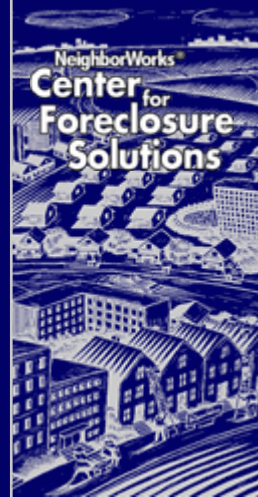




Solutions to Foreclosures: A National Strategy

NeighborWorks®
Center for
Foreclosure Solutions



NeighborWorks® America

- For almost than 30 years, NeighborWorks® America has created opportunities for people to live in affordable homes, improve their lives and strengthen their communities.
- NeighborWorks®, a Congressionally chartered organization, provides financial support, technical assistance, and training for community-based revitalization efforts around the country.



The NeighborWorks® Network

- Consists of 239 *independent* housing and community development nonprofit organizations.
- Covers all 50 states, Puerto Rico and the District of Columbia and serves over 4,400 communities (urban, suburban & rural).
- Makes it possible to engage local residents and tailor solutions to meet local needs.



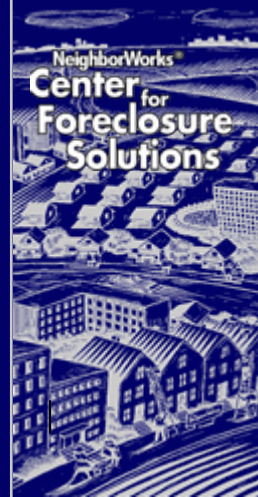
Hallmarks of the Network

- ❖ Pre-and post-purchase homebuyer education and counseling
- ❖ Single and multi family development
- ❖ Strong multifamily portfolio management
- ❖ Mortgage assistance programs
- ❖ Economic development
- ❖ Rehabilitation services and lending
- ❖ Resident engagement

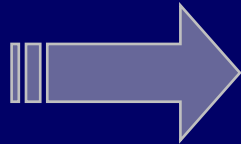
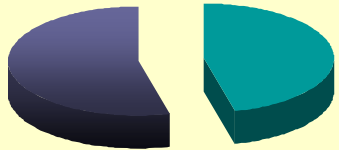


NeighborWorks® Campaign for Homeownership Results 1993-2006

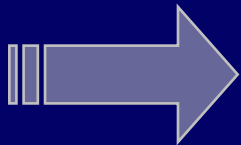
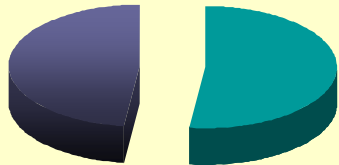
- \$12.27 billion invested in America's communities.
- 111,447 families have become homeowners.
- 637,639 families have been counseled about the home buying process.
- 95 NeighborWorks® Homeownership Centers established in communities across the country.



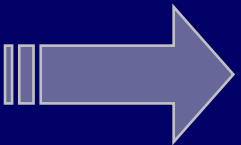
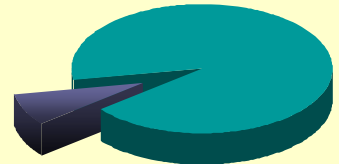
Homeownership Customers Served



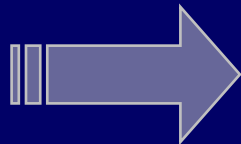
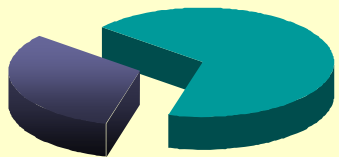
41% are female-headed households.



54% are ethnic or minority households.



93% are first-time homebuyers.



67% earn less than 80% of area median income.

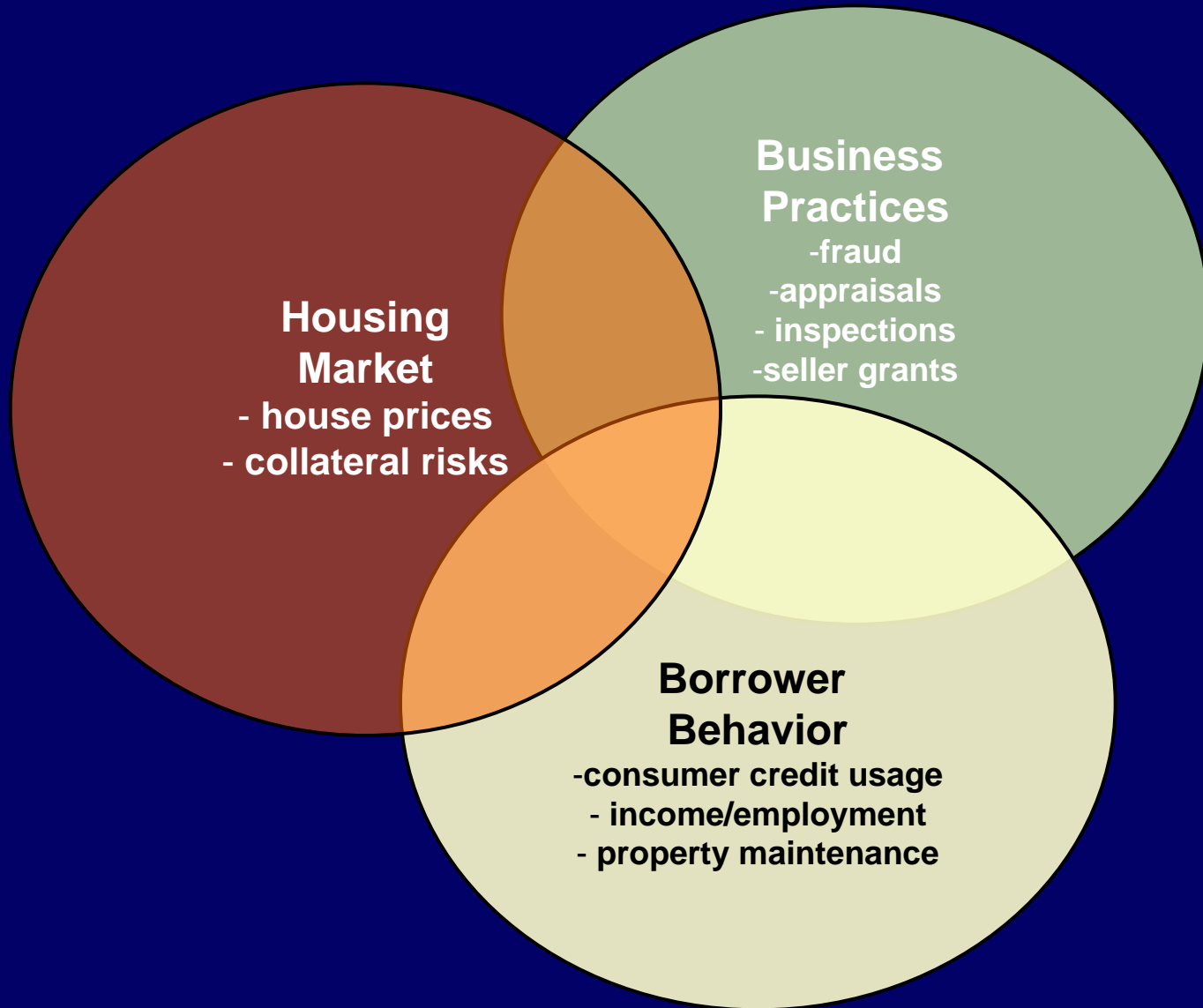


Industry/Foreclosure Trends

- In 2006, the average U.S. savings rate dropped into negative territory at -0.5%
 - Experian Information Solutions, Inc. 2007
- Average Consumer debt increased 12.5% between February 2004 (\$10,371) and February 2006 (\$11,669) - not including mortgage loan balance or monthly mortgage payment
 - Experian Information Solutions, Inc. 2007
- Cash-out refinances & home equity loan volume has increased ten-fold and continues to grow
 - State of the Nation's Housing 2005, 2007



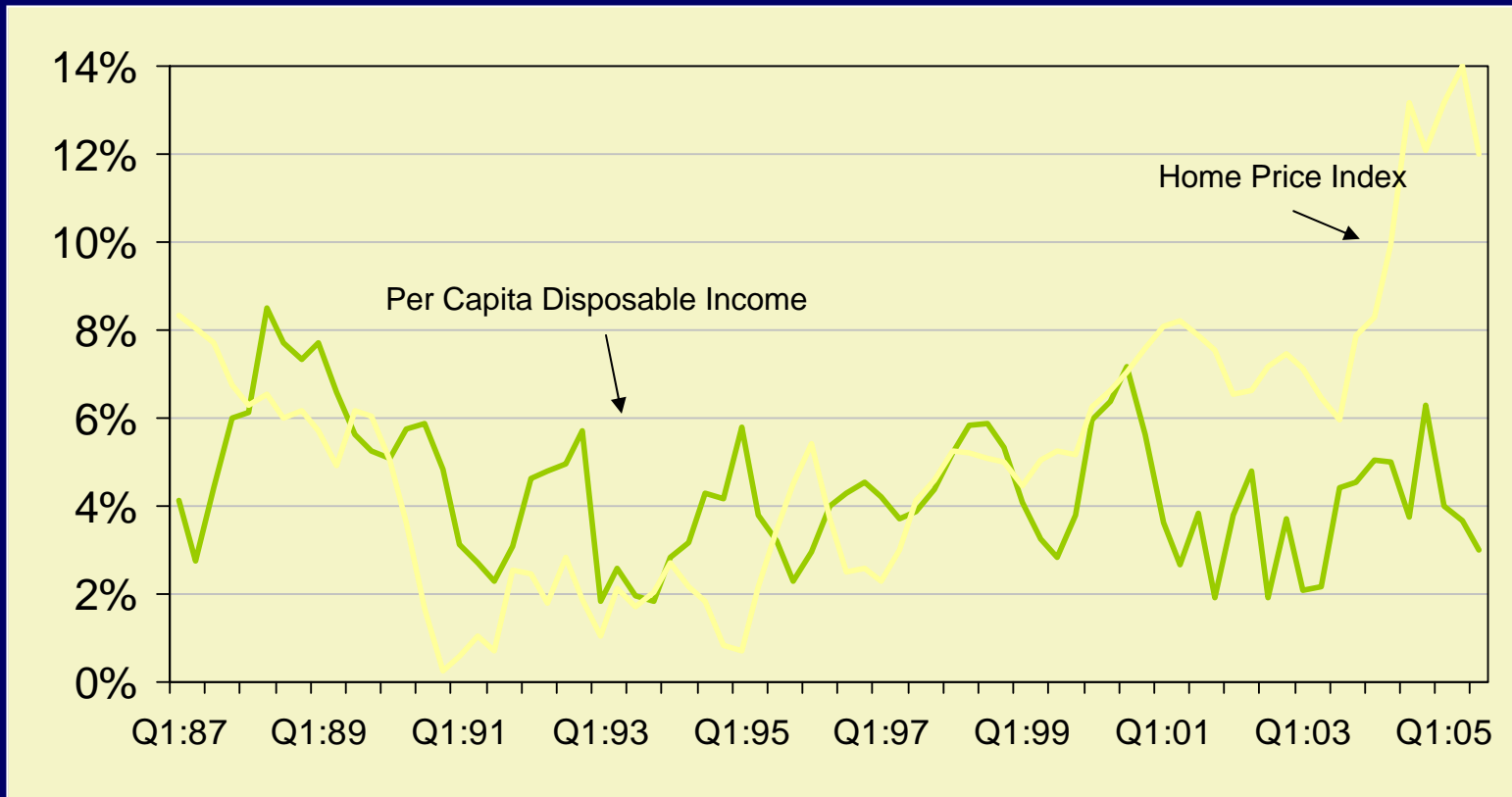
Multiple Underlying Causes of Foreclosure



Home Price Gains Far Outpace Income



Year-Ago Percent Change



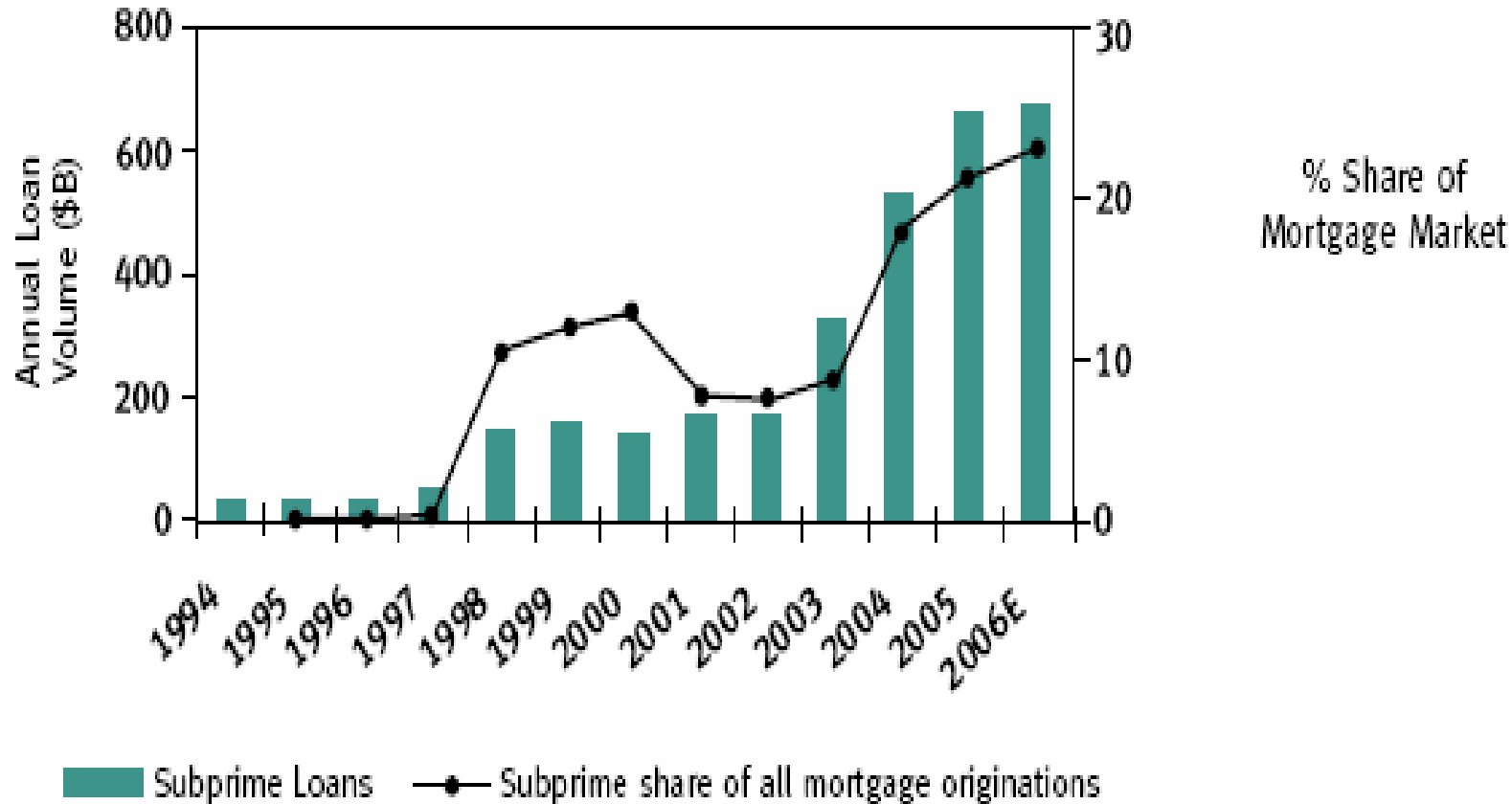
Source: Bureau of Economic Analysis, OFHEO



Rising Share of Mortgage Applications: Interest Only and Adjustable Rates



Percent



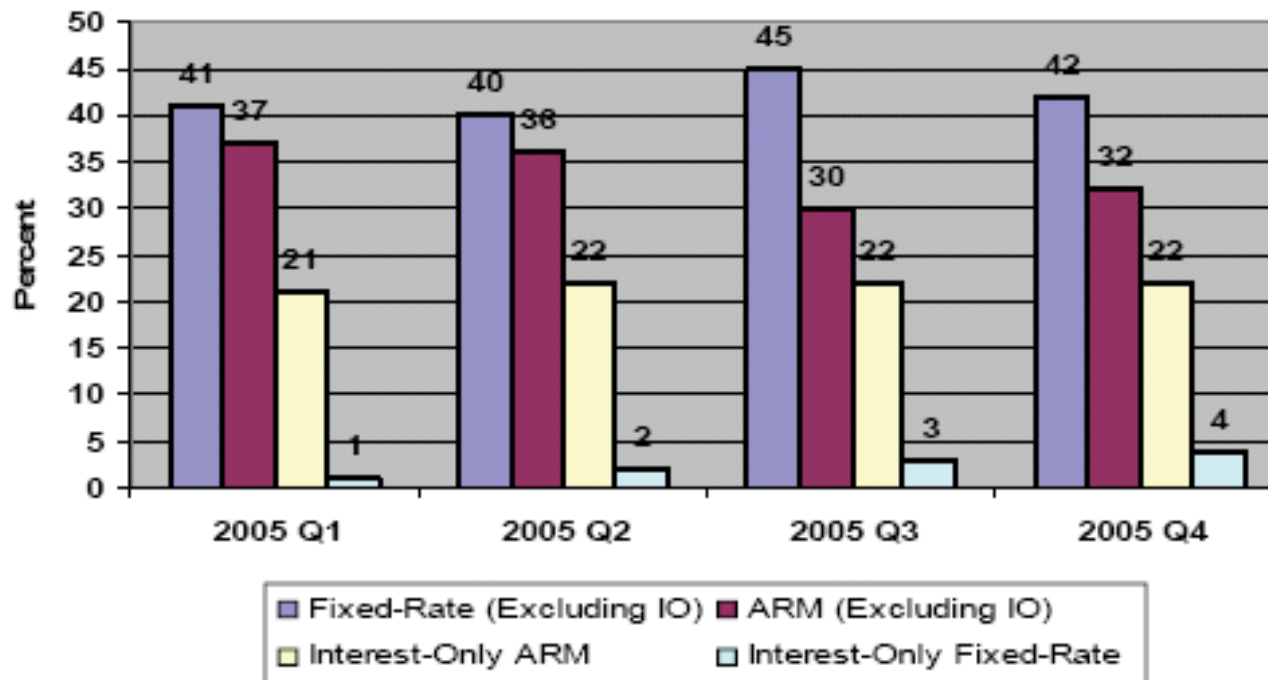
Source: Inside Mortgage Finance



2005 Origination by Amortization



Figure B-1
2005 Originations by Amortization Type
(Percent by Dollar Volume)



Source: MBA Mortgage Originations Survey



Challenge: Regulatory & Legal

- The regulatory environment varies dramatically across states
- The regulatory environment has not kept pace with the market; new guidance emerging
- Fraud/legal issues—some consumers have been the victims of fraud or predatory practices; need legal resources and enforcement to help address this aspect of the problem



Challenge: Financing Infrastructure

- The regulations under which servicers are operating are not transparent or consistent
- Securitization limits the ability to restructure loans—wide variation in how many loans can be modified. Some trusts have few curbs; others allow no more than 5% of mortgages to be changed
- Servicing side of the business has not kept up product diversification. Many borrowers grow frustrated when unable to reach beyond collections departments. Need to refine and disseminate best practices.



Challenge: Mortgage Process is Not Transparent

- Lack of transparency in non-prime market (difficult to comparison shop)
- Consumers still have difficulty getting the #s for their mortgage—they receive a “good faith” estimate but show up at closing and all of the numbers are different
- Current lack of a re-finance product that will address current needs and volume



Challenge: Uneven Counseling Capacity

- Gaps in availability and quality of counseling services—both pre-purchase and the post-purchase assistance that homeowners in financial distress need
- Proliferation of rescue scams; need re-finance product



Upcoming Challenges

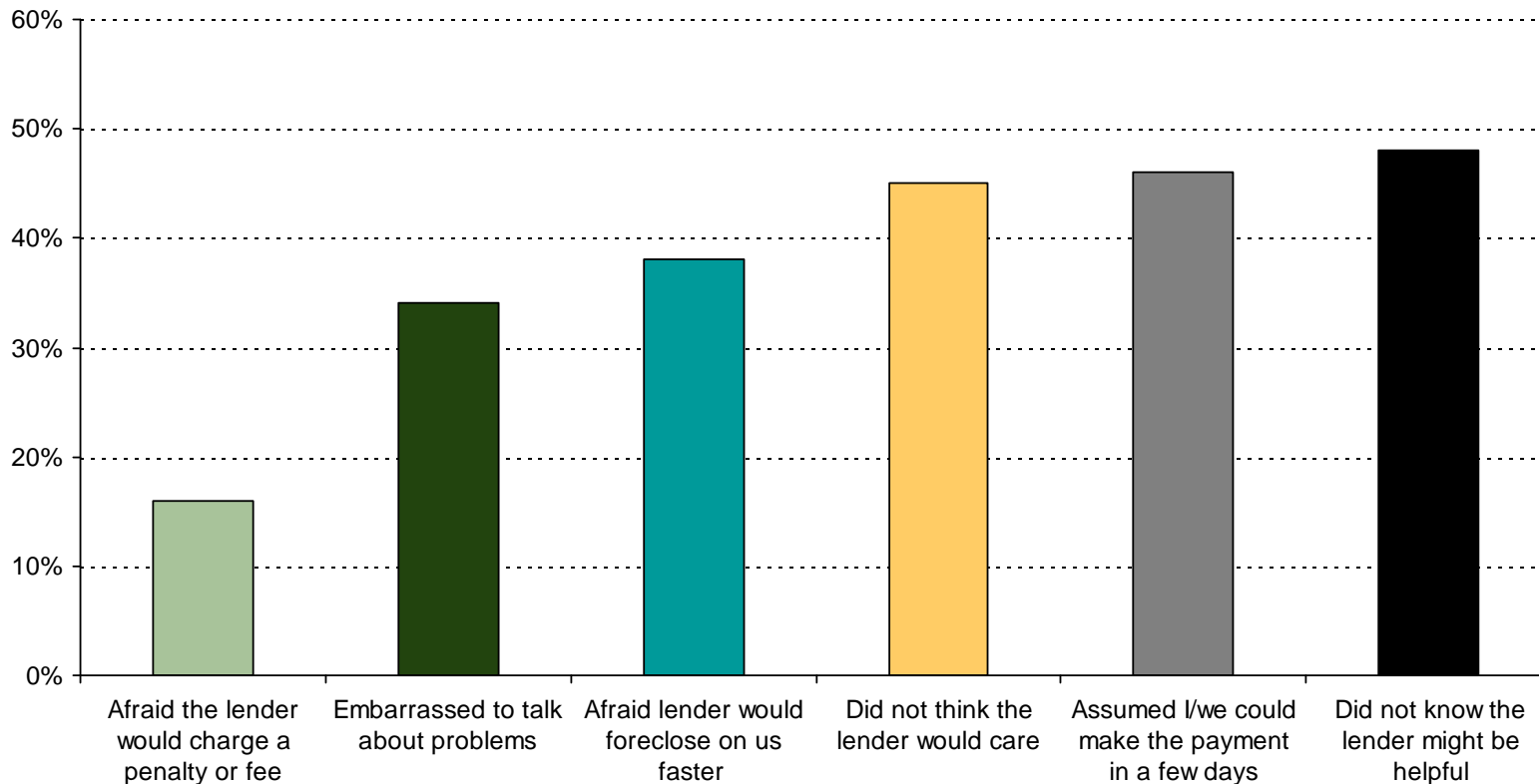
1. Excess Inventory: Drop in housing prices due to over-supply may cause some homeowners to default because they cannot sell
2. Real-Estate Owned Property (REOs): Foreclosed houses will have a negative impact on neighboring house values and in concentration on the economic health of the community
3. Credit Crunch: May make it difficult for homeowners to refinance



Challenge: Reaching the Borrower



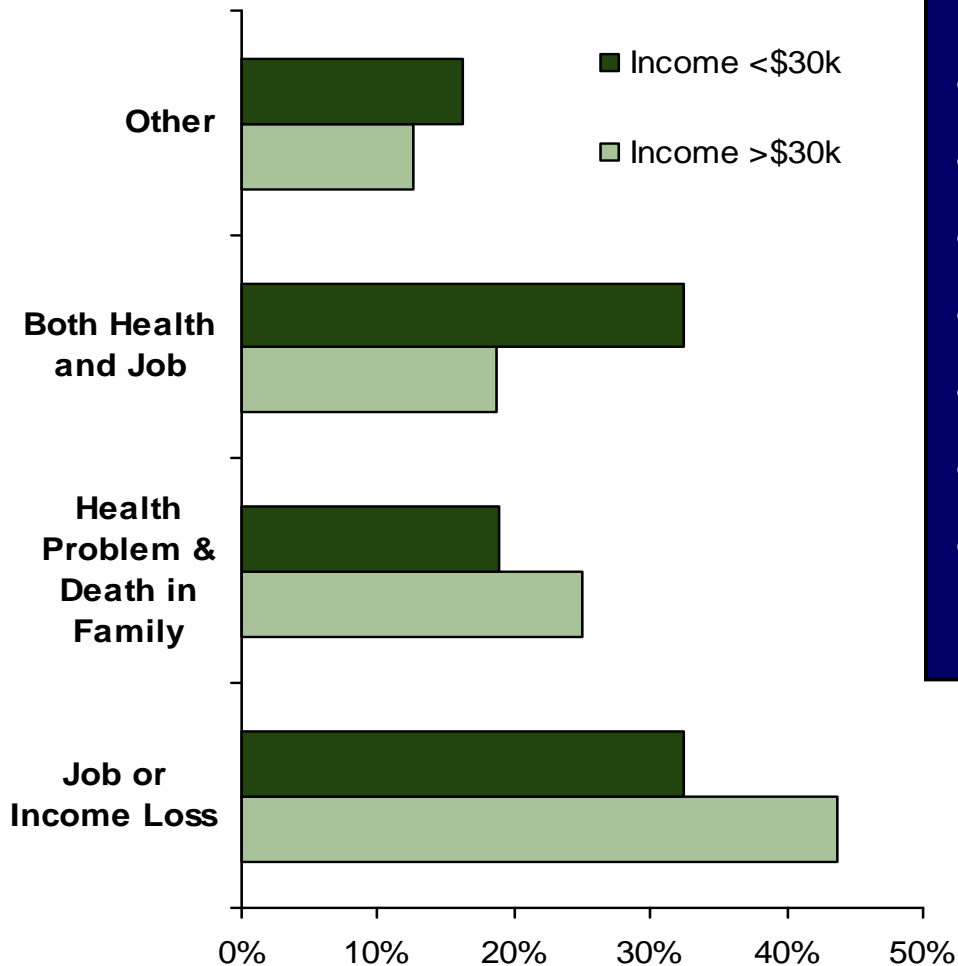
Why Did You Not Contact Your Lender/Service?



Primary Reason for Default

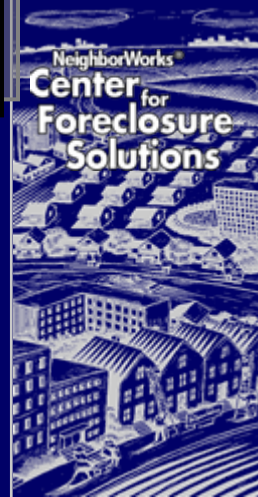


Initial Cause of Delinquency



Borrowers in Default:

- 32% are in bankruptcy
- 69% first-time buyers
- 55% first-time refinance
- Average of 2.1 refinances
- 11.6 years in home
- 22% retired seniors
- Unpaid mortgage: \$91,213



What We Know About Foreclosures & Industry-based Solutions

- Prevention through good origination is critical, but improved foreclosure intervention methods must be developed (starting with consumer awareness)
- Cost to borrower: lost home, equity & ruined credit
- Cost to community: \$30,000-\$50,000 based on law enforcement and other costs
- Cost to lenders: \$44,000 - \$58,000

(Sources: GMAC Mortgage and Cutts and Green in Exploring the Design of Financial Counseling for Mortgage Borrowers in Default by J. Michael Collins, PolicyLab Consulting Group, unpublished)



Success is Possible: Chicago HOPI

■ January 1, 2004 – May 31, 2005

- 843 homeowners in Chicago completed counseling sessions
- 471 sessions paid for by participating lenders
- Estimated 37% cured problem or sold home within a year of receiving services
- \$38 million in homes in Chicago's neighborhoods

Source: Chicago Dept. of Housing Tabulations of CCRC Database



Expansion: A National Model



Building on the HOPI model we have a created a national partnership to address foreclosure problems across the country.



National Partners



- American General
- Bank of America
- Barrett Burke, LLP
- Citi
- Countrywide
- EMC Mortgage
- Fannie Mae
- Freddie Mac
- GE Money
- GMAC Rescap
- Homeownership Preservation Foundation
- Housing Policy Council
- HSBC
- IndyMac
- JP Morgan Chase
- LaSalle Bank Corporation
- Mortgage Bankers Association
- NeighborWorks®
- National City
- Ocwen
- Option One
- PMI
- State Farm Insurance
- SunTrust
- Wells Fargo Home Mortgage
- Washington Mutual



NeighborWorks® Center for Foreclosure Solutions Activities



❖ Public Outreach and Education

- 3 Year Ad Council Campaign: national, regional, and local: TV, Radio and Print ads.
- Geared to Increase Contact Rates with Borrowers
- Uses existing 888-995-HOPE hotline and referrals to local NeighborWorks® and other non-profit organization

❖ Build Foreclosure Counseling Capacity

- Partnership with 1-888-995-HOPE.
- Certified, Standardized training programs for housing counselors and loss mitigation professionals.



NeighborWorks® Center for Foreclosure Solutions Activities



❖ Hot Spot Coalitions

- Partnering with local community partners
- Local training, workshops and counseling
- Local marketing to reach distressed borrowers

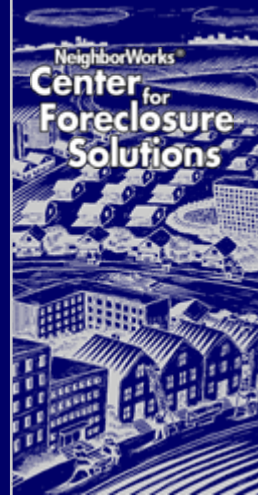
❖ Research

- Local trends to inform local strategies
- Hot Spot Forecasting
- Effective and Efficient Strategies





Solutions to Foreclosures: A National Public Awareness Campaign



Borrower Behavior: The Facts

- Approximately 50% of delinquent borrowers do not make contact with their lender.
 - Homeownership Preservation Foundation data
- Homeowners fail to contact their lender because they are embarrassed, don't believe the lender can help, and/or believe it would cause them to lose their home more quickly.
 - Freddie Mac/Roper poll of 2,031 U.S. homeowners, conducted 2005.



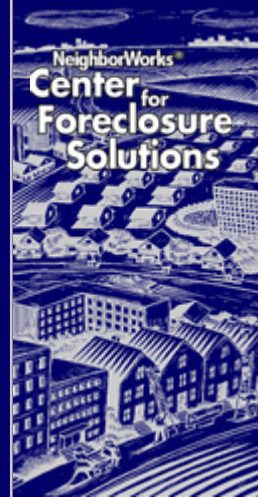
Knowledge is Power

- 3 year national advertising campaign: TV, radio, print, outdoor, web, grassroots collateral (fliers, postcards).
- Objective: Reduce foreclosures by helping at-risk homeowners understand their options and urge them to seek help by calling 888-995-HOPE.
- Targeted at low- and moderate-income delinquent borrowers.
- Launched June 25, 2007 in Washington, DC
- With series of local launches throughout 2007/2008



Reaching Homeowners: 888-995-HOPE

- Toll-free, 24/7 hotline – on-demand foreclosure prevention counseling
- Trained counselors, from HUD-approved agencies, English & Spanish
- Connect caller with lender or a local (NeighborWorks®) organization
- Currently 5,000 homeowners counseled a month



Benefits of Partnered Service: 888-995-HOPE + NeighborWorks®

- Immediate and anonymous hotline appeals to distressed borrowers
- Face-to-face counseling provides additional value
- Efficient leverage of resources; saves local organizations time and money
- 86% of homeowners counseled would recommend hotline service to family and friends



The Campaign: National & Local

- ❖ National Coverage: 33,000 media outlets
- ❖ Hot Spot Focus
 - Partnering with local community partners
 - Local training, workshops and counseling
 - Grassroots marketing to reach distressed borrowers
 - Local trends to inform local strategies



“Ways to Engage”

- Promote foreclosure counseling and make your networks and communities aware of the Campaign and resources
- Utilize the PSA campaign to reach your communities and provide your partners with consumer outreach materials
- Refer delinquent homeowners to 888-995-HOPE hotline



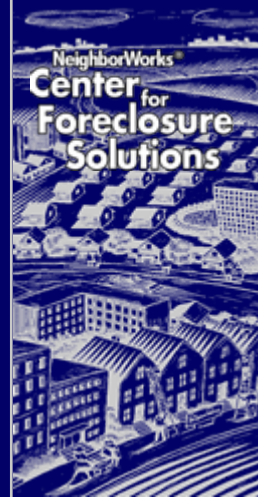
“Ways to Engage” Continued

- Explore training opportunities for your counseling staff through the NeighborWorks® Center for Homeownership Education and Counseling (NCHEC)
- Partner with NeighborWorks® and utilize our replication guide to set up foreclosure intervention programs
- Work with NeighborWorks® to raise the visibility of this issue, educate at-risk borrowers, and provide effective solutions to impacted communities



National Approach Makes Sense

- Foreclosure intervention/prevention is good business
- It's less expensive to counsel and restructure loans than to foreclose
- We can reach economies of scale by working together nationally and maximize impact
- Many partners help reach more borrowers and bring more resources
- Leverages critical resources
- Metrics in place to prove results





Solutions to Foreclosures: A National Strategy

NeighborWorks®
Center for
Foreclosure Solutions

