

SAVING HOMES AND HOMEOWNERSHIP: PERSPECTIVES FROM HOUSING COUNSELORS

The National Council of La Raza (NCLR) surveyed housing counseling agencies on their experiences providing foreclosure prevention and homebuying services. As of December 2009, approximately 4.5 million homeowners are at least 90 days delinquent on their mortgage or in foreclosure.* While devastating for millions of families, the decline in the housing market has also resulted in home prices becoming suddenly affordable for others. Housing counseling agencies are on the front lines of this tumultuous housing market, helping families navigate the foreclosure prevention and homebuying process and avoid scammers along the way.

The responses to this survey provide an inside look at the barriers counselors face in pursuing this mission at a time when the demand for their services is growing. A total of 280 individuals participated in the survey, representing 243 housing counseling agencies. These agencies have provided housing counseling services to nearly 350,000 clients in the last 12 months. Participants were asked about their experiences working with mortgage servicers while trying to prevent foreclosures, their ability to help families purchase a new home, and the impact of the recession on their agency. The survey was conducted from January 4 to January 25, 2010.

* Alan Zibel and Christopher S. Rugaber, "U.S. unveils plan to shrink some home loans," *The Associated Press*, March 26, 2010.

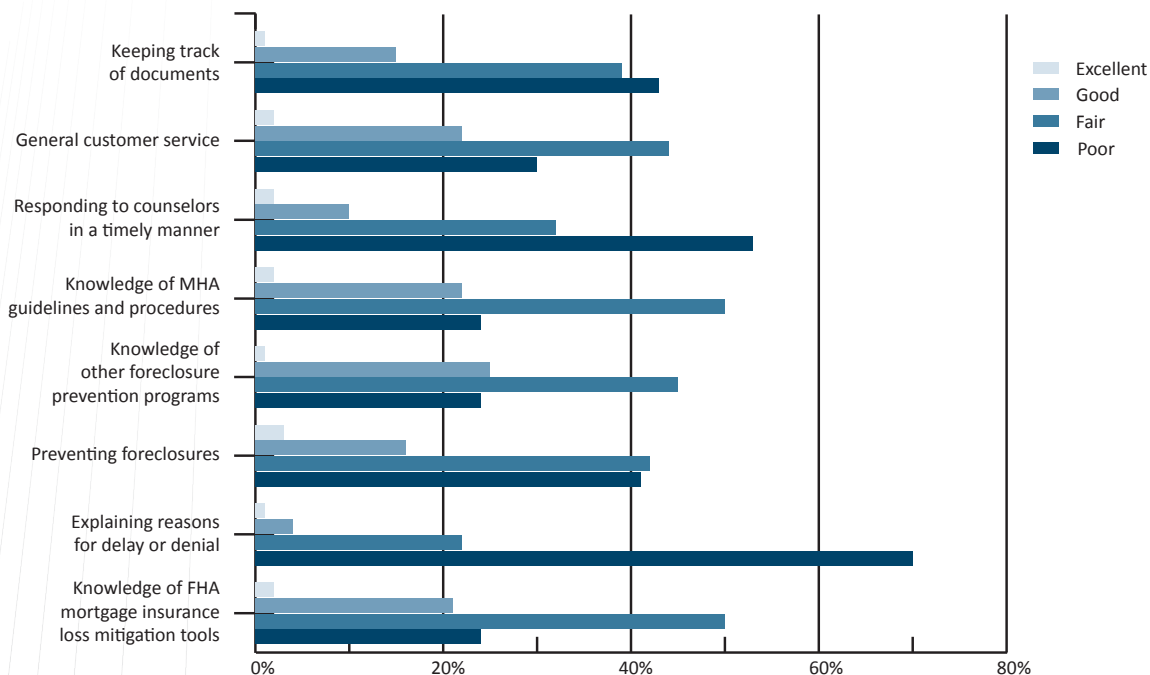
Foreclosure Prevention

1. **Approximately five out of six counselors rated mortgage servicers' foreclosure prevention track record as fair or poor.** When asked about servicers participating in the nation's largest foreclosure prevention initiative, Making Home Affordable (MHA), more than 70% of counselors rated servicers as poor on their efforts to explain reasons for the delay or denial of homeowners' loan modification applications. Keeping track of documents, displaying general knowledge of loss mitigation programs, and responding in a timely manner were also listed as areas in which servicers are underperforming.

"MHA is a great program if the mortgage servicers implement it. It's simple, straightforward, and allows for a great resolution to the problem. However, it is nearly impossible to get."

– Executive director, Painesville, Ohio

Rate the performance of mortgage servicers participating in the MHA program on the following services.



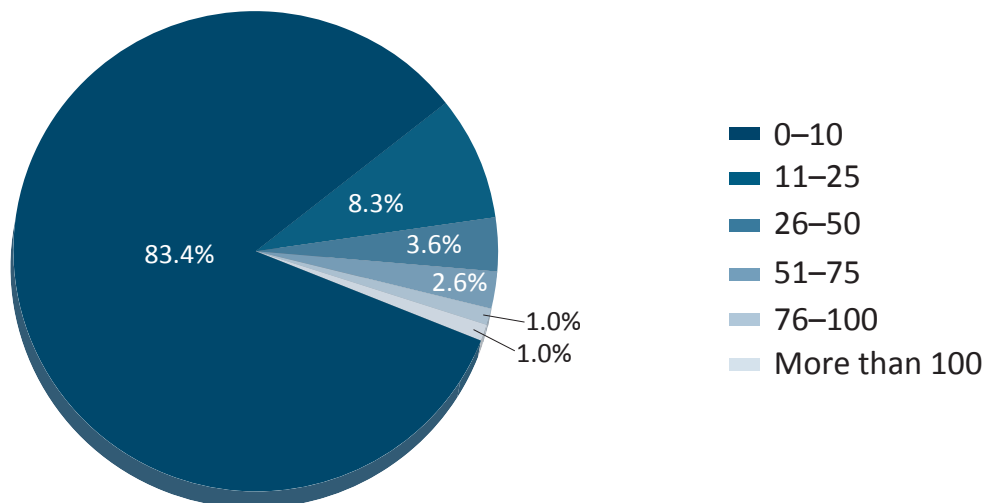
- 2. **More than 60% of counselors reported that mortgage servicing staff usually or always lose clients' documents during the application process.** Three out of four counselors reported problems with getting responses from representatives, and approximately 55% of counselors reported issues with staff who are "not trained in all aspects of MHA and other foreclosure prevention tools."

"Servicers are inconsistent, understaffed, and lacking the required training to implement MHA. They don't understand the guidelines of the program. Many customers who seek our services could actually go through the process on their own but the losing of documents on the part of the servicer and the unreturned phone calls make MHA applications a full-time job. Our customers don't have the time to commit to this process because they are trying to hang on to their jobs."

– Housing counseling program manager, Littleton, New Hampshire

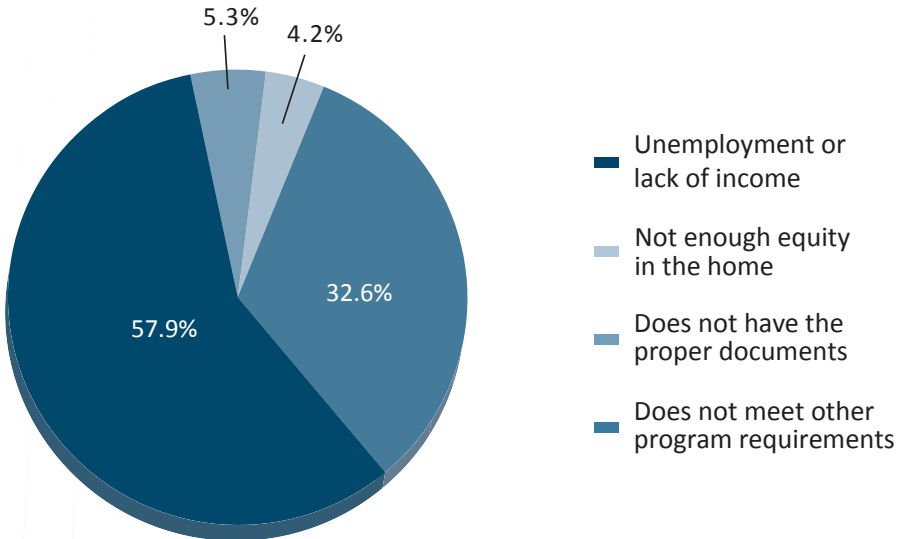
- 3. **The majority (83.4%) of counselors reported that they have secured fewer than ten modifications with principal forgiveness.** Based on data from the U.S. Department of Housing and Urban Development (HUD), housing counseling agencies averaged 393 foreclosure clients in 2009. This translates into, at best, 2% of their clients who have been able to secure a loan modification with principal reduction. Similarly, three out of five reported having secured fewer than ten permanent loan modifications, which also adds up to 2% of their clients served. Complicating matters further, counselors reported that it takes them, on average, seven months to help clients navigate the loan modification process.

How many of your trial or permanent modifications included principal reduction or forgiveness?



4. Underemployment and unemployment are the most cited reasons why families cannot get foreclosure prevention assistance. Counselors reported that 57.9% of modification requests were denied because of lack of income or unemployment. Participants estimated that 34% of their foreclosure clients, on average, are unemployed.

What is the most common reason why your clients are denied an MHA modification?



5. Families are losing their homes to foreclosure while their MHA applications are still being reviewed. An average of 14 clients per housing counseling agency have gone into foreclosure while their applications were under review for a loan modification. In addition, an average of 107 clients per housing counseling agency have had the foreclosure process begin while their applications were still in process, resulting in thousands of dollars in legal fees added to the client’s debt.

“Most servicers are starting the foreclosure process while the borrower is being reviewed for a workout, and even when they are completing their trial payments.”

– Housing counselor, Boulder, Colorado

6. Nearly 25% of counselors reported that as many as one-half to three-quarters of their clients facing foreclosure were given unaffordable mortgages. Unaffordable mortgages include loans with terms that borrowers did not agree to or were unaware of, that required borrowers to sign documents they did not understand, or contained other predatory characteristics.

- 7. **More than 45% of respondents reported that there has been an increase in foreclosure rescue scams in their community.** Altogether, counselors estimate that they have provided assistance to more than 13,000 victims of foreclosure rescue scams over the last two years.

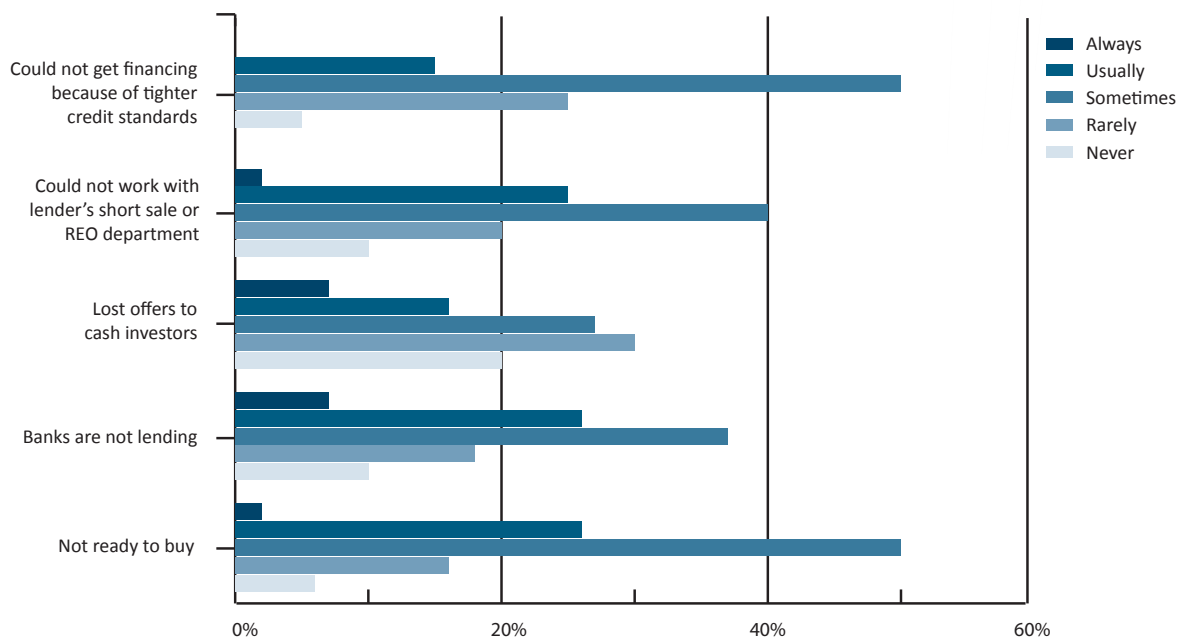
Helping Homebuyers

- 8. **Three out of four counselors reported that it is either “difficult” or “very difficult” to help their clients purchase a home.** Two-thirds reported that their clients face challenges because of tighter credit standards. More than 30% of counselors reported that they faced challenges helping their clients purchase a short sale or real estate owned (REO) property.

“Even with a more affordable market, many homes are being bought by investors, which leaves first-time homebuyers out of the market. Many homes will not qualify for financing since they are in really bad condition.”

– Housing counseling program manager, Los Angeles, California

For those who experienced a challenge, what were the barriers?



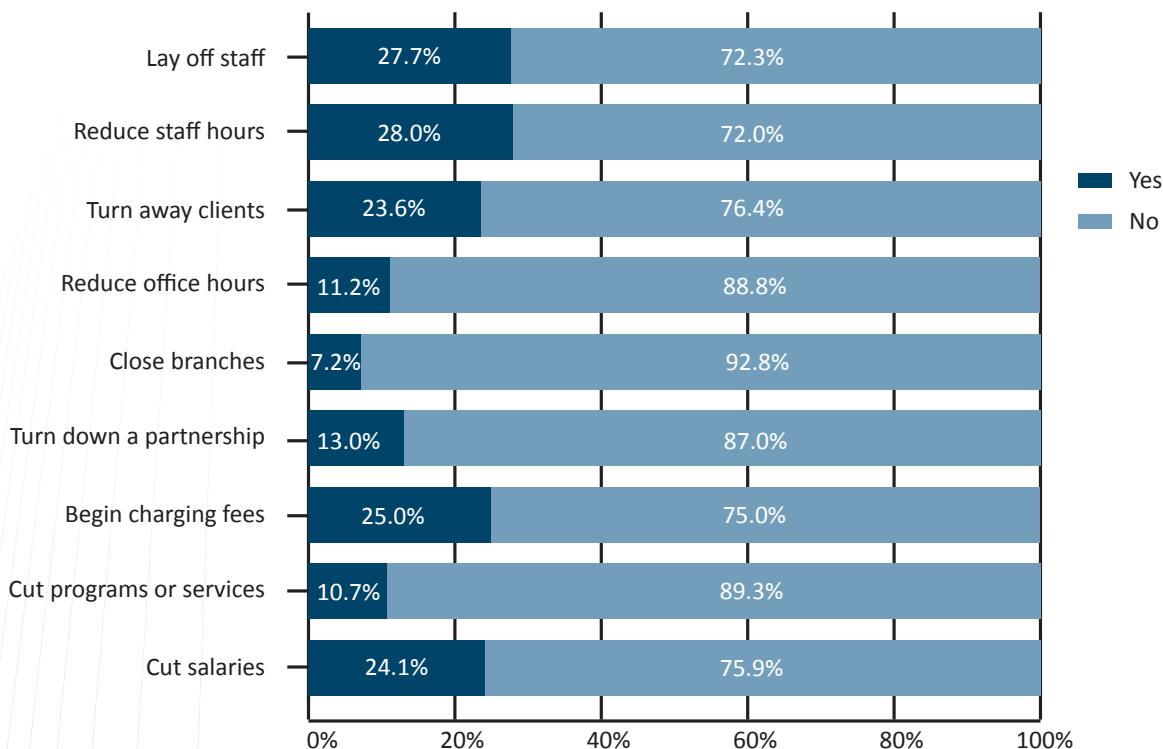
Impact of the Recession

9. **One in four participating agencies has had to cut programs because of budget shortfalls.** A high number of agencies has also had to lay off staff, cut hours or salaries, and turn away clients.

“Our funding was cut significantly by both of our grantors this year. This is leading to us turning away clients or starting a wait list for foreclosure prevention services. We are decreasing staff hours in response to this and reassigning staff to departments other than housing (as credit counselors or administrative assistants).”

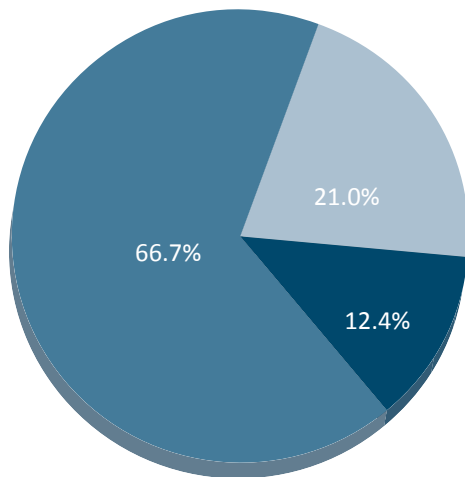
– Housing counseling program manager, Rockford, Illinois

Due to budget shortfalls, has your agency had to:

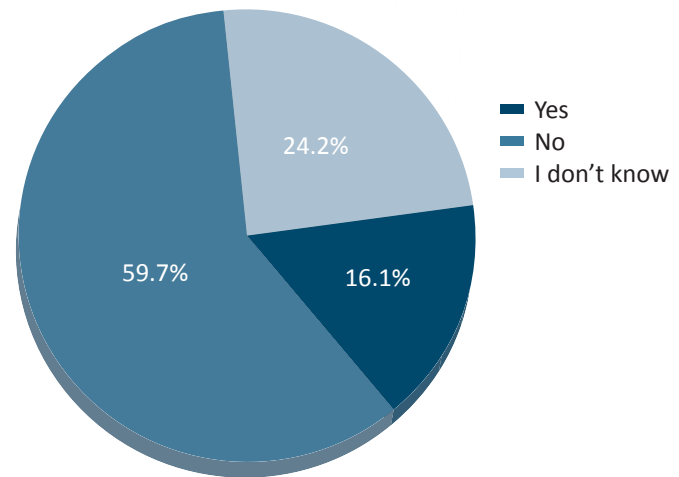


- 10. The demand for housing counseling services is growing and many agencies report that they could hire more staff if funding were available.** More than half of respondents said that they needed two to three additional staff to keep pace with the demand for services.
- 11. More than one-quarter of the counseling agencies reported that underemployment or job loss had affected staff or the spouse of a staff member, causing their family to fall behind on their mortgage.** Specifically, more than 12% of housing counseling staff are facing foreclosure because of unemployment or underemployment, and more than 16% reported that a staff member may be at risk of foreclosure because their spouse is underemployed or unemployed.

Are any of your housing counseling staff facing foreclosure because of unemployment or underemployment?



Are any of your counseling staff facing foreclosure because their spouse or family member is unemployed or underemployed?



Conclusion

Findings from this survey demonstrate that housing counseling agencies are facing numerous roadblocks to carrying out their mission to promote sustainable homeownership and prevent foreclosures. In particular, the opaque nature of mortgage servicer operations, challenges in implementing and enforcing MHA guidelines, and the unemployment crisis jeopardize the success of community institutions otherwise dedicated to preserving the wealth and assets of their neighborhood residents. Moreover, the unemployment crisis is pushing clients and even housing counselors into mortgage delinquency. Without meaningful steps to include underemployed and unemployed homeowners in foreclosure prevention efforts, families will not be able to keep their homes while they are searching for a new job. Despite increases in federal funding for housing counseling, a decrease in federal funding for foreclosure prevention counseling, and a loss of local and private funds have left counseling agencies underfunded and struggling to keep staff and meet the demands of their community.

The turbulent state of the housing market has resulted in a double hit to counseling agencies in the form of growing demand for foreclosure prevention services and home purchase services. Public and private sources must work together to ensure that these community institutions have the resources necessary to protect, stabilize, and revitalize their neighborhoods. To overcome these challenges, NCLR recommends:*

- Making loss mitigation streamlined, transparent, and mandatory
- Creating an independent appeals process for borrowers who may have been wrongfully denied a loan modification
- Including unemployed homeowners in relief efforts by increasing the MHA forbearance period from three months to 12 months for all unemployed workers
- Eliminating the barriers for first-time homebuyers attempting to purchase bank-owned homes
- Supporting community-based organizations involved in foreclosure prevention and neighborhood stabilization efforts

* For more information on NCLR's recommendations on MHA, HUD housing counseling, and other topics covered in this survey, please visit www.nclr.org/wealthbuilding.

Methodology

NCLR partnered with 12 other HUD-approved housing counseling intermediaries to develop this survey. Each intermediary distributed the survey among their network of housing counseling agencies throughout the country. In sum, 280 people participated in the survey and 178 completed all questions. Raw question and answer data are available at www.nclr.org/wealthbuilding. Participants included executive directors of housing counseling agencies, housing counseling program managers, and housing counselors.

NCLR would like to thank our fellow HUD-approved housing counseling intermediaries that distributed the survey throughout their networks, as well as the NCLR Homeownership Network Learning Alliance for distributing the survey among its students. NCLR worked with the following intermediaries:

- Affordable Housing Centers of America
- HomeFree-USA
- Housing Partnership Network
- Mission of Peace
- Mississippi Homebuyer Education Center
- Mon Valley Initiative
- National Coalition for Asian Pacific American Community Development
- National NeighborWorks Association
- National Foundation for Credit Counseling
- National Urban League
- NID-Housing Counseling Agency
- Rural Community Assistance Corporation