a modification or other type of cure, stay current after obtaining a cure and, for NFMC clients who cured a serious delinquency, avoid foreclosure altogether. The NFMC Program strengthened housing counseling organizations and enhanced their capacity through grant funds that helped them create improved methods of foreclosure counseling, communicate more effectively with mortgage servicers, and make process improvements. These process improvements include streamlining the counseling intake process to better manage the demand for services and developing creative strategies to better reach homeowners in need. Grantees have evolved to meet demands since the program's inception. They are reporting high levels of success around improving specific methods of foreclosure counseling and, to a lesser extent, communicating with servicers.

Grantees struggle with finding solutions for homeowners when they seek services too late in the process, or are unemployed or underemployed. Counselors work hard to help clients with their budget and to refer them to additional services to aide them with these challenges. Although counselors have made inroads in regards to their communication with servicers, there are still many counselors that find consistent communication with servicers to be a challenge. Utilizing technology to send client documents is a best practice by many counselors and has helped improve communication with servicers since 2012. As counselors look to the future, they note the importance of technology to continue foreclosure counseling with a reduced staff. Additionally, many counselors are expanding their lines of business to include services for homeowners facing foreclosure due to student loan debt or who are struggling with a reverse mortgage. Adding a coaching component to foreclosure counseling is a new trend that is growing in popularity among counselors and has helped many homeowners obtain lasting outcomes.

Overall, the NFMC Program has assisted more than 1.9 million at-risk homeowners. With NFMC Program funding, counselors have the resources to provide foreclosure mitigation assistance to homeowners across the nation and help them attain the best option when faced with foreclosure.